



EL FORGE LIMITED

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ANNUAL REPORT

2002 - 2003

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

P. Rajagopalan & Co.

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) 2499 4115 / 2499 4116

Grams: "EL FORGE"

Fax: (044) 2499 4708

FACTORIES

UNIT I: 84, Thiruneermalai Road

Chromepet, Chennai 600 044

Ph : (044) 2238 1685 / 2238 1686

Fax : (044) 2238 1690

UNIT II : Denkanikotta Road

P.B.No.11, Hosur 635109

Ph: (04344) 222486

Fax :04344-222841

UNIT III: S-104, Oggiam Thuraipakkam
Chennai 600 096

Ph : (044) 2496 1398 / 2496 1469

Fax : (044) 2496 1407

UNIT IV : 283/1B, Old Mahabalipuram Rd.

Kandanchavadi, Chennai 600 096

Ph: (044) 2492 5272 – 2492 7129

UNIT V: B-67, SIPCOT Industrial Complex,

Gummidipoondi 601201

Ph: 954119 222845

TOOL ROOM: 65, First Main Road,
Nehru Nagar

Off Old Mahabalipuram Road

Chennai 600 041

Ph: 2492 6821

EL FORGE LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

NOTICE is hereby given that 67th Annual General Meeting of EL FORGE LIMITED will be held at Srinivasa Shastri Hall, 40, Luz Church Road, Mylapore, Chennai 600 004 on Monday the 22nd September, 2003, 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, 2003, the Auditors Report and the Directors Report thereon.
2. To appoint a Director in place of Mr.V.Ramachandran, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.P.L. Reddy, 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, 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, with the power to fix their remuneration 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 293(1)(a) and (d) of the Companies Act, 1956 and in supersession of the resolution passed at the Annual General Meeting held on 22nd December, 1999, 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 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.60 Crores (Rupees Sixty Crores only).

Place: Chennai
Date: 27.06.03

(By order of the Board)
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. 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, 2003 to 22nd September, 2003, 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.

9. Re-appointment of Directors.

At the ensuing Annual General Meeting Shri P.L. Reddy and Shri V. Ramachandran retire by rotation and being eligible offer themselves for re-appointment.

Name	V. Ramachandran	P.L. Reddy
Age	55 Years	76 Years
Qualification	B.E.	Engineer
Experience	Professional Exposure of 20 years in the auto component industry. Currently heading Kar Mobiles Limited as Vice Chairman & Managing Director	An experienced Consulting Engineer, enjoying high regards Member of the Association of Tennis, Profession (ATP) and is widely respected in the field of Tennis having held positions as the President of the All India Lawn Tennis Federation
Other Directorship	Kar Mobiles Ltd. VST Precision Components Ltd. The Vellore Electric Corporation Ltd.	None

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 Borrowing power of the Board of Directors is presently Rs.35 Crores, which was approved by the Members at the Annual General Meeting held on 22nd December, 1999. 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.5, the consent of the Members of the Company is being sought for increasing the borrowing power of the Directors to Rs.60 Crores.

Your Directors recommend the resolution for your approval.

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

(By Order of the Board)

Place: Chennai
 Date: 27.06.2003

R.SOWMITHRI
 COMPANY SECRETARY

EL FORGE LIMITED**REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting the 67th Annual Report along with the Accounts of the Company for the year ended 31st March, 2003.

	Year ended 31.03.2003	Year ended 31.03.2002
	(RS.IN LAKHS)	
Sales & Other Income	3482.19	2911.64
Profit/(Loss) before Depreciation	116.98	102.98
Profit/(Loss) after Depreciation	15.76	4.13
Net Profit/(Loss) after tax	14.52	0.11
Balance in Profit & Loss account	(27.66)	(42.18)

In view of the inadequate profit for the year, 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.39.89 Crores compared to Rs.32.41 Crores for the previous year, which is a 23% increase over the previous year. In spite of static market conditions, by its aggressive business strategies, your Company has been able to register an upward trend. During the current year, the market has become buoyant and your Company is able to take advantage of the demand. There had been a slight dip in the exports compared to the performance in 2001-02. The current years exports show an upward trend.

