



EL FORGE LIMITED

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ANNUAL REPORT

2004 - 2005

EL FORGE LIMITED

Sri. S.Venkātaraman, 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

BANK OF BARODA, SIET College Avenue, Chennai 600 018

STATE BANK OF INDIA, Industrial Finance Branch, Chennai 600 002

UNION BANK OF INDIA, Industrial Finance Branch,

Kodambakkam High Road, Chennai 600 034.

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

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

TOOL ROOM: 65, IInd Link Road

Nehru Nagar, Off Old Mahabalipuram Road

Chennai 600 041

Ph: 244 83821

UNIT IV: B-67, SIPCOT Industrial Complex,
Gummidipoondi 601201

Ph: 954119 222845

EL FORGE LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 69th Annual General Meeting of EL FORGE LIMITED will be held at Narada Gana Sabha Trust Mini Hall, 314, T.T.K.Road, Alwarpet, Chennai 600 018 on Friday the 16th September 2005 at 10.15 am to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2005, the Auditors Report and the Directors Report thereon.
2. To Declare Dividend
3. To elect a Director in place of Mr.P.L.Reddy, who retires by rotation and being eligible offers himself for re-election.
4. To elect a Director in place of Mr.K.J.Ramaswamy, who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors of the Company and authorise the Board to fix their remuneration.

"Resolved that M/s.P.Rajagopalan & Co, Chartered Accountants, 32, 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 Annual General meeting until the conclusion of the next Annual General Meeting of the Company.

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

SPECIAL BUSINESS

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

"Resolved that the consent of the Company be and is hereby accorded under Section 198, 269 and 309 of the Companies Act, 1956 and such other applicable provisions, if any for the payment of remuneration and commission to the Executive Chairman Mr.V.Srikanth for the period of four years from 1st April 2005 to 31st March, 2009 the balance terms of his appointment approved in Annual General Meeting dated 23.09.2004 and on the terms and conditions in accordance with the provisions of Schedule XIII of the Companies Act, 1956 as set out in the explanatory statement attached to the notice convening the Annual General Meeting.

"Resolved Further that the Board of Directors be and is hereby authorised to vary from time to time, the percentage of quantum of commission payable to the Executive Chairman, provided that the total remuneration payable whether by way salary, perquisite or commission shall not exceed 5% of the net profits of the Company in any financial year".

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"Resolved Further that above remuneration allowed to the Executive Chairman shall be subject to such limits for the remuneration as laid down by the Government in schedule XIII of the Companies Act, 1956 and / or such changes/variations/substitutions as may be made therein from time to time and other provisions shall continue to be on the same terms and conditions approved at the Annual General Meeting held on 23.09.2004."

"Resolved Further that notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the Executive Chairman, the Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary and perquisites not exceeding the limits indicated in the Explanatory Statement.

"Resolved Further that the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and/or the rules and regulations made thereunder and/or such guidelines as may be announced by the Central Government from time to time".

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

"Resolved that the consent of the Company be and is hereby accorded under Section 198, 269 and 309 of the Companies Act, 1956 and such other applicable provisions, if any for the payment of remuneration and commission to the Managing Director Mr.K.V.Ramachandran for the period of four years from 1st April 2005 to 31st March, 2009 the balance terms of his appointment approved in Annual General Meeting dated 23.09.2004 and on the terms and conditions in accordance with the provisions of Schedule XIII of the Companies Act, 1956 as set out in the explanatory statement attached to the notice convening the Annual General Meeting.

"Resolved Further that the Board of Directors be and is hereby authorized to vary from time to time, the percentage of quantum of commission payable to the Managing Director, provided that the total remuneration payable whether by way salary, perquisite or commission shall not exceed 5% of the net profits of the Company in any financial year".

"Resolved Further that above remuneration allowed to the Managing Director shall be subject to such limits for the remuneration as laid down by the Government in schedule XIII of the Companies Act, 1956 and / or such changes/variations/substitutions as may be made therein from time to time and other provisions shall continue to be on the same terms and conditions approved at the Annual General Meeting held on 23.09.2004."

"Resolved Further that notwithstanding anything to the contrary contained herein, where in any financial year during the currency of the tenure of the Managing Director, the

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Company has no profits or its profits are inadequate, the Company will pay the remuneration by way of salary and perquisites not exceeding the limits indicated in the Explanatory Statement.

