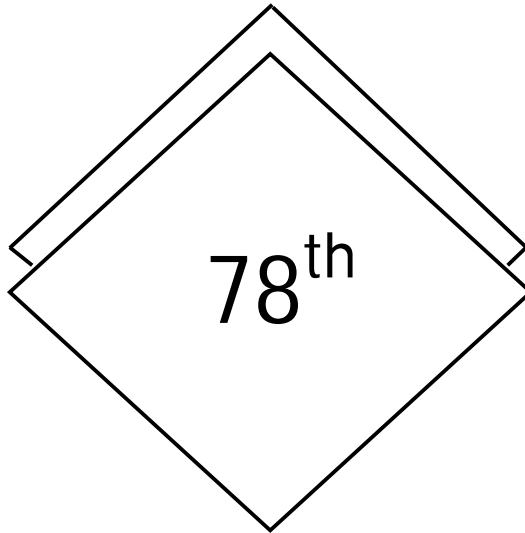




**EL FORGE LIMITED**



**ANNUAL REPORT**

**2013 – 2014**

EL FORGE LIMITED

<b>FINANCIAL HIGHLIGHTS</b>					
	<b>31.03.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>30.06.2011</b>	<b>31.03.2010</b>
	<b>9 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>15 Months</b>	<b>12 Months</b>
	<----- <b>Rs. In Lacs</b> ----->				
SALES & OTHER INCOME	6739.90	7637.27	9727.45	10773.15	7966.34
<b>PROFIT/LOSS(-) BEFORE TAX</b>	<b>(1135.59)</b>	<b>(3382.03)</b>	<b>(841.98)</b>	<b>(977.64)</b>	<b>(269.22)</b>
TAXATION	0.00	0.00	-76.14	0.00	-5.43
<b>PROFIT/LOSS(-) AFTER TAX</b>	<b>(1135.59)</b>	<b>(3382.03)</b>	<b>(918.12)</b>	<b>(977.64)</b>	<b>(274.65)</b>
<b>Balance Sheet</b>					
<b>ASSETS</b>					
<b>EMPLOYED:</b>	-	-	-	-	-
<b>FIXED ASSETS – NET</b>	<b>10304.39</b>	<b>10680.03</b>	<b>11461.83</b>	<b>11879.26</b>	<b>11907.31</b>
INVESTMENTS	392.76	471.05	471.05	471.05	471.05
NET CURRENT ASSETS	-523.19	612.95	3701.56	4054.66	4681.02
<b>Total</b>	<b>10173.96</b>	<b>11764.03</b>	<b>15634.44</b>	<b>16404.97</b>	<b>17059.38</b>
-	-	-	-	-	-
EQUITY SHARE CAPITAL	2032.43	2032.43	2032.43	862.95	862.95
PREFERENTIAL SHARE CAPITAL/ADV. FOR EQUITY	1211.12	1211.12	1211.12	500.00	150.00
RESERVES & SURPLUS	-3651.62	-2516.01	929.72	857.96	1844.41
MISC. EXPENDITURE	-332.75	-332.75	-332.75	-353.80	-332.75
LOAN FUNDS	10914.78	11369.24	11793.92	14537.86	14534.77
<b>Total</b>	<b>10173.96</b>	<b>11764.03</b>	<b>15634.44</b>	<b>16404.97</b>	<b>17059.38</b>

# EL FORGE LIMITED

## BOARD OF DIRECTORS

Sri.V.Srikanth, Chairman

Sri.V.Ramachandran, Director

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

## COMPANY SECRETARY

Smt.R.Sowmithri

## AUDITORS

P.Rajagopalan & Co.

Chartered Accountants

## BANKERS

STATE BANK OF INDIA, Stressed Assets Management Branch, Chennai 600 008

UNION BANK OF INDIA, Industrial Finance Branch, Chennai 600 108

AXIS BANK LTD. Anna Salai, Chennai 600 002

IDBI Bank Ltd. Greams Road, Chennai 600 006

EXPORT IMPORT BANK OF INDIA, Anna Salai, Chennai 600 002

Edelweiss Asset Reconstruction Company Limited Mumbai – 400 098

ROYAL BANK OF SCOTLAND, Harrington Road, Chennai 600 031

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

## SHARE TRANSFER AGENTS

M/s,INTEGRATED ENTERPRISES (INDIA) LTD.

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

## REGISTERED OFFICE

21C, A.R.K. Colony, Eldams 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 Forging Ltd.

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

# EL FORGE LIMITED

## NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 78<sup>th</sup> Annual General Meeting of EL FORGE LIMITED will be held on Friday, the 26<sup>th</sup> day of September, 2014 at 2.30 PM at Narada Gana Sabha Trust, Mini Hall, 314, T.T.K.Road, Chennai 600 018 to transact the following business :

### ORDINARY BUSINESS.

1. To receive, consider and adopt the audited accounts for the 9 months period ended 31<sup>st</sup> March, 2014, the Auditors Report and the Directors Report thereon.
2. To appoint Auditors of the Company and authorise the Board to fix their remuneration.

To consider the appointment of M/s.P.Rajagopalan & Co, Chartered Accountants, No.32, 2<sup>nd</sup> Cross Street, West CIT Nagar, Chennai 600035 as the Statutory Auditors of the Company to hold office from the conclusion of the 78<sup>th</sup> Annual General Meeting till the conclusion of the 81<sup>st</sup> Annual General Meeting subject to ratification as per the provisions of Companies Act, 2013 and the Board to fix their remuneration.

### SPECIAL BUSINESS

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

**“Resolved that** pursuant to the provisions of Sections 196, 197 and other applicable provisions if any of the Companies Act, 2013 and subject to the approvals as may be necessary approval of members be and is hereby given to re-appoint Mr.K.V.Ramachandran as Vice Chairman & Managing Director of the Company for a period of five years from 1.4.2014 with retrospective effect on the following terms of remuneration in terms of schedule V to the Companies Act, 2013 and rules made their under relating to Managerial Remuneration.

**“Resolved Further that** above remuneration allowed to the Vice Chairman & Managing Director shall be subject to such limits for the remuneration as laid down by the Government in schedule V to the Companies Act, 2013 and / or such changes/variations/substitutions as may be made therein from time to time.

**“Resolved Further that** notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the Vice Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary and perquisites not exceeding the limits specified in schedule V to the Companies Act,2013.

## EL FORGE LIMITED

**“Resolved Further that** the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 2013 and/or the Rules and Regulations made there under and/or such guidelines as may be announced by the Central Government from time to time”.

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

**“Resolved that** in supercession of the resolution passed under Section 293(1) (d) of the companies act, 1956, at the Annual General Meeting held on 27<sup>th</sup> September, 2007 and pursuant to Section 180 (1) (c) and other applicable provisions if any, of the Companies Act, 2013 and the Rules made there under the Company hereby accords its consent to the Board of Directors of the Company for borrowing on behalf of the Company monies from time to time by way of loans, debentures, advances, credits or otherwise with or without security as the Board of Directors may consider proper, including a charge or mortgage on the whole or part of the Company's undertaking or assets, notwithstanding that the monies so borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) from one or more financial institutions in India or abroad or from any bodies corporate or persons in India or abroad may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose provided that the total amount which may be so borrowed by the Board of Directors and outstanding at any one time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not at any time exceed Rs.200 Crores (Rupees Two Hundred Crores only).

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

**“Resolved that** the Report of Board of Directors of the Company to the shareholders on erosion of more than fifty percent of the Company's peak net worth during immediately preceding four financial years by its accumulated losses as on March 31, 2014 and the causes for such erosion as required under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, “SICA” be and is hereby considered and approved”.

**“Resolved Further that** in accordance with requirement of Section 23 of the SICA, the Company do report to the Board for Industrial and Financial Reconstruction (“BIFR”) of the fact that the accumulated losses of the Company as on March 31, 2014 have resulted in an erosion of more than fifty percent of its peak net worth during immediately preceding four financial years”.

## **EL FORGE LIMITED**

**“Resolved Further that** Mr.V.Srikanth, Executive Chairman, Mr.K.V.Ramachandran, Vice Chairman & Managing Director, Mrs.R.Sowmithri, ED(Finance) & Secretary of the Company be and are hereby severally authorised to send the report to BIFR and do all such acts, deeds, matters and things as it may deem necessary, desirable and expedient in relation thereto”.

**“Resolved Further that** Mr.V.Srikanth, Executive Chairman, Mr.K.V.Ramachandran, Vice Chairman & Managing Director, Mrs.R.Sowmithri, ED(Finance) & Secretary of the company be and are hereby severally authorised to delegate all or any of the powers herein conferred by this resolution to any director or directors or to officers of the Company”.

**By Order of the Board**

**Place : Chennai**  
**Date : 11.08.2014**

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

## EL FORGE LIMITED

### Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy so appointed need not be a member of the Company. The proxy to be valid, shall be deposited with the Company not later than forty eight hours before the time for holding the meeting. Same person shall not be appointed as proxy on behalf for more than fifty members.
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 explanatory statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of the Item 3 to 6 of the Notice set out above, is hereto annexed.
5. The Register of Members will be closed from 20.09.2014 to 26.09.2014 both days inclusive.
6. As a result of the amendments introduced in Sections 205A to 205C of the Companies Act, 1956, unclaimed dividend for a period of 7 years has been transferred by the company to "Investor Education and Protection Fund" of Central Government.
7. Members are requested to communicate the change of address, if any, quoting their respective folios to the Share Transfer Agents of the Company.
8. 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.
9. The nomination has to be made in the form prescribed without any cost to the shareholders. Shareholders interested, are requested to contact the "Shares Department" El Forge Limited, No.21C, A.R.K.Colony, Eldams Road, Alwarpet, Chennai 600 018.
10. 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.
11. 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 and INE158F03013.
12. The dividend declared during 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.
13. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting, forms part of the notice. The Directors have furnished the requisite declarations for their appointment / re-appointment.

## EL FORGE LIMITED

14. Website – Quarterly information on results and other developments are posted on the Company's Website. Members also note that the notice of the 78<sup>th</sup> Annual General Meeting and the Annual Report for 2013-14 will also be available on the Company's website : <http://www.elforge.com>
15. Electronic copy of the Annual Report will be sent to members in future whose email IDs are registered with the Company / Depository Participant(s) for communication purposes unless any member requests for a physical copy of the same. Positive consent letter is attached to the Notice being sent to the members for giving consent to receive documents in electronic mode.
16. In future electronic copy of the Notice of the General Meetings of the Company inter alia indicating the process and manner of e-voting along with attendance slip and proxy form will be sent to the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member requests for a physical copy of the same.
17. Members may also note that the Notice of the 78<sup>th</sup> Annual General Meeting and the Annual Report 2013-14 will also be available on the Company's website [www.elforge.com](http://www.elforge.com) for being downloaded. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days till the date of the meeting. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's Investor email id : [accounts@elforge.com](mailto:accounts@elforge.com)

### 1. **Voting through Electronic means**

- I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through e-voting Services provided by National Securities Depository Limited (NSDL).

The instructions for e-voting are as under:

- A. In case a Member receives an email from NSDL (for members whose email IDs are registered with the Company / Depository Participant(s)):
  - (i) Open e-mail and open PDF file viz. "SPL e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL:  
<https://www.evoting.nsdl.com/>
  - (iii) Click on Shareholder – Login
  - (iv) Put user ID and password as initial password noted in step (i) above. Click Login.



## EL FORGE LIMITED

(v) Password change menu appears, Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof, Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(vi) Home page of e-Voting opens. Click on e-Voting: Active Voting Cycles.

(vii) Select “EVEN” of El Forge Limited

(viii) Now you are ready for e-Voting as Cast Vote page opens

(ix) Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.

(x) Upon confirmation, the message “vote cast successfully” will be displayed.

(xi) Once you have voted on the resolution, you will not be allowed to modify your vote.

(xii) Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are also required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail: [bhave23@rediffmail.com](mailto:bhave23@rediffmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

B In case a Member receives physical copy of the Notice of AGM (for members whose email IDs are not registered with the Company/Depository Participant(s) or requesting physical copy)

(i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM.

**EVEN** (E Voting Event Number) **USER ID PASSWORD/PIN**

(ii) Please follow all steps from Sr. No.(ii) to Sr. No. (xII) above, to cast vote.

- II. In case of any queries, you may refer the Frequently Asked Questions(FAQs) for shareholders and e-voting user manual for Shareholders available at the “downloads” section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

## **EL FORGE LIMITED**

- V. The e-voting period commences on 19<sup>th</sup> September, 2014 (9a.m) and ends on 21st September, 2014 (6 p.m). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 25<sup>th</sup> August, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
  - VI. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 25<sup>th</sup> August, 2014.
  - VII. Mrs.B.Venkatalakshmi, Practicing Company Secretary (Membership No. CP1005) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
  - VIII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman/Managing Director of the Company.
  - IX. The Results shall be declared on or after the AGM of the Company. The results declared along with the Scrutinizer's report shall be placed on the Company's website [www.elforge.com](http://www.elforge.com) and on the website of NSDL within two(2) days of passing of the resolutions of the AGM of the Company and communicated to BSE Ltd. and National Stock Exchange of India Ltd.
2. For the convenience of the members, Attendance Slip is annexed to this notice. Members /Proxy Holders / Authorised Representative are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.

# EL FORGE LIMITED

## ANNEXURE TO THE NOTICE

### I. EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

#### Item No. 3

The five year tenure of appointment of Mr.K.V.Ramachandran the Vice Chairman & Managing Director of the Company ended as of 31<sup>st</sup> March ,2014. The Board of Directors pursuant to the resolution adopted on 15<sup>th</sup> May, 2014 reappointed Mr.K.V.Ramachandran, as Vice Chairman & Managing Director for a period 5 years from 1.4.2014 to 31.03.2019. As the company is under financial strain the terms of appointment has not been changed. The remuneration fixed before 5 years is continued in the reappointment terms.

#### Salary

##### I. Salary

A Salary of Rs.1,35,000/- (Rupees One lakhs thirty five thousand only) per month in the grade of Rs.135000-7500-165000 and a special allowance of Rs.15000/- (Rupees fifteen thousand only) per month.

##### Commission

Commission based on Net Profits of the Company in a particular year as decided by the Board, which put together with Salary and perquisites shall be subject to the overall ceilings laid down the Companies Act, 1913 shall be paid.

##### II. Perquisites

##### Residence

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

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

- 2) Medical Reimbursement

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

## **EL FORGE LIMITED**

### 3) Leave Travel Concession

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

### Explanation

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

### III) Club Fees

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

### IV) Personal Accident Insurance

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

### V) Hard and Soft Furnishing

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

### Perquisites not included in managerial remuneration

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

### Others

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

## EL FORGE LIMITED

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

**Details of Director Seeking re-appointment at the ensuing Annual General Meeting fixed on Friday the 26<sup>th</sup> September, 2014 as required under Clause 49 of the Listing Agreement with Stock Exchanges are given hereunder:**

<b>Name of Director</b>	<b>Shri.K.V.Ramachandran</b>
Date of Appointment	01.04.2014
Expertise in specific Functional areas	Industrialist
List of other Directorships held Excluding foreign companies under Section 25 of the Companies Act, 1956 and Private Companies,	Coromandel Steels Ltd Wesco Engineers Ltd
Chairman / Member of the Committees of the Board of other Companies in which he is a Director @	Nil
No.of Shares held in The Company	133166
Relationship between Directors Interse*	Nil
DIN	00322331

@ Committee positions only of Audit Committee and Shareholders/Investors Grievance Committee in Public Companies have been considered

\* Under the Companies Act, 2013

Mr.K.V.Ramachandran, Vice Chairman & Managing Director, may be deemed to be interested in the Resolution, since it relates to their appointment and remuneration.

No other director is concerned or interested in the Resolution.

### Item No.4

The Borrowing power of the Board of Directors is presently Rs.150 Crores which was approved by the Members at the Annual General Meeting held on 27<sup>th</sup> September, 2007. Due to the change in the governing sections of the Companies Act,2013 and the restructure plans of the company the resolution is placed for increased borrowal limits .

## **EL FORGE LIMITED**

Accordingly by a resolution under Item No.4, the consent of the members of the Company is being sought for increasing the borrowing power of the Directors to Rs.200 Crores.

Your Directors recommend the resolution for your approval.

None of the Directors is concerned or interested in the resolution.

### **Item No . 5**

In terms of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, if the accumulated losses of an Industrial Company as at the end of any financial year have resulted in erosion of fifty percent or more of its peak net worth during the immediately preceding four financial years, the said Company falls under the category of "Potentially Sick Industrial Company" and is required to report the fact of such erosion to the Board for Industrial and Financial Restructuring ('BIFR") within 60 days from the date of finalization of the audited accounts, which is the date of Annual General Meeting in which such accounts are approved by the shareholders.

