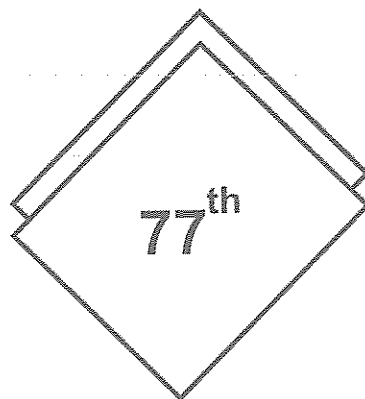


EL FORGE LIMITED



ANNUAL REPORT

2012 - 2013

EL FORGE LIMITED

BOARD OF DIRECTORS

Sri.V.Srikanth, Executive Chairman
Sri.V.Ramachandran
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 600 108
AXIS BANK LTD. Anna Salai, Chennai 600 002
IDBI Bank Ltd., Greams Road, Chennai 600 006
EXPORT IMPORT BANK OF INDIA, Anna Salai, Chennai 600 002
ROYAL BANK OF SCOTLAND, Harrington Road, Chennai 600 031
KOTAK MAHINDRA BANK LTD., Capitale, Anna Salai, Teynampet, Chennai 600 018

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

EL FORGE LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 77th Annual General Meeting of EL FORGE LIMITED will be held at "Nahar Hall" South India Hire Purchase Association, Deshbandu Plaza 1st Floor, No.49, Whites Road, Royapettah, Chennai 600 014 on Monday the 30th day of December, 2013 at 10.30 am to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 30th June, 2013, the Auditors Report and the Directors Report thereon.
2. 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".

By Order of the Board

Place : Chennai
Date :29.11.2013

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 23rd December, 2013 to 30th December, 2013 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.
8. 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.
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.
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 and INE158F03013.
11. The dividend declared during 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.
12. Website – Quarterly information on results and other developments are posted on the Company's Website :<http://www.elforge.com>

EL FORGE LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 77th Annual Report along with the Audited Accounts of the Company for the year ended 30th June, 2013.

	For the year ended 30.06.2013	For the year ended 30.06.2012
	(RS.IN LAKHS)	
Gross Sales	8298.07	9170.75
Other Income	103.98	1397.37
Profit/(Loss) before Depreciation	(2595.67)	(31.27)
Profit/(Loss) after Depreciation	(3382.03)	(841.98)
Net Profit/(Loss) after tax	(3382.03)	(918.12)

Year in Retrospect

The past year was very tough for the operations of the company. The company's efforts to infuse long term funds by sale of non core assets could not be achieved as the value for these assets could not be unlocked due to the economic situation. The restructure of debts were conditional on the funds raised and, since this could not be done the restructure proposal was not be taken up. The consequent non availability of funds and reduced operations resulted in loss during 2012-13.

The company is continuing the efforts to achieve profitable levels by looking at all possible solutions available in this situation.

Subsidiary Company

Shakespeare Forgings Ltd achieved a gross turnover of Rs 4266.20 lakhs for the year ended 30.06.2013 and incurred a marginal loss of Rs.27.34 lakhs for the said period. The UK economy is recovering and Shakespeare Forgings has been able to stabilize its manufacturing operations and will be in a position to carry on its operations on its own.

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.

Directors

During the year Mr.P.L.Reddy our director for 32 years expired on 28.02.2013. The directors wish to place on record his valuable contribution to the company. This has left a casual vacancy in the Board.

During the year Mr.K.J.Ramasamy resigned form the Board on 30.08.2013 and Mr.BalrajVasudevan resigned from the directorship on 10.09.2013 due to personal preoccupation. The directors thank them for their support and guidance during their term with the company.

EL FORGE LIMITED

Management Discussion and Analysis

Management Discussion and Analysis report for the year under review as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

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, 2013 deposits amounting to Rs.137.26 Lakh. 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.

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

Delisting of Shares with Ahmedabad Stock Exchange

It has been observed that there have been no transactions in our scrip for the last few years in Ahmedabad Stock Exchange. The board in their meeting on 29th November 2013 decided to delist the shares from the Ahmedabad stock exchange without exit opportunity in accordance with The Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003.

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.

The proposed delisting of the Company's Equity Shares from the said Stock Exchange, as and when takes place, will not affect the Investors adversely. The Company's equity shares will continue to be listed on the Bombay Stock Exchange Ltd. The delisting will take effect after receiving the consent from Ahmedabad Stock Exchange.

