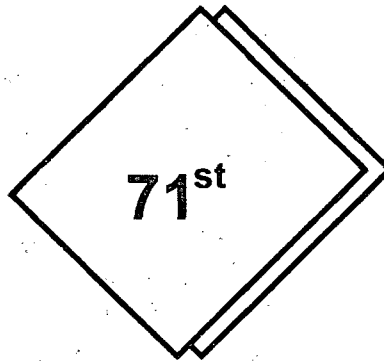




EL FORGE LIMITED

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ANNUAL REPORT

2006 - 2007
(ABRIDGED)

EL FORGE LIMITED

Sri. S.Venkataraman, Chairman Emeritus

BOARD OF DIRECTORS

Sri. V.Srikanth, Chairman

Sri. V.Ramachandran

Sri. P.L.Reddy

Sri. K.J.Ramaswamy

Sri. Balraj Vasudevan

Sri. K.V.Ramachandran, Vice-Chairman & Managing Director

Sri. N. Balakrishnan, Deputy Managing Director

COMPANY SECRETARY

Smt.R.Sowmithri

AUDITORS

P. Rajagopalan & Co.

Chartered Accountants

BANKERS, FINANCIAL INSTITUTIONS AND FACTORS

BANK OF BARODA, Corporate Services Branch, T. Nagar, Chennai 600 017

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

EXPORT IMPORT BANK OF INDIA, Chennai 600 001

ABN AMRO BANK, HADDOWS ROAD, NUNGAMBAKKAM, Chennai 600 034

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

CORPORATE OFFICE

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

Alwarpet, Chennai 600 018

Phone: (044) 42207800 / 24994115

Fax: (044) 42014708 E-mail:elforge2@elforge.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

NEW PLANT: Appur Village, Near Singaperumalkoil,

Sriperumbudur Rd., Kanchipuram Dt - 603204

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 71st Annual General Meeting of EL FORGE LIMITED will be held at Narada Gana Sabha Trust Mini Hall, 314, T.T.K.Road, Alwarpet, Chennai 600018 on 27th September, 2007 at 10.05 am to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2007, 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.Balraj Vasudevan, 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

Increase in Borrowing Limit

6. 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 31st August, 2006 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

EL FORGE LIMITED

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.150 Crores (Rupees One hundred fifty crores only)

(By Order of the Board)

Place : Chennai
Date : 28.06.2007

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.**

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 17/09/2007 To 27/09/2007 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. The provision for nomination in the Companies Act, 1956, 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

EL FORGE LIMITED

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. The dividend declared during 2005 and 2006 unclaimed as of date is in the unpaid dividend account. The shareholders who have not encashed their warrants may lodge the claim along with the warrant to the share department of the Company.
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. P.L.Reddy and Shri.Balraj Vasudevan retire by rotation and being eligible offer themselves for re-appointment.

| | | |
|----------------------|--|--|
| Name. | Mr.P.L.Reddy | Mr.Balraj Vasudevan |
| Age | 80 Years | 46 Years |
| Qualification | Engineer | B.A |
| Experience | 1. Fellow of Institution of Engineer 2. Did financial control course in Indian Institute of Management, Kolkatta 3. Executive Development Course in Administrative Staff College, Hyderabad. | Has been associated with the Auto Industry for over 2 decades and has held important positions in various companies. |
| Other Directorships | Nil | Automotive & Industrial Seals (P) Ltd Autopumps & Bearings Co (P) Ltd Castwel Autoparts P.Ltd |
| Committee Membership | Audit Committee Remuneration Committee Shareholders Committee | Audit Committee Remuneration Committee Shareholders Committee |
| Share Holding | 3240 shares | Nil |

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

EL FORGE LIMITED

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

Item No.6

The Borrowing power of the Board of Directors is presently Rs.100 Crores which was approved by the Members at the Annual General Meeting held on 31st August, 2006. 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.6, the consent of the members of the Company is being sought for increasing the borrowing power of the Directors to Rs.150 Crores.

Your Directors recommend the resolution for your approval.

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

(By Order of the Board)

Place : Chennai

Date : 28.06.2007.

R.SOWMITHRI
COMPANY SECRETARY

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EL FORGE LIMITED**REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting the 71st Annual Report along with the Accounts of the Company for the year ended 31st March, 2007.

| | Year ended 31.03.2007 | Year ended 31.03.2006 |
|-----------------------------------|--------------------------|--------------------------|
| | (RS.IN LAKHS) | |
| Sales & Other Income (Gross) | 11681.93 | 9781.74 |
| Profit/(Loss) before Depreciation | 1079.87 | 934.61 |
| Profit/(Loss) after Depreciation | 818.97 | 739.77 |
| Net Profit/(Loss) after tax | 709.61 | 663.05 |
| Balance in Profit & Loss account | 172.12 | 154.94 |

Dividend

The Directors subject to approval of shareholders at the ensuing Annual General Meeting recommended a dividend of Rs.1.40 per share (14%). The total dividend will absorb Rs.119.41 lakhs excluding Rs.20.29 lakhs tax on Dividend.

