

## **EL FORGE LIMITED**

### **BOARD OF DIRECTORS**

Sri.V.Srikanth, Chairman

Sri.V.Ramachandran, Director

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

Smt.R.Sowmithri, Executive Director (Finance)

### **COMPANY SECRETARY**

Smt.R.Sowmithri

### **AUDITORS**

P.Rajagopalan & Co.

Chartered Accountants

### **BANKERS**

Axis Bank Ltd. . Anna Salai, Chennai 600 002

IDBI Bank Ltd. Greams Road, Chennai 600 006

Edelweiss Asset Reconstruction Company Limited, Mumbai – 400 098

Asset Reconstruction Company (India) Ltd, Mumbai 400028

Royal Bank of Scotland, Harrington Road, Chennai 600031

### **SHARE TRANSFER AGENTS**

M/s,INTEGRATED ENTERPRISES (INDIA) LTD.

No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai 17.

### **REGISTERED OFFICE & FACTORY**

1A, Sriperumbudur High Road (via) Singaperumal Koil

Appur Village, Kattangulathur Onrium, Kancheepuram Dist., PIN 603 204

Ph (044) 47112500, Fax (044) 4711 2523

### **CORPORATE OFFICE**

21C, A.R.K.Colony, Eldams Road, Alwarpet, Chennai 600018

Ph (044) 4220 7800, Fax (044) 4201 4708

### **FACTORY**

1A, Sriperumbudur High Road (via) Singaperumal Koil

Appur Village, Kattangulathur Onrium, Kancheepuram Dist., PIN 603 204

Ph (044) 47112500, Fax (044) 4711 2523

**EL FORGE LIMITED**

<b>FINANCIAL HIGHLIGHTS (Rs.in lakhs)</b>					
	<b>31.03.2016</b>	<b>31.03.2015</b>	<b>31.03.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>
	<b>12 Months</b>	<b>12 Months</b>	<b>9 Months</b>	<b>12 Months</b>	<b>12 Months</b>
REVENUE FROM OPERATIONS	3876.72	5374.66	6649.60	7533.29	8330.07
OTHER INCOME	410.31	21.04	90.30	103.98	1397.37
<b>PROFIT/LOSS(-) BEFORE TAX</b>	<b>(1607.34)</b>	<b>(1777.04)</b>	<b>(1135.59)</b>	<b>(3382.03)</b>	<b>(841.98)</b>
TAXATION	0.00	0.00	0.00	0.00	-76.14
<b>PROFIT/LOSS(-) AFTER TAX</b>	<b>(1607.34)</b>	<b>(1777.04)</b>	<b>(1135.59)</b>	<b>(3382.03)</b>	<b>(918.12)</b>
<b>Balance Sheet</b>					
<b>ASSETS EMPLOYED:</b>			-	-	-
<b>FIXED ASSETS – NET</b>	<b>8123.30</b>	<b>9281.53</b>	<b>10304.39</b>	<b>10680.03</b>	<b>11461.83</b>
INVESTMENTS	385.26	392.76	392.76	471.05	471.05
NET CURRENT ASSETS	-6558.54	-5723.54	-6667.31	-6259.78	3701.56
NON CURRENT ASSETS	1627.24	1624.46	1799.78	2394.53	—
<b>Total</b>	<b>3577.26</b>	<b>5575.21</b>	<b>5829.62</b>	<b>7285.83</b>	<b>15634.44</b>
EQUITY SHARE CAPITAL	2032.43	2032.43	2032.43	2032.43	2032.43
PREFERENTIAL SHARE CAPITAL/ADV. FOR EQUITY	1211.12	1211.12	1211.12	1211.12	1211.12
RESERVES & SURPLUS	-7106.22	-5498.88	-3651.62	-2516.01	659.97
LOAN FUNDS	7439.93	7830.54	6237.69	6558.29	11793.92 0
<b>Total</b>	<b>3577.26</b>	<b>5575.21</b>	<b>5829.62</b>	<b>7285.83</b>	<b>15634.44</b>

**EL FORGE LIMITED**

**NOTICE OF THE ANNUAL GENERAL MEETING**

NOTICE is hereby given that 80th Annual General Meeting of EL FORGE LIMITED will be held on Thursday the 22<sup>nd</sup> day of September, 2016 at 11.30 AM at the factory at 1A, Sriperumbudur High Road (via) Singaperumal Koil, Appur Village, Kattangulathur Onrium, Kancheepuram Dist. 603 204 to transact following business.

