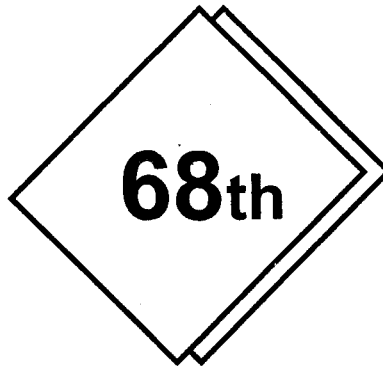




EL FORGE LIMITED

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ANNUAL REPORT

2003 - 2004

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

UTI BANK, 82, Dr.Radhakrishnan Salai, Mylapore, Chennai 600 004

BANK OF BARODA, SIET College Avenue, Chennai 600 018

INDUSTRIAL DEVELOPMENT BANK OF INDIA, Chennai 600 015

SBI FACTORS & COMMERCIAL SERVICES PVT. LTD., 23, Rajaji Salai, Chennai 600 001

SHARE TRANSFER AGENTS

M/s.INTEGRATED ENTERPRISES (INDIA) Ltd.

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

REGISTERED OFFICE

84, Thiruneermalai Road

Chromepet, Chennai 600 044

Phone: (044) 52009688

(New Address)

CORPORATE OFFICE

338, Ambujammal Street (Off T.T.K.Road)

Alwarpet, Chennai 600 018

Phone: (044) 24994115 / 116

Fax: (044) 5214708

E-mail:elforge2@vsnl.com

FACTORIES

UNIT I : 84, Thiruneermalai Road

Chromepet, Chennai 600 044

Ph : (044) 52009688

Fax : (044) 52009690

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: B-67, SIPCOT Industrial Complex,
Gummidipoondi 601201

Ph: 954119 222845

TOOL ROOM: 65, IInd Link Road

Nehru Nagar

Off Old Mahabalipuram Road

Chennai 600 041

Ph: 244 83821

EL FORGE LIMITED

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

"Resolved that approval, pursuant to Section 163 of the Companies Act, 1956 be and is hereby accorded to the Company for keeping and inspection of the books of accounts and other statutory records at No.338, Ambujammal Street, Alwarpet, Chennai 600 018 instead of being kept at the Registered Office of the Company at 84, Thiruneermalai Road, Chromepet, Chennai 600 044".

(By Order of the Board)

R.SOWMITHRI

COMPANY SECRETARY

Place: Chennai

Date: 30.07.2004

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.
The instrument appointing Proxy should be deposited at the Corporate Office of the Company not less than 48 hours before the commencement of the Meeting
2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all material facts in respect of items 5, 6 and 7 of the notice is attached.
3. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
4. The Register of Members and the Share Transfer books of the Company will remain closed from 23rd August, 2004 to 2nd September, 2004 both days inclusive.
5. Out of the Dividends declared for all the financial years including and upto the financial year ended March 31, 1995, the amount which remained unclaimed has been transferred to the General Revenue Account of the Central Government as per the provisions of Section 205A of the Companies Act, 1956. Members who have not encashed the dividend warrant for the above year and any earlier years are requested to claim from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, No.26, Haddows Road, Chennai 600 006.

As a result of the amendments introduced to Section 205A of the Companies Act, 1956 and introduction of Section 205(C) by the Companies (Amendment) Act 1999 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" of the Central Government. The amount so transferred cannot be claimed either from the Company or from the Fund. Information in respect of the unclaimed dividend due for transfer to the said fund is given below:

Financial Year Ended	Date of declaration of dividend	Last date for claiming Unpaid dividend	Due date for Transfer to IEPF
31.03.1997	09.10.1997	08.10.2004	09.10.2004

Members who have not encashed the dividend warrants for the above period are requested to make their claim to the Company on or before 09.10.2004.

6. 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 prescribed form which may be supplied on request.
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. 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.
M/s.Integrated Enterprises (India) Ltd., "5A, Kenses Towers, No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai 600 017 is Company's Registrar and Transfer Agents.
9. Demat Details – The Company's shares have been dematerialised with Central Depository Services Limited and National Securities Depository Services Ltd. The ISIN No. of the Company is INE 158F01017.
10. Website – Quarterly information on results and other developments are posted on the Company's Website: <http://www.elforge.com>
11. Re-appointment of Directors

At the ensuing Annual General Meeting Shri V. Ramachandran and Shri K.J.Ramaswamy retire by rotation and being eligible offer themselves for re-appointment.

Name	V. Ramachandran	K.J.Ramaswamy
Age	56 Years	58 Years
Qualification	B.E.	B.Sc.
Experience	Professional Exposure of 20 years in the auto component industry. Currently heading Kar Mobiles Limited as Vice Chairman & Managing Director	4 decades in Shipping and Customs House Agent.
Other Directorship	Kar Mobiles Ltd. VST Tillers & Tractors Ltd. The Vellore Electric Corporation Ltd.	International Clearing & Shipping Agency, Chennai Poultry and Dairy Farm, Chennai Siddship Pvt. Ltd. Clearship Pvt. Ltd., Chennai Marvelpak (Madras) Pvt Ltd. ICSA Logistics Pvt Ltd.
Committee Membership	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee Shareholders Committee

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 & 6

The Board of Directors of the Company at their meeting on 30th July 2004 decided to re-appoint, subject to the approval of the Members of the Company. Mr.V.Srikanth, Executive Chairman and Mr.K.V.Ramachandran, Managing Director with effect from 1st April, 2004 for a term of 5 years on certain terms and conditions including Salary, Commission and perquisites with the limits laid down in Schedule XIII of the Companies Act, 1956. The principal terms and conditions of the appointment are given below:

		Mr.V.Srikanth	Mr.K.V.Ramachandran
A)	Salary per month	Rs.60,000	Rs.50,000
B)	Special Allowance per month	Rs.15,000	Rs.15,000
C)	Accommodation per month	60% of Salary	60% of Salary

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. They 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.

