



EL FORGE LIMITED

Report  junction.com

64th

ANNUAL REPORT
1998 – 99

EL FORGE LIMITED

DIRECTORS

Sri.S.Venkataraman, Chairman
Sri.V.Srikanth, Vice Chairman
Sri V.Ramachandran
Sri.P.L.Reddy
Sri.V.N.Shankar Rau
Sri.K.J.Ramaswamy
Sri.K.V.Ramachandran, Managing Director

COMPANY SECRETARY

Smt. R. Sowmithri

AUDITORS

Sankaran & Raman,
Chartered Accountants

BANKERS, FINANCIAL INSTITUTIONS AND FACTORS

CANARA BANK, T.C.Street, Chennai 600 001
STATE BANK OF INDIA, Industrial Finance Branch, Chennai 600 002
STATE BANK OF MYSORE, Main Branch, Chennai 600 001
BANK MUSCAT INTERNATIONAL, Bangalore
INDUSTRIAL DEVELOPMENT BANK OF INDIA, Chennai 600 015
CANBANK FACTORS LTD, Chennai.600 002

SHARE TRANSFER AGENTS

M/s. INTEGRATED ENTERPRISES (INDIA) Ltd.
No.46/3, Vijayaraghava Chari Road,
T.Nagar, Chennai 600 017

REGISTERED OFFICE

No.1, Ramachandra Road, Nageswarapuram
Mylapore, Chennai 600 004
Phone:(044) 4994115 / 4994116
Grams: "EL FORGE"
Fax:(044) 4994708

FACTORIES

UNIT I : 84, Thiruneermalai Road
Chromepet, Chennai 600 044
Ph : (044) 2381685 / 2381686
Fax : (044) 2381690

UNIT II : Denkanikotta Road
P.B.No.11, Hosur 635109
Ph : (04344) 22486 / 22917 / 23264
Fax : 76107

UNIT III : S-104, Oggiam Thuraipakkam,
Chennai 600 096
Ph : (044) 4961398 / 4961469
Fax : (044) 4961407

UNIT IV : 283/1B, Old Mahabalipuram Rd.
Kandanchavadi, Chennai 600 096
Ph : (044) 4925272 - 4927129

UNIT V : B-67, SIPCOT Industrial Complex,
Gummidipoondi 601201.
Ph : (04119) 22814
Fax : (04119) 22813

TOOL ROOM : 65, First Main Rd., Nehru Nagar,
Off Old Mahabalipuram Rd.,
Chennai 600 041
Ph : 4926821

EL FORGE LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 64th Annual General Meeting of the members of El Forge Limited will be held at Gokhale Shastri Institute, K. N. Shanmugasundaram Hall, 16 Karpagambal Nagar, Mylapore, Chennai 600 004 on Wednesday the 22nd December, 1999 at 9.45 a.m. to transact the following business

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 30th September, 1999, the Auditors' Report and the Directors Report thereon.
2. To appoint a Director in place of Sri P.L. Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri K.J. Ramaswamy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting.

SPECIAL BUSINESS

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

"Resolved that in accordance with the provisions of Section 198, 269, 309, 310 and other applicable provisions, of the Companies Act, 1956, the Company hereby approves the reappointment of Mr V..Srikanth as Vice Chairman of the Company, for a term of 5 years from 5th September, 1999 upon the terms and conditions set out in the agreement, which is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said agreement in such manner as may be agreed between the Board of Directors and Mr V .Srikanth, so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereof."

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

"Resolved that pursuant to the provisions of Section 293(1)(a) and (d) of the Companies Act, 1956 and to supersession of the resolution passed at the Extra Ordinary General Meeting held on 3rd January 1996 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 time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs.35 Crores (Rupees Thirty Five Crores only).

(By Order of the Board)
For EL FORGE LIMITED

R.SOWMITHRI
COMPANY SECRETARY

Place : Chennai
Dated : 26.11.99

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 16th December 1999 to 22nd December 1999 both days inclusive.
4. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends relating to the Company's year upto 31/03/1995 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, (Madras), No.26, Haddows Road, Madras 600 006.

As a result of the amendments introduced through Sections 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer shall be transferred by the Company to "Investor Education and Protection Fund" to be set up by the Central Government. Accordingly, the unpaid/unclaimed dividends for the year 1995-96 onwards will become transferrable at the end of seven years respectively, to the said Investor Education and Protection Fund and no claims shall lie against the fund or the Company in respect of individual amounts thereafter. Shareholders are, therefore requested to send their claims, if any, for the relevant years from 1995-96 onwards before the respective amounts become due for transfer to the fund.

5. Members are requested to communicate their change of address, if any, quoting their respective folios to the Share Transfer Agents of the Company.

NOMINATION

6. A new provision for nomination has been introduced in the Companies Act, 1956. This enables shareholders to avail this nomination facility.

The nomination has to be made in the form prescribed without any cost to the shareholders. Shareholders interested, are requested to contact the "Share Department" El Forge Limited, No.1, Ramachandra Road, Mylapore, Chennai 600 004.

7. 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.

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.5

The Board of Directors of the Company at its meeting on 26th November, 1999 decided to reappoint, subject to the approval of the members of the Company, Mr V.Srikanth, the Vice Chairman with effect from 5th September, 1999 for a term of 5 years on certain terms and conditions including Salary, Commission & Perquisites within the limits laid down in Schedule XIII of the Companies Act, 1956. The principal terms and conditions of the appointment are given below:

- a. Salary of Rs.45000/- per month.
- b. Special Allowance Rs.15000/- per month.