**ORDINARY BUSINESS.**

1. To receive, consider and adopt the audited accounts for the year ended 31<sup>st</sup> March, 2016, the Auditors' Report and the Directors' Report thereon.
2. To ratify the appointment of Auditors of the Company and authorise the Board to fix their remuneration.

To consider the ratification of the appointment of M/s.P.Rajagopalan & Co, Registration No.003408S Chartered Accountants, No.32, 2<sup>nd</sup> Cross Street, West CIT Nagar, Chennai 600035 as the Statutory Auditors of the Company to hold the remaining term of office from the conclusion of the 80<sup>th</sup> Annual General Meeting till the conclusion of the 81<sup>st</sup> Annual General Meeting and the Board be and is hereby authorised to fix their remuneration relating to Financial Year 2016-17.

**SPECIAL BUSINESS**

**3. To adopt New Set of Articles of Association of the Company**

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

"Resolved that pursuant to and in accordance with the provisions of Section 14 of the Companies Act, 2013 ("Act") and all other applicable provisions, if any, of the Act or any other law for the time being in force (including any statutory modification or amendment thereto or re-enactment thereof), the new set of Articles of Association of the Company, as available for inspection in the Registered / (Corporate) office of the Company, be and is hereby approved and adopted as the new set of Articles of Association of the Company, in substitution for, and to the exclusion of, the existing Articles of Association of the Company".

"Resolved Further that Board of Directors of the Company and the Company Secretary of the Company be and are hereby severally authorised to take all actions and do all such acts, deeds, matters and things as may be necessary or desirable in connection with or incidental to give effect to the above resolution.

**By Order of the Board**

**Place : Chennai**  
**Date : 10.08.2016**

**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/herself and a proxy so appointed need not be a member of the Company. The proxy to be valid, shall be deposited with the Company not later than forty eight hours before the time for holding the meeting. Same person shall not be appointed as proxy on behalf for more than fifty members.**
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 and annual report.
4. The explanatory statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of the all Items in the special business of the Notice set out above, is hereto annexed.
5. The Register of Members will be closed from 16<sup>th</sup> September, 2016 to 22<sup>nd</sup> September, 2016 both days inclusive.
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, 2013. Shareholders may nominate persons who shall become entitled to the Shares upon the death of such holders.
8. The nomination has to be made in the form prescribed without any cost to the shareholders. Shareholders interested, are requested to contact the "Shares Department" El Forge Limited, No.21C, A.R.K.Colony, Eldams Road, Alwarpet, Chennai 600 018.
9. Members, who are holding shares in identical order of names in more than one account, are requested to intimate to the Share Transfer Agents the ledger folio of such accounts together with the share certificates to enable the Company to consolidate all the holdings into one account. The share certificates will be returned to the members after making necessary endorsement in due course.
10. Demat Details– The Company's shares have been dematerialised with Central Depository Services Limited and National Securities Depository Ltd. The ISIN No. of the Company is INE 158F01017 and INE158F03013.
11. Website – Quarterly information on results and other developments are posted on the Company's Website. Members also note that the notice of the 80<sup>th</sup> Annual General Meeting and the Annual Report for 2015-16 will also available on the Company's website : <http://www.elforge.com>
12. Electronic copy of the Annual Report will be sent to members in future whose email IDs are registered with the Company / Depository Participant(s) for communication purposes unless any member requests for a physical copy of the same. Positive consent letter is attached to the Notice being sent to the members for giving consent to receive documents in electronic mode.
13. In future electronic copy of the Notice of the General Meetings of the Company inter alia indicating the process and manner of e-voting along with attendance slip and proxy form will be sent to the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member requests for a physical copy of the same.
14. Members may also note that the Notice of the 80<sup>th</sup> Annual General Meeting and the Annual Report 2015-16 will also be available on the Company's website [www.elforge.com](http://www.elforge.com) for being downloaded. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days till the date of the meeting. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's Investor email id : [accounts@elforge.com](mailto:accounts@elforge.com)

## EL FORGE LIMITED

### 1. Voting through Electronic means

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through e-voting Services provided by National Securities Depository Limited (NSDL).

