



EL FORGE LIMITED



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ANNUAL REPORT

2001-2002

EL FORGE LIMITED

Sri. S.Venkataraman, Chairman Emeritus

BOARD OF DIRECTORS

Sri.V.Srikanth, Executive Chairman

Sri.V.Ramachandran

Sri.P.L.Reddy

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, S.A.O.G. 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.1, Ramakrishna Street, North Usman 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) 522486

Fax :22841

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: 954119 322845

TOOL ROOM: 65, First Main Road,

Nehru Nagar

Off Old Mahabalipuram Road

Chennai 600 041

Ph: 4926821

EL FORGE LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 66th Annual General Meeting of EL FORGE LIMITED will be held at Ghokale Shastri Hall, 40, Luz Church Road, Mylapore, Chennai 600 004 on Friday the 20th September 2002 at 10.00 am to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2002, the Auditors Report and the Directors Report thereon.
2. To appoint a Director in place of Mr.P.L.Reddy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.K.J.Ramaswamy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and to determine their remuneration.
To consider adoption of the following resolution with or without modification as an Ordinary Resolution.

"Resolved that M/s.P.Rajagopalan & Co, Chartered Accountants, 17, 2nd Cross Street, CIT Nagar, Chennai 600 035 be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company.

"Resolved further that the Power to determine the remuneration to the Auditors be and is hereby delegated to the Board of Directors".

SPECIAL BUSINESS

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

"Resolved that pursuant to Section 31 and other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner.

After Article 76, insert the following Article as Article 76A

Dematerialisation of Securities

Definitions

- i) For the purpose of this Article:

"Beneficial Owner" means a person whose name is recorded as such with a depository.

"Registered Owner" means a depository whose name is entered as such in the register of the issuer.

"SEBI" means the Securities and Exchange Board of India.

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"Depository" means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992.

"Security" means such security as may be specified by SEBI from time to time.

- ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to other securities in a dematerialised form pursuant to the Depositories Act, 1996.

Option for Investors

- (iii) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with depository. Such a person who is beneficial owner of the securities can at any time opt out of a depository, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities. If a person opts to hold his security with a depository, the Company shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form

- (iv) All securities held by a depository shall be dematerialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187C and 372 of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories

- (v)(a) Notwithstanding anything to the contrary contained in the Companies Act, 1956, or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owners.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the Securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

Service of Documents

- vi) Notwithstanding anything in the Companies Act, 1956, or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

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Transfer of Securities

- vii) Nothing contained in Section 108 of the Companies Act, 1956, or these Articles shall apply to a transfer of Securities effected by transferor and transferee, both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with by a Depository

- viii) Notwithstanding anything in the Companies Act, 1956, or these Articles, where the Securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive Numbers of Securities held in a Depository

- ix) Nothing contained in the Companies Act, 1956 or in these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and Index of Beneficial Owners

- x) The Register of Index of Beneficial Owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security Holders for the purpose of these Articles.

6. Increase in Authorised Capital

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

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

The Share Capital of the Company is Rs.10, 00,00,000 (Rupees Ten Crores only) divided into

- a) 70,00,000 (Seventy lakhs) equity shares of Rs.10/- each (Rupees ten only)
- b) 3,00,000 (Three lakhs) Redeemable Preference Shares of Rs.100/- each (Rupees hundred)

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

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

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

2A The Share Capital of the Company is Rs.10, 00,00,000 (Rupees Ten Crores only) divided into

- a) 70,00,000 (Seventy lakhs) equity shares of Rs.10/- each (Rupees ten only)

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b) 3,00,000 (Three lakhs) Redeemable Preference Shares of Rs.100/- each
(Rupees hundred only)

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

"Resolved that in terms of Section 80, 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and subject to the consent of all concerned authorities, if and to the extent necessary and 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 and/or a duly authorised committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter to as the Board") the consent of the Company be and is hereby accorded to the Board to offer/issue/allot in the course of domestic and/or international offering, redeemable preference shares of the face value of Rs.100/- each upto a sum of Rs.3 Crores to be subscribed, by any person, persons whether or not shareholders of the Company, (including one or more of the members, promoters, debenture holders, employees, financial institutions, banks, mutual funds, foreign investors, non-resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Multilateral Agencies, Venture Capital Funds, Foreign Financial Institutions, bodies corporate companies, private or public and other entities), whether through public issue, rights issue, private placement or otherwise, in one or more modes of combinations thereof and in one or more tranches and on such terms and conditions (including the rate of dividend, amount of premium, if any, on redemption, redemption period, manner of redemption and matters incidental thereto) as the Board may in its absolute discretion decide".

"Resolved Further that such of these preference shares to be issued are not subscribed may be disposed of by the Board to such persons and in such manner and in such terms as the Board in its absolute discretion think most beneficial to the Company".

"Resolved Further that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and to finalise and execute all documents and writings as may be necessary, proper desirable or expedient as it may deemed fit".

Place: Chennai
Date: 31.07.2002

(By Order of the Board)
R.SOWMITHRI
EXECUTIVE DIRECTOR (FINANCE) &
SECRETARY

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Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy so appointed need not be a member of the Company.
2. The instrument appointing Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
4. The Register of Members will be closed from 16th September, 2002 to 20th September, 2002 both days inclusive.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends relating to the Company's year upto 31.3.1995 have been transferred to 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, Tamilnadu (Madras) No.26, Haddows Road, Chennai 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 transferable 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.

