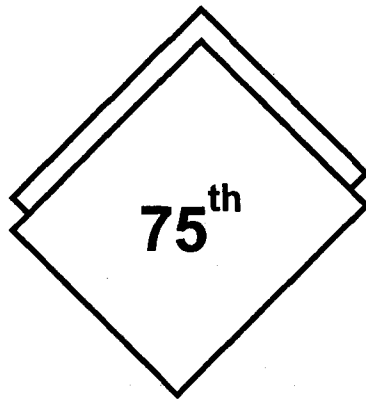




***EL FORGE LIMITED***



**ANNUAL REPORT**

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**2010 - 2011**

**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, Vice Chairman & Managing Director  
Sri.K. Ajit Kumar - 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  
INDUSTRIAL DEVELOPMENT BANK OF INDIA., 115, Annasalai, Chennai 600 015  
ROYAL BANK OF SCOTLAND, 1, Harrington Road, Chennai 600 031  
KOTAK MAHINDRA BANK LTD., Capitale, 555 Anna Salai, Teynampet, Chennai 600 018  
EXPORT IMPORT BANK OF INDIA, Rajaji Salai, Chennai 600 001  
SBI GLOBAL FACTORS LTD., 634, Anna Salai, Chennai 600 035  
INDUSIND BANK LTD., G.N. Chetty Road, T.Nagar, Chennai 600 017

**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:elforgeho@elforge.com

**FACTORIES**

1A, Sriperumbudur High Road (via) Singaperumal Koil  
Appur Village, Kattangulathur Onrium, Kancheepuram Dist., PIN 603 204  
Ph (044) 47112500, Fax (044) 4711 2523

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

## NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 75<sup>th</sup> 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 Wednesday the 30<sup>th</sup> November, 2011 at 10.30 am to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the 15 months period ended 30<sup>th</sup> June, 2011, the Auditors Report and the Directors Report thereon.
2. To appoint a Director in place of Mr.P.L.Reddy, who retires by rotation and being eligible offers himself for re-election.
3. To Appoint a Director in place of Mr.Balraj Vasudevan, who retires by rotation and being eligible offers himself for re-election.
4. 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, 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

#### 5. Authority to issue shares

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

“Resolved that pursuant to the provisions of section 81(1A) and other applicable provisions if any, of the Companies Act, 1956, and in accordance with Memorandum and Articles of Association of the Company and in accordance with listing agreement entered into by the Company with Madras, Bombay and Ahmedabad Stock Exchanges, where the shares of the Company are listed and subject to approval of Securities and Exchange Board of India (hereinafter referred to as SEBI) and further subject to such approvals, consents, permissions or sanctions of appropriate authorities and also of financial institutions, banks as may be necessary and subject to such terms, conditions and modification(s) as may be prescribed in granting such approvals, permissions and/or sanctions and agreed to by the Board of Directors (the Board) of the Company, consent, authority and approvals of the Company be and is hereby accorded to the Board to issue and allot from time to time in one or more tranches Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) carrying a dividend coupon of 6% and to be redeemed in 3 equal annual installments on 01.04.2016, 01.04.2017 and 01.04.2018 with rights or conditions as may be decided by the Board with regard to the Redeemable Preference Shares and / or such other Securities convertible into equity shares at the option of Company / holder or to the holders thereof and/or securities linked to shares or bond or otherwise (hereinafter collectively referred to as Securities) by way of preferential allotment, public issue or such other mode to the Company's bankers under Corporate Debt Restructuring (CDR) Scheme as may be deemed appropriate by the Board either in rupee or in such share capital of the Company for an aggregate face value of not exceeding Rs.11.93 Crores (Rupees Eleven crores

ninety three lakhs) upon such terms and conditions as may be determined by the Board or a Committee thereof”

“Resolved Further that the Board or a Committee thereof be and is hereby authorised to approve and agree and accept such modification(s) to the terms and conditions of the Equity shares / Redeemable Preference Shares or such other securities proposed to be issued, as may be suggested by the Company’s bankers under CDR Scheme and to do all such acts, deeds, matters and things and to take all such steps as may be necessary and expedient and to settle any matter that may arise in connection therewith”.

