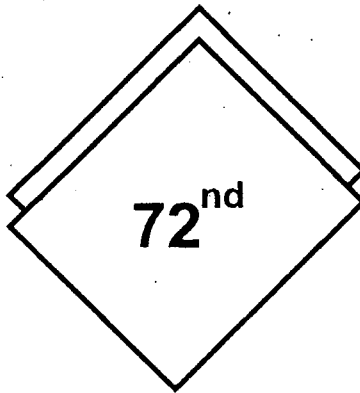




EL FORGE LIMITED

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ANNUAL REPORT

2007 - 2008

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

Sri.Samuel Joseph Jebaraj-Nominee of Export Import Bank of India.

COMPANY SECRETARY

Smt.R.Sowmithri

AUDITORS

P. Rajagopalan & Co.

Chartered Accountants

BANKERS, FINANCIAL INSTITUTIONS AND FACTORS

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

UNION BANK OF INDIA, Industrial Finance Branch, Chennai 600 034

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

ABN AMRO BANK LTD, Haddows Road, Chennai 600 006

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

EXPORT IMPORT BANK OF INDIA, Rajaji Salai, Chennai 600 001

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

338, Ambujammal Street (Off T.T.K.Road), Alwarpet, Chennai 600 018

Phone: (044) 42207800

Fax: (044) 42014708

E-mail:elforge2@elforge.com

· FACTORIES

1A, Sriperumbudur High Road (via) Singaperumal Koil

Appur Village, Kattangulathur Onrjum, Kancheepuram Dist 603 204

Ph (044) 47112500, Fax (044) 42014708

Denkanikotta Road, P.B.No.11, Hosur 635109

Ph: (04344) 222486, Fax :04344-222841

B-67, SIPCOT Industrial Complex, Gummidipoondi 601201.Ph: 27922845

SUBSIDIARY

Shakespeare Forgings Ltd.

Macarthur Road, Cradley Heath, West Midlands B64 5NX, United Kingdom.

EL FORGE LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 72nd 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 Thursday the 25th September, 2008 at 3.30 pm to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2008, the Auditors Report and the Directors Report thereon.
2. To Declare Dividend
3. To appoint a Director in place of Mr.V.Ramachandran, who retires by rotation and being eligible offers himself for re-election.
4. To Appoint 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, No.32, 2nd 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.Samuel Joseph Jebaraj as an Additional Director

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

"Resolved that Mr.Samuel Joseph Jebaraj, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 27th June, 2008 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 as a Nominee of Export Import Bank of India".

EL FORGE LIMITED**7. Appointment Mr.K.R.Srihari as Manager (Commercial)**

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

"Resolved that, pursuant to the provisions of sub-section (1B) of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded for the appointment of Mr.K.R.Srihari, son of Mr.K.V.Ramachandran, Vice Chairman & Managing Director, as Manager (Commercial) on a monthly remuneration of Rs.20,000/- per month and other applicable benefits as per Company rules effective from 14.07.2008.

"Resolved Further that the consent of the Company be and is hereby given to the Board which term shall include committee of the Board to effect such modifications in the designations or remuneration or the scale or any other perquisites payable to Mr.K.R.Srihari as may be agreed to by the Board and Mr.K.R.Srihari and approved by Central Government if applicable".

By Order of the Board

Place : Chennai
Date : 31.07.2008

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 Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out all material facts in respect of item 6 of the notice is attached.
4. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
5. The Register of Members will be closed from 16.09.2008 to 25.09.2008 both days inclusive.
6. As a result of the amendments introduced in 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.

EL FORGE LIMITED

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. 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.

9. 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.

10. The dividend declared during 2004-05, 2005-06 and 2006-07 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.
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, and Shri.K.J.Ramaswamy, retire by rotation and being eligible offer themselves for re-appointment.

Additional Director (Nominee of Export Import Bank of India) /

Mr.Samuel Joseph Jebaraj, General Manager, Export Import Bank of India has been inducted as Director w.e.f 27-06-2008.

EL FORGE LIMITED

Name	Mr.V.Ramachandran	Mr.K.J.Ramaswamy	Mr.Samuel Joseph Jebaraj
Age	60 Years	60 Years	40 Years
Qualification	B.E	B.Sc	BE (Hons.), MBA
Experience	Professional exposure of 3 decades in the Auto Component Industry	4 Decades in Shipping and Customs House Agent	16 Years of Experience in project & trade finance. Presently in-charge of Corporate Banking in Exim Bank's Head Office in Mumbai. Previously was in-charge of Exim Bank's Offices in London, Milan & Hyderabad.
Other Directorships	VST Tillers Tractors Ltd The Vellore Electric Corporation Limited	Siddship Pvt Ltd D.A.Logistics & Farming Pvt Ltd	Nil
Committee Membership	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee Shareholders Grievance Committee	Audit Committee
Shareholding	112688 shares	5000 shares.	Nil

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

The Company has borrowed from Export Import Bank of India and as part of the terms, Export Import Bank of India has nominated its General Manager Mr.Samuel Joseph Jebaraj to be Nominee Director on our Board. Accordingly he was inducted on Board. In accordance with the provision of Section 260 of the Companies Act, 1956 any Additional Director appointed during the year retires at immediately following Annual General Meeting and has to be re-appointed if eligible and offer 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. Samuel Joseph Jebaraj are interested in the resolution. Your Directors recommend the resolution for approval of the members.