6. Members are requested to communicate the change of address, if any, quoting their respective folios to the Share Transfer Agents of the Company.
7. A new provision for nomination has been introduced in the Companies Act, 1956. This enables shareholders to nominate persons who shall become entitled to the Shares upon the death of such holders.

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

8. Members, who are holding shares in identical order of names in more than one account, are requested to intimate to the Share Transfer Agents the ledger folio of such accounts together with the share certificates to enable the Company to consolidate all the holdings into one account. The share certificates will be returned to the members after making necessary endorsement in due course.

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9. The present Auditors of the Company M/s. Sankaran & Raman have expressed their inability to continue as Auditors of the Company and have not sought re-appointment. Therefore the Board proposes the appointment of M/s.P.Rajagopalan & Co, Chartered Accountants, 17, 11nd Cross Road, C.I.T. Nagar, Chennai 600 035 as the Auditors. This firm have also been the Statutory Auditors for the erstwhile Chendur Forge Exports Limited which merged with our Company. The directors propose this resolution for your approval. None of the Directors are interested in the Resolution.

The declaration under Section 224 (1B) of the Companies Act, 1956 has been received from them.

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 for Special Business.

Item No.5

The Securities and Exchange Board of India has communicated its decision that trading in respect of the Shares of your Company would be compulsorily dematerialised. The Company has entered into tripartite agreements with National Securities Depository Ltd (NDSL), Mumbai, Central Depository Services (India) Limited (CDSL) Mumbai and Integrated Enterprises (India) Limited, Kences Towers, 1, Ramakrishna Street, T.Nagar, Chennai 600 017 remain the Share Transfer Agents.

In this regard, it is necessary to amend the Articles of Association of the Company to provide for the dematerialisation of shares of the Company for which the approval of the Shareholders is now sought.

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

The Board of Directors of your Company recommends this resolution for your approval.

Item No.6 & Item No.7

The present authorised capital of the Company is Rs.7 Crores consisting of 70,00,000 equity shares of Rs.10 each. To enable the Company to raise Capital, it is proposed to increase the Authorised Capital from the present Rs.7 Crores to Rs.10 Crores by the creation of 3,00,000 (Three lakhs) Preference shares of Rs.100/- each aggregating to Rs.3 Crores (Three Crores) . The increase in Authorised Capital of the Company requires consequential amendments to the Capital Clauses of Memorandum and Articles of Association of the Company.

The proposal requires the approval of the Shareholders.

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

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

Item No.8

The Company has been evaluating various financing options for meeting normal capital expenditure and requirements for general corporate purposes/working capital. The Directors consider that it may become necessary to raise financial resources at appropriate time(s) by

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issuing Preference Shares in the Course of domestic/international offerings, to such persons and in such manner as stated in the resolution.

Section 81 of the Companies Act, 1956, provides that when a Company proposes to increase its subscribed capital by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81. The section further provides that further shares may be offered to any person in any manner whatsoever if a special resolution to that effect is passed by the Company in general meeting.

The Listing Agreements with the Stock Exchanges provide, inter alia that a listed company in the first instance should offer all shares and securities to be issued for subscription pro-rata to the equity shareholders unless the shareholders in a general meeting decide otherwise.

The consent of the Shareholders is being sought to enable the Company for issuing further share capital in the manner set out as Item No.8 of the notice pursuant to the provisions of Section 80, 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements with the various Stock Exchanges where the Company's securities are listed.

The said resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements.

Your Directors recommend the resolution for approval of the members.

All the Directors of the Company may be deemed to be concerned or interested to the extent the preference shares that may be offered to them.

(By Order of the Board)

Place: Chennai
Date: 31.07.2002

R.SOWMITHRI
EXECUTIVE DIRECTOR(FINANCE) &
SECRETARY



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REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 66th Annual Report along with the Accounts of the Company for the year ended 31st March, 2002.

	12 Months ended 31.03.2002	18 Months ended 31.03.2001
	(RS.IN LAKHS)	
Sales & Other Income	2911.64	4937.20
Profit/(Loss) before Depreciation	102.98	(240.08)
Profit/(Loss) after Depreciation	4.13	(400.68)
Net Profit/(Loss) after tax	0.11	(400.68)
Less : Excess depreciation written back	-	84.54
Less : Investment allowance no longer required written back	-	0.17
Add: Balance brought forward from the previous year	-	NIL
Loss transferred from General Reserve Account	-	273.68
Balance in Profit & Loss account	(42.19)	(42.19)

In view of the inadequate profit during the year ended, the Board does not recommend any dividend for the period.

Year in Retrospect

During the year under review the Gross sales of the Company was Rs.32.42 Crores compared to Rs.37.72 Crores annualised for the previous year. Though there was a dip in the sales the aggressive efforts in cost reduction and TPM exercises helped the Company to minimise losses from operations.

The encouraging fact is that the auto industry is picking up and showing signs of growth. Exports are also expected to increase after a steep slow down post September 11th, 2001.

Finance

During the year the Company embarked on the financial restructure plan. As proposed equity capital was raised to the extent of Rs.150 lakhs. An amount of Rs.350 lakhs was raised in the form of subscription to Non Convertible Debentures from Industrial Development Bank of India (IDBI).

Future Outlook

In the recent past, the Government of India has taken a number of initiatives to boost investments primarily in the transportation sector. This gives a direct boost to forging industry and we hope to do better in the current fiscal year.