**6. Increase in Authorised Capital**

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

“Resolved that the existing Clause 5 relating to Share Capital in the Memorandum of Association of the Company be altered by the following in place of the existing Clause :

The Share Capital of the Company is Rs.39,00,00,000/- (Rupees Thirty nine crores only) divided into

- (a) 2,60,00,000 equity shares of Rs.10/- each (Rupees ten only)
- (b) 13,00,000 Redeemable Preference Shares of Rs.100/- each (Rupees hundred only)

with power to increase or reduce the capital and to divide the share for the time being into several classes and attach thereto respectively such Preferential, qualified or special rights and privileges as may be determined in accordance with the provisions of the Companies Act, 1956, and any amendments made thereto to the Act.

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

“Resolved that the existing Article 2A of the Articles of Association of the Company be and is hereby deleted and the following be substituted therefor.

2A The Share Capital of the Company is Rs.39 00,00,000/- (Rupees Thirty nine crores only) divided into

- a) 2,60,00,000 (Two Crore Sixty lakhs) equity shares of Rs.10/- each (Rupees ten only)
- b) 13,00,000 (Thirteen lakhs) Redeemable Preference Shares of Rs.100/- each (Rupees hundred only)

**8. Amendment to Object Clause**

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

“Resolved that new Object Clause inserted after Clause (II) of the Memorandum of Association of the Company

“(jj) To carry on the business of developers, builders, consultants, real estate agents, contractors, decorators and architects”

## 9. Commencement of new business

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

“Resolved that pursuant to the provision of Section 149(2A) and other applicable provisions if any, of the Companies Act, 1956, approval be and is hereby accorded to the Board of Directors of the Company, as they may deem fit from time to time, for commencement of business proposed as Clause (jj) for Property Development Activity stated in the object clause of the Memorandum of Association of the Company”.

“Resolved Further that the Board of Directors of the Company be and are hereby authorised to do such acts, deeds, matter and things as may be considered necessary or expedite to give effect of the resolution”.

**By Order of the Board**

**Place : Chennai**  
**Date : 27.10.2011**

**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. Members/Proxies should bring the attendance slips duly filled in for attending the meeting.
4. The Register of Members will be closed from 24<sup>th</sup> November, 2011 to 30<sup>th</sup> November, 2011 both days inclusive.
5. 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.
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. As per the provision for nomination in the Companies Act, 1956. Shareholders may 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" EI 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 2004-05, 2005-06, 2006-07 and 2007-08 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. Appointment / Re-appointment of Directors

Pursuant to Clause 49 of the Listing Agreement with Stock Exchange following information are furnished about the Directors proposed to be appointed / re-appointed vide Items No.2 & 3 of the notice dated 27-10-2011.

Name	Mr.P.L.Reddy	Mr.Balraj Vasudevan
Age	84 Years	51 Years
Qualification	Engineer	B.Sc
Experience	Fellow of Institution of Engineer. Did Financial Control Course in Indian Institute of Management. 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	Autopumps & Bearings Co P Ltd Regaalia Realty Limited TVS-CJC Ltd Banyan Viswire AVM Charities
Committee Membership	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee Shareholders Grievance Committee
Shareholding	8100	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.5**

The Company had entered into a CDR arrangements with the banks namely State Bank of India, Union Bank of India, Axis Bank Ltd, IDBI Bank Ltd and Export Import Bank of India. As per the scheme the interest on the Term Loans from 1.1.2009 to 31.03.2011 were accumulated in the Funded Interest Term Loan (FITL) account which was to be issued as Optionally Convertible Cumulative Redeemable

Preference Shares (OCCRPS) to the banks. The Interest accumulated in FITL in the specified Banks is as follows :

Sl.No.	Name of the Bank	Amount outstanding (Rs.)	Percentage
1.	State Bank of India	54593077.00	46.00
2.	Axis Bank Ltd	29888840.00	25.00
3.	Union Bank of India	10820216.00	9.00
4.	IDBI Bank Ltd	2965029.00	2.00
5.	Export Import Bank of India	20981646.00	18.00
	<b>Total</b>	<b>119248808.00</b>	<b>100.00</b>

As per the terms of sanctions received from Financial Institutions / banks for restructuring of debts under the approval of the Corporate Debt Restructuring Cell, (CDR), the Company has to issue and allot Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) to the lending Financial Institutions / banks for the interest accrued on the term loans for the period from 1.1.2009 to 31<sup>st</sup> March, 2011. As per the provisions of Section 81 of the Companies Act, 1956, approval of the existing shareholders is required for issuance of shares to persons other than the shareholders.

