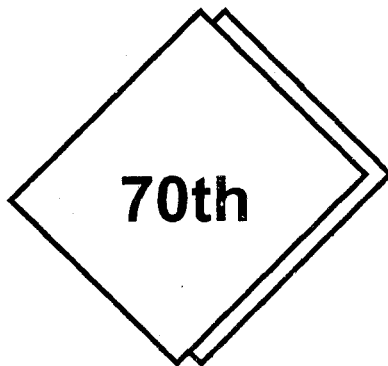




# ***EL FORGE LIMITED***



## **ANNUAL REPORT**

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**2005 - 2006**

## **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 Balraj Vasudevan

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

KOTAK MAHINDRA BANK LTD., Capitale, 555 Anna Salai, Teynampet, Chennai 600 018

INDUSTRIAL DEVELOPMENT BANK OF INDIA, Chennai 600 015

SBI FACTORS & COMMERCIAL SERVICES PVT. LTD., 84, 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) 42202500

(New Address)

### **CORPORATE OFFICE**

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

Alwarpet, Chennai 600 018

Phone: (044) 42207800 / 24994115

Fax: (044) 42014708

E-mail:elforge2@vsnl.com

### **FACTORIES**

**UNIT I :** 84, Thiruneermalai Road

Chromepet, Chennai 600 044

Ph : (044) 42202500

Fax : (044) 42009690

**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: 27922845

### **SUBSIDIARY**

Shakespeare Forgings Ltd.

Cox's Lane, Old Hill

West Midlands

B64 5NX, UK.

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

NOTICE is hereby given that 70th 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 Thursday the 31<sup>st</sup> August 2006 at 10.30 am to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2006, the Auditors Report and the Directors Report thereon.
2. To Declare Dividend
3. To elect a Director in place of Mr.V.Ramachandran, 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, 2<sup>nd</sup> Cross Street, West CIT Nagar, Chennai 600 035 be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this 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. Appointment of Mr.Balraj Vasudevan as a Director  
To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.  
  
"Resolved that Mr.Balraj Vasudevan, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 3<sup>rd</sup> June, 2006 and who holds Office upto date of the forthcoming Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company".
7. Change in the designation of Executive Chairman  
To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

## **EL FORGE LIMITED**

"Resolved that in modification of Resolution No.6 passed at the Annual General Meeting of the Company held on 16<sup>th</sup> September, 2005 for appointment of Mr.V.Srikanth as Executive Chairman, now designation be changed to Chairman and that instead of the monthly remuneration, he be now paid commission only and this change in designation be effective from 1.09.2006".

"Resolved Further that subject to provisions of Sections 198, 309 and 316 read with Schedules XIII and other applicable provisions if any of the Companies Act, 1956 Mr.V.Srikanth be paid commission on net profits of the Company, the percentage of quantum be decided by the Board of Directors from time to time in such proportions and in such manner as the Board may decide from time to time".

### **8. Change in the designation of Managing Director**

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

"Resolved that in modification of Resolution No.7 passed at the Annual General Meeting of the Company held on 16<sup>th</sup> September 2005 for the appointment and remuneration, now his designation be changed from Managing Director to Vice Chairman & Managing Director and all other terms and conditions as in previous resolution be the same".

### **9. Increase in Borrowing Limit**

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary 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 Annual General Meeting held on 22<sup>nd</sup> September, 2003 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 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.100 Crores (Rupees One hundred Crores only)

### **10. Delisting of Shares form Madras Stock Exchange and Ahmedabad Stock Exchange.**

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

## **EL FORGE LIMITED**

"Resolved that in terms of the guidelines issued by the Securities and Exchange Board of India (SEBI) and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereafter) and subject to such approvals, permissions, and sanctions as may be necessary and subject to such conditions and modification as may be prescribed or imposed while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company ("hereinafter referred to as the Board") which term shall deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this resolution; consent of the Company's be and is hereby accorded to the Board" to delist the Company's equity shares from the Madras Stock Exchange Ltd and Ahmedabad Stock Exchange at such time as the Board as the Board may in its absolute discretion consider appropriate and on such terms and conditions as may be stipulated and/or mutually agreed to in the best interests of the Company".

