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EL FORGE LIMITED

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62nd

ANNUAL REPORT

1996 - 97



EL FORGE LIMITED

DIRECTORS

Sri.S.Venkataraman, Chairman

Sri.V.Srikanth, Vice Chairman

Sri.V.N.Shankar Rau

Sri.P.L.Reddy

Sri.V.Ramachandran

Sri.K.J.Ramaswamy

Sri.K.V.Ramachandran, Managing Director

COMPANY SECRETARY

Smt. R. Sowmithri

AUDITORS

Sankaran & Raman

Chartered Accountants

BANKERS

CANARA BANK, T.C.Street, Chennai 600 001

STATE BANK OF INDIA, Industrial Finance Branch,
Chennai 600 020

STATE BANK OF MYSORE, Main Branch,
Chennai 600 001

FACTORS

CANBANK FACTORS LTD, Chennai 600 002

SHARE TRANSFER AGENTS

M/s. Integrated Advisory Services Limited

No.85, G.N.Chetty Road,

T.Nagar, Chennai 600 017

REGISTERED OFFICE

No.1, Ramachandra Road

Mylapore, Chennai 600 004

Phone : (044) 4994115 / 4994116

Grams "ELFORGE"

Telex : 041-7259 EECO IN

Fax : (044) 4994708

EL FORGE LIMITED

Regd. Office: No. 1, Ramachandra Road, Mylapore, Chennai-600004.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 62nd Annual General Meeting of the members of El Forge Limited will be held at Music Academy, Mini Hall, No. 306, T.T.K. Road, Chennai 600014 on Thursday, the 9th day of October, 1997, at 3.05 p.m. to transact the following business:

1. To receive, consider and adopt the audited accounts for the year ended 30th April, 1997, the Auditors' Report and the Directors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Sri.P.L.Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri.K.J.Ramaswamy, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting and to fix their remuneration.

AS SPECIAL BUSINESS:

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

"Resolved that subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to acquire/purchase and hold or resell any of its own fully or partly paid shares on such terms and conditions and upto such limits as may be determined by the Board or prescribed by law from time to time; Provided that acquisition/purchase of such fully or partly paid Equity Shares of the Company be not construed as reduction of Equity Share Capital which is subject to the controls as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956, for the time being in force and that the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary or proper to implement this resolution".

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

Add following new Article as Article No.2C next below the existing Article No.2B.

2 C. "Resolved that the Company shall have the power, subject to and in accordance with the provisions of the Act for the time being in force, to purchase/acquire any of its shares whether or not they are redeemable and may make a payment therefor (including out of Capital) and Cancel and/or reissue any such shares either in full or in part".

(By Order of the Board)

Place : Chennai
Date : 30th July, 1997

R. SOWMITHRI
COMPANY SECRETARY

EL FORGE LIMITED

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy so appointed need not be a member of the Company.
2. The instrument appointing Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members will be closed from 1/10/1997 to 9/10/1997 both days inclusive.
4. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends relating to the Company's year end upto 31/03/1993 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Tamil Nadu, (Chennai), No.26 Haddows Road, Chennai 600 006.
5. Members are requested to communicate their change of address, if any, quoting their respective folios to the Share Transfer Agents of the Company.
6. 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.

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EL FORGE LIMITED

Explanatory Statement annexed to the notice convening the Annual General Meeting of the Company as required under Section 173(2) of the Companies Act, 1956.

ITEM NO.6 & 7

At present Indian Company Law does not permit a Company to buy its own shares. There is a possibility that the Government would introduce appropriate legislative provisions permitting the Company to buy back its own shares. To enable the Company buy back its shares in the interests of the Company and as and when permitted by law, it is proposed to Insert a clause in the Articles of Association to permit the Company to buy back its shares. An enabling authority from the Shareholders is also being sought in favour of the Board to acquire/purchase the Company's Shares when it may consider necessary in the interests of the Company.

For operational and administrative convenience it is proposed to add a new Article to the Company's Articles of Association as set out in Item No.7 of the Notice.

To give effect to these amendments to the Articles of Association, necessary Special Resolution under Items No.6 & 7 of the Notice are submitted for the approval of the Shareholders.

Your Directors recommend the special resolutions for your approval.

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

A Copy of the Memorandum and Articles of Association of the Company is available for inspection by the shareholders at the Registered Office of the Company at any time on working days between 10.00 am and 12.30 pm till the date of meeting.

(By Order of the Board)

Place : Chennai
Date : 30th July, 1997

R.SOWMITHRI
COMPANY SECRETARY

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EL FORGE LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the Annual Report along with the Accounts of the Company for the year ended 30th April, 1997.

FINANCIAL RESULTS

	1996-97 (12 MONTHS)	1995-96 (13 MONTHS)
	(Figures in Rs. Lakhs)	
Sales & Other Income	4462.87	4811.61
Profit before depreciation	207.53	358.25
Profit after depreciation	105.82	274.51
Provision for Taxation	—	24.00
Net Profit after Tax	105.82	250.51
Add : Excess Provision of tax written back	5.71	—
Add : Balance brought forward from the previous year	72.79	33.69
Balance Profit available for appropriation	184.33	284.21

BUSINESS SITUATION

The Automobile Industry which was in a boom for the last three years, started showing signs of decline from September, 1996. What started as a slow-down became more pronounced from January, 1997.