EL FORGE LIMITED

Corporate Governance

Your Directors are pleased to report that your Company is fully compliant as on June 30, 2013 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 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, 2013 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

S.Sundar& Associates, Cost Accountants,Chennai, Cost auditor of the company under section 233 of the Companies Act,1956 has been reappointed as the company's Cost Auditor for the Financial year 2013-14.

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.

Addendum to Directors' Report

In response to the Audit Emphasis matters and qualification the directors state the following:

Statutory Dues

The Company is facing funds constraint, due to this the Company has not been able to make regular payments for statutory dues. The Management is taking steps to clear the dues.

Gratuity Fund

The contribution to the gratuity fund is pending due to funds constraint. The Management is taking steps to comply with the requirement and regularize the fund.

Going Concern

The Management has prepared the accounts on a going concern as there has been no stoppage in the manufacturing operations or sale of our products. The world class plant attracts the auto majors and others

EL FORGE LIMITED

with no let up in the orders. Due to working capital inadequacies, we are not able to service all the orders on hand. The forgings are known for their quality and the fact that customer returns are negligible, confirms the quality.

Our Company is in forging business from 1964 and this is the fiftieth year of operations and endured many business cycles. The management is taking steps to address the financial requirements and is confident of addressing the same and move to profitable levels. The current assets position will be strengthened once the company generate profits from operations. The management is confident of resolving the issues and hence prepared the financial statements on going concern basis.

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 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 :29.11.2013

**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, 2013.

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

	2012-13 (12 Months)	2011-12 (12 Months)
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased		
Units	6353272	7331262
Total Amount (Rs.)	63495544	53679604
Rate / Unit (Rs.)	9.99	7.32
b. Own Generation		
Units	486850	423773
Units / Ltr. of Diesel Oil	2.74	2.75
Cost Per Unit (Rs.)	18.75	17.13
2. FURNACE OIL & L.D.OIL		
Quantity (in Ltrs.)	859380	1197990
Total Amount (Rs.)	31029991	41344294
Average Rate (Rs.)	36.11	34.51
3. GAS FOR HEAT TREATMENT		
Quantity (in Kgs.)	176124	212924
Total Amount (Rs.)	13093453	12589422
Average Rate (Rs.)	74.34	59.13
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product - Steel Forgings	Standards	Standards
Unit / MT. of Made Steel Forgings	(if any)	(if any)
a. Electricity (Units)	1114	993
b. Furnace Oil/L.D. Oil (Ltrs.)	290	278
c. Gas (Kgs.)	64	63

Note: No standards are available for comparison.

EL FORGE LIMITED

FORM B

(See Rule 2)

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO
TECHNOLOGY ABSORPTION**

RESEARCH AND DEVELOPMENT (R&D)

- | | |
|---|---|
| 1. Specific areas in which R&D carried out by the Company | Research & Development is an ongoing process to improve the quality of end products |
| 2. Benefits derived as a result of the above R&D | 1) Developing new forgings, to meet specific requirements.
2) Reduction in cost and improvement in quality |
| 3. Future plan of action | Continued improvement in quality and productivity. |
| 4. Expenditure on R & D | |
| (a) Capital | |
| (b) Recurring | Expenditure on R & D is |
| (c) Total | not directly incurred during the period and |
| (d) Total R&D expenditure as | hence not ascertainable |
| percentage of total turnover | |

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- | | |
|---|---|
| 1. Efforts in brief, made towards technology absorption, adoption and innovation | Continuous interaction with Technology Experts to improve quality, die-life, etc. |
| 2. Benefits derived as a result of the above efforts e.g. production improvement, cost reduction, product development, import substitution etc. | Reduction in Rejections and improvement in yield. |

FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | |
|--|---|
| 1. Activities relating to Exports | Every attempt is made to quote for all Export enquiries. New markets are being explored. |
| 2. Initiatives taken to increase exports and development of new export markets for products and services and export plans. | 1. The company Executives are sent abroad to meet end use customers and agents to ensure customer's satisfaction.
2. Present and prospective buyers are being invited to see our production and inspection facilities.
3. Quality systems are constantly being upgraded to meet international requirements. |
| 3. Total Foreign Exchange | |
| (a) Used (Rs.) | 573675 |
| (b) Earned (Rs.) | 161402756 |