As per the audited accounts of the Company for the financial year ended March 31, 2014 the accumulated losses of the Company at March 31, 2014 amounting to Rs.7134.63 lakh have resulted in erosion of more than fifty percent of its peak net worth of Rs.2946.80 lakh during the four financial years preceding and financial year ended March 31, 2014 (calculated as per provisions of SICA)

The facts relating to such erosion of its causes and the revival measures being taken by the Company are explained in the enclosed report of the Board of Directors forming part of this notice.

The Board recommends the resolution as given in the Notice for your approval as on ordinary resolution.

The documents referred in this notice and explanatory statement are available for inspection during business hours on all working days (except Saturdays, Sundays and holidays) at the Registered Office of the Company until the date of the Annual General Meeting or any adjournment thereof.

The report of the Board of Directors for this item has been annexed .

None of the directors and Key Managerial Personnel and their relatives in any way concerned or interested, financially or otherwise, in the resolution except to the extent of their shareholding in the Company.

**By Order of the Board**

**Place : Chennai**  
**Date : 11.08.2014**

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

## **EL FORGE LIMITED**

### **REPORT OF BOARD OF DIRECTORS TO THE SHAREHOLDERS OF EL FORGE LIMITED UNDER SECTION 23(1)(B) OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985**

In terms of requirements of Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 a report of the Board of Directors on erosion of more than 50% of the Company's peak net worth during the immediately preceding four financial years along with its causes and revival plan is being submitted herewith to the Members of the Company.

As per audited financial accounts of the Company for the nine months ended March 31, 2014 adopted by the Shareholders of the Company at their 78<sup>th</sup> Annual General Meeting held on September 26, 2014, the accumulated losses as at the end of financial period March 31, 2014 stood at Rs.71.34 Crores (Rs.59.99 Crores in 2012-13, Rs.26.17 Crores in 2011-12, Rs16.98 Crores in 2010-11 and Rs 19.24 Crores in 2009-10) which are more than 50% of its peak net worth of Rs.29.47 Crores during the four financial years preceding the financial period ended March 31, 2014 calculated as per the provisions of SICA.

#### Causes for erosion of Net Worth

Our company is one of the first forge shops in South India. It was set up in 1964. This being the case it was necessary for the Company to modernize the plant in order to attract world wide customers. Towards this objective the Company decided to set up a world class plant in Chennai.

In 2005 the Company purchased land in Appur and started the construction. The area was near to the SIPCOT area which was to have a special power substation that would supply power to our plant also. However due to the circumstances the sub station erection was unduly delayed. As a result our factory had to draw a separate power line from Maraimalai Nagar at Company's cost.. This resulted in connection being delayed for more than a year and as a consequence the factory could not start production till January 2007 as envisaged.

This was a major setback for the project as the interest costs and repayments had started even before commencement of commercial production.

While the Company was carrying out the trial production and stabilizing for serial production the power cut was introduced in Tamilnadu which was another blow. By the time the company could reorganize and manage the power position the global recession in 2008 came with a big bang and the orders from overseas customers dropped to very low levels. The capacity utilization fell below 30% of total capacity leading to losses. To summarise the reasons for losses leading to erosion of net worth are

- Delay in power connection
- Uncertain power situation in Tamilnadu
- Global financial crisis
- Significant drop in industrial production
- Non receipt of working capital on time from bankers

While there was stress on operations, the world class facility and the quality of our product retained our orders from customers which gave the Company hope for restructure and revival.

The Company therefore addressed the servicing of the borrowings from banks through a Corporate Debt Restructure scheme in 2009. This Restructure envisaged infusion of equity and release of funds for working capital by the Banks. Equity infusion was made to improve the operations and move to profitable levels. In keeping with CDR conditions for restructuring, stipulated equity was brought in by the Company.

## **EL FORGE LIMITED**

In spite of the fresh infusion of funds through equity, the bank finance was delayed and came in at different points of time such delays resulted in the funds going for debt service rather than scaling up of the operations. The working capital support from Banks at this juncture was delayed beyond a year.

The Company was unable to reach the projected turnover leading to consecutive losses over the years from 2008-09 till date.

The accumulated losses as on 31.03.2014 amounts to Rs.71.35 Crores.

Due to this the net worth of the Company has been eroded.

### Measures initiated by the Company to improve financial performance

The Customers goodwill, the state of the art manufacturing facility and the quality of the forgings have retained the best of Customers.

The world class OEM's have approved the Company's facility. With the customer support in procuring the material the Company continues its operations though at 30% level in order to service the customers and retain the value of going concern.

The Company has repeatedly approached the banks for a further re-structure and working capital support.

The Company has planned to encash its non-core assets and improve the operations and also settle the debt.

The Company is also exploring Investors willing to take over the debt from banks thro settlement plan and bring down the debt levels of the company to sustainable position and also assist turnaround of the Company to profitable levels.

The Company has initiated cost saving measures and brought down the costs to ensure further profitability.

All the above measures will help the Company emerge out of the present position and steer the business to a profitable position in the future. With the result, the Company will be able to recover the eroded net worth and gain good financial strength in the years to come.

**On behalf of the Board of Directors  
for EL Forge Limited**

**Place : Chennai  
Date : 11.08.2014**

**V. Srikanth  
Chairman  
(DIN 00076856)**

**K.V.Ramachandran  
Vice Chairman  
&Managing Director  
(DIN 00322331)**



**EL FORGE LIMITED**  
**REPORT OF THE DIRECTORS**

The Directors present the 78<sup>th</sup> Annual Report along with the Audited Accounts of the Company for the 9 months period ended 31st March, 2014.

	For the 9 Months ended 31.03.2014	For the year ended 30.06.2013 (12 months)
	(Rs.In Lakhs)	
Gross Sales	6358.89	8298.07
Other Income	847.64	103.98
Profit/(Loss) before Depreciation	(430.21)	(2595.67)
Profit/(Loss) after Depreciation	(1135.60)	(3382.03)
Net Profit/(Loss) after tax	(1135.60)	(3382.03)

**Year in Retrospect**

The past year was very tough for the operations of the company. The company's efforts to infuse long term funds by sale of non core assets could not be achieved as the value for these assets could not be unlocked due to the economic situation. The restructure of debts were conditional on the funds raised and, since this could not be done the restructure proposal was not be taken up. The consequent non availability of funds and reduced operations resulted in loss during 2013-14.

The company is continuing the efforts to achieve profitable levels by looking at all possible solutions available in this situation.

**Dividend**

The Directors have not recommended any dividend for the nine month ended 31<sup>st</sup> March, 2014.due to loss.

**Subsidiary Company**

The subsidiary Company Shakespeare Forgings Ltd has made a profit of Rs.74.63 lakhs during the 9 months period and does not depend on the Parent Company for its operations. Pursuant to the provisions of Section 212(8) of the Companies Act, 1956 (Act) read with General Circular No.8 of 2014 issued in No.1/19/2013-CL-V & its General Circular No.2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs vide, has granted a general exemption subject to certain conditions to holding Companies from complying with provisions of Section 212 of the companies Act,1956, which requires the attaching of Balance Sheet, Profit & Loss account and other documents of its

## **EL FORGE LIMITED**

subsidiary companies to its Balance Sheet. Accordingly, the said documents are not being included in this Annual Report. The main financial summaries of the subsidiary companies are provided under the section 'Subsidiary Companies'. The Company will make available the said annual accounts and related detailed information of the Subsidiary Companies upon the request by any member of the Company or its subsidiary companies. These accounts will also be kept open for inspection by any member at the Registered Office of the Company.

### **Borrowings**

The total outstanding with the banks as on 31<sup>st</sup> March, 2014 is Rs.139.57 Crores. The account has been classified as Non Performing Asset by all the Banks. During the nine months period, the company could not make any payments to the banks for the dues. The company is trying to find funds to repay the banks and re structure the debts by roping in investor/ new lender/ sale of non-core assets.

### **Directors**

The tenure of the executive Chairman Mr.V.Srikanth ended on 30th June,2014. He has opted to continue as Chairman of the Company without drawing any remuneration.

During the year Export Import Bank of India had replaced the existing nominee Director with Mr.P.J.Manjunaath . Subsequently the Bank had assigned and transferred the loan along with the underlying securities to Edelweiss Asset Reconstruction Company. Due to this the Bank withdrew its nominee director from the Board. We do not have any nominee Director at present.

### **Corporate Governance**

With reference to Corporate Governance guidelines as laid at in Clause 49 of the Listing Agreement, the Company has not been able to fill in the vacancies caused by the resignation of all independent directors during this year. The Company seeks time to fill in the vacancy.

At present the Company has three directors of which two are executive directors and one non executive promoter director. As a result the audit committee, remuneration committee etc which need to be constituted with independent directors is not possible in the present circumstance. All the 3 directors have carried out the duties of the audit committee & remuneration committee. Apart from this all other stipulations have been complied with by the Company. The detailed report on Corporate Governance is annexed. The compliances have been reported and the Certificate from the Statutory Auditors have also been annexed to the Report on Corporate Governance.

### **Management Discussion and Analysis**

Management Discussion and Analysis report for the year under review as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

## **EL FORGE LIMITED**

### **Research & Development**

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

### **Industrial Relations**

Employees at all levels have contributed to the performance of your Company. Your directors place on record the co-operation of employees during the year under report. The Directors also place on record the unstinted cooperation extended by the staff members during the period under review.

### **Fixed Deposits**

The Company has as on 31st March, 2014 deposits amounting to Rs.140.67 lakhs. Subsequent to the last Annual General Meeting, the company has not accepted fresh deposits or renewed existing deposits. The refunds are made as and when refund requests are received.

### **Applicability of Section 217(2A) of Companies Act, 1956**

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

### **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

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

The Directors state that

- a) In the preparation of Annual Accounts the applicable accounting standards had been followed.
- b) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2014 and of the Profit or Loss of the Company for that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors had prepared the Annual accounts on a going concern basis.

## **EL FORGE LIMITED**

### **Auditors**

M/s P.Rajagopalan & Co, Chartered Accountants, retire at the close of this Annual General Meeting and are eligible for re-appointment. The Company has received confirmation from the firm that their reappointment will be within the limits prescribed under Section 141(3)(g) of the Companies Act, 2013. The Board has recommended their re-appointment for a term of three years from 2014-15 to 2016-17. The necessary resolution is being placed before the shareholders for approval.

### **Cost Auditor**

S.Sundar& Associates, Cost Accountants,Chennai, Cost auditor of the company under section 233 of the Companies Act,1956 has been reappointed as the company's Cost Auditor for the Financial year 2014-15.

### **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.

### **Addendum to Directors' Report**

In response to the Audit Emphasis matters and qualification the directors state the following :

#### Statutory Dues

The Company is facing funds constraint, due to this the Company has not been able to make regular payments for statutory dues. The Management is taking steps to clear the dues. During the year under report, the company has paid dues for 15months,related to earlier periods

#### Gratuity Fund

The contribution to the gratuity fund is pending due to funds constraint. The Management is taking steps to comply with the requirement and regularize the fund.

#### Going Concern

The Management has prepared the accounts on a going concern as there has been no stoppage in the manufacturing operations or sale of our products. The world class plant attracts the auto majors and others with no let up in the orders. Due to working capital inadequacies, we are not able to service all the orders on hand. Our forging products are known for their quality and the fact that customers returns rejections are negligible confirms the quality.

## **EL FORGE LIMITED**

### Change in Accounting Policy

The Banks have classified our account (the borrowings by the company) as Non performing Asset and have stopped charging interest. We have decided to adopt the same and have changed our accounting policy on interest on banks borrowings. We have decided not to charge interest since banks have not charged the same on the company. Therefore the Company has changed the method of accounting of interest on bank borrowings from mercantile to cash basis.

Our Company is in forging business from 1964 and this is the fiftieth year of operations and endured many business cycles. The management is taking steps to address the financial requirements and is confident of addressing the same and move to profitable levels. The current assets position will be strengthened once the company generate profits from operations. The management is confident of resolving the issues and hence prepared the financial statements on going concern basis.

### Change of Accounting Year

The Companies Act, 2013 had made it necessary for all Companies to follow a uniform accounting year to end on 31<sup>st</sup> March every year. The Board decided to fall in line and hence closed the financial year 2013-14 for 9(nine) months ending of 31.03.2014

### Acknowledgements

The Company places on record the 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, Kotak Mahindra Bank Ltd and Bank of Baroda. We also thank all our Customers, Suppliers and others connected with the business for their co-operation. We sincerely thank the shareholders for their support.

**By Order of the Board**

**Place : Chennai  
Date : 11.08.2014**

**V.SRIKANTH  
EXECUTIVE CHAIRMAN**

**EL FORGE LIMITED**  
**ANNEXURE TO DIRECTORS' REPORT**

Information in accordance with the Companies  
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988  
and forming part of the Directors' Report for the year ended 31st March 2014.

**CONSERVATION OF ENERGY**

- |    |  |  |
|----|--|--|
| 1  | Energy Conservation measures taken   | Furnace oil gas and Power consumptions 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>2013-14 9 Months</b>	<b>2012-13 12 Months</b>
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. ELECTRICITY		
a) Purchased		
Unit	5805366	6353272
Total Amount (Rs.)	53607411	63495544
Rate/Unit(Rs.)	9.23	9.99
b) Own Generation		
Through Diesel Generator:		
Units	68607	486850
Units/ltr. of Diesel Oil	2.71	2.74
Cost per Unit (Rs.)	21.31	18.75
2. FURNACE OIL & L.D. OIL		
Quantity (in Ltrs)	463420	859380
Total Amount (Rs.)	18631019	31029991
Average rate	40.20	36.11
3. GAS FOR HEAT TREATMENT		
Quantity ( in Kgs)	170253	176124
Total Amount (Rs.)	12252302	13093453
Average Rate (Rs.)	71.97	74.34
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Product - Steel Forgings	Standards	Standards
Unit/MT. of Made Steel Forgings	(if any)	(if any)
(a) Electricity (Units)	1336	1114
(b) Furnace Oil/L.D.Oil (Ltrs)	274	290
(C) Gas ( Kgs)	64	64

Note : No standards are available for comparison.

**EL FORGE LIMITED**  
**FORM B**  
**(See Rule 2)**  
**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO**  
**TECHNOLOGY ABSORPTION**

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

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

**TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

- |    |  |   |
|----|--|---|
| 1. | Efforts in brief, made towards technology absorption, adaptation 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 satisfaction.<br>2. Present and prospective buyers are being invited to see our production and Inspection facilities.<br>3. Quality systems are constantly being upgraded to meet international requirements. |
| 3. | Total Foreign Exchange<br>(a) Used (Rs.)<br>(b) Earned (Rs.)  | 74027<br>158252160  |

# **EL FORGE LIMITED**

## **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 year.

### **Economic Situation**

The economic situation in India is witnessing improvements in all sectors such as industrial growth, increased investment interests by global funds, improved market sentiments etc. However the automotive industry has shown a declining trend in 2014. There has been a fall in demand in the car and commercial vehicle segments. The Rupee has gained strength compared to the levels in 2013. The Company's Order book is steady inspite of the Industry trend. This is possible due to the manufacturing facility and quality certifications of the Company.

### **Opportunities & Threats**

The state-of-the-art shop is well equipped and quality certifications are also in place. This is a positive factor and has attracted major global auto manufacturers and Tier one giants like GKN, TRW etc. The order book continues to be encouraging and the factory being in the Auto belt in Chennai has a locational advantage in its potential for new business.

Fluctuating steel prices, rising fuel and power costs and increase in virtually every input costs are a threat to the business. Restructuring the borrowing and augmentation of working capital are to be addressed at the earliest.

### **Risk Management**

Managing foreign exchange inflows is very important for the company. Our Company sells into both the export market and the domestic market. Our domestic customers in turn sell to their overseas Customers in Europe, America and China. The wide market reach, acts as an insulation from the local vagaries which will otherwise make it dependent on the economies of a single country. Depending on the situation the company takes appropriate cover to safeguard the values.

### **Commodity Price Risk**

The fluctuating 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.



# **EL FORGE LIMITED**

## **Foreign Exchange Risk**

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

## **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.

## **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 sound HR practices. There are 380 employees on the rolls of the Company.

## **Cautionary Statement**

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

# EL FORGE LIMITED

## CORPORATE GOVERNANCE REPORT

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

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

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

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

### 2. Composition of Board

There are only three members on the Board of Directors at present. The Board is comprised of whole time Director-Vice Chairman & Managing Director, the Chairman and a promoter Director.

As a result of resignation of the independent Directors during the year the composition of the Board is not in conformity with the listing agreement. The Company is making efforts to appoint independent directors.