Mr.V.Srikanth and Mr.K.V.Ramachandran are concerned or interested in the resolution to the extent of remuneration proposed to each of them.

Mr.V.Ramachandran being related to Mr.V.Srikanth is also 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.7

The Registered Office of the Company was shifted from No.1, Ramachandra Road, Mylapore, Chennai 600 004 to No.84, Thiruneermalai Road, Chromepet 600 044 on 1st March 2004.

In view of administrative convenience, it was felt necessary to maintain and keep the books of accounts and statutory records, at No.338, Ambujammal Street, Alwarpet, Chennai 600 018 instead of being kept at the Registered Office of the Company at No.84, Thiruneermalai Road, Chromepet, Chennai 600 044.

The approval of the shareholders of the Company by a Special Resolution under Section 163 of the Companies Act, 1956 is required for keeping and inspection of the statutory records in a place other than the Registered Office of the company. Accordingly the Special Resolution set out in Item No.7 of the agenda of the notice is placed before the members for their approval.

(By Order of the Board)

Place: Chennai
Date: 30.07.2004

R.SOWMITHRI
COMPANY SECRETARY

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 68th Annual Report along with the Accounts of the Company for the year ended 31st March, 2004.

	12 Months ended 31.03.2004	12 Months ended 31.03.2003
	(RS.IN LAKHS)	
Sales & Other Income (Net)	5026.64	3482.19
Profit/(Loss) before Depreciation	237.48	116.99
Profit/(Loss) after Depreciation	139.39	15.77
Net Profit/(Loss) after tax	128.67	14.53
Balance in Profit & Loss account	15.48	(27.66)

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

Year in Retrospect

During the year under review, the Company has achieved significant growth in all parameters of performance. The Gross Sales of the Company was Rs.58.18 Crores compared to Rs.39.89 Crores for the previous year representing an increase of 46%. There has been a consolidation of exports volumes, coupled with growth in domestic sales, reduction in costs and improvement in overall operating efficiencies. The higher capacity utilisation has resulted in reduction of operational costs and the Company has achieved a turnaround.

Future Outlook

The Automotive Industry is on a robust growth path both in the domestic and international levels. The role of outsourcing in an integrated global economy is increasing by the day. Most auto majors all over the world have become aware of India as a potential source of forging and other auto components. The engineering and technological capabilities of India coupled with operational and communication strength that India offers has led to the rapid growth in international demand.

All these factors augur well for your Company which has all quality certifications in place and capacity to meet the overall demand. We expect a 40% growth in turnover in 2004-05. Exports is also expected to be approximately 20% to 25% of our turnover. Your Company has moved up the value chain by supplying more pre-machined forgings during the year.

Research & Development

At El Forge our Research and Development efforts are aimed at making improvements in products and processes, Development of new products, achieving higher value addition, enhancing quality and scaling higher levels of productivity thereby ensuring reductions in costs. R&D in El Forge is a continuous process. All efforts in product design and process development are directed at Customer satisfaction, competitiveness, quality and responsiveness. This includes

focus on material wastage reduction, by improvement in technology and equipment. 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.

Fixed Deposits

The Company has, as on 31st March, 2004 deposits amounting to Rs.53.30 lakhs. All the deposits that matured and claimed during the year were paid on the due dates.

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
3. The Stock Exchange, Ahmedabad

Corporate Governance

Your directors are happy to report that your Company is fully compliant as on March 31, 2004 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.K.J.Ramaswamy, 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 that

- a) 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, 2004 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

EL FORGE LIMITED

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

Acknowledgements

The Company places on record the unstinted co-operation of our Bankers, Canara Bank, State Bank of India, State Bank of Mysore, UTI Bank, Bank of Baroda, SBI Factors & Commercial Services (P) Ltd and Industrial Development Bank of India. We also thank all our Customers, Suppliers, Employees and others connected with the business for their co-operation.

(By Order of the Board)

For EL FORGE LIMITED

Place: Chennai

Date: 30.07.2004

V.SRIKANTH

EXECUTIVE CHAIRMAN

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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, 2004.

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**

	2003-04	2002-03
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units	5000722	3705649
Total Amount (Rs.)	26886016	22899343
Rate / Unit (Rs.)	Rs.5.38	Rs.6.18
b. Own Generation		
Through Diesel Generator:		
Units	78173	95608
Units / Ltr. of Diesel Oil	2.62	2.59
Cost Per Unit	Rs.8.40	Rs.9.47
2. Furnace oil & L.D.oil		
Quantity (in Ltrs.)	1874715	1407777
Total Amount (Rs.)	20386910	18377515
Average Rate	Rs.10.87	Rs.13.05
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product – Steel Forgings Standards		
Unit / Mt. Of Made Steel Forgings (if any)		
a. Electricity	580	587
b. Furnace oil/L.D. Oil	218	223

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.
2) Reduction in cost and improvement in quality |
| 3. Future plan of action | Continued improvement in quality and productivity. |
| 4. Expenditure on R & D | |
| (a) Capital | |
| (b) Recurring | |
| (c) Total | |
| (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, adoption 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'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. |
| 3. Total Foreign Exchange | |
| (a) Used | (Rs.) 1563575 |
| (b) Earned | (Rs.) 89772956 |