#### The instructions for e-voting are as under:

- A. In case a Member receives an email from NSDL (for members whose email IDs are registered with the Company / Depository Participants(s):
- (i) Open e-mail and open PDF file viz. "SPL e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
  - (iii) Click on Shareholder – Login
  - (iv) Put user ID and password as initial password noted in step (i) above. Click Login.
  - (v) Password change menu appears, Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof, Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - (vi) Home page of e-Voting opens. Click on e-Voting: Active Voting Cycles.
  - (vii) Select "EVEN" of El Forge Limited
  - (viii) Now you are ready for e-Voting as Cast Vote page opens
  - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - (x) Upon confirmation, the message "vote cast successfully" will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are also required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail: [bhave23@rediffmail.com](mailto:bhave23@rediffmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- B. In case a Member receives physical copy of the Notice of AGM (for members whose email IDs are not registered with the Company/Depository Participant(s) or requesting physical copy)
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM. **EVEN** (E Voting Event Number) **USER ID PASSWORD/PIN**
  - (ii) Please follow all steps from Sr. No.(ii) to Sr. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions(FAQs) for shareholders and e-voting user manual for Shareholders available at the "downloads" section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/ PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The e-voting period commences on 19<sup>th</sup> September, 2016 (9a.m) and ends on 21<sup>st</sup> September, 2016 (5 p.m). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 15 September, 2016, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 15<sup>th</sup> September, 2016.
- VII. Mrs.B.Venkatalakshmi, Practising Company Secretary (Membership No. CP1005) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VIII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman/ Managing Director of the Company.
- IX. The Results shall be declared on or after the AGM of the Company. The results declared along with the Scrutinizer's report shall be placed on the Company's website [www.elforge.com](http://www.elforge.com) and on the website of NSDL within two(2) days of passing of the resolutions of the AGM of the Company and communicated to BSE Ltd.
2. For the convenience of the members, Attendance Slip is annexed to this notice. Members /Proxy Holders / Authorised Representative are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue.

**EL FORGE LIMITED**

**ANNEXURE TO THE NOTICE**

**I. EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013**

**Item No. 3**

The Articles of Association ("AOA") of the Company as presently in force was amended by inserting new set of Articles of Association as per the requirements of Table F of First Schedule in the Companies Act, 2013. The modification in Articles of Association is carried out to give effect to provisions of the Companies Act, 2013. Consent of the shareholders by way of Special Resolution is required in this regard. The entire set of proposed Articles of Association is available in the website of the Company.

The shareholders of the Company can also obtain a copy of the same from the Secretarial Department of the Company.

None of the Directors, Key Managerial Personnel and their relatives are in any way concerned or interested in the said resolution.

The Directors recommend the aforesaid resolution for the approval by the Members as a Special Resolution.

**By Order of the Board**

**Place : Chennai  
Date : 10.08.2016**

**R.SOWMITHRI  
COMPANY SECRETARY**

## EL FORGE LIMITED

### REPORT OF THE DIRECTORS

The Directors present the 80<sup>th</sup> Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2016.

#### 1. Summarised Financial Results are given below

Rs. in Lakh

	For the year ended 31.03.2016	For the year ended 31.03.2015
Gross Sales	4113.60	5775.40
Other Income	410.31	21.04
Profit/(Loss) before Depreciation	(652.86)	(803.20)
Profit/(Loss) after Depreciation	(1607.34)	(1777.04)
Net Profit/(Loss) after tax	(1607.34)	(1777.04)

#### 2. Company Performance

The Company's efforts to infuse funds for operations could not be completed in the Year 2015-16 and hence the Company could achieve a turnover of Rs.3876.72 lakhs only. The exports was at its lowest of Rs.210-68 lakh only. The Company continues to operate below breakeven levels as the Management feels that only then a revival can happen.

The Management is still continuing its efforts to turnaround the Company. The loss incurred during the year is Rs.1607.34 lakhs.

#### 3. Dividend

The Directors have not recommended any dividend for the year due to loss incurred .

