

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.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
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
INDUSTRIAL DEVELOPMENT BANK OF INDIA., 115, Annasalai, Chennai 600 015

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.

EL FORGE LIMITED
NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that 74th Annual General Meeting of EL FORGE LIMITED will be held at Narada Gana Sabha Trust Mini Hall, No.314, T.T.K.Road, Alwarpet, Chennai 600 018 on 19th August, 2010 at 10.30 am to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2010, 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. To consider and if thought, to pass with or without modification, the following resolution as a Special Resolution.

“Resolved that the approval of the shareholders is hereby given to the Company to List the equity shares of the Company having distinctive numbers 8529525 to 8629524 – one lakh shares allotted on conversion of equity warrants @ Rs.132/- per warrant allotted on 17.06.2006 and converted in to equity shares of Rs.10/- each at premium of Rs.122/- per share and share allotment made on 02.01.2008”.

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 :

EL FORGE LIMITED

The Share Capital of the Company is Rs.38,00,00,000/- (Rupees Thirty eight crores only) divided into

- (a) 3,50,00,000 equity shares of Rs.10/- each (Rupees ten only)
- (b) 3,00,000 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.38 00,00,000/- (Rupees Thirty eight Crores only) divided into
- a) 3,50,00,000 (three fifty lakhs) equity shares of Rs.10/- each (Rupees ten only)
 - b) 3,00,000 (Three lakhs) Redeemable Preference Shares of Rs.100/- each (Rupees hundred only)

8. To consider and if thought fit, to pass with or without modification the following resolution as on Ordinary Resolution

“Resolved that subject to the approval of the members of the Company and in accordance with the provisions of Section 81(1) and other applicable provisions, if any, of the Companies Act, 1956 and any other law for the time being in force and the provisions in the Memorandum and Articles of Association of the Company, the guidelines issued by the Securities and Exchange Board of India (SEBI), the Listing Agreements entered into by the Company with the Stock Exchanges and subject to the approval, permissions and sanctions of the lenders of the Company, SEBI, Stock Exchanges, Reserve Bank of India (RBI), the Foreign Investment Promotion Board (FIPB), Government of India and other concerned authorities, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of the aforementioned authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the company (hereinafter referred to as the “Board” which term shall be deemed to include any committee thereof) the consent of the shareholders be and is hereby accorded to create, offer and issue to the equity shareholders of the Company as on the record date (to be fixed for the purpose) equity shares of Rs.10/- of the Company for a sum upto Rs.26 Crores (Rupees Twenty six crores) or such sum as may be determined by the Board of Directors in this regard, in the ratio to be determined by the Board (the “Rights Issue) and on such other terms and conditions as may be mentioned in the draft letter of offer to be issued by the Company in respect of the Rights Issue”.

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“Resolved Further that such of these equity shares to be issued, if are not subscribed by the existing shareholders may be disposed of by the Board thereof in its absolute discretion, in such manner and/or on such terms as it may deem fit, including by offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Fund/ Corporates / High Network Individuals or otherwise as the Board thereof may in its absolute discretion deem fit and proper.

“Resolved Further that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue/allotment and utilisation of the proceeds of issue of the Securities towards the Company's projects/other corporate needs and finalise such documents for creating mortgages/charges as it may deem fit”.

By Order of the Board

Place : Chennai
Date : 15.07.2010

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 16th August, 2010 to 19th August, 2010 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.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

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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

Name	Mr.V.Ramachandran	Mr.K.J.Ramaswamy
Age	62 Years	64 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	112688	5000

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

Earlier in the Extra Ordinary General Meeting held on 3rd June, 2006 the shareholders approved in the equity warrants on a Preferential basis to the Promoters at Rs.132/- per warrant to be converted into equity shares within 18 months from the date of allotment of warrants. Advance of Rs.39.60 lakhs representing 10% of the warrant value was paid by the Promoter. The Promoters could however be able to subscribed for 1 lakh warrants only at the end of the period and hence only one lakh warrants were converted into equity shares. Balance of Rs.26,40,000/- forfeited. The shares were allotted on 2nd January, 2008 which is 16 days beyond the warrants period and hence shareholders approval is necessary for listing the resolution is placed for your approval.

Mr.V.Srikanth, and Mr.K.V.Ramachandran, who are the Promoters may be deemed to be interested in the resolution.

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

Item No. 6 & 7

The present authorised capital of the Company is Rs.13 Crores consisting of 1,00,00,000 equity shares of Rs.10 each and 3,00,000 Redeemable Preference Shares of Rs.100/- each. To enable the Company to raise Capital, it is proposed to increase the Authorised Capital from the present Rs.13 Crores to Rs.38 Crores by the creation of 2,50,00,000 (Two Crores fifty lakhs) equity shares of Rs.10/- each aggregating to Rs.25

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Crores (Twenty five 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.

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

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

Item No.8

The auto industry in India has a healthy growth with the turnover of all the automakers reaching new heights in the year that went by and is expected to grow steeply in the coming year. Customers of your Company have also increased their orders with your Company and scope for growth in turnover is very significant. In order to take advantage of the favourable market, we need to augment our resources and therefore the Board decided to make a "Rights Issue of equity shares" to raise upto Rs.26 Crores. Subject to the provisions of Companies Act, 1956 and the approvals from various statutory authorities including SEBI the term of the office will be finalized and a letter of offer will be sent to the shareholders of the Company"

The proposal requires the approval of the Shareholders.

None of the Directors of your Company are interested in the proposed resolution except to the extent they are members of the Company.

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

By Order of the Board

Place : Chennai
Date : 15.07.2010

R.SOWMITHRI
COMPANY SECRETARY

EL FORGE LIMITED
REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the 74th Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2010.

	Year ended 31.03.2010	Year ended 31.03.2009
	(RS.IN LAKHS)	
Sales & Other Income (Gross)	8374.77	9862.88
Profit/(Loss) before Depreciation	424.93	(1220.28)
Profit/(Loss) after Depreciation	(269.22)	(1790.38)
Net Profit/(Loss) after tax	(274.65)	(1805.38)

Year in Retrospect

The year under review saw strain in the operations of the Company due to the difficult situation on cash flow front.

The auto market improved substantially after September of 2009, but the Company could not keep pace with the auto growth due to the above mentioned reason.

Steel, which constitutes a major input of our Company's production, increased in value from November of last year and rose substantially till April of this year, and in keeping with the price increase, they have reduced the credit terms thus making a dual impact on the cash flows.

The banking consortium took up our request for enhancing the credit limit for the purchasing of steel by instating letters of credit. We trust that this facility will go a long way in addition to the performance of the Company.

The power problem in Tamilnadu, however has not had any respite. The environment prevailing is the same for the long established industries of Tamilnadu. We are however, managing to circumvent the problem by adjusting our working hours and ensuring maximum productivity in the available time frame.

The sales was consequently lower by 15% and the net loss for the year was Rs.274.64 lakhs after adjusting the income from sale of property.

The market situation has drastically changed from April of this year and trust we can grow from the Quarter of October this year having addressed the factors that constrain the operations.

We are highly confident that the worst is behind us and the future can only be highly beneficial for us and the auto industry.

Subsidiary Company

EL FORGE LIMITED

Shakespeare Forgings Ltd's operations in UK has been affected by the global meltdown and volumes during the period from April 2009 to March 2010 were only at GBP 3.295 Million as against GBP 4.648 Million of previous year.

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.

Issue of Shares

The Board has decided to issue equity shares of Rs.10/- each to the existing shareholders on a 'Rights Basis' aggregating to Rs.26 Crores. The terms of the issue is being finalized and shall be submitted for the approval of SEBI. The letter of offer shall then be circulated to the shareholders. A Special Resolution u/s 81 is being placed at the Annual General Meeting for granting approval to the Rights Issue.

In order to facilitate the issue the Authorised Capital and changes in the Clauses to the Memorandum & Articles of Association is proposed.

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, 2010 deposits amounting to Rs.68.93 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.

EL FORGE LIMITED

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 shares 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 March 31, 2010 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.

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, 2010 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.

EL FORGE LIMITED

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 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 : 15-07-2010

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 31st March, 2010.

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

	2009-10	2008-09
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased		
Units	6370010	7098234
Total Amount (Rs.)	33726468	45475044
Rate / Unit (Rs.)	5.29	6.41
b. Own Generation		
Through Diesel Generator:		
Units	203658	365777
Units / Ltr. of Diesel Oil	2.78	2.77
Cost Per Unit (Rs.)	15.68	13.99
2. FURNACE OIL & L.D.OIL		
Quantity (in Ltrs.)	920005	1522486
Total Amount (Rs.)	18960955	38043815
Average Rate (Rs.)	20.61	24.99
3. GAS FOR HEAT TREATMENT		
Quantity (in Kgs.)	109017	146288
Total Amount (Rs.)	3826088	7806116
Average Rate (Rs.)	35.09	53.36
B. CONSUMPTION PER UNIT OF PRODUCTION		
Product – Steel Forgings Standards		
Unit / MT. of Made Steel Forgings (if any)		
a. Electricity (Units)	1020	862
b. Furnace Oil/L.D. Oil (Ltrs.)	217	185
c. Gas (Kgs.)	52	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 not directly incurred |
| (c) Total | |
| (d) Total R&D expenditure as percentage of total turnover | during the period and hence not ascertainable |

TECHNOLOGY ABSORPTION, ADOPTATION 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.) | 1242143 |
| (b) Earned (Rs.) | 247772425 |

EL FORGE LIMITED
Management Discussion and Analysis

Overview

The year 2009-10 was a year of recovery from the impact of the global recession. Your Company has implemented a Corporate Debt Restructuring Scheme with the bankers in order to improve the operations. As a result the Company was able to improve operations and minimize the loss for the year. The proceeds from the sale of land also augmented the working capital requirements.