In addition to the above, Commission at 1% on the net profits of the Company computed in the manner laid down under Section 198 of the Companies Act, 1956. He would also be entitled to the benefit of furnished accommodation maintained by the Company with Car and Telephone at residence, Medical Reimbursement, Personal Accident Insurance, Leave and Leave Travel concession, Club Fees, Provident Fund, Superannuation Fund and gratuity in accordance with the Scheme(s) and rule(s) framed by the Company or any modification(s) that may be made, in any Scheme or rule of the aforesaid benefits.

EL FORGE LIMITED

Mr V. Srikanth is concerned or interested in the resolution to the extent of remuneration proposed. Mr S. Venkataraman and Mr V. Ramachandran being related to Mr V. Srikanth may be deemed to be interested in the resolution. No other director is concerned or interested in the resolution.

Shareholders are requested to treat this as a Notice under Section 302 of the Companies Act, 1956. The directors recommend the resolution for your approval.

Item No.6

The borrowing power of the Board of Directors is presently Rs.25 Crores which was approved by the Members at the Extra Ordinary General Meeting held on 3rd January, 1996. Due to growth in business, it is considered necessary to increase the Borrowing Power of the Board of Directors to the extent specified in the proposed resolution.

Accordingly by a resolution under Item No.6, the consent of the Members of the Company is being sought for increasing the borrowing power of the Directors to Rs.35 Crores..

Your Directors recommend the resolution for your approval.

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

(By Order of the Board)

Place : Chennai
Dated : 26.11.1999

R.SOWMITHRI
COMPANY SECRETARY

Registered Office : No.1, Ramachandra Road, Nageswarapuram, Mylapore, Chennai 600 004



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 September, 1999..

FINANCIAL RESULTS

	1998-99 (12 MONTHS)	1997-98 (17 MONTHS)
	(Figures in Rs. Lakhs)	
Sales & Other Income	3715.12	4575.66
Profit before depreciation	85.13	11.59
Profit / (Loss) after depreciation	(60.11)	(154.26)
Net Profit / (Loss) after Tax	(60.11)	(154.26)
Add : Excess Provision of tax written back	NIL	4.94
Add : Investment allowance no longer required written back	1.14	2.18
Add : Balance brought forward from the previous year	Nil	71.00
Less : Appropriation	Nil	NIL
Balance in Profit and Loss Account	(58.97)	(76.14)

Continued recessionary trend from the previous period 1997-98 and difficult market conditions have affected the performance of the Company. In view of the loss during the year the Board does not recommend any dividend for 1998-99.

Business Situation

The slow down in the production of heavy and light commercial vehicles sector continued to drop during 1998-99 compared to the peak level in 1996-97. Heavy vehicles production dropped by more than 48% during 1998-99 i.e. from 1,55,000 Nos. to 80,000 Nos. Similarly Light Commercial Vehicles production dropped from 85000 Nos. to 65000 Nos.

The difficult market conditions seems to be over and the business is expected to improve. To combat the adverse business situation, your Company has been pursuing business in exports and value added Forgings coupled with cost control measures in areas of Raw Material, Production inputs and other overheads. The export business has gone up from Rs.748.90 lakhs for a 17 Months period to Rs.742.61 lakhs for the year 1998-99 which means an increase of 40% of an annualised basis.

Modernisation

During 1998-99 the Company has incurred Capital expenditure amounting to Rs.167.75 lakhs for addition of state of the art machinery, equipment and software in the tool room.

As we stand at the threshold of a new millennium, your Directors realise that El Forge will be increasingly faced with fresh opportunities as well as challenges. Your Directors wish to assure that El Forge is already on a path of substantial building of capability to derive full benefit from the liberalisation and globalisation thrust and to combat the challenges.

Research & Development

Research and Development in El Forge, is a continuous sustained process. All efforts in product design and process development are directed at Customers' satisfaction, competitiveness, quality and responsiveness. This includes focus on material wastage reduction using advanced 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

The employees at all levels have contributed to the performance. Your directors place on record the co-operation of employees during the year.

Y2K Preparedness

Necessary steps have been taken for making Computer Hardware, Software and Micro Processor based equipment - Y2K Compliant.

The entire process has been put into place by a team of Company Staff and the expertise of a Consulting team. However contingency plans have been drawn to deal with the risk of disruption to the Company's Operations due to Y2K Compliance by public utilities and providers of materials and services.

An amount of Rs.15 lakhs is estimated towards the cost of ensuring Y2K Compliance.

EL FORGE LIMITED

Fixed Deposits

The Company had as on 30th September, 1999 deposits amounting to Rs.69.92 lakhs. All the deposits that matured and claimed during the year were paid on the due dates.

Particulars of Employees

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

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.

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 Limited, Bank Muscat International and Industrial Development Bank of India. We also thank all our Customers, Suppliers and others connected with the business for their co-operation.

(By Order of the Board)

For EL FORGE LIMITED
S. VENKATARAMAN
CHAIRMAN

Place : Chennai
Dated : 26.11.1999

Report  junction.com

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 30th September, 1999

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

	1998-99 (12 MONTHS)	1997-98 (17 MONTHS)
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units	3764050	4967497
Total Amount (Rs.)	18641839	20752938
Rate / Unit (Rs.)	Rs.4.95	Rs.4.18
b. Own Generation		
Through Diesel Generator :		
Units	105985	208495
Units / Ltr. of Diesel Oil	Rs.2.23	2.21
Cost Per Unit	Rs.4.93	4.64
2. Furnace oil & L.D.oil		
Quantity (in Ltrs.)	1669184	2267641
Total Amount (Rs.)	10765560	12421854
Average Rate	Rs.6.45	Rs.5.48
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product – Steel Forgings	Standards	
Unit / Mt. of Made Steel Forgings	(if any)	
a. Electricity	—	561
b. Furnace Oil / L.D. Oil	—	249

Note : No standards are available for comparison.