#### 4. Borrowings

The Company continues its efforts to work out a plan of restructuring or settling with the Banks / ARC's so that the path for the future is set for the Company. As no breakthrough has happened during the year under report, there is no change in the statement of the borrowings of the Company.

### 5. CORPORATE MATTERS

#### 5.01 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 put efforts 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 sound HR practices.

During the year under review, the total number of employees on the rolls of the Company is 180

#### 5.02 Particulars of Employees and Related Disclosures

In terms of provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, there is no employee drawing remuneration in excess of the limits set out in the aforesaid rules. Hence details and disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with aforesaid Rule are not provided in this report.

## **EL FORGE LIMITED**

### **5.03 Key Managerial Personnel**

Mr.K.V.Ramachandran, Vice Chairman & Managing Director and Mrs.R.Sowmithri, ED(Finance) & Secretary of the Company both of them within the meaning of Section 2(18) of the Companies Act, 2013 hold the office of Key Managerial Personnel.

### **6. Corporate Governance**

With reference to Corporate Governance guidelines as laid at in Clause 49 of the Listing Agreement, the Company has complied all possible requirements. Due to circumstances beyond its control out of the company, it has not been able to fill in the vacancies caused by the resignation of all independent directors during financial year 2014-15. The Company seeks time to fill in the vacancies. Annexure A contains report on corporate governance enclosed herewith.

At present the Company has four directors of which two are executive directors and two non executive promoter directors. As a result the audit committee, remuneration committee etc which need to be constituted with independent directors is not possible in the present circumstance. All the 4 directors have carried out the duties of the audit committee & remuneration committee. Due to this fact provisions of sections 177 and 178 of the Companies Act, 2013 have not been complied in full. Barring the aforesaid non compliance, all other stipulations relating to the Listing Agreement have been complied with by the Company. The detailed report on Corporate Governance is annexed. The compliances have been reported and the Certificate from the Statutory Auditors have also been annexed to the Report on Corporate Governance.

### **7. Internal Control System and their adequacy**

The Company has adequate system of internal control with reference to the financial statements. All the transactions are properly authorised, recorded and reported to the Management. The Company is following all the applicable Accounting Standards for properly maintaining the books of accounts and reporting financial statements. The Company ensures proper and adequate systems and procedures commensurate with its size and nature of its business.

### **8. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Information as per Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014 relating to Conservation of Energy, technology absorption and foreign exchange earnings and outgo for the financial year 2015-16 are annexed as Annexure B which forms part of this Report.

### **9. Management Discussion and Analysis**

Management Discussion and Analysis report for the year under review as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges in India is enclosed herewith. Please refer Annexure C.

### **10. Research & Development**

R&D in El Forge is a continuous process. All efforts in product design and Process development are directed at Customers 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. Annexure A to this report contains the details thereof.

### **11. 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. The Directors also place on record the unstinted cooperation extended by the staff members during the period under review.



## **EL FORGE LIMITED**

### **12. Fixed Deposits**

The Company has not accepted any fixed deposits during the year. The deposits are being repaid to the deposit holders as and when the deposit holders send their Fixed Deposit Receipts issued to them claiming their refund. As on 31st March, 2016, the outstanding deposits amount to Rs.90.90 lakhs .

### **13. Applicability of Section 197(12) of Companies Act, 2013 read with Rule 5 of the Companies (Appointment**

#### **and Remuneration of Managerial Personnel) Rules 2014**

None of the employees come within the purview of Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014

### **14. Directors Responsibility Statement**

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board of Directors of the Company hereby state and confirm 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 31<sup>st</sup> March, 2016 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 2013 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.
- e) that proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively.
- f) that proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

### **15. Remuneration Policy of the Company**

The remuneration policy of the Company comprising the appointment and remuneration of the Directors, Key Managerial Personnel and Senior Executives of the Company including criteria of determining qualifications, positive attributes, independence of a director and other related matters have been provided in the Corporate Governance report which is attached.

### **16. Extract of the Annual Return:**

Extract of the Annual Return in the present form is enclosed herewith in Annexure F.