The overall expansion of the Indian economy over the past few years had led to the significant development of the automobile market. Indian Automobile Industry has witnessed growth. With all major auto players globally setting up shops in India with new capacities. The domestic production of different types of vehicles in India has grown significantly over 25% in all segments.

As a result the auto components industry in India has grown strongly during the year and is poised to become one of the key global Centres for manufacture of vehicles.

Your Company is all set to exploit opportunities and gain strength to become a significant global supplier of quality forgings.

Your Company has over the last few years evolved to position itself as a preferred products development partner with OEM Customers and increase business with them. The Company has made efforts to move up the value chain by increasing the proportion of machined products.

Your Company has developed new business with new and existing Customers and has supplied samples which are in various stages of trial and would soon contribute to the order book and facilitate growth in business.

Your Company has made all efforts to position itself as World Class supplier of Forgings and specialize in the manufacture of Engine Components.

Opportunities & Threats

The Auto Industry in India has grown in the last year 2009-10 and is continuing to do well in the current year. The recovery from the recession in our Country is remarkable compared to the rest of the globe. This situation provides enormous opportunities for your Company to grow and establish itself as a global player in forgings.

The major threat is in the spiralling input cost which would affect the bottom line. Retention of talent at all levels of the Organisation is also difficult as the number of Auto Companies in and around Chennai provides opportunities for employment.

Your Company by focusing on quality has established itself as a preferred supplier and is in a position to address the threat and has devised measures to retain talent.

EL FORGE LIMITED

Risk Management

The current economic environment has exposed us to dimensions of risk not hitherto encountered or envisaged. The markets falling, Auto Majors which hitherto were seemingly invincible declaring bankruptcy, Tier 1 suppliers folding operations, major banks going bust, Oil rising to dizzy heights, steel industry increasing prices 2 folds in 4 years and then suddenly suspending manufacturing due to lack of demand, exchange rates dropping in favour of rupee are a few risks that have to be reckoned with.

All these have taught us that risk management can be countered only by very low debt, zero inventory, (raw material & finished goods), immediate realisation of debtors, highest quality manufactured at lowest cost, entry into each product at the beginning of its life cycle, lateral thinking and application engineering, risk mitigation by cross industry application, energy management and daily review of all these facets with periodic scan of the economy.

This strategy we feel will reduce our vulnerability to the market hostilities and help us have a sustained growth in the future.

Commodity Price Risk

The increasing prices of steel and oil is a continuous feature. Material price is made a pass through with Customers. The other increases in cost managed by effective cost control measures and taken up with the Customers at appropriate time.

Foreign Exchange Risk

The Company is exposed to foreign exchange risks on account of its increasing exports. Your Company has formulated a hedging strategy for foreign currency exposures.

Internal control systems and their adequacy

The Company has an internal control system that is geared towards achieving efficiency in operations, optimum utilisation of resources, effective monitoring and compliance with all applicable laws and regulations.

The Company has in place a proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and stated properly and applicable statutes and Corporate policies are duly complied with.

EL FORGE LIMITED

Human Resources

El Forge has always been a people driven Company and its employees remain its most valuable asset. Our employees have always extended full cooperation and support in good as well as difficult times, and have unstintingly helped to deliver on all our commitments.

The Human Resources practices at your Company empowers the employees through greater knowledge, opportunity, responsibility, accountability and reward. Emphasis is laid on identifying & nurturing talent. Continuous improvement techniques are followed for betterment of the skills in the organisation by implementing TQM & other training programs and there exists an excellent system of assessment of the employees based on the principles and practices of Balanced Score Card.. There are 529 employees on the rolls of the Company.

Outlook

We believe that global opportunities for Companies like us will accrue due to the cost of manufacture being prohibitive in the West. While we are aware of the risks, we are confident of improving the performance through appropriate marketing programmes. We propose to continue developing capacities and capabilities to cater to the global supply chain.

Cautionary Statement

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. Prior written permission of the Company may be obtained for furnishing this information to any person.

EL FORGE LIMITED
CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. Given below is the report on Corporate Governance.

1. Company's Philosophy on Code of Governance

El Forge was founded in 1934 as a Public Limited Company and has been governed on the principle of "Trusteeship". The philosophy of "Trusteeship" as the core value and basis of management, when translated into action is exhibited as 'transparency', 'responsibility' and 'integrity' and behavior conforming to ethical practices.

This principle inheres through the organization and every employee pledges to abide by them, in order to ensure that highest standards are maintained in the conduct of the organization in its interaction with its stake holders, society and Government.

2. Composition of Board

The Board of Directors has a mix of Executive and Non Executive Directors. The Board comprised of whole time Directors– Executive Chairman and Vice Chairman & Managing Director,. Five Directors are Non-Executive Directors. Accordingly, the composition of the Board is in conformity with the listing agreement.

All the Non Executive Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

Details of Composition of the Board of Directors, Directors' Attendance Records and Directorships are given below

Name of Director	Category	Attendance Particulars			No. of Other Directorships and Committee Memberships/Chairmanships in other Indian Public Companies		
		Number of Board Meetings			Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended	Last AGM			
Mr.V.Srikanth	Executive	5	5	Yes	4	2	-
Mr.K.V.Ramachandran	Executive	5	5	Yes	2	3	--
Mr.P.L.Reddy	Non-Executive & Independent	5	5	Yes	--	3	2
Mr.V.Ramachandran	Non-Executive & Independent	5	4	Yes	3	2	--
Mr.K.J.Ramaswamy	Non-Executive & Independent	5	3	Yes	2	2	1
Mr.Balraj Vasudevan	Non-Executive & Independent	5	2	Yes	3	2	--
Mr.Samuel Joseph Jebaraj	Non Executive Nominee	5	3	Yes	--	--	--

EL FORGE LIMITED

3. Audit Committee

The Audit Committee was constituted in March 2002. The powers and the role of the Audit Committee are in accordance with Clause 49 II (C) and (D) of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee include:

- a) To review financial statements and pre-publication announcements before submission to the Board.
- b) To ensure compliance of internal control systems and action taken on internal audit reports.
- c) To appraise the Board on the impact of accounting policies, accounting standards and legislation.
- d) To hold periodical discussions with statutory auditors and internal auditors on the scope and consent of the audit.
- e) To review the Company's financial and risk management policies.
- f) To make recommendations to the Board on matters relating to the financial management of the Company including Audit Report.

During the financial year 2009-2010, four Audit Committee Meetings were held on 29th June 2009, 30th July 2009, 29th October 2009 and 30th January, 2010.

The Composition of the Audit Committee and details of meetings attended by Directors are given below :

Name of the Directors	Category	Number of Meeting attended during 2009-10	
		Held	Attended
Mr.P.L.Reddy, Chairman of the Committee	Independent Director	4	4
Mr.V.Ramachandran Member	Non Executive Director	4	3
Mr.K.J.Ramaswamy Member	Independent Director	4	3
Mr.Balraj Vasudevan	Independent Director	4	2

EL FORGE LIMITED

4. Remuneration of Directors

A remuneration Committee was constituted on 12.06.2004. The broad terms of reference of the Remuneration Committee are as follows:

- a) Review the remuneration of the Executive Chairman and Vice Chairman & Managing Director after considering the Company's performance.
- b) Review and recommend payment of commission to the Chairman, Vice Chairman & Managing Director and Deputy Managing Director.
- c) Recommend to the Board, the remuneration including Salary, Perquisites and Commission to be paid to the Wholetime Directors of the Company.

Composition of the Remuneration Committee and the details of the meetings attended.

Name of the Directors	Category	Number of meeting attended during 2009-10	
		Held	Attended
Mr.P.L.Reddy Chairman of the Committee	Independent Director	1	1
Mr.V.Ramachandran Member	Non Executive Director	1	1
Mr.K.J.Ramaswamy Member	Independent Director	1	--
Mr.Balraj Vasudevan Member	Independent Director	1	--

EL FORGE LIMITED

Details of Remuneration paid to Board of Directors

Non-whole time Directors		Whole time Directors			
Name	Sitting Fees (Rs.)	Name	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
Mr.V.Srikanth	5500	Mr.V.Srikanth	1022250	856677	1878927
Mr.P.L.Reddy	25000	Mr.K.V.Ramachandran	1282500	1142384	2424884
Mr.V.Ramachandran	19500				
Mr.K.J.Ramaswamy	16500				
Mr.Balraj Vasudevan	14000				
Mr.Samuel Joseph Jebaraj	9000				
Total	89500		2304750	1999061	4303811

Service Contracts, Severance Fees and Notice Period

Period of Contract of Vice Chairman & Managing Director : 5 Years from 1.4.2009

Period of Contract of Executive Chairman : 5 Years from 1.7.2009

5. Shareholders Committee

The Committee consists of Mr.V.Srikanth, Mr.P.L.Reddy & Mr.K.J.Ramaswamy, Directors. Mr.P.L.Reddy, heads this committee. The Committee meets at frequent intervals to consider, inter alia share transfers, shareholders' complaints etc.