"Resolved Further that the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, usual and expedient to give effect to the above resolution.

### **11. Employees Stock Option Scheme**

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

"Resolved that in accordance with the provisions of Section 81 and other applicable provisions if any, of the Companies Act, 1956 and in accordance with the provisions of Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed and the provisions contained in the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999, as amended and the regulations/guidelines prescribed by any other relevant authority, including any statutory modifications(s) or re-enactment(s) for the time being in force and to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "the Board" which expression shall also include any committee thereof including the compensation committee) or as may be prescribed and imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the El Forge Ltd Employees Stock Option Scheme (hereinafter referred to as the "Scheme") and the Board be and is hereby authorized to grant to such employees as are in the permanent employment of El Forge Ltd / Subsidiary at the time the grant is made including the Directors of the Company (hereinafter referred to as employees) as may be decided solely by the Board, an option to subscribe to such number of equity shares of the Company of the face value of Rs.10/- each under the scheme and to issue, allocate or allot such number of equity shares of the Company at such price, in such manner, during such period, in one or more tranches and on such terms and conditions, as the

## **EL FORGE LIMITED**

Board may decide, as set out in the Explanatory Statement thereto, provided the shares issued under the scheme together with the shares issued to the employees of El Forge Ltd shall not exceed 5% of the Issued Capital of the Company and that the price at which the shares are allotted under the scheme shall not be below the par value of the share.

"Further Resolved that the Board be and is hereby authorized to issue, allocate or allot such number of equity shares as may be required in pursuance of the above scheme and that the equity shares so issued, allocated or allotted shall rank paripassu in all respects with the existing equity shares of the Company".

"Further Resolved that the purpose of giving effect to the above, the Board be and is hereby authorized to determine the form and terms of the issue, the exercise price and all other terms and matters connected therewith, and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such purpose and to make and accept any modifications in the proposal, including to withdraw, suspend or revive the scheme from time to time, as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to this issue, subject however, to the provisions of SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) guidelines 1999, as amended from time to time and are in force and subject to the conditions that variation, if any of the terms and conditions are not adverse to the interests of the employees".

(By Order of the Board)

Place: Chennai  
Date: 28.06.2006

R.SOWMITHRI  
COMPANY SECRETARY

Notes:

**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.**

1. 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.
4. The Register of Members will be closed from 25<sup>th</sup> August 2006 to 31st August, 2006 both days inclusive.

## **EL FORGE LIMITED**

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.
9. The dividend declared during 2005 and unclaimed as of date is in the "unpaid dividend account". The shareholders who have not encashed their warrants may lodge their claim along with the warrant to the share department of the company.
10. 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.
11. Website - Quarterly information on results and other developments are posted on the Company's Website : <http://www.elforge.com>
12. Re-appointment of Directors

At the ensuing Annual General Meeting Shri.V.Ramachandran, Shri P.L.Reddy and Shri.K.J.Ramaswamy retire by rotation and being eligible offer themselves for re-appointment. Mr.Balraj Vasudevan was appointed as Additional Director also retires and being eligible and notice proposing his appointment being received by the Company.

Name	Mr.V. Ramachandran	Mr.K.J. Ramaswamy	Mr. Balraj Vasudevan
Age	58 Years	59 Years	46 Years
Qualification	B.E	B.Sc	B.A
Experience	Professional exposure of 3 decades in the Auto Component industry. Currently heading Kar Mobiles Ltd as Vice Chairman and Managing Director	4 decades in Shipping and Customs House Agent	Has been associated with the Auto Industry for over 2 decades and has held important positions in various companies.



## EL FORGE LIMITED

Other Directorships	Kar Mobiles Ltd VST Tillers Tractors Ltd The Vellore Electric Corporation Limited	Siddship Pvt Ltd. D.A.Logistics & Farming Pvt Ltd	Automotive & Industrial Seals P Ltd. Autopumps & Bearings Co.P.Ltd. Castwel Autoparts P.Ltd
Committee Membership	Audit Committee Remuneration Committee	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

In accordance with the provision of Section 260 of the Companies Act, 1956 any Additional Director appointed during the year retires at immediately following AGM and has to be re-appointed if eligible and offers himself for re-appointment. Also a notice from a member proposing his name has been received along with requisite deposit under Section 257 has been received and hence the resolution is proposed for your approval.