“Resolved Further that the scope and quantum of remuneration specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956 and/or the rules and regulations made thereunder and/or such guidelines as may be announced by the Central Government from time to time”.

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

“Resolved that pursuant to the applicable provisions of the Companies, Act, 1956 and the Listing Agreements entered into with the Stock Exchanges, the approval of the members be and is hereby granted for payment of Sitting Fees to the Directors of the Company for attending the meetings of the Board of Directors and Committees as may be constituted by the Board of Directors from time to time, to the extent of Rs.3000/- (Rupees Three thousand only)

“Resolved further that the Board of Directors of the Company be and is hereby authorised to determine/vary the amount of sitting fees payable to the Directors for attending the meetings of the Board of Directors and Committees thereof, within such maximum permissible limit as may be prescribed under the Companies Act, 1956 and rules made and notifications issued thereunder and/or any other statutory/regulatory authority”.

(By Order of the Board)

Place : Chennai
Date : 27.07.2005

R.SOWMITHRI
COMPANY SECRETARY

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 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 6 to 8 of the notice is attached.
3. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.

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4. The Register of Members will be closed from 12th September 2005 to 16th September, 2005 both days inclusive.
5. As a result of the amendments introduced through Sections 205A to 205C of the Companies Act, 1956, unclaimed dividend for a period of 7 years has been transferred by the company to "Investor Education and Protection Fund" of Central Government.
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.338, Ambujammal Street, Off.T.T.K.Road, Alwarpet, Chennai 600 018.
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.
Demat Details– The Company's shares have been dematerialised with Central Depository Services Limited and National Securities Depository Ltd. The ISIN No. of the Company is INE 158F01017.
9. Website – Quarterly information on results and other developments are posted on the Company's Website : <http://www.elforge.com>
10. Re-appointment of Directors
At the ensuing Annual General Meeting Shri.P.L.Reddy and Shri.K.J.Ramaswamy retire by rotation and being eligible offer themselves for re-appointment.

Name	P.L.Reddy	K.J.Ramaswamy
Age	78 Years	58 Years
Qualification	Engineer	B.Sc
Experience	(1) Fellow of Institution of Engineer. (2) Did financial control course in Indian Industries of Management, Kolkatta. (3) Executive Development Course in Administrative Staff College, Hyderabad.	4 decades in Shipping and Customs House Agent.

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Other Directorship	NIL	Siddship Pvt Ltd D.A.Logistics & Farming Pvt Ltd
Committee Membership	Audit Committee Remuneration Committee Shareholders Committee	Audit Committee Remuneration Committee Shareholders Committee

The information pertaining to the Directors are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange(s).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6 & 7

Mr.V.Srikanth and Mr.K.V.Ramachandran were re-appointed as the Executive Chairman and Managing Director of the Company respectively at the Annual General Meeting held on 23.09.2004 for a period of five years from 1.4.2004 to 31.03.2009 on the terms and conditions including remuneration in accordance with the Provisions contained in Schedule XIII of the Companies Act, 1956.

Taking into account the significant contribution made by Mr.V.Srikanth and Mr.K.V.Ramachandran to the progress and development of the Company and in order to continue to avail of the benefits of their vast experience and expertise, the Board of Directors has, pursuant to the Resolution adopted on 27th July, 2005 refixed the remuneration and commission payable to Executive Chairman and Managing Director for the balance period of appointment i.e.1.4.2005 to 31.03.2009.

1. Salary

- | | | |
|----|---|--|
| a) | Mr.V.Srikanth | Mr.K.V.Ramachandran |
| | A Salary of Rs.80,000/- per month
(Rupees eighty thousand only)
in the grade of
Rs.80000-7500-100000 | A Salary of Rs.75,000/- per month
(Rupees Seventy five thousand only)
in the grade of
Rs.75000-7500-90000 |
| b) | Special Allowance of Rs.15,000/- per month. | |
| c) | Commission
2% of the net profits of the Company or such other quantum over and above 2% of the net profits of the Company as may be approved by the Board or Committee thereof, at its absolute discretion, for each financial year computed in the manner specified under Section 198, 309 and 349 of the Companies Act, 1956 subject to, however, the total remuneration in any financial year shall not exceed the limits prescribed from time to time under the Companies Act, 1956. | |

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2. Perquisites

a) Housing

Residential accommodation or in lieu thereof House Rent Allowance For Mr.V.Srikanth Rs.45,000/- per month and for Mr.K.V.Ramachandran Rs.40,000/- per month.

b) Gas, Electricity, Water and Furnishings.