During the Financial Year 2008-09 Five Shareholders / Investors Grievance Committee Meetings were held on 29th June 2009, 30th July 2009, 17th September 2009, 29th October, 2009 and 30th January, 2010.

The Composition of the Investors Grievance Committee and details of the meetings attended by the Directors are given below

EL FORGE LIMITED

Name of Members	Category	No.of Meetings attended During the year 2009-2010
Mr.V.Srikanth	Executive Director	5
Mr.P.L.Reddy	Non Executive & Independent Director	5
Mr.K.J.Ramaswamy	Non Executive & Independent Director	5

Mrs.R.Sowmithri, the Company Secretary is the Compliance Officer and Chief Financial Officer.

Shareholders' complaints are attended, immediately, on receipt of complaint, to the satisfaction of the Shareholders.

6. General Body Meetings.

Location and time where last three Annual General Meetings were held are given below:

Financial Year	Location of the meeting	Date	Time
2006-2007	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 27, 2007	10.05 am
2007-2008	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 25, 2008	03.30 pm
2009-2010	Narada Gana Sabha Mini Hall, Alwarpet Chennai 600 018	Sep 17, 2009	10.30 am

No Special Resolution was required to be passed through postal ballot at any of the above General Meetings last year. This year the Company has not proposed any Special Resolutions requiring Postal Ballot.

7. Subsidiary Companies

The accounts of Shakespeare Forgings Ltd, the wholly owned subsidiary are placed before the Board of Directors of the Company and the attention of the Directors is drawn to all significant transactions and arrangements entered into by the Subsidiary Company.

EL FORGE LIMITED

8. Disclosures

Details of related party transactions :

There are no materially significant related party transactions which may have potential conflict with the interests of the Company at large during the year under report.

Pecuniary relationship or transactions of the Non-executive Directors

There is no material transaction with any Non-Executive as well as Independent Directors of the Company that requires separate disclosure.

Details on the use of proceeds from Public Issues, rights issues, Preferential Issues etc.

The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

The Managing Director (CEO) and the Company Secretary also CFO have certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31st March, 2010.

Details of Information on appointment of new / re-appointment of Directors

A brief resume, nature of expertise in specific financial areas, names of companies in which the person already holds directorship and membership of committees of the Board and the shareholding in the Company forms part of the Notice of General Meeting, annexed to this Annual Report

Details of Non-compliance, penalties, strictness imposed on the Company by Stock Exchange or SEBI or any Statutory Authority or any matter related to Capital markets during the last three years.

None.

9. Secretarial Audit

As required under Section 55A of SEBI (Depositories and Participants) Regulations, 1996, Secretarial Audit was carried out by a qualified practicing Company Secretary on a quarterly basis, to reconcile the total admitted capital with both the depositories and the total issued and listed capital. The total number of shares in physical form and the total number of dematerialized shares held with the depositories were in agreement with the total issued, paid up and listed capital.

EL FORGE LIMITED

10. Means of communication

The quarterly, half-yearly and full year results are published in Malai Murasu and Financial Express and Business Standard, Mumbai.

The quarterly results are posted on the Web site : <http://www.elforge.com>

11. Management Discussion and Analysis Report

– Forms part of the annual report

12. General Shareholders information

- a) Annual General Meeting
Date and Time : 19.08.2010 at 10.30 am
Venue : Narada Gana Sabha Trust Mini Hall, 314, T.T.K.Road
Alwarpet, Chennai 600 018

b) Financial Calendar

The Company follows April – March as its financial year. The results for every quarter beginning from April is declared in the month following the quarter except for the last quarter, for which the audited results are declared in June as permitted under the listing agreement.

c) Date of Book Closure

The Directors decided to close the Register of Members from 16th August 2010 to 19th August, 2010 both days inclusive.

d) Listing on Stock Exchanges

The Company's shares are listed on the following three Stock Exchanges in India.

Madras Stock Exchange Ltd.
"Exchange Building"
2nd Line Beach
Chennai 600 001.

[(As per agreement between Madras Stock Exchange (MSE) & National Stock Exchange, NSE)
(your Company's shares are allowed to be traded in NSE Platform)]

Bombay Stock Exchange Ltd
Phiroze Jee Jee Bhoy Towers
Dalal Street
Mumbai 400 001

EL FORGE LIMITED

Ahmedabad Stock Exchange Ltd
Kamadenu Complex
Opp.Sahjanand College
Panjarapole, Ahmedabad 380 015

e). Stock Code

Bombay Stock Exchange Limited	Code No.531144
Ahmedabad Stock Exchange Limited	Code No. 15750

f). Market Price Data

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Stock Exchanges, Mumbai during the financial year 2009-10 are as under:

Month	Quotations At Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)
April 2009	23.69	13.65
May 2009	21.85	16.20
June 2009	24.90	17.05
July 2009	21.50	14.75
August 2009	21.20	17.65
September 2009	27.10	18.50
October 2009	23.90	18.45
November 2009	23.25	16.80
December 2009	24.20	20.10
January 2010	37.75	22.70
Feb 2010	28.20	22.60
March 2010	28.80	22.00

g) Registrars and Share Transfer Agents

M/s.Integrated Enterprises (India) Ltd, "Kences Towers", No.1, Ramakrishna Street T.Nagar, Chennai 600 017, Phone : 044 – 28140801, Fax : 044 – 28143378, Demat ISIN No. INE 158F01017

h) Share Transfer System

Applications for transfer of shares held in Physical form are received at the Registrars and Share Transfer Agents of the Company. The Power to approve transfer of shares has been delegated by the Board to the Share Transfer Committee.

EL FORGE LIMITED

Physical shares received for dematerialisation are processed and completed within a period of 15 days from date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the Shareholders. For those who opt for dematerialisation of shares, shares are dematerialised and electronic credit given through the registrars.

i) Investor Services

Complaint received during the year

Nature of the Complaints	For the Year 2009-10	
	Received	Cleared
Relating to Transfer, Transmissions, Dividend, Demat and Remat and Change of Address etc.	26	26

j) Distribution of Shareholdings as on 31st March, 2010

Sl.No	Category	No.of Holders	% of Holders	No.of Shares	% of Shares
1.	Upto 500	8476	86.51	1100785	12.76
2.	501 to 1000	632	6.45	506585	5.87
3.	1001 to 2000	310	3.16	470013	5.45
4.	2001 to 3000	118	1.20	296374	3.43
5.	3001 - 4000	63	0.64	225590	2.61
6.	4001 - 5000	58	0.59	273218	3.17
7.	5001 - 10000	71	0.72	630594	7.31
8.	10001 and above	72	0.73	5126365	59.40
*** Total ***		9800	100.00	8629524	100.00

k) Pattern of Shareholding as on 31.03.2010

Sl.No.	Category	No.of Shares	% of Shareholding
1.	Promoters	2965099	34.36
2.	Corporate Bodies	968628	11.22
3.	Mutual Funds	1605	0.02
4.	Bank's	990	0.01
6.	NRI's/Foreign Nationals	50329	0.58
7.	Public	4642873	53.80
	Total	8629524	100.00

l) Dematerialisation of shares and liquidity

About 89% of the shares have been dematerialised as on March 31, 2010. The Equity shares of the Company are permitted to be traded in dematerialised form.

Demat ISIN No allotted to the Company is INE 158F01017

EL FORGE LIMITED

13. Address for Correspondence :

Plant location :- Given in the first page of Annual Report

To the Company	To the Registrar & Transfer Agent - for Shares Transfers / Transmissions etc.
Mrs.R.Sowmithri Compliance Officer 338, Ambujammal Street Alwarpet, Chennai 600 018 Ph No. 42207800 - Fax No.42014708 Email : edf@elforge.com	Mr.K.Suresh Babu General Manager Integrated Enterprises (India) Ltd Kences Towers, 1, Ramakrishna Street T.Nagar, Chennai 600 017 Ph : 28140801 / 28140802 Email : corpserv@iepindia.com

14. Insider Trading

Pursuant to the Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a code of conduct for prevention of insider trading and required disclosure practices.

15. Compliance with Non-mandatory Requirements

The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement.

- i) The Board : No specific tenure has been specified for the Non Executive Directors Mr.P.L.Reddy, Mr.K.J.Ramaswamy, Mr.Balraj Vasudevan and Mr.V.Ramachandran.
- ii) Remuneration Committee : Details are given under the heading Remuneration Committee.
- iii) Shareholder Rights -The financial results are also put up on the Company's website.
- iv) Audit Qualification: During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.
- v) Mechanism for evaluation of non-executive Board Members –The performance evaluation of non-executive members is done by the Board annually based on criteria of attendance and contributions at Board Committee meetings as also role played / contributions other than at meetings.