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 / Chairman-Ships in other Indian Public Companies		
		Number of Board Meetings			Other Directorships	Committee Memberships	Committee Chairman-Ships
		Held	Attended	Last AGM			
Mr.V.Srikanth	Executive	4	4	Yes	2	2	--
Mr.K.V.Ramachandran	Executive	4	4	Yes	2	2	--
Mr.K.J.Ramaswamy	Non Executive & Independent	4	2	No	5	2	1
Mr.V.Ramachandran	Non-Executive & Non Independent	4	3	Yes	3	2	--
Mr.Balraj Vasudevan	Non Executive & Independent	4	1	No	6	2	1
Mr.K.Ajit Kumar	Non Executive Nominee	4	2	No	3	--	--
Mr.P.J.Manjunaath	Non Executive Nominee	4	1	No	--	--	--

## EL FORGE LIMITED

During the year Mr.K.J.Ramaswamy and Mr.Balaraj Vasudevan resigned from the Board on 30.08.2013, and Export Import Bank of India has withdrawn the Nominee Director .

### 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 2013-2014, four Audit Committee Meetings were held on 10/05/2013, 30/08/2013, 29/11/2013 and 14/02/2014.

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 2013-14	
		Held	Attended
Mr.V.Ramachandran Member	Non Executive Director	4	3
Mr.K.J.Ramaswamy Member	Independent Director	4	2
Mr.Balraj Vasudevan	Independent Director	4	1

After the resignation of the independent Directors, all the three directors of the company function as the audit committee and approve the results.

## EL FORGE LIMITED

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

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

- a) Review the remuneration of the Executive Chairman and Vice Chairman & Managing Director after considering the Company's performance.
- b) Review and recommend payment of commission to the Chairman, Vice Chairman & Managing Director and Deputy Managing Director.
- c) Recommend to the Board, the remuneration including Salary, Perquisites and Commission to be paid to the Wholetime Directors of the Company.

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

Name of the Directors	Category	Number of meeting attended during 2013-14	
		Held	Attended
Mr.V.Ramachandran	Non Executive Director	Nil	Nil
Mr.K.J.Ramaswamy	Independent Director	Nil	Nil
Mr.Balaraj Vasudevan	Independent Director	Nil	Nil

After the resignation of the independent directors the committee does not exist. The Board decided the terms of reappointment of the Vice Chairman & Managing Director.

### **Details of Remuneration paid to Board of Directors**

Non-whole time Directors		Name	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
Name	Sitting Fees (Rs.)				
Mr.K.J.Ramaswamy	11000				
Mr.V.Ramachandran	16500	V.Srikanth	1327500	1006458	2333938
Mr.Balaraj Vasudevan	5500	K.V.Ramachandran	1282500	1100525	2383025
Export Import Bank of India	9000				
<b>Total</b>			2610000	2106963	4716963

\* Out of the above remuneration to Mr.V.Srikanth and Mr.K.V.Ramachandran – Rs.2177401/- remains unpaid.

## EL FORGE LIMITED

### Service Contracts, Severance Fees and Notice Period

Period of Contract of Vice Chairman : 5 Years from 1.4.2014  
& Managing Director

#### 5. Shareholders Committee

The Board functions as the Committee after the resignation of the independent directors. Mr.V.Ramachandran, heads this committee. The Committee meets at frequent intervals to consider, inter alia share transfers, shareholders' complaints etc.

During the Financial Year 2013-14 four Shareholders / Investors Grievance Committee Meetings were held on 10/05/2013, 30/08/2013, 29/11/2013 and 14/02/2014.

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 2013-2014
Mr.V.Srikanth	Executive Director	4
Mr.V.Ramachandran	Non Executive & Non Independent Director	3
Mr.K.J.Ramaswamy	Non Executive & Independent Director	2

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
2010-2011	Narada Gana Sabha Mini Hall, 314, T.T.K.Road, Alwarpet, Chennai 600018	Nov 30, 2011	10.30 am
2011-2012	Nagar Hall, South India Hire Purchase Association, Deshbandu Plaza, 1 <sup>st</sup> Floor, No.49, Whites Road, Royapetta, Chennai 600 014	Dec 17, 2012	10.45 am
2012-13	Nagar Hall, South India Hire Purchase Association, Deshbandu Plaza, 1 <sup>st</sup> Floor, No.49, Whites Road, Royapetta, Chennai 600 014	Dec 30, 2013	10.30 am

## EL FORGE LIMITED

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

### 7. **Subsidiary Companies**

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

### 8. **Disclosures**

#### Details of related party transactions :

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

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

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

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

During the year there has been no fresh issue of capital.

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

During the year there is no proposal for appointment /reappointment of directors.

#### 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.

## EL FORGE LIMITED

### 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 Newstoday and Malai Chudar

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             | : 26 <sup>th</sup> September, 2014 at 2.30 PM                            |
| Venue                     | : Narada Gana Sabha Mini Hall, 314, T.T.K.Road, Alwarpet, Chennai 600018 |
| Book Closure Date         | : 20.09.2014 to 26.09.2014 (both days inclusive)                         |
| Cut off date for e-voting | : 25.08.2014   |
| E-Voting                  | : 19.09.2014 to 21.09.2014   |

#### b) **Financial Calendar**

The Financial Year of the Company from July to March (Nine Months). The results for every quarter beginning from July is declared within 45 days from the end of the quarter and 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 20<sup>th</sup> September, 2014 to 26<sup>th</sup> September 2014 both days inclusive.

## EL FORGE LIMITED

### 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

Dalal Street

Mumbai 400 001

### e). Stock Code

Bombay Stock Exchange Limited

Code No.531144

### 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 2013-14 are as under:

Month	<i>Quotations at Bombay Stock Exchange (BSE)</i>		<i>Quotations at National Stock Exchange (NSE)</i>	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
July 2013	5.44	3.16	7.95	6.05
August' 2013	5.95	4.91	8.30	6.55
September' 2013	5.66	4.52	8.00	6.70
October' 2013	4.45	3.28	9.65	6.35
November 2013	4.22	3.16	8.90	6.50
December' 2013	3.62	3.10	8.25	6.35
January 2014	3.92	2.95	8.05	6.30
February 2014	4.70	3.65	7.75	5.25
March 2014	4.18	2.99	6.75	4.50



## EL FORGE LIMITED

**g) Registrars and Share Transfer Agents**

M/s.Integrated Enterprises (India) Ltd, “Kences Towers”, 2<sup>nd</sup> Floor, 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	<i>For the Year 2013-14</i>	
	Received	Cleared
Relating to Transfer, Transmissions, Dividend, Demat and Remat and Change of Address etc.	3	3

**j) Distribution of Shareholdings as on 31<sup>st</sup> March, 2014**

Sl.No	Category	No.of Holders	% of Holders	No.of Shares	% of Shares
1.	Upto 500	8038	79.45	866095	4.26
2	501 to 1000	1066	10.54	739392	3.64
3.	1001 to 2000	390	3.85	588077	2.89
4.	2001 to 3000	171	1.69	436099	2.15
5.	3001 - 4000	78	0.77	277780	1.37
6.	4001 - 5000	65	0.64	304493	1.50
7.	5001 - 10000	124	1.23	909508	4.47
8.	10001 and above	185	1.83	16202860	79.72
*** Total ***		<b>10117</b>	<b>100.00</b>	<b>20324304</b>	<b>100.00</b>

## EL FORGE LIMITED

### k) Pattern of Shareholding as on 31<sup>st</sup> March, 2014

Sl.No.	Category	No.of Shares	% of Shareholding
1.	Promoters	8385858	41.26
2.	Corporate Bodies	2095668	10.31
3.	Mutual Funds	1605	0.01
4.	Bank's	990	0.01
6.	NRI's/Foreign Nationals	50329	0.25
7.	Public	9789854	48.16
	Total	<b>20324304</b>	<b>100.00</b>

### l), Dematerialisation of shares and liquidity

About 96% of the shares have been dematerialised as on March, 31, 2014. 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 Company Secretary 21C, A.R.K.Colony, Eldams Road, 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 Vice President 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.

## **EL FORGE LIMITED**

### **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 Director, 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 : The 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 year ended 30<sup>th</sup> June 2013.

**Place : Chennai**  
**Date : 11/08/2014**

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

## **EL FORGE LIMITED**

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

To

The Members

M/s.EL Forge Limited

We have examined the compliance of conditions of Corporate Governance by M/s.EL Forge Limited, for the nine months period ended 31<sup>st</sup> March, 2014 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 1) The Board does not have independent directors at present and the function of all committees have been discharged by the Board consists of all 3 Directors. 2) While the Shareholders/Investor Grievance Committee has not maintained records to show the investor grievances pending for a period of one month against the Company, the Registrars of the Company have maintained the records of Investor Grievances and certified that as at 31<sup>st</sup> March, 2014 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 : 11/08/2014**

**R.VENKATESH  
PARTNER  
(M.No.28368)**

## **EL FORGE LIMITED**

The Board of Directors  
EL Forge Limited  
21 C, ARK Colony  
Eldams Road  
Chennai 600018.

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

We hereby certify that for the 9 months period ended 31<sup>st</sup> March, 2014 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.
2. 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.
3. These are to the best of our knowledge and belief, no transactions entered into by the Company during the 9 months period 2013-14 which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. 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 change in accounting policies for reckoning interest on Banks.
  - 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 : 11/08/2014**

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

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

# EL FORGE LIMITED

## Independent Auditor's Report on the Financial Statement To the Members of EL Forge Limited

### 01. Financial Statements, their period, etc.,

We have audited the accompanying financial statements of EL Forge Limited ('the Company') which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the nine months ended 31<sup>st</sup> March 2014 and a summary of significant accounting policies and other explanatory information.

### 02. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act') [which (i.e., Accounting Standards) continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs]. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

### 03. Auditor's Responsibility

- (01) Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- (02) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
- (03) We believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for our audit opinion.

### 04. Emphasis Matters

*Without qualifying our opinion, we draw the attention to the following*

- (01) *Item No II-21 in Note 26 on Financial Statements, Interest & penalty leviable, if any, for non-remittance of statutory dues, on account of delay / short remittance of statutory dues is not ascertainable at present.*
- (02) *Item No.II-20 in Note 26 on Financial Statements, Non-Payment of contribution to Employees Gratuity Plan agreed upon with Life Insurance Corporation of India, amounting to Rs. 96.30 Lakh, as per the amount determined based on the information available with the Company. Accordingly, the disclosure under AS-15, namely, Employees' Benefit has not been made.*

# EL FORGE LIMITED

## Independent Auditor's Report on the Financial Statement (Continued) To the Members of El Forge Limited

- (03) *Item No.II-24 in Note 26 on Financial Statements, relating to change in the accounting period and accordingly the accounting period, under report, is for a period of 9 month, from 1<sup>st</sup> July, 2013 to 31<sup>st</sup> March, 2014, as against a period of 12 months (1<sup>st</sup> July, 2012 to 30<sup>th</sup> June 2013) during the immediately preceding previous Period.*

### 05. Basis for Qualification of Opinion

- (01) *The Company's operating results has been materially affected due to various factors during the nine months ended 31st March, 2014, under report, and the Company has huge accumulated losses as on the aforesaid date, which has eroded entire net worth of the company. Accordingly, the appropriateness of the going concern assumption is dependent on the Company's ability to establish consistent profitable operations as well as raising, obtaining or infusing adequate/ required fund to meet its short term and long term obligations.*
- (02) *At the end of the financial Period 2013-14, net worth of the company has been totally eroded and become negative of an amount of minus Rs.3162.65 Lakh [after excluding amount of Rs.1219.03 Lakh shown under capital Reserve (other than share premium; in other words, this capital reserve has not been considered as part of reserve due to revaluation) in the Notes 02 on Financial Statements; Rs.1535.56 Lakh, relating to Deferred Interest and Deferred Revenue Expenses (Since in our opinion, this is not an assets that can be realized, in the ordinary course of business but only can be written off), Note 12 on Financial Statements, due to accumulated loss of the Company amounting to Rs. 7134.63 Lakh (which includes Current Period loss) as on the Balance Sheet date].*
- (03) *Further, the Company's Current Liabilities (as at 31st March, 2014) have also exceeded its Current Assets by an amount of Rs. 6667.30 Lakh. These factors also raise doubts about the ability of the Company to continue as a going concern.*
- (04) *In case the going concern concept is vitiated, necessary adjustments will be required on the carrying amount of Assets and Liabilities which are not ascertainable (as at 31st March, 2014), at this stage.*
- (05) *During the Period under report, the company has changed the method of accounting of Interest on Bank Borrowings (both short term and long term borrowings) from mercantile method to cash method. Accordingly, an amount (as determined by the management, based on the information available with them, and relied upon by the auditors) of Rs.1050.83 Lakh, relating to 9 months, comprising the period from July 1, 2013 to March, 2014, has not been provided in the books of account and the same has not been charged as an expense in the Statement of Profit and Loss Account under report. Had the aforesaid interest been provided, as per the earlier method of accounting, consistently followed by the company, the operating loss, for the period under report, would have been more by an amount of Rs.1050.83 Lakh and the Net worth, as at March 2014, of the company would have been less by an equal amount (or in other words, the minus figure of the net worth would be more by the same amount).*

### 06. Qualified Opinion

*In our opinion and to the best of our information and according to the explanations given to us, the financial statements, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.*

- (01) *In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;*
- (02) *In the case of the Statement of Profit and Loss, of the Loss for the Period ended on that date; and*
- (03) *In the case of the Cash Flow Statement, of the cash flows for the Period ended on that date.*

# EL FORGE LIMITED

## 07. Report on other Legal and Regulatory Requirements

- (01) As required by the Companies (Auditors Report)order, 2003('the Order'), as amended, issued by the Central Government of India in terms of sub section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (02) As required by Section 227(3) of the Act, 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 purpose 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) The report on the accounts of the branch offices, as required by clause (c) of sub-section (3) of section 228, is not applicable for the Period under report, since the company has not appointed any branch auditor for the Period under report and accordingly dealing with the report of Branch Auditors, in preparing our report, does not arise;
  - (e) *Except for the matters described in Emphasis matters and the Basis for Qualified Opinion paragraphs above, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section(3C) of Section 211 of the Act [which (i.e., Accounting Standards) continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs]; and*
  - (f) On the basis of written representations received from the Directors, as on 31st March, 2014, and taken on record by the Board of Directors, none of the Directors are disqualified as on 31st March, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

Place: Chennai  
Date: 11-08-2014

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

R.VENKATESH  
Partner  
MNo:28368



## EL FORGE LIMITED

### ANNEXURE TO INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENT (Referred in paragraph 07(1) of our report of even date)

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 Period, 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 Period under report, are 3 and Rs. 29.19 Lakhs 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.

## EL FORGE LIMITED

### 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 Period 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: -

*Based on our examination and according to the information and explanation given to us, we make following observations regarding deposits accepted by the company.*

- 01) *Out of the total deposit amount of Rs.140.67 Lakhs as at 31<sup>st</sup> March 2014, an amount of Rs.29.16 Lakhs remained unclaimed and unpaid after maturity period. The company has accepts fresh deposits of Rs.25 Lakhs, even though the net worth of the company has become negative as at 31/03/2014 and the appropriateness going concern concept is doubtful.*
- 02) *Subject to the above the company has complied with the directives issued by the Reserve 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.*
- 03) *As explained to us, no order has been passed by the company Law Board or Nation Law Company Tribunal or Reserve Bank of India or any other court or any other Tribunal on company in respect of the deposits accepted by the company.*

### 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: -

We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determine whether they are accurate and complete.

## EL FORGE LIMITED

### 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 229.55 Lakhs 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) As at the end of the financial period under report, no undisputed amount of income tax / sales tax / Wealth tax / Service Tax / Custom duty / Excise duty / Cess has been outstanding except those, given below

Sl.No	Nature of the Statute	Nature of the dues	Amount ( Rs. In Lacs)	Year 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 Year 2004-05	CIT Appeals Chennai
3	Income Tax	Income Tax Demand	75.57	Assessment Year 2007-08	CIT Appeals Chennai
4	The Service Tax	Service Excise Demand	24.77	2002- 03 To 2010-11	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 Commissionerate
6	The Central Excise	Excise Demand	4.96	2007-08	Deputy Commissioner Central Excise Tambaram II
7	The Central Excise	Excise Demand	1.72	2002 to 2005	Customs, Excise and Service Tax Appellate Tribunal
8	The Central Excise	Excise Demand	4.66	2008-09 To 2012-13	Additional commissioner of Central Excise Div. appeal Chennai III
9	The Central Excise	Excise / Demand	8.49	2007-08	Assistance commissioner of Central Excise Chennai III
10	The Central Excise	Excise Demand Refund	1.03	2011-12	Commissioner of Central Excise (Appeals)

## EL FORGE LIMITED

### 10. Net worth: -

*The company's has accumulated loss amounting to Rs. 7134.63 lakhs at the end of the financial Period under report. The company has incurred cash losses during the financial Period under report and 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 defaulted in repayment of dues to financial institutions / banks amounting to Rs 1680.00 Lakhs and Rs 1109.62 Lakhs towards principal and interest respectively as at on 31.03.2014.*

### 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 (Wholly owned Foreign 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 during the Period under report; and it has been further explained that the terms loans (taken in earlier Years) were applied for the purpose for which the loans were obtained.