EL FORGE LIMITED

Item No.7

Mr.K.R.Srihari, who has been selected by your Board of Directors to hold the position of Manager (Commercial) of the Company at a salary in the grade of Rs.20,000/- is the son of Mr.K.V.Ramachandran, who is the Vice Chairman & Managing Director on the Board of your Company. Sub-section (1B) of Section 314 of the Companies Act, 1956, provides that no relative, etc. of a Director should either hold or continue to hold any office or place of profit in the Company except with the consent of the Company by a Special Resolution at the General Meeting immediately following such appointments.

Mr.K.R.Srihari, has qualified himself with a Master Degree from Australian National University at Canberra in International Business.

Your Directors are confident that his inclusion in the Senior Management will help the Company's growth in the future.

A draft of an agreement entered into with Mr.K.R.Srihari has been kept for the inspection of the members between 11 am to 2 pm during the working days of the Company.

Apart from salary, as mentioned above, provision has been made in the said service agreement for the usual allowance and perquisites available to other senior officers of the Company such as benefit of HRA, Company Car, Leave Travel Allowance and Medical benefits payable to Mr.K.R.Srihari and he also will be entitled to the benefits of the Company's superannuation funds, retirement gratuity and provident fund. The Board has reserved its authority to grant increment in salary to Mr.K.R.Srihari at its sole discretion.

None of the Directors, except Mr.K.V.Ramachandran, is directly or indirectly interested in the aforesaid resolution, and the Board recommends your acceptance thereof in the interest of the Company.

Your Directors recommend the resolution for approval of the members.

By Order of the Board

Place : Chennai
Date : 31.07.2008

R.SOWMITHRI
COMPANY SECRETARY

EL FORGE LIMITED**REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting the 72nd Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2008.

	Year ended 31.03.2008	Year ended 31.03.2007
	(RS.IN LAKHS)	
Sales & Other Income (Gross)	12267.09	11681.93
Profit/(Loss) before Depreciation	1195.98	1079.87
Profit/(Loss) after Depreciation	817.25	818.97
Net Profit/(Loss) after tax	705.25	709.61
Balance in Profit & Loss account	155.78	172.12

Dividend

The Board subject to approval of members at the ensuing Annual General Meeting recommend a dividend of Rs.1.40 per share (i.e.14%). The total dividend will absorb Rs.120.81 lakhs excluding Rs.20.53 lakhs tax on Dividend.

Year in Retrospect

The year that went by was landmark year in the history of the Company. The new Plant started production and gained the accreditation of prestigious customers. The Company's new initiatives in technical upgradation, procurement of raw material and combating the dollar movement on export realization, helped to retain margins in an increasing cost scenario.

The turnover of the Company was Rs.105.56 Crores during the year under report and a net profit of Rs.705.25 lakhs compared to Rs.100.23 Crores of turnover and net profit of Rs.709.61 lakhs during the immediately preceding year.

The start up of operations at the new factory was delayed due to non availability of power connection, which affected the estimated high production and turnover during the year leading to a marginal growth. However, the operations are stabilizing at the new Plant and we expect a growth of 25% to 30% during the year 2008-09.

Future Outlook

The year under review witnessed a multitude of phenomenon with reference to Industrial production and costs across the globe. Rising steel prices, weakening of the dollar across most global currencies to name a few, were witnessed during the year under report..

The new facility, which has been built to global standards has been audited and approved by Major Tier I European manufacturers. This has ensured a better order book position and we are confident that there will be a surge in orders in the years to come. There is also major thrust

EL FORGE LIMITED

amongst overseas OEMs to spend significant percentage of their purchase in lower cost countries. This will also fetch good orders for your company in the years to come.

All these augur well for the future of your company and we see significant growth in the years to come.

Conversion of Equity Warrants

The Promoters were offered 3,00,000 equity warrants at Rs.132/- per warrant to be converted into equivalent number of equity shares out of the above.. The promoters exercised their right only on 1,00,000 warrants. The margin money paid on 2,00,000 warrants amounting to Rs.26,40,000 was forfeited.

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

Employees at all levels have contributed to the performance of your Company. Your directors place on record the co-operation of employees during the year under report.

Fixed Deposits

The Company has as on 31st March, 2008 deposits amounting to Rs.63.44 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.

EL FORGE LIMITED**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, 2008 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 at the ensuing Annual General Meeting and being eligible offer themselves for re-election. Export Import Bank of India (Exim Bank) had nominated its General Manager Mr.Samuel Joseph Jebaraj on to our Board and he was inducted into our Company as a director with effect from 27.06.2008.

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.
- 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, 2008 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.