EL FORGE LIMITED

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct.

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with Stock Exchanges, I hereby confirm that all the Directors of the Company have affirmed compliance to their respective codes of conduct as applicable to them for the financial year ended March 31, 2010.

Place : Chennai
Date : 15-07-2010

K.V.RAMACHANDRAN
VICE CHAIRMAN
& MANAGING DIRECTOR

EL FORGE LIMITED
AUDITORS REPORT ON CORPORATE GOVERNANCE

To

The Members
M/s.El Forge Limited

We have examined the compliance of conditions of Corporate Governance by M/s.El Forge Limited, for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited review to procedures and implementations thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that while the Shareholders/Investor Grievance Committee has not maintained records to show the investor grievances pending for a period of one month against the Company, the Registrars of the Company have maintained the records of Investor Grievances and certified that as at 31st March, 2010 there were no Investor Grievances remaining unattended / pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For P.RAJAGOPALAN & Co.,
CHARTERED ACCOUNTANTS
Reg No. of the Firm: 003408S

Place : Chennai
Date : 15-07-2010

R.VENKATESH
PARTNER
(M.No.28368)

EL FORGE LIMITED

The Board of Directors
El Forge Limited
338, Ambujammal Street
Alwarpet
Chennai 600 018

**CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
OF THE COMPANY**

We hereby certify that for the financial year ended 31st March, 2010 on the basis of the review of the financial statements and the cash flow statements and the best of our knowledge and belief.

1. These statements do not contain any materially untrue statement or omit to state a material fact or contain statement that might be misleading.

These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations.

These are to the best of our knowledge and belief, no transactions entered into by the Company during the year 2009-10 which are fraudulent, illegal or violative of the Company's Code of Conduct.

We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of the internal control systems of the Company

2. We further certify that

- a) There has been no significant changes in internal control over financial reporting during the year.
- b) There have been no significant changes in accounting policies during the year.
- c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Chennai
Date : 15-07-2010

K.V.RAMACHANDRAN
VICE CHAIRMAN &
MANAGING DIRECTOR

R.SOWMITHRI
COMPANY SECRETARY

EL FORGE LIMITED
REPORT OF THE AUDITORS TO THE MEMBERS OF EL FORGE LIMITED

1. We have audited the attached Balance Sheet of EL Forge Limited as at March 31, 2010, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (referred to as "the Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and the basis of the such verification of books and records of the company, as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - e. On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956; and
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with schedules and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

EL FORGE LIMITED

- i) In the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2010 and
- ii) In the case of the Profit and Loss Account, of the Loss of the company for the year ended on that date; and
- iii) In the case of cash flow statement, of the cash flows for the year ended on that date.

FOR P. RAJAGOPALAN & CO
Chartered Accountants
Regn No. of the Firm: 003408S

PLACE: CHENNAI
DATE : 26-05-2010

R. VENKATESH
(MNo. 28368)
Partner

EL FORGE LIMITED
ANNEXURE TO AUDITORS' REPORT
(Referred in paragraph 03 of our report of even date)

To
The Members of EL Forge Limited

1. Fixed Assets: -
 - (1) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (2) As explained to us, all the fixed assets have been physically verified by the management at once in a year, which in our opinion is reasonable, having regard to the size of the company and the nature of the fixed assets; material discrepancies were not noticed on such physical verification;
 - (3) In our opinion, substantial part of fixed assets have not been disposed off during the year, and the going concern status of the company is not affected;

2. Inventories: -
 - (1) As explained to us, the management of the company has conducted physical verification of inventories at reasonable intervals.
 - (2) In our opinion and based on the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business;
 - (3) The company has maintained proper records of inventories; and as explained to us, material discrepancies were not noticed on such physical verification;

3. Loan, either granted or taken, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956:-
 - (1) Loans Granted
 - (a) The company has not granted any loan, secured/ unsecured to parties covered in the register maintained under Section 301 of the Companies Act 1956.
 - (b) Accordingly, the remaining part of the clause of the Order, namely (01) whether the rate of interest and other terms and conditions of the loan are, *prima facie*, prejudicial to the interest of the company; (02) whether receipt of principal and interest are regular; and (03) whether reasonable steps have been taken by the company, if the overdue amount is more than Rupees one Lakh, is not applicable to the company, for the year under report;
 - (2) Loans taken
 - (a) The company has taken unsecured loans (Fixed Deposit Accepted) from companies/ firms/ other parties covered in the register maintained under Section 301 of the Companies Act 1956. The details of number of the parties and amount involved, in respect of the aforesaid loan as at end of the financial year under report, are 6 and Rs. 3331000/= respectively.
 - (b) In our opinion, the rate of interest and other terms and conditions of the loan are, *prima facie*, not prejudicial to the interest of the company; and
 - (c) In our opinion, payment of principal and interest are regular.

4. Internal Control: -

In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and service. Further, on the basis of

EL FORGE LIMITED

examination of the books and records, in accordance with auditing standards the generally accepted in India, and according to the information and explanation given to us, we have neither come across nor we have been informed of any instance of major weaknesses in internal control system; hence the question of continuing failure to correct major weakness does not arise.

5. Specified Parties Transactions: -

As per the examination of the books of account and other records, in accordance with the generally accepted auditing standards, in India, and on the basis of the information and explanations given to us, contracts or arrangements referred to Section 301 of the Companies Act, 1956, have not been entered into by the company, during the year under report; except the Fixed deposits which have already been dealt with paragraph 03 above. accordingly, the remaining part of the clause of the Order, namely, whether such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, is not applicable to the company for the year under report.

6. Public Deposits: -

In our opinion and according to the information and explanation given to us the company has complied the directives issued by the Reserve Bank of India, the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, with regard to the acceptance of deposits from the public. As explained to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve bank of India or any other Court or any other Tribunal on Company in respect of the aforesaid deposits.

7. Internal Audit System: -

In our opinion, the Internal Audit carried out by a firm of chartered accountants, is commensurate with its size and nature of its business of the company.

8. Cost Records: -

As explained to us, the Central Government has not prescribed any records under Section 209(1)(d) of the Companies Act, 1956 for the products of the company; accordingly the remaining part of the clause of the Order, namely, "whether the records prescribed under aforesaid section are made and maintained" is not applicable to the company for the year under report.

9. Statutory Dues: -

(1) As per the records examined by us, the company is not regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax etc. with the appropriate authorities. As per the records examined by us, an amount of Rs. 35.32 Lakhs has been outstanding towards statutory dues, as at the last day of the financial year under report, for a period of more than six months from the date they became payable.

(02) As at the end of the financial year under report, disputed amount of income tax/ sales tax/ wealth tax/ service Tax/ custom duty/ excise duty/ cess, is given below:

EL FORGE LIMITED

(2)

Sl.No	Nature of the Statute	Nature of the dues	Amount (Rs. in Lacs)	Period to which the Amount relates	Forum where dispute is pending
1	ESI	ESI Contribution	2.86	Year -2001	Employees Insurance court, Chennai
2	Income Tax	Income Tax Demand	66.02	Assement Year 2004-05	CIT Appeals Chennai
3	The Service Tax Act 1944	Service Excise Demand	48.67	2002 - 03 to 2008 - 09	Commissioner Appeals of Central Excise & Service Tax, Chennai
4	The Central Excise Act 1944	Excise Demand	4.03	2001 - 02 to 2006 - 07	Assistant Commissioner of Central Excise Chromepet Division Chennai IV Commissionnerate
5	The Central Excise Act 1944	Excise Demand	2.23	2005- 06 to 2008 - 09	Commissioner Appeals of Central Excise & Service Tax, Chennai
6	The Central Excise Act 1944	Excise Demand	7.66	2001- 02 to 2006 - 07	Customs, Excise and Service Tax Apellate Tribunal
7	The Service Tax Act 1944	Service Tax Demand	1.11	2005 - 06 to 2008 - 09	Assistance Commissioner of Service Tax Hosur Divn
8	The Central Excise Act 1944	Excise / Interest Demand	6.22	2005 - 06 to 2008 - 09	Assistance Commissioner of Central Excise Chennai III
9	The Central Excise Act 1944	Excise Demand	1.55	2007 to 2009	Assistance Commissioner of Central Excise Chennai V
10	The Central Excise Act 1944	Excise Demand	0.07	2009 to 2010	Assistance Commissioner of Central Excise Hosur
11	The Central Excise Act 1944	Excise Demand	1.30	2009 to 2010	Assistance Commissioner of Central Excise Tambaram II

EL FORGE LIMITED

10. Net worth: -

The company has accumulated loss amounting to Rs.19.24 Crores at the end of the financial year under report. The company has incurred cash losses during the financial year under report and no cash losses has incurred immediately preceding the financial year.

11. Default in certain dues: -

Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions and banks, taking into account the fact that the company has gone for Corporate Debt Restructure with its Banks/Institutions.