## EL FORGE LIMITED

### 17. Application of short 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 applied short-term fund towards long-term application, due to total erosion of net worth and excess of current liabilities over current assets.

### 18. Preferential Allotment

The Company has not made any preferential allotment of shares during the Period under report.

### 19. Securities in respect of debentures issued

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

### 20. Public Issue

The Company has not raised any money by way of Public Issue during the Financial Period. Hence, the question, "Whether the management has disclosed on the end use of money raised by public issue 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.

Place : CHENNAI  
Date : 11/08/2014

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

R.VENKATESH  
Partner  
(MNo.28368)

**EL FORGE LIMITED**  
**BALANCE SHEET AS AT 31st March 2014**

(Rs. In Thousands)

PARTICULARS	Note	As at 31st March 2014	As at 30th June 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholder's funds</b>			
(a) Share Capital	1	324355	324355
(b) Reserves and Surplus	2	(365161)	(251601)
		<b>(40806)</b>	<b>72754</b>
<b>2. Share application money pending allotment</b>	3	-	-
<b>3. Non-current liabilities</b>			
(a) Long-term borrowings	4	623769	655829
(b) Deferred Tax liabilities (Net)		-	-
(c) Other Long term liabilities		-	-
		<b>623769</b>	<b>655829</b>
<b>4. Current Liabilities</b>			
(a) Short term borrowings	5	467708	481098
(b) Trade payables	6	283854	356763
(c) Other current liabilities	7	471603	353546
(d) Short term provisions	8	2257	2257
		<b>1225422</b>	<b>1193664</b>
<b>TOTAL</b>		<b>1808385</b>	<b>1922247</b>
<b>II ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets	9		
(i) Tangible assets		1000028	1037593
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		30410	30410
(iv) Intangible assets under development		-	-
(b) Non-current investments	10	39276	47105
(c) Deferred tax assets (net)		-	-
(d) Long-term loans and advances	11	19347	79888
(e) Other non-current assets	12	160632	159565
		<b>1249693</b>	<b>1354561</b>
<b>2. Current assets</b>			
(a) Current investments			
(b) Inventories	13	140857	161690
(c) Stock in trade (Land)	14	113116	113116
(d) Trade receivables	15	237929	235872
(e) Cash and Bank Balances	16	5259	9854
(f) Short-term loans and advances	17	29814	23712
(g) Other current assets	18	31717	23442
		<b>558692</b>	<b>567686</b>
<b>TOTAL</b>		<b>1808385</b>	<b>1922247</b>
Notes on Financial Statement	26		

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 : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR

EL FORGE LIMITED

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31st March 2014**

(Rs. In Thousands)

PARTICULARS		Note	2013-14 (9Months)	2012-13 (12Months)
I	Revenue from operations	19	664961	753329
II	Other Income	20	9030	10398
III	<b>Total Revenue (I + II)</b>		<b>673991</b>	<b>763727</b>
IV	Expenditure			
	a)Cost of Materials Consumed	21	327091	442850
	b)Changes in inventories of finished goods work in progress and Stock-in- trade	22	15396	17831
	c)Employee benefits expense	23	101751	132114
	d)Finance Costs	24	21412	142847
	e)Depreciation and amortization expense		70538	78636
	f)Other expense	25	251363	287652
	<b>Total Expense (a to f)</b>		<b>787551</b>	<b>1101930</b>
V	Profit before exceptional and extraordinary items and tax (III-IV)		<b>(113560)</b>	<b>(338203)</b>
VI	Exceptional Items		0	0
VII	Profit before tax (V-VI)		<b>(113560)</b>	<b>(338203)</b>
VIII	<b>Tax expense:</b>			
	(1) Current tax		0	0
	(2) Prior period tax provision		0	0
	<b>Total</b>		<b>0</b>	<b>0</b>
IX	Profit/(Loss) for the year (VII - VIII)		<b>(113560)</b>	<b>(338203)</b>
X	<b>Earnings per equity share(of Rs.10each):</b>			
	(1) Basic		-5.59	-16.64
	(2) Diluted		-5.59	-16.64

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 : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K. V. RAMACHANDRAN  
VICE CHAIRMAN  
& MANAGING DIRECTOR

EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>01. Share Capital :</b>		
<b>(01) Authorised Share Capital</b>		
(a) Equity Share Capital		
(A) Number of Equity Shares	26000	26000
(B) Face Value per Equity Share (in Rs.)	10	10
(C) Total Amount of Authorised Equity Share Capital	260000	260000
(b) Preference Share Capital		
(A) Number of Preference Share	1300	1300
(B) Face Value per Preference Share (in Rs.)	100	100
(C) Total Amount of Authorised Preference Share Capital	130000	130000
(c) Summary Authorised Share Capital		
(A) Equity Share Capital	260000	260000
(B) Preference Share Capital	130000	130000
(C) Total	390000	390000
<b>(02) Issued/subscribed and Fully Paid up</b>		
(a) Equity Share Capital		
(A) Number of Equity Shares	20324	20324
(B) Face Value per Equity Share (in Rs.)	10	10
(C) Total Amount of paid up Equity Share Capital	203243	203243
(b) Preference Share Capital		
(A) Number of Preference Share	1211	1211
(B) Face Value per Preference Share (in Rs.)	100	100
(C) Total Amount of Paid up Preference Share Capital	121112	121112
(c) Summary Issued subscribed & Paid up Capital		
(A) Equity Share Capital	203243	203243
(B) Preference Share Capital	121112	121112
<b>(C) Total</b>	<b>324355</b>	<b>324355</b>
<b>(03) Share Reconciliation (Shares in Nmbers)</b>		
(a) Equity Share of Rs.10/= each (in No.)		
(A) No. of shares at the beginning	20324	20324
(B) No. of shares issued during the year/ period	0	0
(C) Sub-Total	20324	20324
(D) Less: Adjusted/ Redeemed/ Buyback	0	0
(E) Closing Balance	20324	20324



EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
(b) Preference share of Rs.100/- Each (In No)		
(A) No. of shares at the beginning	1211	1211
(B) No. of shares issued during the year/ period	0	0
(C) Sub-Total	1211	1211
(D) Less: Adjusted/ Redeemed/ Buyback	0	0
(E) Closing Balance	1211	1211
<b>(04) Shareholding more than 5% : Equity Shares</b>		
(a) Equity Shares		
(A) Chendur Forgings Ltd		
(i) No. Equity Shares	7065006	7065006
(ii) Percentage	34.76	34.76
(B) Prime booking Company India Limited.		
(i) No. Equity Shares	1347287	0
(ii) Percentage	6.63	0
(b) Preference Shares		
(A) State Bank of India (No of shares & %)	545931 & 45.08%	545931 & 45.08%
(B) Axis Bank Ltd (No of shares & %)	307206 & 25.37%	307206 & 25.37%
(C) Union Bank of India (No of shares & %)	108202 & 8.93%	108202 & 8.93%
(D) Export & Import Bank of India (No of shares & % )	209817 & 17.32%	209817 & 17.32%
(E) IDBI (No of shares & % )	39967 & 3.30%	39967 & 3.30%
<b>(05) Conversion of Preference shares to Equity Shares</b>		
(a) Pully at the option of the bank		
(b) Extend of option: either fully or partly		
<b>(06) Redemption of Preference shares to Equity Shares</b>		
(a) If the option of conversion is not exercised		
(b) If the option of conversion is not exercised redemption		
(A) on 01-04-2016	one third	one third
(B) on 01-04-2017	one third	one third
(C) on 01-04-2018	one third	one third
<b>(07) Other details</b>		
(a) Equity Shares allotted for acquisition of Subsidiary		
(A) Shakespeare Forgings Limited UK		
(i) Total	1265329	1265329
(ii) For a consideration other than cash	50329	50329
(iii) For a consideration	1215000	1215000
<b>02. Reserves &amp; Surplus:</b>		
<b>(01) Capital Reserves (Share Premium)</b>		
(a) Opening Balance (Since last Balance Sheet)	226398	226398
(b) Add: Additions/ Transfers/ Created	0	0
(c) Sub-Total	226398	226398

EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
(d) Less: Utilized/ Adjusted (Right Issue Expenses)	0	0
(e) Closing Balance	226398	226398
<b>(02) Capital Reserves (Other than Share Premium)</b>		
(a) Opening Balance (Since last Balance Sheet)	121904	128275
(b) Add: Additions/ Transfers/ Created	67776	0
(c) Sub-Total	189680	128275
(d) Less: Transfers/ Utilized/ Adjusted	67776	6371
(e) Closing Balance	121904	121904
<b>(03) Revaluation of Fixed Assets Reserve :</b>		
(a) Opening Balance (Since last Balance Sheet)	0	0
(b) Add: Additions/ Transfers/ Created	0	0
(c) Sub-Total	0	0
(d) Less: Transfers/ Utilized/ Adjusted	0	0
(e) Closing Balance	0	0
<b>(04) Surplus: Closing Balance of Profit &amp; Loss A/c</b>		
(a) Opening Balance [ Surplus/ Deficit (-) ]	-599903	-261700
(b) Add: Profit/ Loss (-) [Per Statement of Profit & Loss A/c	-113560	-338203
(c) Add: Adjustments General Reserve	0	0
(d) Sub-Total	-713463	-599903
(e) Less: Transfers to general Reserves	0	0
(f) Less: Provisions for Dividend	0	0
(g) Less: Provisions for Dividend Tax	0	0
(h) Closing Balance	-713463	-599903
<b>(05) Summary of Closing Balance</b>		
(a) Capital Reserves (Share Premium)	226398	226398
(b) Capital Reserves (Other then Share Premium)	121904	121904
(c) Revaluation Reserve	0	0
(d) Surplus/ Defecit (-)	-713463	-599903
<b>Total</b>	<b>-365161</b>	<b>-251601</b>
<b>03. Share Application Money Pending Allotments</b>		
(01) Amount Pending Allotment	0	0
<b>04. Long term Borrowings:</b>		
<b>(01) Term Loans</b>		
(a) From Banks		
(A) Secured	615904	652337
(B) Unsecured	0	0
(C) Total	615904	652337
(b) From Others		

EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
(A) Due from Related Parties		
(i) Secured	0	0
(ii) Unsecured	2919	2808
(iii) Sub- Total	2919	2808
(B) Due from Others		
(i) Secured	0	0
(ii) Unsecured	4946	586
(iii) Sub- Total	4946	586
(C) Total		
(i) From Related Parties	2919	2808
(ii) From Others	4946	586
(iii) Total	7865	3394
(c) Summary of Term Loans		
(A) From Banks	615904	652337
(B) From Others	7865	3394
<b>(C) Total</b>	<b>623769</b>	<b>655731</b>
(d) Term of repayment of Term Loan		
(A) During the year 2011-12	0	0
(B) During the year 2012-13 *	0	81177
(C) During the year 2013-14 *	168000	118625
(D) During the year 2014-15	116537	121393
(E) During the year 2015-16	135960	138388
(F) During the year 2016-17	145671	145671
(G) During the year 2017-18	145671	145671
(H) During the year 2018-19	188601	101213
* Not Paid hence disclosed (for the current year 2013-14)		
(e) Default of Repayment of Loans		
(A) First date of default	01/07/2011	01/07/2011
(B) Total Amount of Principal defaulted	168000	81177
(C) Total Amount of interest defaulted	110962	42597
(D) Default continued	Yes	Yes
(E) Amt defaulted as on the balance sheet date	278962	123774
(f) Securities Details		
(A) Term Loans from Banks		
a) Pari Passu first charge on all immovable Properties of the Company.		
b) Pari Passu first charge on all movable fixed assets of the company excluding those movable fixed assets exclusively charged to The Royal Bank of Scotland N.V		
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.		
(B) All Term Loans are fully Guaranteed by the Executive Chairman and Vice Chairman & Managing Director.		

EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>(02) Loans and Advances from Related Parties</b>		
(a) Secured	0	0
(b) Unsecured	0	0
Total	0	0
<b>(03) Long Term maturities of Financial Obligations</b>		
(a) Hire Purchase	0	98
<b>(04) Summary of Long Term Borrowings</b>		
(a) Term Loans	623769	655731
(b) Deposits	0	0
(c) Loans and Advances from Related Parties	0	0
(d) Long Term maturities of Financial Obligations	0	98
<b>Total</b>	<b>623769</b>	<b>655829</b>
<b>05. Short Term Borrowings</b>		
<b>(01) Loans Payable on Demand</b>		
(a) From Bank		
(A) Secured	413735	413470
(B) Unsecured	0	796
<b>Total</b>	<b>413735</b>	<b>414266</b>
(b) From Others		
(A) Secured	0	0
(B) Unsecured	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
(c) Summary of Loan Payable on Demand		
(A) From Bank	413735	414266
(B) From Others	0	0
<b>Total</b>	<b>413735</b>	<b>414266</b>
<b>(02) Loans and Advances from Related Parties</b>		
(a) From Related Parties	0	0
(b) From Others	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>(03) Deposits</b>		
(a) Secured	0	0
(b) Unsecured	53973	66832
<b>Total</b>	<b>53973</b>	<b>66832</b>
<b>(04) Summary of Short Term Borrowings</b>		
(a) Loan Payable on Demand	413735	414266
(b) Loans and Advances from Related Parties	0	0
(c) Deposits	53973	66832
<b>Total</b>	<b>467708</b>	<b>481098</b>
<b>(05) Security (Loans Payable on Demand)</b>		
(a) The cash credit including packing credit accounts are secured by a paripassu first charge on current assets by hypothecation of raw materials stores and spares		
(b) finished goods and book debts that are not factored and also secured by a pari passu second charge on immovable and movable properties and in addition		
<b>(06) Guarantee given</b>		
(a) Secured Loans are fully guaranteed by the Executive chairman and Vice Chairman & Managing Director		
<b>06. Trade Payables :</b>		
(01) Dues to MSME*		0
(02) Others	283854	356763
<b>Total</b>	<b>283854</b>	<b>356763</b>
*MSME stands for Micro Small and Medium Enterprises		
<b>07. Other Current Liabilities</b>		
(01) Current maturities of Long Term Debts	284537	199802
(02) Unclaimed Dividends	841	1250
(03) Sundry Creditors for Expenses and others	150871	115927
(04) Bills Acceptances	35354	36567
<b>Total</b>	<b>471603</b>	<b>353546</b>
<b>08. Short Term Provisions</b>		
(01) Provision for Taxation	2257	2257
(02) Provision for proposed dividend	0	0
(03) Provision for Tax on proposed dividend	0	0
<b>Total</b>	<b>2257</b>	<b>2257</b>

EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	(Rs. In Thousands)	
	As at 31-03-2014	As at 30-06-2013
<b>09. Fixed Assets- Tangible :</b>		
Gross Block	1590334	1558114
Less: Depreciation till Date	590306	520521
<b>Net Block *</b>	<b>1000028</b>	<b>1037593</b>
<b>* Details sheet Attached.</b>		
<b>10. Non-current investments</b>		
(01) Trade investments	0	0
(02) Other investments (At Cost)		
(a) in Equity Instruments (Quoted)	1	1
Indusind Bank Ltd 436 (436) No.of Shares of Rs.10/- each		
Total	1	1
(b) in Equity Instruments (Unquoted)		
The Vellore Electric Corpn. Ltd nil (27684) No.of Shares of Rs.10/- each	0	1221
Chendur Forgings Ltd nil (23600) No.of Shares of Rs.100/- each	0	6608
Sai Regency power corporation Ltd. 15000 (15000) No.of Shares of Rs.10/- each	1893	1893
Shakesphere Forgings Ltd -UK* 150000 (150000) Nos. of GBP 1	37382	37382
Total	39275	47104
(c) Aggregate amount of Investments		
(A) Aggregate amount of Quoted Investment	1	1
(B) Aggregate amount of Unquoted Investment	39275	47104
<b>Total</b>	<b>39276</b>	<b>47105</b>
(d) Market value Quoted Investments	217	118
(e) Aggregate provision for diminution in value of investments	0	0
(f) Investments are made in the following type of entity	0	0
(A) Subsidiaries	37382	37382
<b>11. Long Term Loans and Advances</b>		
(01) Advance paid to subsidiary	17261	76128
(02) Advance against Capital Goods	2086	3760
<b>Total</b>	<b>19347</b>	<b>79888</b>

EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>12. Non-Current Assets</b>		
(01) Advance Income Tax	0	0
(02) Advance Deposits etc.	7076	6009
(03) Deferred Interest	120281	120281
(04) Deferred Revenue Expenditures	33275	33275
<b>Total</b>	<b>160632</b>	<b>159565</b>
<b>13. Inventories</b>		
(01) Raw-Materials / Die Tools Steel	67467	72758
(02) Work-In-Progress	2249	1956
(03) Finished goods	42854	57829
(04) Stores and Spares	24296	23729
(05) Loose Tools	2139	2852
(06) Flash Stock	1852	2566
<b>Total</b>	<b>140857</b>	<b>161690</b>
<b>14. Stock-in-Trade (Converted from Fixed Assets)</b>		
(01) Land	113116	113116
<b>Total</b>	<b>113116</b>	<b>113116</b>
<b>15. Trade Receivables</b>		
(01) Outstanding for a period more than 6 months		
(a) Secured & Considered Good	0	0
(b) Unsecured & Considered Good	11973	26089
(c) Doubtful	0	0
Sub-Total	11973	26089
(02) Others		
(a) Secured & Considered Good	0	0
(b) Unsecured & Considered Good	225956	209783
(c) Doubtful	0	0
Sub-Total	225956	209783
(03) Total		
(a) Secured & Considered Good	0	0
(b) Unsecured & Considered Good	237929	235872
(c) Doubtful	0	0
<b>Total</b>	<b>237929</b>	<b>235872</b>

## EL FORGE LIMITED

## Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>16. Cash and Cash Equivalents</b>		
(01) Balances with banks;		
(a) On Earmarked Accounts	841	1251
(b) On margin Money Account Against Borrowings	3055	5489
(c) In Current Account	801	2789
(02) Cash on Hand;		
(a) Free Legal tender	562	325
(b) With repatriation restrictions	0	0
<b>Total</b>	<b>5259</b>	<b>9854</b>
<b>17 Short Tem Loan and advances:</b>		
(01) Advance to Employees	1381	3383
(02) Prepaid Expenses	1774	1879
(03) Balance with Central Excise	26659	18450
<b>Total</b>	<b>29814</b>	<b>23712</b>
<b>18. Other current assets:</b>		
(01) Tax deducted at source	1801	1427
(02) Advances for Purchase	2990	3425
(03) Other Advances	12837	6819
(04) Receivables from statutory Authorities	14089	11771
<b>Total</b>	<b>31717</b>	<b>23442</b>



EL FORGE LIMITED

Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	For the Year 2013-14 (9 Months)	For the Year 2012-13 (12 Months)
<b>19. Revenue from Operations</b>		
(01) Sale of Products	590782	771092
(02) Sale of Services	390	1525
(03) Other Operating Income (sale of Flash)	44717	57190
(04) Sub-Total	635889	829807
(05) Less: Central Excise	46662	76478
<b>(06) Net Revenue From Operations</b>	<b>589227</b>	<b>753329</b>
(07) Other Operating Income	75734	0
<b>(08) Net Revenue From Operations</b>	<b>664961</b>	<b>753329</b>
<b>20. Other Income</b>		
(01) Dividend Income	35	71
(02) Profit on Sales of Fixed Assets (Exceptional Items)	0	2273
(03) Other Non-Operating Income	8995	8054
<b>Total</b>	<b>9030</b>	<b>10398</b>
<b>21. Raw Materials Consumed</b>		
(01) Opening Stock	72758	81704
(02) Add: Purchases	321800	433904
(03) Sub-Total	394558	515608
(04) Less: Sales	0	0
(05) Amount net of Sales	394558	515608
(06) Less: Closing Stock	67467	72758
<b>(07) Raw Materials consumed</b>	<b>327091</b>	<b>442850</b>
<b>22.Changes in inventories*</b>		
(01) Inventories at the beginning		
(a) Finished Goods	57829	74052
(b) Work-in-Progress	1956	2808
(c) Stock-in-Trade	0	0
(d) Flash Stock	2566	3322
Sub-Total	62351	80182
(02) Inventories at the End		
(a) Finished Goods	42854	57829
(b) Work-in-Progress	2249	1956
(c) Stock-in-Trade	0	0
(d) Flash Stock	1852	2566
Sub-Total	46955	62351
<b>(03) Change in Inventories</b>	<b>15396</b>	<b>17831</b>

\*Inventory means finished goods work in progress and Stock-in- trade

## Notes on Financial Statements Relating to the Financial Year 2013-14

(Rs. In Thousands)

Particulars	For the Year 2013-14 (9 Months)	For the Year 2012-13 (12 Months)
<b>23. Employee Benefit Expenses</b>		
(01) Salaries & Wages	51031	68549
(02) Contribution to PF ESI etc	7529	7532
(03) Welfare Expenses	43191	56033
<b>Total</b>	<b>101751</b>	<b>132114</b>
<b>24. Finance Cost</b>		
(01) Interest Expenses	21049	139797
(02) Other Borrowing Cost	363	3050
<b>Total</b>	<b>21412</b>	<b>142847</b>
<b>25. Other Expenses:</b>		
(01) Consumption of stores and spare parts.	15099	20266
(02) Power and fuel.	86612	116752
(03) Job Charges	17291	45467
(04) Repairs to buildings.	48	253
(05) Repairs to machinery.	8136	14067
(06) Rent.	3428	4098
(07) Insurance .	2114	2344
(08) Rates and taxes excluding taxes on income.	2710	1760
(09) Travelling and Conveyance	5893	8674
(10) Packing and Forwarding	94316	51755
(11) Payment to Auditors:		
(a) As Auditors (Statutory audit Fees)	125	100
(b) For Taxation matters	17	25
(c) For Certificate	0	0
(12) Miscellaneous expenses	15574	22091
<b>Total</b>	<b>251363</b>	<b>287652</b>

Note:

No other details are required for the year under report.

EL FORGE LIMITED

Note : 9 Fixed Assets –Tangible

(Rs. In Thousands)

Name of the Fixed Assets	Gross Block				Depreciation				Net Block	
	Opening Balance As at 01-07-2013	Additions during the year	Deletions Transfer during the year	Closing Balance as at 31-03.2014	Opening Balance As at 01-07-2013	Depreciation during the year	Deduction during the year	Closing Balance as at 31-03-2014	As on 31-03-2014	As on 30-06-2013
Land	23521	0	16189	7332	0	0	0	0	7332	23521
Land (Lease Hold)	688	0	0	688	0	0	0	0	688	688
Building	216888	0	0	216888	46221	5363	0	51584	165304	170667
Plant & machinery	1257139	49873	0	1307012	439468	62017	0	501485	805527	817671
Furniture & Fixtures	25008	0	0	25008	10108	1116	0	11224	13784	14900
Vehicle	4925	0	1464	3461	3052	274	753	2573	888	1873
Office Equipments	29945	0	0	29945	21672	1768	0	23440	6505	8273
<b>Total</b>	<b>1558114</b>	<b>49873</b>	<b>17653</b>	<b>1590334</b>	<b>520521</b>	<b>70538</b>	<b>753</b>	<b>590306</b>	<b>1000028</b>	<b>1037593</b>

**Note:**

**1. During earlier year**

(Relating to conversion of land (Fixed Asset) during Financial Year 2011-12).

- Deduction in land during the aforesaid year represent conversion of land(Fixed Assets) to Stock in Trade.
- The Conversion has been made at the market value amounting to Rs.120300(Rs. in Thousands) and
- The excess amount over an above the cost of land was shown in Capital Reserve (other than share premium)

**2. During the Current year**

- Deduction of land relates to conversion of fixed assets into stock-in-trade during the year under report.
- The Fixed Asset (Land) was converted into stock at market value by increase the amount by Rs 67776(Rs. In Thousands)
- Thereafter the same was sold during the current year itself.

# EL FORGE LIMITED

## NOTES ON FINANCIAL STATEMENT AS AT 31ST MARCH 2014

### Note.26

#### I SIGNIFICANT ACCOUNTING POLICIES

- i. Financial statements are prepared on Historical Cost and on Accrual basis.(Except interest on Bank Borrowings which shall be accounted on cash basis with effect from 01.07.2013).
  - ii. Fixed Assets are stated at their original cost (Except those fixed assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation wherever MODVAT/CENVAT/TNVAT Credit has been availed Excise element is excluded from the 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 Spares and work in progress are valued at cost. Finished Goods are valued at cost or Net realizable 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 amortized from profits over the useful economic life of the lease asset.**
  - vii. **Miscellaneous Expenditure : Miscellaneous Expenditure incurred is amortized from profits over the expected period of future benefit.**
  - viii. **All transactions in foreign currency are entered in the books of account at the rates prevailing on the date of transaction.**
  - ix. **Deferred Tax Assets / Liability shall be recognized as required by Accounting Standard (AS22)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.**
- 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 these estimates. Any revisions to financial estimates are recognized prospectively in the financial statements when revised
- Xi **Revenue Recognition: Income is accounted on accrual basis.**

# EL FORGE LIMITED

## NOTES ON FINANCIAL STATEMENT AS AT 31ST MARCH 2014

### II OTHER NOTES ON FINANCIAL STATEMENT

#### 1 DEPRECIATION

- (a) Depreciation for the year 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.
- (b) The depreciation amounting to Rs.Nil/- ( Previous Year Rs.Nil/- ) on account of difference between revalued cost and historical cost has also been provided at the rates specified in schedule XIV of the Companies Act 1956 and the same has been debited to Revaluation of Fixed Assets Reserve account.
- 2 Sundry Debtors, Creditors, Loans & Advances  
The Company has sent letters for confirmation of Balance as at 31.03.2014 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.
- 3 Miscellaneous Expenditure:-  
Due to the Loss during the year the company has not Written off any deferred revenue expenditure during the year.(Previous year Rs.Nil) and same is to be amortized from profit over the expected period of future benefit.
- 4 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.
- 5 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.
- 6 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.
- 7 Interest Expenses is shown net of interest receipts(Income) - Rs in thousands. 299/-(previous year Rs in thousands.567/-).
- 8 The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme. There is a short fall of the amounts provided by the Company to Gratuity Scheme.

	Rs.in thousands 31.03.2014	Rs.in thousands 30.06.2013
<b>9. Contingent Liabilities &amp; Commitments</b>		
(01) Claims against the company not acknowledged as debt:		
(a) E.S.I under Appeal	208	208
(b) Demands raised by SIPCOT for the Leasehold	1301	1301
(c.) Demand from Income Tax	7560	7560
(d) Demand from Central Excise & service tax	4710	4603
(02) Guarantees given to ;		
(a) Foreign Bank (for credit limits of subsidiary company)	18363	18363
(b) Bank against the loan taken by a company	65000	65000
(03) Other money for which the company is contingently liable		
(a) For factoring (SBI Global Factors Ltd)	Nil	Nil
(04) Whether Commitments are classified as:		
(a) Pending contracts (on Account of capital Assets)	10000	10000
(b) Uncalled liability on shares & other investments partly paid	-	-
(05) Air Freight under negotiation:	11149	33858
<b>10. CIF Value of imports in respect of:</b>		
(01) Raw Materials	0	0
(02) Components and spare parts	0	1242
(03) Capital Good	0	0

# EL FORGE LIMITED

## OTHER NOTES ON FINANCIAL STATEMENT

### 11. Expenditure in foreign currency on account of

(01) Travelling Expenses	10	40
(02) Subscription Books and Periodicals	64	65
(03) Others	0	468

### 12. Raw Materials Consumed:

(01) Amount		
(a) Total Raw Materials consumption	327091	442850
(b) Indigenous Raw materials consumption	327091	442850
(c) Imported Raw materials consumption	0	0
(02) In Percentage		
(a) Total Raw Materials consumption	100	100
(b) Indigenous Raw materials consumption	100	100
(c) Imported Raw materials consumption	0	0

### 13. Spare Parts and Components Consumption

(01) Amount		
(a) Total Spare Parts and Components	15099	20266
(b) Indigenous Spare Parts and Components	15099	18442
(c) Imported Spare Parts and Components	0	1824
(02) In Percentage		
(a) Total Spare Parts and Components	100	100
(b) Indigenous Spare Parts and Components	100	91
(c) Imported Spare Parts and Components	0	9

### 14. Earnings in foreign exchange

(01) Export Sales (FOB)	158252	161403
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### 15. Earnings per share as per Accounting Standard (AS) 20

(01) Surplus / Defecit (-) after tax		
(a) Net Profit/ Loss (-)	-113560	-338203
(b) Adjusted Net Profit/ Loss (-)	-113560	-338203
(02) Weighted Average Number of shares		
(a) For Basic EPS	20324304	20324304
(b) For Dilutated EPS	20324304	20324304
(03) Earnings Per Shares (EPS) (Rs)		
(a) Basic	-5.59	-16.64
(b) Dilutated	-5.59	-16.64

### 16. Related Party Disclosure as per AS-18

(01) Related Parties		
(a) Promoters		
(b) Subsidiaries		
(Shakespeare Forgings Ltd UK)		
(c) Associates		
(d) Key Managerial Personnels		
Mr. K.R. Srihari, Son of Mr.K.V.Ramachandran Director		
(02) Transactions if any.		
(a) On Account of Salaries:	735	869
(b) On Account of Interest	270	433
Shakespeare Forgings Ltd		
(a) On Account of Purchases	0	0
(b) Sales	123790	116165

# EL FORGE LIMITED

## OTHER NOTES ON FINANCIAL STATEMENT

### 17. Disclosure relating to Lease as per AS-19

◊ Amt due within 12 months			
(01) Principal Amount	0		106
(02) Interest/ HP Charges	0		5
(03) Balance	0		0
◊ Due after 12 but before 24 months			
(01) Principal Amount	0		0
(02) Interest/ HP Charges	0		0
(03) Balance	Nil		Nil
◊ Due after 24 months			
(01) Principal Amount	Nil		Nil
(02) Interest/ HP Charges	Nil		Nil
(03) Balance	Nil		Nil

### 18. Segement Reporting

The Company has two business segment (1) Manufacture and sale of steel forgings.(2) Land and Development described as "Other Operating Income"

Segment wise Revenue results

Particulars	Nine Months Ended 31.03.2014	Year Ended 30.06.2013
	Rs. In thousands	Rs. In thousands
<b>Segment Revenue</b>		
Forgings	589227	753329
Land Income	75734	3720
<b>Total Revenue</b>	<b>664961</b>	<b>757049</b>
<b>Segment Results</b>		
Loss on forgings	(176911)	(205756)
Land Income	75734	3720
Net Profit/ Loss before Interest	(101177)	(202036)
Add : Interest Cost	21412	142846
Other Income	9030	6678
Previous year tax paid/Provision	0	0
<b>Net Profit / Loss</b>	<b>(113559)</b>	<b>(338204)</b>

19. Account of Tax on Income as required by AS-22 Not Applicable Not Applicable

### 20. Non-Disclosure of the details under Employees Benefits AS-15 (Revised)

The Company has operates through the at Gratuity Scheme with Life Insurance Corporation of India (LIC) for settling any amount due on account of Gratuity. Under the aforesaid Scheme the company has to contribute annual premium based on the amount arrived by LIC. Due to continuous operating loss during the earlier years the Company has not made the payment of Gratuity premium to Life Insurance Corporation of India (LIC). However required provision on this account has been made in the books of account in consistent with mercantile method of accounting followed by the company. The management is of the view that liability provided for in the books of account up to the year end is sufficient. An amount of Rs.in thousands 9629/- has been outstanding as on 31.03.2014 as per the books of the company. Due to non-payment of annual premium on account of gratuity, the estimated return from the fund or scheme may not be ascertained or determined. Accordingly, no disclosure has been made in terms of AS-15. The Company is taking sincere steps to make the payment of the amount due and is in the process of adopting AS-15 (Revised) any implications arising there from including the valuation of future liability on actuarial basis and determination of plan assets will be done in due course.

**OTHER NOTES ON FINANCIAL STATEMENT**

**21. Penalty and Interest**

As said earlier due to operating loss the company has not been in a position to pay the statutory dues, in time and further statutory dues are still outstanding. Non-payment or delayed payment of such due shall attract interest and penalty. The management is of the view that the amount could not be ascertained. The same has not been provided in the books of account. The same shall be accounted, as and when the payment is made.