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules 1962 subject to a calling of 10% salary.

c) Medical Reimbursement

Expenses incurred by self and family subject to a ceiling of one month's salary in one year or three months salary in three years including premium for medical insurance.

d) Leave Travel Concession

Self and family as per Company's Rule once in a year.

e) Club Fees

Fees to Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.

f) Personal Accident Insurance

Premium not to exceed Rs.4000/- per Annum.

g) Hard and Soft Furnishing

Reimbursement upto Rs.30,000/- per annum towards hard furnishing.
Reimbursement upto Rs.20,000/- per annum towards soft furnishing.

h) Company's contribution to Provident Fund

Company's contribution to Provident Fund as is applicable.

i) Company's contribution towards Superannuation Fund

As per the rules of the Company as applicable from time to time provided however that the Company's contribution to the Superannuation Fund together with its contribution to the Provident Fund shall not exceed 25% of the salary.

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j) **Gratuity**

Gratuity in accordance with the rules of the Company as applicable to Senior Executives of the Company but not exceeding one-half months salary for each completed year of service.

k) **Conveyance and Telephone.**

Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

l) **Mr.V.Srikanth and Mr.K.V.Ramachandran shall not be entitled to any fees for attending meetings of the Board of Directors of the Company or any committees thereof.**

m) **Earned Leave**

On full pay allowance as per the Rules of the Company but not exceeding one months leave for every eleven months of service and leave accumulated shall be encashable at the end of the tenure. Encashment of leave at the end of the tenure will be included in the computation of the ceiling on perquisites.

n) **Minimum Remuneration**

In the event of any or inadequacy of profits for any financial year, the Board of Directors shall revise the remuneration payable to Executive Chairman, during such financial year, in such manner as agreed to between the Board of Directors and the Executive Chairman and within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956.

The proposal as set out in the notice is placed for consideration and approval.

Mr.V.Srikanth, Executive Chairman and Mr.K.V.Ramachandran, Managing Director, may be deemed to be interested in this Resolution, since it relates to their appointment and remuneration. Mr.V.Ramachandran, Director, may also be deemed to be interested in the resolution pertaining to Mr.V.Srikanth, being a relative of Mr.V.Srikanth.

No other director is concerned or interested in the Resolution.

This may be treated as an abstract of appointment and remuneration payable to Mr.V.Srikanth and Mr.K.V.Ramachandran, Managing Director, pursuant to Section 302 of the Companies Act, 1956.

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Item No.8

Article 8 of the Articles of Association of the Company permits payment to the Directors remuneration by way of fees of such sum for each meeting of the Board of Directors or Committees of the Board attended by them as may be determined by the Board from time to time. Presently, the Company is paying sitting fees of Rs.3000/- per meeting of the Board of Directors or any Committee thereof to all the Directors, other than Sri.V.Srikanth, Executive Chairman and Sri.K.V.Ramachandran, Managing Director. The Sitting fees presently paid by the Company are within the limits prescribed by the Ministry of Company Affairs.

Clause 49 (Revised) of the Listing Agreements with the Stock Exchanges, proposed to be given effect from 1.1.2006 would require /compensation, payable by the listed Companies to the non executive directors, including independent directors, be fixed by the Board of Directors and shall require previous approval of the Shareholders.

The approval of the members is accordingly, sought for payment of sitting fees as aforesaid and to empower the Board of Directors to determine/vary from time to time, the amount of sitting fees payable to directors within such maximum permissible limit as may be prescribed by the Ministry of Company Affairs and/or any other statutory/regulatory authority from time to time.

Mr.V.Srikanth, Executive Chairman and Mr.K.V.Ramachandran, Managing Director, is not concerned or interested in this Resolution to the extent of sitting fees that may be payable to non-executive directors. All other directors are concerned or interested in this resolution.

(By Order of the Board)

Place : Chennai
Date : 27.07.2005

R.SOWMITHRI
COMPANY SECRETARY