12. Adequacy of Certain Loan Documents: -

The Clause, relating to adequacy of documents and records required to be maintained in cases where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and the deficiencies, if any, in this regard, is not applicable to the company for the year under report, since company has not granted any loans and advances on the basis of such securities.

13. Special Statutes

In our opinion, the company has not engaged in the activities relating to chit fund or nidhi/ mutual benefit fund/ societies, accordingly the clause requiring the matters, namely, (01) the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet, (02) Compliance with the prudential norms on income recognition and provisioning against sub-standard/ default/ loss assets, (03) adequacy of procedures for appraisal of credit proposals/ requests, assessment of credit needs and repayment capacity of the borrowers, and (04) the repayment schedule of various loans granted by the nidhi is based on the repayment capacity of the borrower and would be conducive to recovery of the loan amount, is not applicable to company for the year under report.

14. Dealing in securities

As per the records of the company, the company was not dealing/ trading in shares, securities, debentures and other investments. Accordingly, reporting the maintenance of proper records of the transactions and contracts and timely entries therein and holding of the shares, securities, debentures and other securities, in its own name except to the extent of the exemption, if any, granted under section 49 of the Companies Act, 1956, does not arise.

15. Guarantee Given

The company has given a guarantee for loans taken by its subsidiary company from a foreign bank and also in respect of loan taken by a domestic company from its banker. In our opinion, the terms and conditions thereof are not prejudicial to the interest of the company.

16. Term Loan Applications

As explained to us, the company has not obtained new term loans (excluding funded interest term loans on account of corporate debts restructure) during the year under report; and it has been further explained that the term loans (taken in earlier years) were applied for the purpose for which the loans were obtained.

17. Application of short and long term funds

EL FORGE LIMITED

According to the information and explanation given to us, and an overall examination of the Balance Sheet of the company as at the end of the financial year under report, in our opinion, the company has not applied short-term fund towards long-term application.

18. Preferential Allotment

The Company has not made any preferential allotment of shares during the year under report.

19. Securities in respect of debentures issued

The company has not issued any debentures during the financial year under report and accordingly, the question, "Whether securities have been created in respect of debentures issued" does not rise.

20. Public Issue

The company has not raised any money by way of public issue during the year. Hence, the question, "Whether the management has disclosed on the end use of money raised by public issues and the same has been verified" does not arise.

21. Fraud

Based on the examination of the books of account and on the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year under report; and remaining part of the clause relating to "the nature and the amount involved is to be indicated" is not applicable to the company for the year under report.

FOR P. RAJAGOPALAN & CO
Chartered Accountants
Regn No. of the Firm: 003408S

PLACE: CHENNAI
DATE : 26-05-2010

R. VENKATESH
(MNo. 28368)
Partner

EL FORGE LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

(Rs. in Thousands)

	SCH No.	AS AT		AS AT	
		31st MARCH 2010	31st MARCH 2010	31st MARCH 2009	31st MARCH 2009
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS:					
1. Share Holders' Funds:					
a. Share Capital	1	86295		86295	
b. Equity Share Advance account		15000		6500	
c. Reserves and Surplus	2	<u>376866</u>		<u>376885</u>	
			478161		469680
2. Loan Funds:					
a. Secured Loans	3	1432280		1109548	
b. Unsecured Loans	4	19430		50687	
c. Liability for Deferred Payment	5	<u>1767</u>		<u>2679</u>	
			<u>1453477</u>		<u>1162914</u>
			<u>1931638</u>		<u>1632594</u>
TOTAL					
II APPLICATION OF FUNDS:					
1. Fixed Assets	7				
Gross Block		1477997		1477224	
Less: Depreciation		<u>287266</u>		<u>220251</u>	
Net Block			1190731		1256973
2. Investments	8		47105		47105
3. Current Assets, Loans and Advances	9				
a. Inventories		247281		266749	
b. Sundry Debtors		267654		140652	
c. Cash & Bank Balances		19682		7175	
d. Loans and Advances		<u>212851</u>		<u>151927</u>	
		747468		566503	
Less: Current Liabilities and Provisions	6	<u>279366</u>		<u>436222</u>	
Net Current Assets			468102		130281
4. Misc. Expenditure (to the extent not written off or adjusted)	10		33275		33275
5. Profit & Loss Account Loss, as per Annexed A/c.			192425		164960
Total			<u>1931638</u>		<u>1632594</u>

EL FORGE LIMITED

As per our annexed report
For P. RAJAGOPALAN & CO.
Chartered Accountants
Reg No. of the Firm: 003408S
R. VENKATESH
MNo: 28368
PARTNER
Place: Chennai
Date: 26.05.2010

R.SOWMITHRI
COMPANY SECRETARY

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR

EL FORGE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Thousands)

	SCH No.	31ST MARCH 2010	31ST MARCH 2009
		Rs.	Rs.
INCOME			
Gross Turnover		741123	976285
Less: Excise Duty & Sales tax		40843	107502
Net Turnover	11	700280	868783
Other Income	12	96354	10003
Change-In-Stock	13	-33489	810
		763145	879596
EXPENDITURE			
Raw Materials Consumed	14	339543	491862
Manufacturing, Administration, and Selling and other expenses	15	309068	352024
Interest and Bank Charges	16	72041	157738
Depreciation		69415	57010
Notes on Accounts	17		
		790067	1058634
Profit / Loss (-) before Tax		-26922	-179038
Less: Provision for Fringe benefit Tax		543	1500
Net Profit / Loss (-)		-27465	-180538
Balance Profit / Loss (-) brought forward from Pervious year		-164960	15578
Balance Profit / Loss (-) Carried to Balance Sheet		-192425	-164960
No. of shares Rs.10/- each		8629524	8629524
Earnings per share – Basic		---	---
– Diluted		---	---

As per our annexed report
For P. RAJAGOPALAN & CO.
Chartered Accountants
Reg No. of the Firm: 003408S
R. VENKATESH
MNo: 28368
PARTNER
Place: Chennai
Date: 26.05.2010

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN

R.SOWMITHRI
COMPANY SECRETARY

K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR

EL FORGE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

	AS AT 31st MARCH 2010		AS AT 31st MARCH 2009	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE – 1				
SHARE CAPITAL:				
Authorised: 1000,00,00 Equity shares of Rs.10/- each		100000		100000
3,00,000 Redeemable Preference Shares of Rs.100/ each		30000		30000
TOTAL		<u>130000</u>		<u>130000</u>
Issued, Subscribed and Paid up: 8629524 Equity shares of Rs.10/-each		86295		86295
Of the above equity shares:				
a) 12,99,800 shares were allotted as fully paid-up by way of Bonus shares by capitalisation of General Reserve, Share Premium and acquisition compensation.				
b) 18,90,000 equity shares were allotted as fully paid-up pursuant to Amalgamation of Chendur Forge Exports Limited with the Company.				
c) 7,00,000 equity shares were allotted as fully paid-up pursuant to Conversion of FCD				
d) 12,65,329 equity shares were allotted out of which 50329 equity shares have been allotted for consideration other than cash. These shares were allotted to foreign nationals nationals as part consideration of acquisition of the of the shares of SFL Limited UK				
TOTAL		<u>86295</u>		<u>86295</u>

EL FORGE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

	AS AT 31st MARCH 2010		AS AT 31st MARCH 2009	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE – 2				
RESERVES AND SURPLUS:				
1. General Reserve				
As per Last Balance Sheet	<u>120300</u>		<u>120300</u>	
		120300		120300
2. Capital Reserve:				
As per last Balance Sheet		21585		21585
3. Revaluation of Fixed Assets Reserve:				
As per last Balance Sheet	619		638	
Less: Withdrawals	-		-	
Less: Depreciation transferred during the year	<u>19</u>		<u>19</u>	
		600		619
4. Share Premium				
As per Last Balance Sheet	<u>234381</u>		<u>234381</u>	
		<u>234381</u>		<u>234381</u>
TOTAL		<u><u>376866</u></u>		<u><u>376885</u></u>

EL FORGE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

SCHEDULE – 3	AS AT 31st MARCH 2010	AS AT 31st MARCH 2009
	Rs.	Rs.
SECURED LOANS:		
1. Cash Credit with Banks	267959	373457
2. Bills Discounted with Banks	27324	24281
3. Buyers Credit liability with bank	14706	45295
4. Term Loans		
a) Export Import Bank of India	163720	140840
b) Indusind Bank	83500	87500
c) Union Bank of India	107358	16100
d) Axis Bank	248232	207952
e) State Bank of India-IFB	486863	214123
f) Industrial Development Bank of India	32618	---
TOTAL	<u>1432280</u>	<u>1109548</u>

- 1) The Cash Credit Including Packing Credit accounts are secured by on hypothecation of Raw-Materials, Stores & Spares, Finished Goods and Book Debts that are not factored and also secured by a pari passu second charge on immovable & movable properties and in addition, Guaranteed by the Executive Chairman and Vice Chairman & Managing Director of the Company.
- 2) Terms Loans from Banks:-
The Term Loans from Axis Bank, State Bank of India, Export and Import Bank of India, Union Bank of India and Industrial Developments Bank of India are secured by a pari passu first charge on:
 - a) All movable fixed assets of the company excluding those movable fixed assets exclusively charged to ABN Amro Bank Ltd.
 - b) All immovable Properties of the Company other than Land at sulagiri.
 - c) Pari Passu second charge on the company's entire stock of raw materials, stores and spares, finished goods and book debts that are not factored.
- 3) The Company has obtained SBLC facility from ABN Amro Bank NV for \$250000 Included in Cash Credit / Buyers Credit Liability) and this is secured by exclusive charge on specific machinery the original coast of which is Rs.1.63 Crores.
- 4) The Term Loan from Indus Ind Bank is secured by an exclusive charge on the Land at sulagiri.