- 22** The company has changed the method of accounting of interest on bank borrowings from mercantile to cash basis. The interest on bank borrowings amounting to Rs. 105083 thousands not provided during the Nine Months Period.
- 23** a) Previous year's figures have been regrouped wherever necessary to conform to current year classification/grouping.  
b) All the figures have been rounded off to the nearest thousands.
- 24** The Company has changed its financial year from 30th June to 31st March, due to this change the current accounting period comprises a period of 9(Nine) Months from 01.07.2013 to 31.03.2014 as against 12(Twelve) Months relating to the immediately preceding financial year (01.07.2013 to 31.03.2014). Accordingly, the current year figures may not be comparable with the previous year figures. This change has been made to bring the accounting year in line with provision of the companies act 2013.
- 

As per our annexed report  
For P.RAJAGOPALAN & CO.  
CHARTERED ACCOUNTANTS  
Reg No. of the Firm: 003408S  
R. VENKATESH  
PARTNER  
MN0: 28368  
PLACE:CHENNAI  
DATE : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR



# EL FORGE LIMITED

## Fund Flow Statement for the year Ended 31.03.2014

(Rs. In Thousands)

Particulars	For the year 2013-14	For the year 2012-13
<b>01. Cash Flow from Operations</b>		
(01) Net Profit before Tax	(113560)	(338204)
(02) Adjustment for		
(a) Depreciation	70538	78636
(b) Interest Expenses	21412	142846
(c) Other Income	0	0
(d) Profit on Sales of Fixed Assets	(75269)	(2273)
(e) Interest Income	299	567
(f) Dividend Received	35	71
(g) Sales of Investments	0	0
(h) Revaluation Reserve	0	0
	17015	219847
(03) Operating Profit before working Capital Changes	(96545)	(118357)
(04) Adjustment for Increase/ Decrease in		
(a) Trade & Other Receivables	(16436)	98481
(b) Inventories	20833	25690
(c) Sundry Creditors	45150	165105
(d) Miscellaneous Expenses/Deferred Rev. Exp	0	0
(e) Conversion Fixed Assets to Stock	0	0
	49547	289276
(05) Cash Generation from Operation	(46998)	170919
(06) Less the Following		
(a) Tax Paid/ Provided	0	0
(b) Extraordinary items	0	0
(c) Misc. receipts	0	0
(d) Deferred sales Tax Liability	0	0
	0	0
(07) Net Cash from Operating Activities	(46998)	170919
<b>02. Cash Flow from Investing Activities</b>		
(01) Purchase or Sale of Fixed Assets		
(a) Purchase of fixed assets, Including CWIP	(498.73)	(3387)
(b) Sale Proceeds of Fixed assets	92167	6017
(c) Deduction on account of Conversion	0	0
(d) Deduction on Investment	7829	0
(02) Interest Received	(299)	(567)
(03) Dividend Received	(35)	(71)

# EL FORGE LIMITED

## Fund Flow Statement for the year Ended 31.03.2014

(Rs. In Thousands)

(04) Purchase or Sale of Investments		
(a) Purchase	0	0
(b) Sales	0	0
(05) Advances & Non-Current Assets		
(a) Paid	0	0
(b) Realised	59475	2763
(06) Purchase or Sale of Goodwill		
(a) Additions	0	0
(b) Deletion	0	0
(07) Net Cash Flow from Investing Activities	109264	4755
03. Cash Flow from Financing Activities		
(01) From Term Loan/ Deferral Loan		
(a) Obtained	0	0
(b) Re-Paid	(32060)	(151580)
(02) From Capital		
(a) Additions	0	0
(b) Withdrawn	0	0
(03) From Unsecured Loans		
(a) Obtained	0	0
(b) Re-Paid	0	0
(04) From Short (Bank Borrowings)	(13389)	109114
(05) Interest Paid	(21412)	(142846)
(06) Dividend and Tax Thereon	0	0
(07) Net Cash Flow from Financing Activities	(66861)	(185311)
04. Net Increase/ Decrease in Cash & Cash Equivalent (04= 01+02+03)	(4595)	(9637)
05. Cash & Cash Equivalent- Opening Balance	9854	19491
06. Cash & Cash Equivalent- Closing Balance	5259	9854
<b>07. Net Increase/ Decrease in Balances</b>	<b>(4595)</b>	<b>(9637)</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 : 11.08.2014

R. SOWMITHRI  
 COMPANY SECRETARY

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

**EL FORGE LIMITED**  
**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO**  
**SUBSIDIARY COMPANIES**

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1.	Name of the Subsidiary	Shakespeare Forgings Ltd
2.	Financial Year of Subsidiary Companies ended on No. of Shares held but El Forge Limited (Holding Co.) with the nominees in the Subsidiary at the end of the financial year of the Subsidiary.	31.03.2014
3. a)	Extent of interest of Holding Company at the end of the financial year of subsidiary.	150000 Ordinary share of 1 GBP each
b)	Extent of interest of Holding Company at the end of the financial year of subsidiary.	100%
4.	The Net aggregate amount of the Subsidiary's Profit(Losses) so far as it concerns the Company and not dealt with in the Holding Company's accounts.	
i)	For the financial year ended 31st March 2014 (Rs. in 000)	Nil
ii)	For the previous financial years since it become a Subsidiary	Nil
5.	The net aggregate amount of the Profit/Losses) of Subsidiary which has been dealt with in the accounts of the Holding Company.	
i)	For the financial year ended 31st March 2014.	7463
ii)	For the previous financial years since it become subsidiary	20077
6.	Material changes between the end of the financial year of the subsidiary and the Holding Company's Financial year	Not Applicable

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On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

R. SOWMITHRI  
COMPANY SECRETARY

PLACE:CHENNAI  
DATE : 11.08.2014

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR

EL FORGE LIMITED

DETAILS OF SUBSIDIARY COMPANIES PURSUANT TO

SECTION 212(8) OF THE COMPANIES ACT 1956.

SHAKESPEARE FORGINGS LTD UK

As on 31.03.2014

SL.NO	Particulars	(Rs. In Thousands)
1.	Capital	11660
2.	Reserves	42773
3.	Total Assets	142552
4.	Total Liabilities	142552
5.	Details of Investments	Nil
6.	Turnover (net)	368113
7.	Profit/(loss) before Taxation	7463
8.	Provision for Taxation	Nil
9.	Profit/(Loss)after Taxation	7463
10.	Proposed Dividend	Nil

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

PLACE:CHENNAI  
DATE : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR

# EL FORGE LIMITED.

## Independent Auditors' Report on the Consolidated Financial Statements To the Board of Directors of El Forge Limited

### 01. Consolidated Financial Statements, Period, etc.

We have audited the accompanying consolidated financial statements of El Forge Limited ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated Balance Sheet as at 31st March 2014, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

### 02. Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 03. Auditors' Responsibility

- (01) Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
- (02) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.
- (03) We believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for our audit opinion.

### 04. Emphasis Matters

*Without qualifying our opinion, we draw the attention to the following:*

- (01) *Item No II-21 in Note 26 on Financial Statements, Interest & penalty leviable, if any, for non-remittance of statutory dues, on account of delay / short remittance of statutory dues is not ascertainable at present.*

# EL FORGE LIMITED.

## Independent Auditors' Report on the Consolidated Financial Statements To the Board of Directors of El Forge Limited

- (02) *Item No.II-20 in Note 26 on Financial Statements, Non-Payment of contribution to Employees Gratuity Plan agreed upon with Life Insurance Corporation of India, amounting to Rs. 96.30 Lakh, as per the amount determined based on the information available with the Company. Accordingly, the disclosure under AS-15, namely, Employees' Benefit has not been made.*
- (03) *Item No.II-24 in Note 26 on Financial Statements, relating to change in the accounting period and accordingly the accounting period, under report, is for a period of 9 month, from 1st July, 2013 to 31st March, 2014, as against a period of 12 months (1st July, 2012 to 30th June 2013) during the immediately preceding previous year.*

### 05. Basis for Qualification of Opinion

- (01) *The Parent Company's (i.e., the Holding Company) operating results has been materially affected due to various factors during the financial year ended 31st March 2014, under report, and the parent Company has accumulated losses as on the aforesaid date, which has eroded entire net worth of the Parent company. Accordingly, the appropriateness of the going concern assumption is dependent on the parent Company's ability to establish consistent profitable operations as well as raising, obtaining or infusing adequate/ required fund to meet its short term and long term obligations.*
- (02) *At the end of the financial Year 2013-14 (i.e., ended on 31st March 2014), net worth of the Parent company has been totally eroded and become negative of an amount of minus Rs. 3162.65 Lakh [after excluding amount of Rs. 1219.03 Lakh shown under capital Reserve (other than share premium of the Standalone Financial Statements in other words, this capital reserve has not been considered as part of reserve due to revaluation) and Rs. 1535.56 Lakh, relating to Deferred Interest and Deferred Revenue Expenses (Since in our opinion, this is not an assets that can be realized, in the ordinary course of business but only can be written off), on Standalone Financial Statements, as reported by us in our Audit report of on the Standalone Financial Statements of the Patent Company], due to the accumulated loss of the Parent Company amounting to Rs. 7134.63 Lakh (which includes Current year loss of the Parent) as on the Balance Sheet date (i.e., as at 31st March 2014) .*
- (03) *Further, the Parent Company's Current Liabilities (as at 31st March 2014) have also exceeded its Current Assets by an amount of Rs. 6667.30 Lakh. These factors raise doubts about the ability of the Company to continue as a going concern.*
- (04) *In case the going concern concept is vitiated, necessary adjustments will be required on the carrying amount of Assets and Liabilities of the parent company which are not ascertainable.*
- (05) *Our audit opinion on the standalone financial statements for the year ended 31st March 2014 was also qualified in respect of this matter.*

### 06. Qualified Opinion

- (01) *We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, relating to Consolidated Financial Statements, notified under Section 211(3C) of the Companies Act, 1956 [which (i.e., Accounting Standards) continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs].*

## EL FORGE LIMITED.

(02) *Based on our audit and on consideration of reports of other auditors and to the best of our information and according to the explanations given to us, except for the effects / possible effects of the matters described in the Basis for Qualified Opinion paragraph in our opinion, the accompanying consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:*

- (a) *in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2014;*
- (b) *in the case of the consolidated Statement of Profit and Loss, of the Loss for the year ended on that date; and*
- (c) *in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.*

### 07. Other Matters

We did not audit the financial statements and other financial information of wholly owned foreign subsidiary, in United Kingdom, included in the consolidated financial statements, which constitute total assets of (Net) Rs. 372.31 Lakh as at 31st March 2014 and Gross Revenue for the year ended on that date Rs.3681.13 Lakh and Net Profit of Rs. 74.63 Lakh for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

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

Place: Chennai  
Date: 11.08.2014

R.VENKATESH  
Partner  
MNo:28368

# EL FORGE LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31st March 2014

(Rs. In Thousands)

Particulars	Note	As at 31st March 2014	As at 30th June 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholder's funds</b>			
(a) Share Capital	1	324355	324355
(b) Reserves and Surplus	2	(322390)	(216292)
		<b>1965</b>	<b>108063</b>
<b>2. Share application money pending allotment</b>	3	-	-
<b>3. Non-current liabilities</b>			
(a) Long-term borrowings	4	623769	655829
(b) Deferred Tax liabilities (Net)		-	-
(c) Other Long term liabilities		-	-
		<b>623769</b>	<b>655829</b>
<b>4. Current Liabilities</b>			
(a) Short term borrowings	5	555828	481098
(b) Trade payables	6	275060	429684
(c) Other current liabilities	7	471602	353546
(d) Short term provisions	8	2257	2257
		<b>1304747</b>	<b>1266585</b>
<b>TOTAL</b>		<b>1930481</b>	<b>2030477</b>
<b>II ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets	9		
(i) Tangible assets		1070740	1112907
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		30410	30410
(iv) Intangible assets under development			
(b) Non-current investments	10	1894	9723
(c) Deferred tax assets (net)			
(d) Long-term loans and advances	11	2086	3760
(e) Other non-current assets	12	184574	188329
		<b>1289704</b>	<b>1345129</b>
<b>2. Good Will</b>		<b>42924</b>	<b>35480</b>
<b>2. Current assets</b>			
(a) Current investments			
(b) Inventories	13	176982	191364
(c) Stock in trade (Land)	14	113116	113116
(d) Trade receivables	15	240895	284399
(e) Cash and Bank Balances	16	5329	13835
(f) Short-term loans and advances	17	29814	23712
(g) Other current assets	18	31717	23442
		<b>597853</b>	<b>649868</b>
<b>TOTAL</b>		<b>1930481</b>	<b>2030477</b>
Notes on Financial Statement	26		

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 : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR



# EL FORGE LIMITED

## STATEMENT OF CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31st March 2014

		(Rs. In Thousands)	
Particulars	Note	2013-14 (9Months)	2012-13 (12Months)
I	Revenue from operations	19	909284
II	Other Income	20	9030
III	<b>Total Revenue (I + II)</b>	<b>918314</b>	<b>1050192</b>
IV	Expenditure		
	a)Cost of Materials Consumed	21	416096
	b)Changes in inventories of finished goods work in progress and Stock-in- trade	22	8372
	c)Employee benefits expense	23	150671
	d)Finance Costs	24	26207
	e)Depreciation and amortization expense		78503
	f)Other expenses	25	344563
	<b>Total Expense (a to f)</b>	<b>1024412</b>	<b>1391131</b>
V	Profit before exceptional and extraordinary items and tax (III-IV)	<b>(106098)</b>	<b>(340939)</b>
VI	Exceptional Items	-----	-----
VII.	Profit before tax (V-VI)	<b>(106098)</b>	<b>(340939)</b>
VIII	<b>Tax expense:</b>		
	(1) Current tax	0	0
	(2) Prior period tax provision	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>
IX	Profit/(Loss) for the year (VII - VIII)	<b>(106098)</b>	<b>(340939)</b>
X	<b>Earnings per equity share(of Rs.10each):</b>		
	(1) Basic	-5.22	-16.77
	(2) Diluted	-5.22	-16.77

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 : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR

**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>01. Share Capital :</b>		
<b>(01) Authorized Share Capital</b>		
(a) Equity Share Capital		
(A) Number of Equity Shares	26000	26000
(B) Face Value per Equity Share (in Rs.)	10	10
(C) Total Amount of Authorized Equity Share Capital	260000	260000
(b) Preference Share Capital		
(A) Number of Preference Share	1300	1300
(B) Face Value per Preference Share (in Rs.)	100	100
(C) Total Amount of Authorized Preference Share Capital	130000	130000
(c) Summary Authorized Share Capital		
(A) Equity Share Capital	260000	260000
(B) Preference Share Capital	130000	130000
(C) Total	390000	390000
<b>(02) Issued subscribed and Fully Paid up</b>		
(a) Equity Share Capital		
(A) Number of Equity Shares	20324	20324
(B) Face Value per Equity Share (in Rs.)	10	10
(C) Total Amount of paid up Equity Share Capital	203243	203243
(b) Preference Share Capital		
(A) Number of Preference Share	1211	1211
(B) Face Value per Preference Share (in Rs.)	100	100
(C) Total Amount of Paid up Preference Share Capital	121112	121112
(c) Summary Issued subscribed & Paid up Capital		
(A) Equity Share Capital	203243	203243
(B) Preference Share Capital	121112	121112
<b>(C) Total</b>	<b>324355</b>	<b>324355</b>
<b>(03) Share Reconciliation (Shares in Numbers)</b>		
(a) Equity Share of Rs.10/= each (in No.)		
(A) No. of shares at the beginning	20324	8629524
(B) No. of shares issued during the year/ period	0	11694780
(C) Sub-Total	20324	20324304
(D) Less: Adjusted/ Redeemed/ Buyback	0	0
(E) Closing Balance	20324	20324304
(b) Preference Share of Rs. 100/= Each (in No.)		
(A) No. of shares at the beginning	1211	0
(B) No. of shares issued during the year/ period	0	1211
(C) Sub-Total	1211	1211
(D) Less: Adjusted/ Redeemed/ Buyback	0	0
(E) Closing Balance	1211	1211

# EL FORGE LIMITED

## Notes on Consolidated Financial Statements Relating to the Financial Year 2013-14

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>(04) Shareholding more than 5% : Equity Shares</b>		
(a) Equity Shares		
(A) Chendur Forgings Ltd		
(i) No. Equity Shares	7065006	7065006
(ii) Percentage	34.76	34.76
(B) Yogesh Devkumar Agrawal		
(i) No. Equity Shares	1375000	1375000
(ii) Percentage		
(C) Prime Booking Company India Ltd.		
(i) No. Equity Shares	1347287	0
(ii) Percentage	6.63	0
(b) Preference Shares		
(A) State Bank of India (No of shares & Percentage)	545931 & 45.08%	545931 & 45.08%
(B) Axis Bank Ltd (No of shares & Percentage)	307206 & 25.37%	307206 & 25.37%
(C) Union Bank of India (No of shares & Percentage)	108202 & 8.93%	108202 & 8.93%
(D) Export & Import Bank of India (No of shares & % )	209817 & 17.32%	209817 & 17.32%
(E) IDBI (No of shares & % )	39967 & 3.30%	39967 & 3.30%
<b>(05) Conversion of Preference shares to Equity Shares</b>		
(a) Absolutely at the option of the bank		
(b) Extend of option: either fully or partly		
<b>(06) Redemption of Preference shares to Equity Shares</b>		
(a) If the option of conversion is exercised redemption shall be as follows:		
(A) on 01-04-2016	one third	one third
(B) on 01-04-2017	one third	one third
(C) on 01-04-2018	one third	one third
<b>(07) Other details</b>		
(a) Equity Shares allotted for acquisition of Subsidiary		
(A) Shakespeare Forgings Limited UK		
(i) Total	1265329	1265329
(ii) For a consideration other than cash	50329	50329
(iii) For a consideration	1215000	1215000