None of the Directors other than Mr.Balraj Vasudevan is interested in the resolution.

### Item No.7 & 8

In keeping with the requirements of the Company's plan to modernize and expand, it is felt that Professional Management Team has to be attracted and empowered to contribute the best to the Company's objective and growth. Therefore to enable this transition the Executive Chairman has decided to step aside from his Executive Role and mentor the Company as a Non-executive Chairman and hence the board recommends the resolution under Item No.7.

Consequent upon the above change the Managing Director has been redesignated as Vice Chairman and Managing Director. Therefore the resolution under item No.8 is proposed.

This explanatory statement be also treated as notice under Section 302 of the Companies Act, 1956.

Mr.V.Srikanth is interested in resolution under Item No.7 and Mr.V.Ramachandran being his brother is also deemed to be interested in the resolution. None of the directors are concerned or interested in the resolution.



## **EL FORGE LIMITED**

Mr.K.V.Ramachandran is interested in resolution under Item No.8. None of the other directors are concerned or interested in the resolution.

### **Item No.9**

The Borrowing power of the Board of Directors is presently Rs.75 Crores which was approved by the Members at the Annual General Meeting held on 22<sup>nd</sup> September, 2003. 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.9, the consent of the members of the Company is being sought for increasing the borrowing power of the Directors to Rs.100 Crores.

Your Directors recommend the resolution for your approval.

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

### **Item No.10**

The Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 provides for delisting of Securities of a body corporate voluntarily.

At present, the equity shares of the Company are listed on the following three Stock Exchanges.

Madras Stock Exchange Ltd

Ahmedabad Stock Exchange Ltd

Bombay Stock Exchange Ltd

The Company's equity shares are one of the scrips which the Securities and Exchange Board of India has specified for settlement only in dematerialized form by all investors.

With the extensive networking of BSE, Investors have access to on-line trading in equity shares of the Company across the Country.

Accordingly it is proposed to delist the Company's equity shares at an appropriate time in future, from all or any of the following Stock Exchanges

Madras Stock Exchange Ltd.

Ahmedabad Stock Exchange Ltd

As per the Delisting Guidelines, the Company can delist its shares from Madras Stock Exchange and Ahmedabad Stock Exchange with the approval of members by a passing a Special Resolution, without providing an exist opportunity, provided that the shares will continue to be listed on a Stock Exchange having nationwide trading terminals. The resolution at Item No.10 of enabling nature. The consent of the members is being sought by a Special Resolution to authorise the Board to delist the Company's equity shares from the above Stock Exchanges at such time as the Board may consider appropriate and on such terms and conditions as may be stipulated or agreed to in the best interests of the Company.

The proposed delisting of the Company's Equity Shares from the said Stock Exchanges, as and when takes place, will not affect the Investors adversely. The Company's equity shares will

## **EL FORGE LIMITED**

continue to be listed on the Bombay Stock Exchange Ltd. The delisting will take effect after all approvals, permissions and sanctions are received from the appropriate authorities. The exact date from which the delisting will take effect will suitably be notified at the appropriate time.

Your Directors recommend the Special Resolution for your approval.

### **ITEM NO.11**

Keeping the growth strategy of the Company in view, it is necessary that every regular employee, who performs exceedingly well and who has potential to shoulder higher responsibilities, it to be gradually developed as an owner employee. Here besides being an employee, he also becomes one of the owners of the Company. This framework is expected to being in further involvement of an employee towards improving the interests of the Company and in this context, it is proposed to introduce Employees Stock Option Scheme in the Company and the scheme is framed in terms of the Guidelines issued by SEBI, under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 and for the purpose allot not exceeding 5% of the Issued Capital of the Company. Further it is proposed to authorise Board of Directors and the Committee of Board on compensation to initiate all steps that are required to implement the scheme.

The Directors may be deemed to be interested or concerned to the extent the scheme may cover them. A copy of the Scheme is available for inspection at the Corporate Office of the Company during the Office Hours on all working days, except Saturday, till the date of the Annual General Meeting.

(By Order of the Board)

Place: Chennai  
Date: 28.06.2006

R.SOWMITHRI  
COMPANY SECRETARY