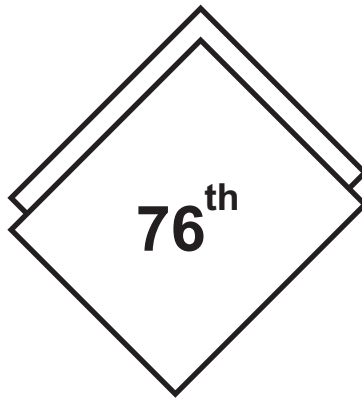




EL FORGE LIMITED



ANNUAL REPORT

2011 - 2012

EL FORGE LIMITED

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 Director 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. Anna Salai, Chennai 600 002
IDBI Bank Ltd., Greams Road, Chennai 600 006
ROYAL BANK OF SCOTLAND, Harrington Road, Chennai 600 031
KOTAK MAHINDRA BANK LTD., Capitale, Anna Salai, Teynampet, Chennai 600 018
EXPORT IMPORT BANK OF INDIA, Anna Salai, Chennai 600 002
SBI GLOBAL FACTORS LTD., Nandanam, 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

21C, A.R.K. Colony, Eldams 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.

EL FORGE LIMITED
NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 76th Annual General Meeting of EL FORGE LIMITED will be held at "Nagar Hall" South India Hire Purchase Association, Deshbandu Plaza 1st Floor, No.49, Whites Road, Royapettah, Chennai 600 014 on 17th day of December, 2012 at 10.45 am to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 30th June, 2012, the Auditors Report and the Directors Report thereon.
2. To appoint a Director in place of Mr.V.Ramachandran, who retires by rotation and being eligible offers himself for re-election.
3. To Appoint a Director in place of Mr.K.J.Ramaswamy, 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, 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

5. Sale or Development of surplus land

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

"Resolved that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to mortgage and/or charge/or sell the immovable properties of the Company wheresoever situated either for an outright sale or development agreement with a Builder"

"Resolved Further that the Board of Directors of the Company be and is hereby authorized to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution".

By Order of the Board

Place : Chennai
Date : 15.11.2012

R.SOWMITHRI
COMPANY SECRETARY

EL FORGE LIMITED

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 11th December, 2012 to 17th December, 2012 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" El Forge Limited, No.21C, A.R.K.Colony, Eldams 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 and INE158F03013.

9. The dividend declared during 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 15.11.2012.

EL FORGE LIMITED

Name	Mr.V.Ramachandran	Mr.K.J.Ramaswamy
Age	64 Years	66 Years
Qualification	B.E	B.Sc
Experience	Professional exposure of 3 decades in the Auto Component Industry	4 Decades in Shipping and Customs House Agent
Other Directorships	Kar Mobiles Ltd VST Tillers Tractors Ltd The Vellore Electric Corporation Limited	Siddship Pvt Ltd D.A.Logistics & Farming Pvt Ltd
Committee Membership	Audit Committee Remuneration Committee	Audit Committee Remuneration Committee Shareholders Grievance Committee
Shareholding	331720	112500

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.

The company needs to scale up the operations and move to profitable levels. In order to achieve this the company requires additional funds for working capital needs. At present the company is highly leveraged and further debt will not help revival. Therefore the focus has to be on reduction of debt and infusion of funds for operations. This objective can be achieved if the company is able to sell the surplus land and use the proceeds for the purpose. In order to enable the company to embark on this exercise the resolution under item 5 has been put forth for your approval as required under section 293 (1)(a) of the companies Act,1956..

The proposal requires approval of the shareholders.

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

None of the directors of the company are interested in this resolution.

By Order of the Board

**R.SOWMITHRI
COMPANY SECRETARY**

Place : Chennai

Date : 15.11.2012

EL FORGE LIMITED
REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 76th Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 2012 .

	For the year ended 30.06.2012 (12 Months)	15 months period ended 30.06.2011
	(RS.IN LAKHS)	
Gross Sales	9170.75	11216.38
Other Income	1397.37	352.64
Profit/(Loss) before Depreciation	(31.27)	(59.19)
Profit/(Loss) after Depreciation	(841.98)	(977.63)
Net Profit/(Loss) after tax	(918.12)	(977.63)

Year in Retrospect

The year was good in terms of the order book and customer approvals. During the year Funds were infused into the company thro the rights Issue and sale of land at Hosur to scale up the operations of the company. As the working capital support from bankers to augment the funds happened much later, the funds infused supported the servicing of the dues and scaling up was not possible. This led to the turnover being same as in the previous 12 months. This level is still below break even and hence the losses during the year. The sale of Hosur land resulted in a profit of Rs.13.97 crores which helped the company to mitigate the loss from operations

The manufacturing facility at Appur continues to be favoured by all customers and has been approved by the renowned OEM's like TRW of USA and Germany, GKN of UK and Italy, Bosch –Germany, Wabco etc to name a few. Paucity of working capital funds is the major constraint at present and the company is making all efforts to address the same and move to profitable operations .