**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>02. Reserves &amp; Surplus:</b>		
<b>(01) Capital Reserves (Share Premium)</b>		
(a) Opening Balance (Since last Balance Sheet)	226398	226398
(b) Add: Additions/ Transfers/ Created	0	0
(c) Sub-Total	226398	226398
(d) Less: Utilized/ Adjusted (Right Issue Expenses)	0	0
(e) Closing Balance	226398	226398
<b>(02) Capital Reserves (Other than Share Premium)</b>		
(a) Opening Balance (Since last Balance Sheet)	121904	128275
(b) Add: Additions/ Transfers/ Created	67776	0
(c) Sub-Total	189680	128275
(d) Less: Transfers/ Utilized/ Adjusted	67776	6371
(e) Closing Balance	121904	121904
<b>(03) Revaluation of Fixed Assets Reserve :</b>		
(a) Opening Balance (Since last Balance Sheet)	15234	16665
(b) Add: Additions/ Transfers/ Created	0	0
(c) Sub-Total	15234	16665
(d) Less: Transfers/ Utilized/ Adjusted	940	1431
(e) Closing Balance	14294	15234
<b>(04) General Reserves</b>		
(a) Opening Balance (Since last Balance Sheet)	0	0
(b) Add: Additions/ Transfers/ Created		
(c) Sub-Total	0	0
(d) Less: Transfers/ Utilized/ Adjusted	0	0
(e) Closing Balance	0	0
<b>(05) Surplus: Closing Balance of Profit &amp; Loss A/c</b>		
(a) Opening Balance [ Surplus/ Deficit (-) ]	-579828	-240320
(b) Add: Profit/ Loss (-) [Per Statement of Profit & Loss A/c ]	-106098	-340939
(c) Add: Adjustments Reserve	940	1431
(d) Sub-Total	-684986	-579828
(e) Less: Transfers to general Reserves	0	0
(f) Less: Provisions for Dividend	0	0
(g) Less: Provisions for Dividend Tax	0	0
(h) Closing Balance	-684986	-579828
<b>(06) Summary of Closing Balance</b>		
(a) Capital Reserves (Share Premium)	226398	226398
(b) Capital Reserves (Other then Share Premium)	121904	121904
(c) Revaluation Reserve	14294	15234

**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

Particulars	(Rs.in Thousands)	
	As at 31-03-2014	As at 30-06-2013
(d) General Reserve	0	0
(d) Surplus/ Deficit (-)	-684986	-579828
<b>Total</b>	<b>-322390</b>	<b>-216292</b>
<b>03. Share Application Money Pending Allotments</b>		
(01) Amount Pending Allotment	0	0
<b>04.Long term Borrowings:</b>		
<b>(01) Term Loans</b>		
(a) From Banks		
(A) Secured	615904	652337
(B) Unsecured		
(C) Total	615904	652337
(b) From Others		
(A) Due from Related Parties		
(i) Secured		
(ii) Unsecured	2919	2808
(iii) Sub- Total	2919	2808
(B) Due from Others		
(i) Secured		
(ii) Unsecured	4946	586
(iii) Sub- Total	4946	586
(C) Total		
(i) From Related Parties	2919	2808
(ii) From Others	4946	586
(iii) Total	7865	3394
(c) Summary of Term Loans		
(A) From Banks	615904	652337
(B) From Others	7865	3394
(C) Total	623769	655731
(d) Term of repayment of Term Loan		
(A) During the year 2011-12	0	0
(B) During the year 2012-13	0	81177
(C) During the year 2013-14 *	168000	118625
(D) During the year 2014-15	116537	121393
(E) During the year 2015-16	135960	138388
(F) During the year 2016-17	145671	145671
(G) During the year 2017-18	145671	145671
(G) During the year 2018-19	188601	101213

\* Note Paid hence disclosed (for the current year 2013-14)

**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>(e) Default of Repayment of Loans</b>		
(A) First date of default	01/07/2011	01/07/2011
(B) Total Amount of Principal defaulted	168000	81177
(C) Total Amount of interest defaulted	110962	42597
(D) Default continued	Yes	Yes
(E) Amt defaulted as on the balance sheet date	278962	123774
<b>(f) Securities Details</b>		
<b>(A) Term Loans from Banks</b>		
a) Pari Passu first charge on all immovable Properties of the Company.		
b) Pari Passu first charge on all movable fixed assets of the company excluding those movable fixed assets exclusively charged to The Royal Bank of Scotland N.V		
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.		
<b>(B) All Term Loans are fully Guaranteed by the Executive Chairman and Vice Chairman &amp; Managing Director.</b>		
<b>(02) Loans and Advances from Related Parties</b>		
(a) Secured	0	0
(b) Unsecured	0	0
Total	0	0
<b>(03) Long Term maturities of Financial Obligations</b>		
(a) Hire Purchase	0	98
<b>(04) Summary of Long Term Borrowings</b>		
(a) Term Loans	623769	655731
(b) Deposits	0	0
(c) Loans and Advances from Related Parties	0	0
(d) Long Term maturities of Financial Obligations	0	98
Total	623769	655829
<b>05. Short Term Borrowings</b>		
<b>(01) Loans Payable on Demand</b>		
<b>(a) From Bank</b>		
(A) Secured	501855	413470
(B) Unsecured	0	796
Total	501855	414266

# EL FORGE LIMITED

## Notes on Consolidated Financial Statements Relating to the Financial Year 2013-14

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
(b) From Others		
(A) Secured	0	0
(B) Unsecured	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
(c) Summary of Loan Payable on Demand		
(A) From Bank	501855	414266
(B) From Others	0	0
<b>Total</b>	<b>501855</b>	<b>414266</b>
<b>(02) Loans and Advances from Related Parties</b>		
(a) From Related Parties	0	0
(b) From Others	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>(03) Deposits</b>		
(a) Secured	0	0
(b) Unsecured	53973	66832
<b>Total</b>	<b>53973</b>	<b>66832</b>
<b>(04) Summary of Short Term Borrowings</b>		
(a) Loan Payable on Demand	501855	414266
(b) Loans and Advances from Related Parties	0	0
(c) Deposits	53973	66832
<b>Total</b>	<b>555828</b>	<b>481098</b>
<b>(05) Security (Loans Payable on Demand)</b>		
(a) The cash credit including packing credit accounts are secured by a paripassu first charge on current assets by hypothecation of raw materials stores and spares		
(b) finished goods and book debts that are not factored and also secured by a pari passu second charge on immovable and movable properties and in addition		
<b>(06) Loans are Guaranteed by</b>		
(a) Secured Loans are fully guaranteed by the Executive chairman and Vice Chairman & Managing Director		
<b>06. Trade Payables :</b>		
(01) Dues to MSME*	0	0
(02) Others	275060	429684
<b>Total</b>	<b>275060</b>	<b>429684</b>

\*MSME stands for Micro Small and Medium Enterprises

**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>07. Other Current Liabilities</b>		
(01) Current maturities of Long Term Debts	284537	199802
(02) Unclaimed Dividends	841	1250
(03) Sundry Creditors for Expenses and others	150870	115927
(04) Bills Acceptances	35354	36567
<b>Total</b>	<b>471602</b>	<b>353546</b>
<b>08. Short Term Provisions</b>		
(01) Provision for Taxation	2257	2257
(02) Provision for proposed dividend	0	0
(03) Provision for Tax on proposed dividend	0	0
<b>Total</b>	<b>2257</b>	<b>2257</b>
<b>09. Fixed Assets- Tangible :</b>		
Gross Block	1722916	1687333
Less: Depreciation till Date	652176	574426
<b>Net Block</b>	<b>1070740</b>	<b>1112907</b>
<b>* Details sheet Attached.</b>		
<b>10. Non-current investments</b>		
(01) Trade investments	0	0
(02) Other investments (At Cost)		
(a) in Equity Instruments (Quoted)	1	1
Indusind Bank Ltd 436 (436) No. of Shares of Rs.10/- each		
Total	1	1
(b) in Equity Instruments (Unquoted)		
The Vellore Electric Corporation. Ltd Nil (27684) No. of Shares of Rs.10/- each	0	1221
Chendur Forgings Ltd Nil (23600) No. of Shares of Rs.10/- each	0	6608
Sai Regency power corporation Ltd. 15000 (15000) No. of Shares of Rs.10/- each	1893	1893
Total	1893	9722
(c) Aggregate amount of Investments		
(A) Aggregate amount of Quoted Investment	1	1
(B) Aggregate amount of Unquoted Investment	1893	9722
Total	1894	9723
(d) Market value Quoted Investments	217	118



**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	As at 31-03-2014	As at 30-06-2013
<b>11. Long Term Loans and Advances</b>		
(01) Advance paid to subsidiary	0	0
(02) Advance against Capital Goods	2086	3760
Total	2086	3760
<b>12. Non-Current Assets</b>		
(01) Advance Income Tax	0	0
(02) Advance Deposits etc.	7076	6009
(03) Deferred Interest	120281	120281
(04) Deferred Revenue Expenditures	57218	62040
Total	<b>184574</b>	<b>188329</b>
<b>13. Inventories</b>		
(01) Raw-Materials / Die Tools Steel	72629	78493
(02) Work-In-Progress	33212	25895
(03) Finished goods	42854	57829
(04) Stores and Spares	24296	23729
(05) Loose Tools	2139	2852
(06) Flash Stock	1852	2566
Total	<b>176982</b>	<b>191364</b>
<b>14. Stock-in-Trade (Converted from Fixed Assets)</b>		
(01) Land	113116	113116
Total	<b>113116</b>	<b>113116</b>
<b>15. Trade Receivables</b>		
(01) Outstanding for a period more than 6 months		
(a) Secured & Considered Good		
(b) Unsecured & Considered Good	11973	26089
(c) Doubtful		
Sub-Total	11973	26089
(02) Others		
(a) Secured & Considered Good		
(b) Unsecured & Considered Good	228922	258310
(c) Doubtful		
Sub-Total	228922	258310
(03) Total		
(a) Secured & Considered Good	0	0
(b) Unsecured & Considered Good	240895	284399
(c) Doubtful	0	0
Total	240895	284399
<b>16. Cash and Cash Equivalents</b>		
(01) Balances with banks;		
(a) On Earmarked Accounts	841	1251
(b) On margin Money Account		
Against Borrowings	3055	5489
(c) In Current Account	801	2789
(02) Cash on Hand;		
(a) Free Legal tender	632	4306
(b) With repatriation restrictions	0	0
Total	<b>5329</b>	<b>13835</b>
<b>17 Short Term Loan and advances:</b>		
(01) Advance to Employees	1381	3383
(02) Prepaid Expenses	1774	1879
(03) Balance with Central Excise	26659	18450
Total	<b>29814</b>	<b>23712</b>
<b>18. Other current assets:</b>		
(01) Tax deducted at source	1801	1427
(02) Advances for Purchase	2990	3425
(03) Other Advances	12837	6819
(04) Receivables from statutory Authorities	14089	11771
Total	<b>31717</b>	<b>23442</b>

**EL FORGE LIMITED**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	For the Year 2013-14	For the Year 2012-13
<b>19. Revenue from Operations</b>		
(01) Sale of Products	893402	1081547
(02) Sale of Services	390	1525
(03) Other Operating Income (sale of Flash)	44717	57190
(04) Sub-Total	938509	1140262
(05) Less: Central Excise	104959	100626
<b>(06) Net Revenue From Operations</b>	<b>833550</b>	<b>1039636</b>
(07) Other Operating Income	75734	0
<b>(08) Net Revenue From Operations</b>	<b>909284</b>	<b>1039636</b>
<b>20. Other Income</b>		
(01) Dividend Income	35	71
(02) Other Non-Operating Income	8966	8054
(03) Profit on Sales of Fixed Assets (Exceptional Items)	0.00	2431.00
(04) Miscellaneous Receipts	29.00	0.00
<b>Total</b>	<b>9030</b>	<b>10556</b>
<b>21. Raw Materials Consumed</b>		
(01) Opening Stock- MS Steels	78493	87528
(02) Add: Purchases - MS Steels	410232	535608
(03) Sub-Total	488725	623136
(04) Less: Sales- MS Steels	0	0
(05) Amount net of Sales	488725	623136
(06) Less: Closing Stock : MS Steels	72629	78493
(07) Raw Materials consumed MS Steels	416096	544643
<b>22.Changes in inventories*</b>		
(01) Inventories at the beginning		
(a) Finished Goods	57829	74052
(b) Work-in-Progress	25895	36976
(c) Stock-in-Trade	0	0
(d) Flash Stock	2566	3322
Sub-Total	86290	114350
(02) Inventories at the End		
(a) Finished Goods	42854	57829
(b) Work-in-Progress	33212	25895
(c) Stock-in-Trade	0	0
(d) Flash Stock	1852	2566
Sub-Total	77918	86290
(03) Change in Inventories	8372	28060

\*Inventory means finished goods work in progress and Stock-in- trade

**EL FORGE LIMITED**  
**EI Forge Limited**  
**Notes on Consolidated Financial Statements Relating to the**  
**Financial Year 2013-14**

(Rs.in Thousands)

Particulars	For the Year 2013-14	For the Year 2012-13
<b>23. Employee Benefit Expenses</b>		
(01) Salaries & Wages	99156	126846
(02) Contribution to PF ESI etc	7529	7532
(03) Welfare Expenses	43986	57095
Total	150671	191473
<b>24. Finance Cost</b>		
(01) Interest Expenses	25280	142321
(02) Other Borrowing Cost	927	5437
Total	26207	147758
<b>25. Other Expenses:</b>		
(01) Consumption of stores and spare parts.	29063	34188
(02) Power and fuel.	102526	134989
(03) Job Charges	34293	64768
(04) Repairs to buildings.	48	253
(05) Repairs to machinery.	9802	16487
(06) Rent.	5311	6353
(07) Insurance .	9982	12334
(08) Rates and taxes excluding taxes on income.	5608	5451
(09) Travelling and Conveyance	7181	9233
(10) Packing and Forwarding	94733	52291
(11) Payment to Auditors:		
(a) As Auditors (Statutory audit Fees)	776	1042
(b) For Taxation matters	17	25
(c) For Certificate	0	0
(12) Miscellaneous expenses	45223	53579
Total	344563	390993

Note:

No other details are required for the year under report.

# EL FORGE LIMITED

**Consolidated**

**Note : 9 Fixed Assets –Tangible**

Name of the Fixed Assets	Gross Block			Depreciation				Net Block		
	Opening Balance As at 01-07-2013	Additions during the year	Deletions Transfer during the year	Closing Balance as at 31-03-2014	Opening Balance As at 01-07-2013	Addition during the year	Deduction during the year	Closing Balance as at 31-03-2014	As at 31-03-2014	As at 30-06-2013
Land	23521	0	16189	7332	0	0	0	0	7332	23521
Land (Lease Hold)	688	0	0	688	0	0	0	0	688	688
Building	219511	0	0	219511	46583	5501	0	52084	167427	172927
Plant & machinery	1373043	53092	0	1426135	483912	69346	0	553258	872877	889131
Furniture & Fixtures	35700	144	0	35844	19207	1614	0	20821	15023	16493
Vehicle	4925	0	1464	3461	3052	274	753	2573	888	1873
Office Equipments	29945	0	0	29945	21672	1768	0	23440	6505	8274
<b>Total</b>	<b>1687333</b>	<b>53236</b>	<b>17653</b>	<b>1722916</b>	<b>574426</b>	<b>78503</b>	<b>753</b>	<b>652176</b>	<b>1070740</b>	<b>1112907</b>

**Note:**

**1. During earlier year**

- b. The Conversion has been made at the market value amounting to Rs.120300(Rs. in Thousands) and
- c. The excess amount over an above the cost of land was shown in Capital Reserve (other than share premium)

**2. During the Current year**

- a. Deduction of land relates to conversion of fixed assets into stock-in-trade during the year under report.
- b. The Fixed Asset (Land) was converted into stock at market value by increase the amount by Rs 67776(Rs. In Thousands)
- c. Thereafter the same was sold during the current year itself.
- d. According the same was reflected in capital reserve account.