### **17. Secretarial Audit**

Pursuant to provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, your Company engaged the Services of Mrs.B.Venkatalakshmi, Company Secretary in Practice, to conduct the Secretarial Audit of the Company for the financial year ended 31<sup>st</sup> March, 2016.

The Secretarial Audit report (in Form MR-3) is attached as Annexure to this Report. Please refer Annexure G in this report.

### **18. Related Party Transactions**

All transaction entered by the Company with Related Parties were in the ordinary course of business and at Arm's Length pricing basis. Subject to the observation made in para 6 of Corporate Governance, the Audit Committee granted omnibus approval for the transaction (which are repetitive in nature) and the same was reviewed by the Audit Committee and the Board of Directors.

There were no materially significant transactions with Related Parties during the financial year 2015-16 which were in conflict with the interest of the Company. Suitable disclosures as required under AS 18 have been made in Item No.19 of Note no.28 of financial statements.

## EL FORGE LIMITED

Note.No.28 of the Notes on financial statements. Accordingly there are no transactions that are required to be reported in Form AOC-2 and as such does not form part of the report.

### **19. Corporate Social Responsibility**

Our company does not fall under the criteria laid for Corporate Social Responsibility under section 135 of the Companies Act,2013 and hence the section is not applicable.

### **20. Particulars of Loans, Guarantees or Investments**

Your Company has not made any loan or given any Guarantees or made any investment under Section 186 of the Companies Act, 2013 during the year under report. The loans given / investment made / Guarantee given during the earlier year in accordance of the previous year of the Act, during the material time.

### **21. Vigil Mechanism / Whistle Blower Policy**

Pursuant to Section 177(9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its powers) Rule 2014 and Clause 49 of the Listing Agreement, the Board of Directors had approved the policy on Vigil Mechanism / Whistle Blower and the same is hosted on the Website of the Company. The policy inter-alia provides a direct access to the Chairman of the Audit Committee. Your Company hereby affirms that no Director / employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year under report.

### **22. Auditors**

Subject to the observations of para 6 of the Corporate Governance, the Statutory Auditors M/s P.Rajagopalan & Co, Chartered Accountants, retire at the close of this Annual General Meeting and are eligible for re-appointment or ratification of appointment. The Company has received confirmation from the firm that their reappointment will be within the limits prescribed under Section 141(3)(g) of the Companies Act, 2013. The Board has recommended their re-appointment/ratification for a term of three financial years from 2014-15 to 2016-17. The necessary resolution is being placed before the shareholders for approval. The explanation to the audit remarks / qualification is given separate in addendum to the Directors' Report.

### **23. Acknowledgements**

The Company places on record the co-operation of 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, and Bank of Baroda and Asset Reconstruction companies - Asset Reconstruction Company(India) Ltd and Edelweiss Asset Reconstruction company 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 support.

**For and on behalf of the Board of Directors**

**Place : Chennai**  
**Date : 10.08.2016**

**V.SRIKANTH**  
**CHAIRMAN**

**EL FORGE LIMITED**  
**ANNEXURE TO THE DIRECTORS' REPORT**

**Addendum to Directors' Report For 2015-16**

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

**01. Statutory Dues**

The Company is facing funds constraint, due to this the Company has not been able to make regular payments for statutory dues. The Management is taking steps to clear the dues. During the year under report, the company has cleared certain specific dues relating to earlier period and also a part of the current dues for the financial year 2015-16.

**02. Gratuity Fund**

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

**03. Deferred Revenue Expenditure**

Due to the loss during the year under report, the company has not written off any deferred revenue expenditure and deferral interest during the year. The same shall be amortised from the profit over the expected period of future benefit.

**04. Bank Borrowings**

State Bank of India, Union Bank of India and Export Import Bank of India have assigned their debt to Asset Reconstruction Companies. The restructured terms have not yet been finalized with the Asset Reconstruction Companies and hence total debt due to the Asset Reconstruction Companies is shown as Long Term debt.

**05. Suit Filed by Creditors**

Your company has addressed all the cases through the company's counsel and in some cases has obtained time to settle the amounts in installments over time.

**06.** Shakespeare Forgings Ltd ceased to be a subsidiary company. It is also not an Associate Company.

**07.** Your company considers the investments as long term in nature and hence not provide for the temporary diminution in values.