Year in Retrospect

The year under review has been continued buoyancy in the OEM markets. The table below highlights the segmental growth of the Indian Automotive Industry.

| SEGMENTS | Growth Percentage (2006-07) |
|--------------------------------------|-----------------------------------|
| Passanger Cars | 19 |
| Utility Vehicles | 13 |
| Light Commercial Vehicles | 7 |
| Medium and Heavy Commercial Vehicles | 34 |

Our gross turnover has shown an increase of 20% over the previous year. We are happy to say that major European Customers have approved your Company for supply of forgings. While this is on the growth, we have faced the pressure of substantial cost increases in all inputs especially in steel during the year. The drop in dollar vis-a-vis the rupee is being addressed by other financial counter measures. With governmental spending on infrastructure and our export position, we trust that our growth of 20% - 30% can be maintained.

Expansion and Modernisation

During the year under review the new Plant at Appur has been largely completed. This is a state-of-the-art facility with good infrastructure to make it a world class manufacturing facility and

EL FORGE LIMITED

environment friendly. On its completion and consolidation of the Units, the capacity will be 23200 MT. Consolidation of the Units will be taken up during the year with a seamless transition.

Subsidiary Company - M/s Shakespeare Forgings Ltd

During the year supplies to Customers of Shakespeare Forgings Ltd has began after tough test runs made by the customers. We expect the exports through Shakespeare Forgings Limited to increase significantly during the current year 2007-08.

Your Company has applied to the Company Law Board under Section 212(8) of the Companies Act, 1956 seeking exemption from attaching a copy of the Balance Sheet, Profit and Loss Account Report of the Board of Directors and the Report of the Auditors of the subsidiary company along with the financial statements of your company. These documents can be requested for by any member, investor of the company. Further, in line with the Listing Agreement and in accordance with the Accounting Standard 21 (AS 21), Consolidated Financial Statements, prepared by the Company include financial information of its subsidiary.

Future Outlook

Sustained spending on infrastructure and the continuing general economic growth are beneficial factors that should aid business growth in the medium and long term.

However, measures enunciated to curb inflation spurred by commodity prices coupled with hardening of interest rates and sustained higher level of crude prices could dampen growth and impact margins.

Due to cost factors, India is becoming a major source of supply of Forgings to the global Auto Industry. Exports therefore continue to be a focus area and your Company will enhance capacities to meet growing demand from overseas customers. The new state-of-the-art facility at Appur has been designed to service the overseas markets better.

Research & Development

R&D in El Forge is a continuous process. All efforts in product design and process development are directed at Customer's satisfaction, competitiveness, quality and responsiveness. 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. 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.

EL FORGE LIMITED

Fixed Deposits

The Company has as on 31st March, 2007 deposits amounting to Rs.62.71 lakhs. The provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit Rules) 1975 have been complied with in respect of the acceptance of deposits and all deposits that have 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.

Information as per Section 217(1)(e) of the Companies Act, read with 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 of the Conservation of energy, Technology absorption and the Foreign Exchange earnings and outgo as prescribed therein, in the Annexure which forms part of the Directors Report.

Listing of Shares

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

1. Madras Stock Exchange Limited
2. Bombay Stock Exchange Limited
3. Ahmedabad Stock Exchange Limited

Corporate Governance

Your Directors are pleased to report that your Company is fully compliant as on March 31, 2007 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.P.L.Reddy and Mr.Balraj Vasudevan, directors retire by rotation and being eligible offer themselves for re-election.

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

The Directors state that

- a) In the preparation of Annual Accounts the applicable accounting standards had been followed.

EL FORGE LIMITED

- 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, 2007 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 safeguarding 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; Auditors retire at the conclusion of the existing Annual General Meeting and being eligible offer themselves for reappointment. The declaration under Section 224(1-B) of the Companies Act, 1956 has been received from them to this effect.

Acknowledgements

The Company places on record the unstinted co-operation of the Bankers, State Bank of India, UTI Bank Limited, Bank of Baroda, Union Bank of India, SBI Factors & Commercial Services (P) Ltd, Industrial Development Bank of India, Export Import Bank of India and Kotak Mahindra Bank Ltd. We also thank all our Customers, Suppliers and others connected with the business for their co-operation. We sincerely thank the shareholders for their unstinted support.

(By Order of the Board)

Place : Chennai
Date : 28.06.2007

FOR EL FORGE LIMITED
V.SRIKANTH
CHAIRMAN