## EL FORGE LIMITED

### Notes on Consolidated Financial Statement as at 31.03.2014

#### Note 26: I 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 fixed 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 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.
03. Raw Material, Stores Spares and work in progress are valued at cost. Finished Goods are valued at cost or Net reliable value whichever is lower, as per Accounting Standard (AS2) prescribed under section 211(3C) of the Companies Act, 1956 & Rules made there under.
04. 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.
05. 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.
06. 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.
07. Miscellaneous Expenditure : Miscellaneous Expenditure incurred is amortized from profits over the expected period of future benefit.
08. All transactions in foreign currency are entered in the books of account at the rates prevailing on the date of transaction.
09. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS-22) prescribe 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.
10. Use of Estimate:  
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 these estimates. Any revisions to financial estimates are recognized prospectively in the financial statements when revised.
11. Revenue Recognition: Income is accounted on accrual basis.

# EL FORGE LIMITED

## Notes on Consolidated Financial Statement as at 31.03.2014

### Note 26: II Other Notes on Financial Statement

#### 01. Principles of Consolidation

The consolidated financial statements relate to El Forge Limited (the Company or Parent Company), its wholly owned 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	2013-14	2012-13
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. 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. Nil (Previous Period Rs.Nil) 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. Sundry Debtors, Creditors, Loans & Advances

The Company has sent letters for confirmation of Balance as at 31.03.2014 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.

#### 04. 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.

05. The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme there is a short fall of the amount provided by the company to Gratuity Scheme.

**EL FORGE LIMITED****Note 26: II Other Notes on Consolidated Financial Statement****06. Segment Reporting**

The Company has two business segment (1) Manufacture and sale of steel forgings.(2) Land and development described as "other Operating Income".

<b>Consolidated Segment wise report (Rs. in thousands)</b>		
<b>Particulars</b>	<b>Year Ended 31st March'14</b>	<b>Year Ended 30th June'13</b>
Revenue – Forgings	84258	1046472
Land Income	75734	3720
Net Profit / (Loss)	(106098)	(340939)

**07. Contingent Liabilities & Commitments**

**Rs. In thousands**  
**31.03.2014**                      **30.06.2013**

(01) Claims against the company not acknowledged as debt;		
(a) E.S.I under Appeal	208	208
(b) Demands raised by SIPCOT for the Leasehold	1301	1301
(c.) Demand from Income Tax	7560	7560
(d) Demand from Central Excise & service tax	4710	4603
(02) Guarantees given to ;		
(a) Foreign Bank (for credit limits of subsidiary company)	18363	18363
(b) Bank against the loan taken by a company	65000	65000
(03) Other money for which the company is contingently liable		
(a) For factoring (SBI Global Factors Ltd)	Nil	Nil
(04) Whether Commitments are classified as:		
(a) Pending contracts (on Account of capital Assets)	10000	10000
(b) Uncalled liability on shares & other investments partly paid	-	-
(05) Air Freight Under Negotiation:	11149	33858

**08. Earnings per share, as per Accounting Standard (AS) 20**

(01) Surplus / Deficit (-) after tax		
(a) Net Profit/ Loss (-)	-106098	-340939
(b) Adjusted Net Profit/ Loss (-)	-106098	-340939
(02) Weighted Average Number of shares		
(a) For Basic EPS	20324304	20,324,304
(b) For Dilutated EPS	20324304	20,324,304
(03) Earnings Per Shares (EPS)		
(a) Basic	-5.22	-16.77
(b) Dilutated	-5.22	-16.77

**09. Related Party Disclosure, as per AS-18**

(01) Related Parties		
(a) Promoters	-	
(b) Subsidiaries		
(Shakespeare Forgings Ltd, UK)		
(c) Associates		
(d) Key Managerial Personnel's		
Mr. K.R. Srihari              Son of Mr.K.V.Ramachandran		
(02) Transactions, if any.		
(a) On Account of Salaries: Relationship Director	735	869
(b) On Account of Interest	270	433
Shakespeare Forgings Ltd		
(a) On Account of Purchases	0	0

## EL FORGE LIMITED

### Note 26: II Other Notes on Consolidated Financial Statement

(a) Sales	123790	116165
10. Disclosure relating to Lease, as per AS-19		
◇ Amt due within 12 months		
(01) Principal Amount	Nil	106
(02) Interest/ HP Charges	Nil	5
(03) Balance	0	0
◇ Due after 12 but before 24 months		
(01) Principal Amount	0	0
(02) Interest/ HP Charges	0	0
(03) Balance	Nil	Nil
◇ Due after 24 months		
(01) Principal Amount	Nil	Nil
(02) Interest/ HP Charges	Nil	Nil
(03) Balance	Nil	Nil

**10.Account of Tax on Income, as required by AS-22** Not Applicable Not Applicable

11. Previous Year's figures have been regrouped wherever necessary to conform to current Period Classification / grouping.

12. All the figures have been rounded off to the nearest thousands.

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 : 11.08.2014

R. SOWMITHRI  
COMPANY SECRETARY

On behalf of Board  
V. SRIKANTH  
EXECUTIVE CHAIRMAN

K. V. RAMACHANDRAN  
VICE CHAIRMAN &  
MANAGING DIRECTOR



# EL FORGE LIMITED

## Consolidated Fund Flow Statement for the year Ended 31-03-2014

(Rs. In Thousands)

Particulars	For the year 2013-14	For the year 2012-13
<b>01. Cash Flow from Operations</b>		
(01) Net Profit/ Loss (-) before Tax	(106097)	(52007)
(02) Adjustment for		
(a) Depreciation	78503	90187
(b) Interest Expenses	26206	126913
(c) Other Income	0	0
(d) Profit on Sales of Fixed Assets	(75269)	(143762)
(e) Interest Income	(299)	(3299)
(f) Dividend Received	(35)	(1)
(g) Sales of Investments	0	0
(h) Revaluation Reserve	0	1508
	29106	71546
(03) Operating Profit before working Capital Changes	(76991)	19539
(04) Adjustment for Increase/ Decrease in		
(a) Trade Receivables & Other Current Assets	29126	(78667)
(b) Inventories	14382	(28417)
(c) Sundry Creditors	(36566)	127428
(d) Miscellaneous Expenses/Deferred Rev. Exp	0	0
(e) Conversion Fixed Assets to Stock	0	(13611)
	6941	6732
(05) Cash Generation from Operation	(70049)	26272
(06) Less the Following		
(a) Tax Paid/ Provided	0	(7614)
	0	(7614)
(07) Net Cash from Operating Activities	(70049)	18658
<b>02. Cash Flow from Investing Activities</b>		
(01) Purchase or Sale of Fixed Assets		
(a) Purchase of fixed assets, Including CWIP	(53236)	(58463)
(b) Sale Proceeds of Fixed assets	92167	171054
(c) Deduction on account of Conversion	0	13611
(d) Deduction on Investment	7829	0
(02) Interest Received	299	3299
(03) Dividend Received	35	1

# EL FORGE LIMITED



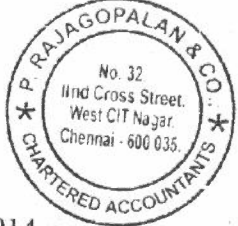
## Consolidated Fund Flow Statement for the year Ended 31-03-2014

(Rs. In Thousands)

Particulars	For the year 2013-14	For the year 2012-13
(04) Purchase or Sale of Investments		
(a) Purchase	0	0
(b) Sales	0	0
(05) Advances & Non-Current Assets		
(a) Paid	0	0
(b) Realized	5429	0
(06) Goodwill (on Consolidation)		
(a) Additions	(7445)	(23274)
(b) Deletion	0	0
(05) Net Cash Flow from Investing Activities	45078	106228
<b>03. Cash Flow from Financing Activities</b>		
(01) From Term Loan/ Deferral Loan		
(a) Obtained	0	0
(b) Re-Paid	(32060)	(252127)
(02) From Capital		
(a) Additions	0	188060
(b) Withdrawn	0	(7983)
(03) From Unsecured Loans		
(a) Obtained	0	0
(b) Re-Paid	0	0
(04) From Short (Bank Borrowings)	74730	74978
(05) Interest Paid	(26206)	(126913)
(06) Dividend and Tax Thereon	0	0
(07) Minority Interest	0	0
(08) Net Cash Flow from Financing Activities	16464	(123985)
04. Net Increase/ Decrease in Cash & Cash Equivalent (04= 01+02+03)	(8507)	901
05. Cash & Cash Equivalent- Opening Balance	13835	18630
06. Cash & Cash Equivalent- Closing Balance	5328	19531
07. Net Increase/ Decrease in Balances	(8507)	901
As per our annexed report		On behalf of Board
For P.RAJAGOPALAN & CO.		V. SRIKANTH
CHARTERED ACCOUNTANTS		EXECUTIVE CHAIRMAN
Reg No. of the Firm: 003408S		
R. VENKATESH		
PARTNER		
MNO: 28368 PLACE:CHENNAI DATE :11.08.2014	R. SOWMITHRI COMPANY SECRETARY	K. V. RAMACHANDRAN VICE CHAIRMAN & MANAGING DIRECTOR

FORM A  
[Pursuant to Clause 31(a) of Listing Agreement]

No.	Particulars	Details
1.	Name of the Company	El Forge Limited
2.	Annual Financial Statements for the year ended	31 <sup>st</sup> March, 2014
3.	Type of Audit Observation	<p>Page No.38 Point No.04 and 05 - Auditors Report <b><u>Emphasis Matters</u></b></p> <p>Without qualifying our opinion, we draw the attention to the following:</p> <p>(01) Item No.II-21 in Note 26 on Financial Statements, Interest and penalty leviable, if any for non remittance of statutory dues, on account of delay / short remittance of statutory dues is not ascertainable at present.</p> <p>(02) Item No.II-20 in Note 26 on Financial Statements, Non payment of contribution to Employees Gratuity Plan agreed upon with Life Insurance Corporation of India, amounting to Rs.96.30 lakh. as per the amount determined based on the information available with the Company. Accordingly, the disclosure under AS-15, namely, Employees' benefit has not been made</p> <p>(3) Item No.24 in Note No.26 on Financial Statements, relating to change in the accounting period and accordingly the accounting period, under report, is for a period of 9 month, from 1<sup>st</sup> July, 2013 to 31<sup>st</sup> March, 2014, as against the period of 12 months (1<sup>st</sup> July, 2012 to 30<sup>th</sup> June, 2013) during the immediately preceding previous period.</p>
4.	Frequency of observation	Second year
5.	To be signed by	<p><b>For EL FORGE LIMITED</b> <i>[Signature]</i> <b>VICE CHAIRMAN &amp; MANAGING DIRECTOR</b></p> <p><b>For EL FORGE LIMITED</b> <i>[Signature]</i> <b>ED(FINANCE) &amp; SECRETARY</b></p>

<p>* Audit Committee Chairman</p>	<p><b>For EL FORGE LIMITED</b>    <b>CHAIRMAN AUDIT COMMITTEE</b></p>
<p>* Auditors of the Company</p>	<p><b>For P.Rajagopalan &amp; Co</b>  <b>Chartered Accountants</b>  <b>Regn. No. of the Firm : 003408S</b></p> <p>  <b>R.VENKATESH</b>  <b>PARTNER</b>  <b>M.No.28368</b></p> <p></p> <p>Chennai, 23<sup>rd</sup> October, 2014</p>

FORM B  
[Pursuant to Clause 31(a) of Listing Agreement]

No.	Particulars	Details
1.	Name of the Company	El Forge Limited
2.	Annual Financial Statements for the year ended	31 <sup>st</sup> March, 2014
3.	Type of Audit qualification	<p data-bbox="702 409 1408 454">Qualified</p> <p data-bbox="702 477 1408 521">Refer Page 39 – Auditors Report</p> <p data-bbox="702 544 1408 589"><b><u>Basis for Qualification of Opinion</u></b></p> <p data-bbox="702 611 1408 1014">(01) The Company's operating results has been materially affected due to various factors during the nine months ended 31st March, 2014, under report, and the Company has huge accumulated losses as on the aforesaid date, which has eroded entire net worth of the Company. Accordingly, the appropriateness of the going concern assumption is dependent on the Company's ability to establish consistent profitable operations as well as raising, obtaining or infusing adequate / required fund to meet its short term and long term obligations.</p> <p data-bbox="702 1037 1408 1597">(2) At the end of Financial Year 2013-14, net worth of the Company has been totally eroded and become negative of an amount of minus Rs.3162.65 lakhs [after excluding the amount of Rs.1219.03 lakh shown under capital reserve (other than share premium; in other words, this capital reserve has not been considered as part of reserve due to revaluation) in the Notes 02 on Financial Statements and Rs.1535.56 lakh, relating to Deferred Interest and Deferred Revenue expenses (since in our opinion, this is not an assets that can be realized, in the ordinary course of business but only can be written off) Note 12 on Financial Statements, due to the accumulated loss of the Company amounting to Rs.7134.63 lakh (which includes current period loss) as on the Balance Sheet date].</p> <p data-bbox="702 1619 1408 1798">(3) Further the Company's current liabilities (as at 31st March, 2014) have also exceeded its Current Assets by an amount of Rs.6667.30 lakh. These factors raise doubts about the ability of the Company to continue as a going concern.</p>

		<p>(04) In case the going concern concept is vitiated, necessary adjustments will be required on the carrying amount of Assets and Liabilities which are not ascertainable (as at 31<sup>st</sup> March, 2014) at this stage.</p> <p>(05) During the period under report, the Company has changed the method of account of interest on Bank Borrowings (both short term and long term borrowings) from mercantile method to cash method. Accordingly an amount (as determined by the management, based on the information available with them, and relied upon by the auditors) of Rs.1050.83 lakh, relating to 9 months, comprising the period from July 1, 2013 to March, 2014 has not been provided in the books of account and the same has not been charged as an expense in the statement of profit and loss account under report. Had the aforesaid interest been provided, as per the earlier method of accounting, consistently followed by the company, the operating loss, for the period under report, would have been more by an amount of Rs.1050.83 lakh and the Net worth, as at March 2014, of the company would have been less by an equal amount (or in other words, the minus figure of the net worth would be more by the same amount).</p>
4.	Frequency of qualification	Second Year
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	<p>Refer Page No.20 – Directors Report</p> <p><b><u>Addendum to Directors' Report</u></b></p> <p>In response to the Audit Emphasis matters and qualification the directors state the following :</p> <p><b><u>Statutory Dues</u></b></p> <p>The Company is facing fund constraint, due to this the Company has not been able to make regular payments for statutory dues. The Management is taking steps to clear the dues. During the year under report, the Company has paid dues for 15 months, related to earlier period.</p> <p><b><u>Gratuity Fund</u></b></p> <p>The contribution to the gratuity fund is pending due to funds constraint. The Management is taking steps to comply with the requirement and regularize the fund.</p>

### Going Concern

The Management has prepared the accounts on a going concern as there has been no stoppage in the manufacturing operations or sale of our products. The World Class Plant attracts the auto majors and others with no let up in the orders. Due to working capital inadequacies, we are not able to service all the orders on hand. Our forgings products are known for the quality and the fact that customer returns rejections are negligible, confirms the quality.


### Change of Accounting Policy

The Banks have classified our account (the borrowings by the company) as Non performing Asset and have stopped charging interest. We have decided to adopt the same and have changed our accounting policy on interest on banks borrowings. We have decided not to charge interest since banks have not charged the same on the company. Therefore the Company has changed the method of accounting of interest on bank borrowings from mercantile to cash basis.

Our Company is in forging business from 1964 and this is the fiftieth year of operations and endured many business cycles. The management is taking steps to address the financial requirement and is confident of addressing the same and move to profitable levels. The current assets position will be strengthened once the company generate profits form operations. The management is confident of resolving the issues and hence prepared the financial statements on going concern basis.

### Change of Accounting Year

The Companies Act, 2013 had made it necessary for all companies to follow a uniform accounting year to end on 31<sup>st</sup> March every year. The Board decided to fall in line and hence closed the financial year 2013-14 for 9 (nine) months ending 31.03.2014.

6.	<p>To be signed by</p> <p>* Vice Chairman &amp; Managing Director</p> <p>* ED(Finance) &amp; Secretary CFO</p> <p>* Audit Committee Chairman</p> <p>* Auditors of the Company</p>	<p>For EL FORGE LIMITED</p> <p><i>Manabandu</i></p> <p><b>VICE CHAIRMAN &amp; MANAGING DIRECTOR</b></p> <p>For EL FORGE LIMITED</p> <p><i>Sankar</i></p> <p><b>ED(FINANCE) &amp; SECRETARY</b></p> <p>For EL FORGE LIMITED</p> <p><i>M. Venkatesh</i></p> <p><b>CHAIRMAN AUDIT COMMITTEE</b></p> <p>For P.Rajagopalan &amp; Co Chartered Accountants Regn. No. of the Firm : 003408S</p> <p><i>R. Venkatesh</i></p> <p><b>R.VENKATESH PARTNER M.No.28368</b></p> <p>Chennai, 23<sup>rd</sup> October, 2014</p> 
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