EL FORGE LIMITED
SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

	AS AT 31st MARCH 2010		AS AT 31st MARCH 2009	
SCHEDULE – 4	Rs.	Rs.	Rs.	Rs.
UNSECURED LOANS:				
A. Fixed Deposits				
Shareholders	1952		765	
Directors	1100		1946	
Others	3841		2902	
		6893		5613
B. Others		7500		32700
C. Kotak Mahindra Bank Ltd		5037		12374
TOTAL		19430		50687
SCHEDULE – 5				
LIABILITY FOR DEFERRED PAYMENT:				
For Assets purchased under Hire Purchase Agreements (Secured by specified Assets and on personal Guarantee of Chairman and Vice-Chairman & Managing Director)				
		1767		2679
TOTAL		1767		2679
SCHEDULE – 6				
CURRENT LIABILITIES AND PROVISIONS:				
(A) Current Liabilities:				
Sundry Creditors		231871		337771
Unclaimed Dividends		1469		2660
Bills Discounting		43561		83691
(B) Provisions:				
Provisions for Taxation		2465		12100
TOTAL		279366		436222

EL FORGE LIMITED

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

	AS AT 31st MARCH 2010		AS AT 31st MARCH 2009	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE – 7				
FIXED ASSETS:				
As per detail sheet attached		1190731		1256973
TOTAL		1190731		1256973
SCHEDULE – 8				
INVESTMENTS				
QUOTED, fully paid-up (At Cost)				
436 Nos. of Equity Shares of Rs.10/- each in M/s.IndusInd Bank Ltd. (Market value Rs. 74/-)				
		1		1
UNQUOTED, fully paid up (At Cost)				
27684 Nos.of Equity Shares of Rs.10/- each in M/s. The Vellore Electric Corporation Ltd.				
		1221		1221
23600 Nos.of Equity Shares of Rs.100/- each in M/s. Chendur Forgings Ltd.				
		6608		6608
150000 Nos.of Equity Shares of Rs.10/- each in Sai Regency power corporation Ltd.,				
		1893		1893
150000 Nos. of Equity Shares (Face Value GBP 1) of Shakesphere Forgings Ltd. - U.K.				
		37382		37382
TOTAL		47105		47105
SCHEUDLE – 9				
CURRENT ASSETS, LOANS AND ADVANCES:				
A. INVENTORIES:				
(As certified by the Management)				
Stores and Spares (includes stock of flash)				
	18376		16274	
Loose Tools				
	1193		1449	
Raw-Materials				
	24994		12739	
Finished goods				
	201131		234556	
Work-in-progress				
	1587		1731	
		247281		266749
B. SUNDRY DEBTORS:				
Unsecured (Considered good)				
a. Exceeding six months				
	37060		43386	
b. Others				
	230594		97266	
		267654		140652

EL FORGE LIMITED

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2010

(Rs. in Thousands)

SCHEDULE – 9 (Cont'd.,)	AS AT 31st MARCH 2010		AS AT 31st MARCH 2009	
	Rs.	Rs.	Rs.	Rs.
C. CASH AND BANK BALANCES:				
Cash on Hand	117		145	
Balance with Scheduled Banks:				
a. Current Accounts	3240		1679	
b. Deposit Accounts (including margins)	6656		4617	
c. Unclaimed Dividend Accounts	1469		734	
d. Cheques on Hand	8200		---	
		19682		7175
D. LOANS AND ADVANCES:				
Unsecured (Considered good)				
a. Advances for Purchase	4425		3000	
b. Advance payment of Income Tax	---		1724	
c. Advances to Employees	2550		2111	
d. Balance with Central Excise	26694		30036	
e. Tax deducted at Source	1334		336	
f. Deposits	6180		10273	
g. Other Advances	3989		4407	
h. Prepaid Expenses	4384		655	
i. Receivables from Statutory Authorities	32156		29257	
j. Deferred Interest	55011		---	
k. Advance to Subsidiary	76128		70128	
		212851		151927
TOTAL		747468		566503
SCHEDULE – 10				
Miscellaneous Expenditure: (to the extent not written off or adjusted)				
Deferred revenue expenditure		33275		33275
TOTAL		33275		33275

EL FORGE LIMITED

**SCHEDULES TO PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010**

(Rs. in Thousands)

	2009-2010		2008-2009	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE – 11				
SALES, OTHER RECEIPTS, ETC.				
Sale of Forgings		642495		782846
Job Receipts (TDS Rs.367136/- Previous year Rs.264223/-)		16989		16556
Sale of Flash		40796		69381
TOTAL		700280		868783
 SCHEDULE – 12				
OTHER INCOME:				
Miscellaneous Receipts		---		550
Dividend Income		1		35
Profit on Exchange Rate Fluctuation		---		2155
Profit on Sale of Fixed Assets		96353		7263
TOTAL		96354		10003
 SCHEDULE – 13				
CHANGE-IN-STOCK				
VALUE OF CLOSING STOCK COMPRISING:				
Finished Goods	201131		234556	
Work-in-Progress	1587		1731	
Flash Stock	1520		1440	
		204238		237727
VALUE OF OPENING STOCK COMPRISING				
Finished Goods	234556		232217	
Work-in-Progress	1731		1679	
Flash Stock	1440		3021	
		237727		236917
CHANGE-IN-STOCK		-33489		810

EL FORGE LIMITED
SCHEDULES TO PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Thousands)

	2009-2010	2008-2009
SCHEDULE – 14		
RAW MATERIALS CONSUMED:		
Opening Stock	12739	220794
Add: Purchases	351798	283807
	<u>364537</u>	<u>504601</u>
Less: Closing Stock	24994	12739
TOTAL	<u>339543</u>	<u>491862</u>
SCHEDULE – 15		
MANUFACTURING, ADMINISTRATION, SELLING AND OTHER EXPENSES:		
Stores and spares consumed	23992	29018
Tools Consumed	271	1256
Job Charges	24099	27443
Salaries, Wages and Bonus	58105	68173
Company's Contribution to Provident and Other Funds	10042	4700
Staff Welfare Expenses	27259	28218
Power and Fuel	59708	96442
Repairs and Maintenance: Buildings	334	624
	Plant &	16770
Machinery	Others	7181
	5167	3072
Freight Inward	1842	4472
Factory Expenses	3401	2587
Rent Account	2360	874
Rates and Taxes	1413	1379
Printing and Stationery	1041	1763
Postage, Telephones & Telex	974	7719
Travelling & Conveyances	6785	3040
Insurance	2044	248
Legal Charges	168	100
Remuneration to Auditors: For Statutory Audit	100	25
	Tax Audit	144
Directors' Sitting Fees	90	30319
Packing & Forwarding	46590	230
Advertisement & Publicity	372	4351
Selling Expenses	5132	16
Donation	11	11860
General Charges	8602	0
Exchange Rate Fluctuation	1568	0
TOTAL	<u>309068</u>	<u>352024</u>

EL FORGE LIMITED
SCHEDULES TO PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010

(Rs. in Thousands)

	2009-2010	2008-2009
SCHEDULE – 16	Rs.	Rs.
INTEREST AND BANK CHARGES:		
Interest on Fixed Loans	3560	47061
Interest on Overdrafts and Other Loans	59852	99631
Bank Charges	8629	11046
TOTAL	72041	157738

EL FORGE LIMITED

SCHEDULE - 17

NOTES FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2010

1. Accounting Policies

- i. Financial statements are prepared on historical cost and on accrual basis.
- ii. Fixed Assets are stated at their original cost (Except those assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation. Wherever MODVAT/CENVAT Credit has been availed, Excise element is excluded from original cost.
Depreciation on fixed assets is calculated on straight-line basis on historical cost, commensurate with Section 205 read with Schedule XIV of the Companies Act, 1956. (Double shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets Reserve Account. Freehold land is not depreciated.
- iii. Raw Material, Stores and Spares and work in progresses are valued at cost. Finished Goods are valued at cost or Net realisable value, whichever is lower as per Accounting Standard (AS2) issued by the Institute of Chartered Accountants of India.
- iv. Investments are stated at Cost. Earnings from Investments has been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
- v. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees of the Company's respective Funds on the basis of accrued liability, where appropriate.
- vi. Research and Development: a) Revenue expenditure is charged to Profit & Loss Account of the year during which it is incurred, (b) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease, the lease rentals will be amortised from profits over the useful economic life of the asset.
- vii. Miscellaneous Expenditure: Miscellaneous Expenditure incurred is amortised from profits over the expected period of future benefit.
- viii. All transactions in foreign currency are entered in the books of accounts at the rates prevailing on the date of transaction.
- ix. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS-22), issued by Institute of Chartered Accountants of India. However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
- x. Use of Estimates:
The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognised prospectively in the financial statements when revised
- xi Revenue Recognition:
Income is accounted on accrual basis.