**08. Fixed Deposits.**

Your company repays the deposits as and when the depositors present the receipts for repayment. No deposits have been accepted during the year.

**09.** The Company is taking steps to appoint an Internal Auditor.

**10. Going Concern**

The Management has prepared the accounts relating to the year under report on a going concern basis as there has been no stoppage in the manufacturing operations or sale of our products. The world class plant attracts the auto majors and others with no let up in the orders and enquiries for quotations. Due to working capital inadequacies, we are not able to service all the orders on hand. Our forging products are known for their quality and the fact that customers returns or rejections are negligible confirms the quality.

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

**11.** As the borrowings of the company with the Banks have become Non Performing Assets, the banks do not charge interest on the outstandings. The company therefore changed its accounting policy for accounting bank interest on cash basis.

**For and on behalf of the Board of Directors**

**Place : Chennai**  
**Date : 10.08.2016**

**V.SRIKANTH**  
**CHAIRMAN**  
**DIN No.0076856**

**EL FORGE LIMITED**

**ANNEXURE B TO THE DIRECTORS' REPORT  
PARTICULARS OF CONSERVATION OF ENERGY,  
TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

**CONSERVATION OF ENERGY**

- |   |  |   |
|---|--|---|
| 1 | Energy Conservation measure taken  | 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 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.<br>2) Reduction in cost and improvement in quality. |
| 3. | Future plan of action   | Continued improvement in quality and productivity.   |
| 4. | Expenditure on R & D<br>(a) Capital<br>(b) Recurring<br>(c) Total<br>(d) Total R & D expenditure as percentage of total turnover} | Expenditure on R & D is not directly incurred during the period and hence not ascertainable.                   |

**EL FORGE LIMITED**

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1.	Efforts in brief, made towards adaptation 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.
3.	In case of imported Technology (imported during the last three years reckoned from the Beginning of the Financial Year)	Not Applicable

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

1.	Activities relating to Exports	Overseas Markets are being constantly scanned and Requests for quotations from Customers overseas are answered and followed up to obtain orders.
2.	Initiatives taken to increase exports and development of new export markets for products and services and export plans.	<p>1. Present and prospective buyers are being invited to see our production and Inspection facilities.</p> <p>2. Quality systems are constantly being upgraded to meet international requirements.</p>
3.	<p>Total Foreign Exchange</p> <p>(a) Used (Rs.)</p> <p>(b) Earned (Rs.)</p>	<p>Nil</p> <p>Rs.2,10,68,057/-</p>

## EL FORGE LIMITED

### ANNEXURE A TO THE DIRECTOR'S REPORT

#### REPORT ON CORPORATE GOVERNANCE

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 flows 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**

There are only four members on the Board of Directors at present. The Board is comprised of whole time Director-Vice Chairman & Managing Director, the Executive Director (Finance), non executive Chairman and non executive promoter Director.

During the financial year 2015-2016, four Audit Committee Meetings were held on 15/05/2015, 13/08/2015, 13/11/2015 and 12/02/2016

As a result of resignation of the independent Directors during the Financial year 2013-14 the composition of the Board is not in conformity with the listing agreement. The Company is making efforts to appoint independent directors.

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

Name of the Director	Category	Attended Particulats			No. of other Directorships and Committee Memberships / Chairman-Ships in other Indian Public Companies		
		Number of Board Meeting			Other Director Ship	Committee Member Ship	Committee Ship Chairman
		Held	Attended	Last AGM			
Mr.V.Srikanth	Non Executive	4	4	Yes	2	2	—
Mr.K.V.Ramachandran	Executive	4	4	Yes	2	2	—
Mr.V.Ramachandran	Non-Executive & NonIndependent	4	4	Yes	1	2	—
Mrs.R.Sowmithri	Exective	4	4	Yes	5	2	—

## 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 177 of the Companies Act, 2013.

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 2015-2016, four Audit Committee Meetings were held on 15/05/2015, 13/08/2015, 13/11/2015 and 12/02/2016

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 2015-16	
		Held	Attended
Mr.V.Srikanth	Chairman	4	4
Mr.V.Ramachandran	Member	4	4
Mr.K.V.Ramachandran	Member	4	4
Mrs.R.Sowmithri	Member	4	4

After the resignation of the independent Directors, all the four directors of the company function as the audit committee and approve the financial results.