Economic Situation

The growth of the Indian economy which was steady in the range of 7% to 8% has been affected by the uncertainty around the Globe. This coupled with the lack of political consensus in our country has compounded the problem which has led to a fall in the GDP to as low as 5.3% in the quarter ending in march 2012.

The global economy is passing through a volatile phase characterized by great uncertainty .Europe continues to be fragile and clarity on the course the Eurozone will move into is uncertain at this stage.

This has affected our Export business which declined from 22.34% in 2010-11 to 11.68% in the year under review.

Subsidiary Company

Shakespeare Forgings Ltd achieved a gross turnover of Rs 2804.58 lakhs for the year ended 30.06.2012 and earned a profit of Rs.321.91 lakhs for the said period. The UK economy has not improved and many manufacturing units have closed shop during the year. However Shakespeare Forgings has been able to survive the crises. Aware of this volatility our company is closely managing the affairs so that it does not depend on the parent for its operations.

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

EL FORGE LIMITED

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 30th June, 2012 deposits amounting to Rs.127.23 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 (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.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.

EL FORGE LIMITED

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 judgments 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 30th June, 2012 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, Statutory Auditors of the Company retire at the conclusion of the ensuing 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.

Cost Auditor

Your Company is required to maintain cost accounting records pursuant to the (Cost Accounting Records) Rules 2011 Vide notification dated 3rd June, 2011 and your Company had duly complied with the above requirement for the year ended 30th June, 2012.

Pursuant to order No. 52/26/CAB/2010 dt. 24th January, 2012 issued by Ministry of Corporate Affairs, the appointment of Cost Auditors become mandatory for your Company pursuant to provisions of Sec.23B of the Companies Act, 1956. Your Company has appointed a Cost Auditor for the financial year 2012-13 to conduct cost audit of the accounts and records maintained by the Company.

Acknowledgements

The Company places on record the unstinted co-operation of Corporate Debt Restructure (CDR), IDBI Mumbai and Bankers, State Bank of India, Axis Bank Limited, Union Bank of India, IDBI Bank Ltd, Royal Bank of Scotland (RBS), Export Import Bank of India, IndusInd Bank Ltd, Kotak Mahindra Bank Ltd and SBI Global Factors 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 : 15.11.2012

V.SRIKANTH
EXECUTIVE CHAIRMAN

EL FORGE LIMITED

ANNEXURE TO DIRECTORS' REPORT

Information in accordance with the Companies

(Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th June, 2012.

CONSERVATION OF ENERGY

- | | |
|---|---|
| 1. Energy Conservation measures taken | Furnace oil gas and Power consumption are closely monitored to conserve energy. |
| 2. Additional Investments and proposals if any, being implemented for reduction of consumption of energy | — |
| 3. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods | — |

FORM A

(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	2011-12 (12 Months)	2010-11 (15 Months)
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased		
Units	7331262	8782186
Total Amount (Rs.)	53679604	58219507
Rate / Unit (Rs.)	7.32	6.63
b. Own Generation		
Through Diesel Generator:		
Units	423773	280080
Units / Ltr. of Diesel Oil	2.75	2.70
Cost Per Unit (Rs.)	17.13	15.54
2. FURNACE OIL & L.D.OIL		
Quantity (in Ltrs.)	1197990	1355025
Total Amount (Rs.)	41344294	35044539
Average Rate (Rs.)	34.51	25.87
3. GAS FOR HEAT TREATMENT		
Quantity (in Kgs.)	212924	234740
Total Amount (Rs.)	12589422	10676170
Average Rate (Rs.)	59.13	45.48
B.CONSUMPTION PER UNIT OF PRODUCTION		
Product - Steel Forgings	Standards	Standards
Unit / MT. of Made Steel Forgings	(if any)	(if any)
a. Electricity (Units)	993	992
b. Furnace Oil/L.D. Oil (Ltrs.)	278	246
c. Gas (Kgs.)	63	59

Note: No standards are available for comparison.