Future Outlook

With reports from auto majors like Telco and Ashok Leyland reporting impressive growth rates, our industry is poised for lucrative demand. Moreover the "Outsourcing" concept is driving the global auto players to look to India as a potential destination for sourcing auto components and forgings. With all quality certificates in place, your Company is in an ideal position to take advantage of the market.

Research & Development

Research and Development in El Forge is a continuous process. 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. 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.

Fixed Deposits

The Company has as on 31st March, 2003 deposits amounting to Rs.40.28 lakhs. All the deposits that matured and claimed during the year were paid on the due dates.

EL FORGE LIMITED

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

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

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.

Listing of Shares

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

1. Madras Stock Exchange
2. The Stock Exchange, Mumbai

Corporate Governance

Your directors are happy to report that your Company is fully compliant as on March 31, 2003 with the SEBI Guidelines on Corporate Governance, as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange.

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

Directors

Mr.V.Ramachandran and Mr.P.L.Reddy, Directors retire by rotation and being eligible offer themselves for re-appointment.

Directors Responsibility Statement Pursuant to Section 217(2AA) of the Companies Act, 1956

The Directors state

- a) that in the preparation of the 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 31st March, 2003 and of the profit 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 safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors had prepared the Annual Accounts on a going concern basis.

Auditors

M/s. P. Rajagopalan & Co., Chartered Accountants, Chennai, the retiring Auditors, are eligible for reappointment.

Acknowledgements

The Company places on record the unstinted co-operation of our Bankers, Canara Bank, State Bank of India, State Bank of Mysore, Bank Muscat S.A.O.G. Canbank Factors Limited and

EL FORGE LIMITED

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

V.SRIKANTH

EXECUTIVE CHAIRMAN

Place: Chennai

Date: 27.06.2003

Addendum to Directors Report

With reference to the Auditors Report on Point No.8 & 9 of the Notes on Accounts, the notes are self explanatory.

(By Order of the Board)

For EL FORGE LIMITED

V.SRIKANTH

EXECUTIVE CHAIRMAN

Place: Chennai

Date: 31.07.2003



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, 2003.**

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**

	2002-03	2001-02
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units	3705649	3357592
Total Amount (Rs.)	22899343	18088695
Rate / Unit (Rs.)	Rs.6.18	Rs.5.39
b. Own Generation		
Through Diesel Generator:		
Units	95608	51820
Units / Ltr. of Diesel Oil	2.59	2.21
Cost Per Unit	Rs.9.47	Rs.4.89
2. Furnace oil & L.D.oil		
Quantity (in Ltrs.)	1407777	1329351
Total Amount (Rs.)	18377515	12546760
Average Rate	Rs.13.05	Rs.9.44
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product – Steel Forgings Standards		
Unit / Mt. Of Made Steel Forgings (if any)		
a. Electricity	587	561
b. Furnace oil/L.D. Oil	223	249

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
2. Benefits derived as a result of the above R&D
3. Future plan of action
4. Expenditure on R & D
 - (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R&D expenditure as percentage of total turnover

Research & Development is an ongoing process to improve the quality of end products

- 1) Developing new forgings, to meet specific requirements.
 - 2) Reduction in cost and improvement in quality
- Continued improvement in quality and productivity.

Expenditure on R & D is not directly incurred during the period and hence not ascertainable

TECHNOLOGY ABSORPTION, ADOPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adoption and innovation
2. Benefits derived as a result of the above efforts e.g. production improvement, cost reduction, product development, import substitution etc.

Continuous interaction with Technology Experts to improve quality, die-life, etc.

Reduction in Rejections and improvement in yield.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to Exports
2. Initiatives taken to increase exports and development of new export markets for products and services and export plans.
3. Total Foreign Exchange
 - (a) Used
 - (b) Earned

Every attempt is made to quote for all Export enquiries. New markets are being explored.

1. The company Executives are sent abroad to meet end use customers and agents to ensure customer's satisfaction.
2. Present and prospective buyers are being invited to see our production and inspection facilities.
3. Quality systems are constantly being upgraded to meet international requirements.

(Rs.) 2087671

(Rs.) 59905498