EL FORGE LIMITED

2. The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme. The amounts provided by the Company and accumulated in the Fund is sufficient to cover the liability.

3. **Details of Managerial Remuneration**

(Rs. in Thousands)

	For 2009-2010	For 2008-2009
1. Salary	2305	2036
2. Contribution to Provident Fund and other funds	351	242
3. Perquisites	1648	937
Total	4304	3215

*Due to the Loss during the year no commission is eligible

4. **Related Party Disclosures**

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" (AS-18) issued by the Institute of Chartered Accountants of India are given below:

a) Key Management Personnel

Mr. V.Srikanth, Chairman

Mr.K.V. Ramachandran, Vice Chairman & Managing Director.

Relative of Managerial Personal

Mr. S.Venkatraman

Mrs. Chitra Venkatraman

Mr. K.R. Srihari

Relative(* *)

F/o Mr. V.Srikanth

M/o.Mr.V.Srikanth

Son of Mr. K.V. Ramachandran

(**) Relative of Key Management Personnel with whom the Company had transactions during the year.

Subsidiary:

Shakespeare Forgings Ltd

- b) The following transactions were carried with related parties in the ordinary course of business.

	(Rs. in Thousands)	
	Year ended 31.03.2010	Year ended 31.03.2009
i) Remuneration to Key Management Personnel	(As in Note No.3)	
ii) FD Interest paid	279	337
iii) Salaries	503	267
iv) Shakespeare Forgings Ltd		
a) Sales	42408	115463
b) Purchases	430	---

5. **Depreciation**

- a) Depreciation for the year on all assets of the company has been calculated on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 (Double shift rates for Plant & Machinery), on historical book cost and has been charged to Profit & Loss Account.

- b) The depreciation amounting to Rs.19 Thousands (Previous year Rs.19 Thousands) on account of difference between revalued cost and historical cost has also been provided at the rates specified in

EL FORGE LIMITED

Schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Reserve Account.

6. Sundry Debtors, Creditors, Loans and Advances

The Company has sent letters for Confirmation of Balance as on 31.03.2010, but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

7. Miscellaneous Expenditure

Due to the Loss during the year the company has not written off any deferred revenue expense during the year (Previous year Rs. Nil) and same is to be amortised from profit over a period of Succeeding Ten Years.

8. The Company has made Corporate Debt Restructure (CDR) arrangements with Company's Banks/Financial Institutions, during the year under report. The CDR scheme takes retrospective effect from 01-01-2009. Among other benefits, The Company enjoys concessional rate of interest, in terms of the CDR Schemes. Under the CDR Scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR Scheme, the interest on Term Loans will be treated as optionally convertible cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the year under report. Accordingly, interest amounting to Rs. 5,50,11,053/- has not been charged; but treated as deferred Interest, grouped under Loans & Advances. The Management is of the opinion to write off the deferred interest proportionately to amount converted, from the financial year during which the options is exercised by the Lenders.

9. The company has not provided for decline in the market value of investment made in the shares of Companies as the management is of the opinion that the decline in long term investment is only temporary in nature.

10. Hire Purchase:

Out of the total liability Rs. 1767 thousands (Previous Year Rs. 2678 thousands), towards fixed assets purchased under HP, the amount due within One Year Amount to Rs. 1125 thousands (Previous Year Rs. 1396 thousands).

EL FORGE LIMITED

11. Contingent Liabilities

(Rs. in Thousands)

	AS AT 31.03.2010	AS AT 31.03.2009
	Rs.	Rs.
a) Claims not accepted by the Company: E.S.I. under appeal	286	286
b) Guaranty given by Bank (Foreign Bank) for subsidiary company	18363	18363
c) Demands raised by SIPCOT for the Leasehold land at Gummidipundi not accepted by the company. A writ appeal is pending in Madras High Court.	1301	1301
d) Sales Bill Factoring with SBI Global Factors Ltd. This facility is secured by a charge on receivables factored	7248	92538
e) Estimated amount of contracts remaining to be executed on capital account and not provided for	10000	10000
f) Demand from Income Tax under appeal	6602	6602
g) Demand from Central Excise and Service Tax under appeal	7285	5170
h) Guarantee given to a bank against the loan taken by a company	65000	65000

12. Licensed / Installed Capacity

1. Licensed Capacity: Not Applicable
2. Installed Capacity: Most of the Plant & Machinery being common for different types of forgings manufactured by the Company and Installed Capacity being dependent on product mix, which in turn is decided by the actual demand for various forgings from time to time, and also on availing of sub-contracting facilities. It is not feasible for the Company to indicate the exact installed capacity.
3. Production 6252 MT 8143 MT

13. Excise duty on closing stock of finished goods has been provided in the accounts and corresponding increase in closing stock valuation has been given effect to.

14. Opening / Closing Stock and Sale of Finished Goods

	For 2009-10		For 2008-09	
	MT	Rs.	MT	Rs.
1. Opening Stock of Fixed Goods	2584	234556	3008	232217
2. Sale of Forgings	6489	659484	8567	799402
3. Closing stock of finished goods	2347	201131	2584	234556
(Stock and Sales quantities are as certified by the Management)				

15. Raw Materials Consumed

Description of Raw Materials:

Forging Quality Steel

Consumption

(Does not include Job Work Materials) 7906 339543 10366 491862

EL FORGE LIMITED

16. Value of Raw Materials, Spare Parts & Components Consumed

	Rs.	%	Rs.	%
- Imported	738	0.21%	124303	24.83%
- Indigenous	351009	99.79%	376260	75.17%
TOTAL	351747	100.00%	500563	100.00%

(Rs. In Thousands)

17. Expenditure in Foreign Currency during the Financial year:

	Rs.	Rs.
1. Travelling Expenses	156	157
2. Commission on Export sales	---	1409
3. Subscription books and periodicals	41	6
4. Consultancy Fee	---	2758
5. Others	307	42

18. Value of imports of goods on C.I.F. Basis

Spares	738	905
Machinery	---	1239
Raw Material	---	123398

19. Earnings in Foreign Currency on Exports of Goods calculated on FOB basis

247772 211390

20. The Company has not received any memorandum (as required to be filed by the Suppliers with the notified authority under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as micro, small or medium enterprises. Consequently the amount paid/ payable to these parties during the year is nil.

21. Interest is shown net of interest receipts - Rs.503 thousands (Previous year Rs.584 thousands) TDS on interest receipts - Rs.89 thousands (Previous year Rs.72 thousands).

22. a. Previous year's figures have been regrouped wherever necessary to conform to current year classification / grouping.

b. All the figures have been rounded off to the nearest Thousands.

As per our annexed report
For P. RAJAGOPALAN & CO.
Chartered Accountants
Reg No. of the Firm: 003408S
R. VENKATESH

MNo: 28368
PARTNER
Place: Chennai
Date: 26.05.2010

R.SOWMITHRI
COMPANY SECRETARY

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR

EL FORGE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

(Rs. in Thousands)

	2009-10	2008-09
1. Cash Flow From Operations	Rs.	Rs.
Net Profit before tax	(26921)	(179039)
Adjustments for		
a. Depreciation	69414	57010
b. Interest Expenses	72544	157738
c. Other Income	---	(550)
d. Profit on sale of Fixed Assets	(96353)	(7263)
e. Interest Income	(503)	---
f. Dividend Received	(1)	(35)
g. Sales of Investments	---	---
h. Revaluation Reserve	---	---
	45102	206900
Operating Profit before Working Capital Changes	18181	27861
Adjustments for Increase / Decrease In:		
Trade and other Receivables	(187927)	176866
Inventories	19467	222388
Sundry Creditors	(156856)	(49378)
Miscellaneous Expenses / Deferred Revenue Expenditure	---	(17119)
Increase in Bank Borrowings	(325316)	42406
Cash Generated from Operations	(307135)	403024
Less the Following		
Tax Paid/Provided	(543)	(1500)
Extraordinary Items	---	---
Misc. Receipts	---	---
Deferred sales Tax Liability	---	---
	(543)	---
Net Cash from Operating Activities	<u>(307678)</u>	<u>243201</u>
2. CASH FLOW FROM INVESTING ACTIVITIES		
1) Purchase of Sale of Fixed assets		
a. Purchase of Fixed Assets, Including CWIP	(8252)	(437008)
b. Sale Proceeds of Fixed Assets	101413	17857
2) Interest received	503	585
3) Dividend received	1	35
4) Purchase or Sale of Investments		
a. Purchase	---	---