The Board of Directors of your Company recommend this resolution for your approval

None of the Directors is in any way concerned or interested in the above resolution.

#### **Item No.6 & 7**

The present authorised capital of the Company is Rs.29 Crores consisting of 2,60,00,000 equity shares of Rs.10 each and 3,00,000 Redeemable Preference Shares of Rs.100/- each. To enable the Company to issue OCCRPS as per Item No.5 of the notice, it is proposed to increase the Authorised Capital from the present Rs.29 Crores to Rs.39 Crores by the creation of 10,00,000 (Ten lakhs) Redeemable Preference Shares of Rs.100/- each aggregating to Rs.10 Crores (Ten Crores). The increase in Authorised Capital of the Company requires consequential amendments to the Capital Clauses of Memorandum and Articles of Association of the Company.

The proposal requires the approval of the Shareholders.

The Board of Directors of your Company recommend this resolution for your approval

None of the Directors of your Company is interested in this resolution.

#### **Item No. 8 & 9**

The Company is exploring the possibility of Property Development Activities as the Company has surplus land. If the property is developed and sold the company would earn more than out of simple sale of land. Hence the addition of this activity is proposed to object clause, so that if beneficial opportunity is seen, then the Company could go ahead with the activity of property development.

The proposal requires the approval of the Shareholders.

The Board of Directors of your Company recommend this resolution for your approval

None of the Directors of your Company is interested in this resolution.

**Place : Chennai**  
**Date : 27.10.2011**

**By Order of the Board**  
  
**R.SOWMITHRI**  
**COMPANY SECRETARY**



## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 75<sup>th</sup> Annual Report along with the Audited Accounts of the Company for the 15 months period ended 30<sup>th</sup> June, 2011 .

	15 months period ended 30.06.2011	Year ended 31.03.2010
	(RS.IN LAKHS)	
Gross Sales	11216.38	7411.23
Other Income	352.64	963.54
Profit/(Loss) before Depreciation	(59.19)	424.93
Profit/(Loss) after Depreciation	(977.65)	(269.22)
Net Profit/(Loss) after tax	(977.65)	(274.65)

### Year in Retrospect

The period under review was witnessed by a marginal increase of around Rs.9 Crores in Sales (adjusted for 12 months) over the previous year. Though the order book of the company was very healthy, we were unable to capitalize due to paucity of working capital. To augment the working capital, we proposed the Rights Issue in July 2010 which concluded only in the month of August 2011, depriving the previous year the much needed working capital facility. The Company has made a net loss of Rs.978 lakhs during the 15 months period ended 30.06.2011. The Company is taking all steps to improve the performance levels and earn profits in the coming year.

As reported in the earlier years, your Company has been approved by all the major multinational auto majors. This has resulted in generation of new enquiries, which have resulted in orders and development of components for start of regular production in the coming year. Given the order book and approvals it is expected that the ensuing year would be rewarding

We propose to shift the Hosur facility from its present location, which has become a residential area, to an industrial location 20 kms away in a village called Soolagiri.

### Subsidiary Company

Shakespeare Forgings Ltd achieved a turnover of Rs 1858.12 Crores for the 15 months period ended 30.06.2011 and incurred a loss of Rs.21.76 lakhs for the said period. Improvement in the market condition in United Kingdom is seen during the year and Shakespeare Forgings Limited is expected to earn profits in 2011-12.

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.

### 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 30<sup>th</sup> June, deposits amounting to Rs.1.36 Crores. 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 (As per MSE / NSE agreement, your Company's shares are allowed for trading in NSE Platform).
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 June 30, 2011 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 at the ensuing Annual General Meeting and being eligible offer themselves for re-election. Mr.K.Ajith Kumar has been appointed as a Nominee Director in place of Mr.Samuel Joseph Jebaraj by Export Import Bank of India with effect from 30.08.2011.

**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 30<sup>th</sup> June, 2011 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.