Your Company has a dominant presence in the domestic market. Coupled with the slow-down was the non-reimbursement of material price increases by major customers, which affected the financial working.

To combat the present situation, we have undergone a restructuring of our organisation to emphasise on cost reduction, export focus and productivity improvements.

On the domestic front, the future seems to be based on the auto industry. The markets Overseas are buoyant and hence our efforts are to ensure greater exports.

DIVIDEND

Considering the profits made by the company during the year, the Board of Directors recommended a dividend of Rs.1.25 per share for the year ended 30th April, 1997.

RESEARCH & DEVELOPMENT

Research and Development is an ongoing process at El Forge. All efforts are directed towards reduction of material wastage using advanced technology and equipments. The emphasis of Research & Development is more at our tool room as this section plays a major role in reduction of material wastage.

Meanwhile, there has been sustained reduction in inventory which was witnessed during the year under review.

HUMAN RESOURCE DEVELOPMENT

Human Resource Development activities have been organised at the Corporate level to strengthen and implement modern concepts. These activities include Man Power planning, recruitment, placement, promotion, personnel appraisal/evaluation and development of Personnel. Total Quality Management has also been taken up as a part of Human Resource Development activities.

EL FORGE LIMITED

INDUSTRIAL RELATIONS

The employees at all levels have contributed to the performance. We are confident that with the continued support and team spirit of our employees, which has been evidenced hitherto, your Company will grow from strength to strength. Your Directors place on record the cooperation of all employees during the year.

FIXED DEPOSITS

The Company had as on 30th April, 1997 deposits amounting to Rs.86.84 lacs. All the deposits that matured and claimed during the year were paid on the due dates. Your Company has been rated FA+ by Credit Rating Information Services (India) Limited (CRISIL) during the year for the fixed deposits which denotes adequate safety for interest and return of principal.

PROMISES vs PERFORMANCE

As per clause 43 of the listing agreement between the Company and Stock Exchange where the Company's shares are listed, the Company has furnished the projections for the year 1.4.96 to 31.3.97 that has formed part of the Letter of Offer dated 25.11.94. As against the said projections, the Company has achieved the following figures for the year ended 30.4.97.

Sl. No.	Particulars	Projected for the year 1.4.96 to 31.3.97 as stated in the Letter of Offer dated 25.11.94	Actuals 1.5.96 to 30.4.97
1.	Production (MT)	6300	9002
2.	Sales (Rs. Lakhs)	2618.08	4450
3.	Gross Profit (Rs. Lakhs)	433.71	1922.82
4.	Profit before Taxation (Rs. Lakhs)	260.17	105.83
5.	Profit after Taxation (Rs. Lakhs)	163.77	105.83
6.	Dividend (%)	20	12.5
7.	EPS (Rs.)	5.15	2.08
8.	Net Worth (Rs. Lakhs)	1107.45	1562.19

PARTICULARS OF EMPLOYEES

Information under Section 217 (2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the Statement of Particulars of Employees under Section 217 (2-A) of the Act. Any shareholder interested in obtaining a copy of the said Statement may write to the Registered Office of the Company.

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 as prescribed therein, in the Annexure which forms part of the Directors' Report.

DIRECTORS

Sri P.L.Reddy and Sri K.J.Ramaswamy retire from the Board by rotation and being eligible offer themselves for re-appointment.

EL FORGE LIMITED

AUDITORS

M/s Sankaran & Raman, the retiring Auditors, are eligible for re-appointment.

ACKNOWLEDGEMENTS

The Company places on record the unstinted co-operation of our Bankers, Canara Bank, State Bank of India, State Bank of Mysore, Canbank Factors, Tamilnadu Industrial Investment Corporation, State Industrial Promotion Corporation of Tamilnadu. We also thank all our customers, dealers, suppliers and others connected with the business for their co-operation.

(By Order of the Board)

Place : Chennai
Dated : 30th July, 1997

For EL FORGE LIMITED
S. VENKATARAMAN
CHAIRMAN

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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 period ended 30th April, 1997

CONSERVATION OF ENERGY

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

FORM A (See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	1996-97 (12 MONTHS)	1995-96 (13 MONTHS)	
A. POWER AND FUEL CONSUMPTION			
1. Electricity			
a. Purchased			
Units	4686802	5472211	
Total Amount (Rs.)	15652792	16807337	
Rate / Unit	3.34	3.07	
b. Own Generation			
Through Diesel Generator :			
Units	143645	205572	
Units / Ltr. of Diesel Oil	1.80	1.80	
Cost Per Unit	4.34	4.33	
2. Furnace oil & L.D.oil			
Quantity (in Ltrs.)	2241492	2637214	
Total Amount (Rs.)	16013430	15386373	
Average Rate	7.14	5.83	
B. CONSUMPTION PER UNIT OF PRODUCTION			
Product – Steel Forgings	Standards		
Unit / Mt. of Made Steel Forgings	(if any)		
a. Electricity	—	537	580
b. Furnace Oil / L.D. Oil	—	249	297

Note : No standards are available for comparison.