EL FORGE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

(Rs. in Thousands)

b. Sales	---	---
5) Purchase or Sale of Goodwill		
a. Additions	---	---
b. Deletion	---	---
6) Net Cash Flow from Investing Activities	93665	-418532
3. CASH FLOW FROM FINANCING ACTIVITIES		
1) From Term Loan/Deferral Loan		
a. Obtained	430944	183271
b. Re-Paid	---	(1604)
2) From Capital		
a. Additions	8500	6500
b. Withdrawn	---	---
3) From Unsecured Loans		
a. Obtained	---	---
b. Re-Paid	---	(26839)
4) From Short (Bank Borrowings)	(140380)	---
5) Interest Paid	(72544)	(158323)
6) Dividend & Tax Thereon	---	---
7) Minority Interest	---	---
8) Net Cash Flow from Investing Activities	226520	161328
4. Net Increase / Decrease in Cash & Cash Equivalent (04=01+02+03)	12507	(14002)
5. Cash & Cash Equivalent – Opening Balance	7174	21176
6. Cash & Cash Equivalent – Closing Balance	19682	7174
7. Net Increase / Decrease in Balances	12507	(14002)

As per our annexed report
For P. RAJAGOPALAN & CO.
Chartered Accountants
Reg No. of the Firm: 003408S

R. VENKATESH
MNo: 28368
PARTNER
Place: Chennai
Date: 26.05.2010

R.SOWMITHRI
COMPANY SECRETARY

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR

EL FORGE LIMITED

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(PART IV – TO SCHEDULE VI)**

I.	Registration Details				
	Registration No.	L34103TN1934PLC000669		State Code:	18
	Balance Sheet Date:	31/03/2010			
II.	Capital raised during the year (Amount in Rs. thousands)				
	Public Issue	NIL	Rights Issue		NIL
	Bonus Issue	NIL	Private Placement		
			Equity share Advance		15000
III.	Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)				
	Total Liabilities:	1931638	Total Assets		1931638
	Source of Funds				
	Paid up Capital	86295	Reserves & Surplus		376866
	Equity Share Advance	15000			
	Secured Loans	1432280	Unsecured Loans		21197
	Application of Funds				
	Net Fixed Assets	1190731	Investments		47105
	Net Current Assets	468102	Misc. Expenditure		33275
	Accumulated Losses	192425			
IV.	Performance of Company (Amounts in Rs. thousands)				
	Turnover	796634	Total Expenditure/ Change in Stock		823556
	Profit / (Loss) before tax	(26922)	Profit / (Loss) after tax		(27465)
	Earnings per share in Rs.	NIL	Dividend Rate		NIL
	Generic Names of Three Principal Products / Services of Company (as per monetary terms)				
V.	Items Code No. (ITC Code)		7326.19		
	Product Description		ROUGH STEEL FORGINGS		
	Item Code No. (ITC Code)	:	—		
	Product Description				
	Item Code No. (ITC Code)	:	—		
	Product Description				

EL FORGE LIMITED

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO
SUBSIDIARY COMPANIES**

1.	Name of Subsidiary	Shakespeare Forgings Ltd
2.	Financial Year of Subsidiary Companies ended on	31.03.2010
3.	a) No.of Shares held by El Forge Limited (Holding Co.) with the nominees in the subsidiary at the end of the financial year of the subsidiary	150000 Ordinary Shares of 1 GBP each
	b) Extent of interest of Holding Company at the end of the financial year of subsidiary	100%
4.	The Net aggregate amount of the Subsidiary's Profit(Losses) so far as it concerns the Company and not dealt with in the Holding Company's accounts	
	i) For the financial year ended 31st March, 2010 (Rs.in 000)	(13516)
	ii) For the previous financial years since it become a subsidiary	(10031)
5.	The net aggregate amount of the Profit/(losses) of Subsidiary which has been dealt with in the accounts of the Holding Company	
	i) For the financial year ended 31st March, 2010	NIL
	ii) For the previous financial years since it become subsidiary	NIL
6.	Material changes between the end of the financial year of the subsidiary and the Holding Company's financial year	Not Applicable

Place: Chennai
Date: 26.05.2010

R. SOWMITHRI
COMPANY SECRETARY

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN
K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR

EL FORGE LIMITED
DETAILS OF SUBSIDIARY COMPANIES PURSUANT TO
SECTION 212(8) OF THE COMPANIES ACT, 1956.
Shakespeare Forgings Ltd **31.03.2010**

Sl.No.	Particulars	(Rs.in thousands)
1.	Capital	11660
2.	Reserves	-8267
3.	Total Assets	190167
4.	Total Liabilities	190167
5.	Details of Investments	Nil
6.	Turnover (net)	233313
7.	Profit/(Loss) before Taxation	(13516)
8.	Provision for Taxation	Nil
9.	Profit/(Loss) after Taxation	(13516)
10.	Proposed Dividend	Nil

Place: Chennai
Date: 26.05.2010

R. SOWMITHRI
COMPANY SECRETARY

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN
K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR

EL FORGE LIMITED

Auditors' report to the Board of Directors of El Forge Limited on the consolidated financial statements El forge Limited and its subsidiary

01. We have examined the attached Consolidated Balance Sheet of El Forge Limited (the Company) and its subsidiary (subsidiary) as at March 31, 2010, the Consolidated Profit and Loss Account for the year then ended and the consolidated cash flow statement for the year ended as that date.
02. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India, and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
03. We have not audited the financial statements of the subsidiary, whose financial reflect total the Company's share of assets of Rs. 3.39/- Crores as at March 31, 2010, and Gross Revenue for the Year ended on that date Rs. 22.33/- Crores for the Year ended on that date. These financial statements and other audited information has been audited by other auditors and whose report has been furnished to us, and our opinion is solely based on the report of the other auditors.
04. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
05. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, we are of the opinion that:
 - (01) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiary as at March 31, 2010;
 - (02) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
 - (03) the Consolidated Cash Flow statement gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended;

FOR P RAJAGOPALAN & CO
CHARTERED ACCOUNTANTS
Regn No. of the Firm: 003408S

PLACE: CHENNAI
DATE: 26.05.2010

R. VENKATESH (MNo. 28368)
PARTNER

EL FORGE LIMITED
CONSOLIDATED FUND FLOW STATEMENT FOR THE YEAR ENDED 31-03-2010

(Rs. in Thousands)

Particulars	For the Year 2009-2010		For the Year 2008-2009	
	Rs.	Rs.	Rs.	Rs.
01. Cash Flow from Operations:				
1) Net Profit before Tax		-40436		-192808
2) Adjustment for				
a) Depreciation	76612		65495	
b) Interest Expenses	80153		167496	
c) Other Income	---		-550	
d) Sales of Fixed Assets	-95407		-7263	
e) Interest Income	-503		-585	
f) Dividend Received	-1		-35	
g) Sales of Investments	---		---	
h) Revaluation Reserve	---		961	
		60854		225519
3) Operating Profit before working Capital Changes		20418		32711
4) Adjustment for Increase / Decrease in				
a) Trade & Other Receivables	-204925		230248	
b) Inventories	28378		245643	
c) Sundry Creditors	-185432		-119220	
d) Miscellaneous Expenses / Deferred Rev. Exp	-1463		-19171	
		-363442		337500
5) Cash Generation from Operation		-343025		370212
6) Less the Following				
a) Tax Paid / Provided	-543		2239	
b) Extraordinary Items	---		---	
c) Misc. Receipts	---		550	
c) Deferred Sales Tax Liability	---		---	
		-543		2789
7) Net Cash from Operating Activities		-343568		373001
02. Cash Flow from Investing Activities:				
1) Purchase or Sale of Fixed Assets				
a) Purchase of Fixed Assets, Including CWIP	-9837		-456681	
b) Sale Process of Fixed Assets	101625		19175	
2) Interest Received	503		585	
3) Dividend Received	1		35	

EL FORGE LIMITED

4) Purchase or Sale of Investments			
a) Purchase	---		---
b) Sales	---		---
5) Purchase or Sale of Goodwill			---
a) Additions	---		---
b) Deletion	5950		9705
6) Net Cash Flow from Investing Activities		98241	-427182
03. Cash Flow from Financing Activities:			
1) From Term Loan / Deferral Loan			
a) Obtained	426951		162836
b) Re-Paid	---		---
2) From Capital			
a) Additions	8500		6500
b) Withdrawn	---		---
3) From Unsecured Loan			
a) Obtained	---		---
b) Re-Paid	---		---
4) From Short (Bank Borrowings)	-97362		38330
5) Interest Paid	-80153		-167496
6) Dividend and Tax Thereon	---		---
7) Minority Interest	---		---
8) Net Cash Flow from Investing Activities		257936	40171
04. Net Increase / Decrease in Cash & Cash Equivalent (04=01+02+03)		12609	-14010
05. Cash & Cash Equivalent – Opening Balance		7178	21188
06. Cash & Cash Equivalent – Closing Balance		19787	7178
07. Net Increase / Decrease in Balances		12609	-14010

As per our annexed report
For P. RAJAGOPALAN & CO.
Chartered Accountants
Reg No. of the Firm: 003408S

R. VENKATESH
MNo: 28368
PARTNER
Place: Chennai
Date: 26.05.2010

R.SOWMITHRI
COMPANY SECRETARY

on behalf of the Board
V. SRIKANTH
EXECUTIVE CHAIRMAN

K.V.RAMACHANDRAN
VICE CHAIRMAN AND
MANAGING DIRECTOR