### 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 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 Executive Director.
- c) Recommend to the Board, the remuneration including Salary, Perquisites and Commission to be paid to the Wholetime Directors of the Company.

## EL FORGE LIMITED

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

Name of the Directors	Category	Number of meeting attended during 2015-16	
		Held	Attended
Mr.V.Ramachandran	Chairman	Nil	Nil
Mr.V.Srikanth	Member	Nil	Nil
Mr.K.V.Ramachandran	Member	Nil	Nil
Mrs.R.Sowmithri	Member	Nil	Nil

### Details of Remuneration to Board of Directors For 2015-16

Non-whole time Directors					
Name	Sitting Fees (Rs.)	Name	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
Mr.V.Ramachandran	22000	KV.Ramachandran	1890000	1316142	3206142
Mr.V.Srikanth	11000	R.Sowmithri	1284000	620215	1904217
<b>Total</b>	33000		3174000	1936357	5110359

The unpaid remuneration to the Chairman, Vice Chairman & Managing Director and Executive Director as on 31.3.16 is Rs. 1,14,64,356.

### Service Contracts, Severance Fees and Notice Period

Period of Contract of Vice Chairman : 5 Years from 01.04.2014  
& Managing Director  
Period of Contract of Executive Director : 3 Years from 30.03.2015.

### 5. Shareholders Committee

The Board functions as the Committee after the resignation of the independent directors, Mr.V.Ramachandran, heads this committee. The Committee meets at frequent intervals to consider, inter alia share transfers, shareholders' complaints etc.

During the Financial Year 2015-16 four Shareholders / Investors Grievance Committee Meetings were held on 15/05/2015, 13/08/2015, 13/11/2015 and 12/02/2016

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



**EL FORGE LIMITED**

<b>Name of Members</b>	<b>Category</b>	<b>No. of Meetings attended During the year 2015-2016</b>
Mr.V.Srikanth	Chairman	4
Mr.V.Ramachandran	Member	4
Mr.K.V.Ramachandran	Member	4
Mrs.R.Sowmithri	Member	4

Mrs.R.Sowmithri, the Company Secretary is the Compliance Officer and Chief Financial Officer. Shareholders' complaints are attended, immediately, on receipt of complaints, to the satisfaction of the Shareholders.

**6. General Body Meetings.**

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

<b>Financial Year</b>	<b>Location of the meeting</b>	<b>Date</b>	<b>Time</b>
2012-13	Nagar Hall, South India Hire Purchase Association, Deshbandu Plaza, 1 <sup>st</sup> Floor, No.49, Whites Road, Royapetta, Chennai 600 014	Dec 30, 2013	10.30 am
2013-14	Narada Gana Sabha Mini Hall, 314, T.T.K.Road Alwarpet, Chennai 600018	Sep 26, 2014	2.30 pm
2014-15	Narada Gana Sabha Mini Hall, 314, T.T.K.Road Alwarpet, Chennai 600018	Sep 28, 2015	2.30 pm

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**

During the year 2014-15 Shakespeare forgings ceased to be a subsidiary. The company has no subsidiaries now.

**8. Disclosures**

Details of related party transactions :

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

## EL FORGE LIMITED

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

During the year there has been no fresh issue of capital.

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

During the year there is no proposal for appointment /reappointment of directors.

Details of Non-compliance, penalties, strictures 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.

### 10. Means of communication

The quarterly, half-yearly and full year results are published in Trinity Mirror and Makkal Kural

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	:	22 <sup>nd</sup> September, .2016 at 11.30 AM
Venue	:	1A, Sriperumbudur High Road (via) Singaperumal Koil, Appur Village Kattangulathur Onrium, Kancheepuram Dist., PIN 603 204
Book Closure Date	:	16/09/2016 to 22/09/2016 (both days inclusive)
Cut off date for e-voting	:	15 <sup>th</sup> Septmber, 2016
E-Voting	:	19 <sup>th</sup> September, 2016 (9.00 am) to 21 <sup>st</sup> September, 2016 (5.00 pm)

#### b) Financial Calendar

The Financial Year of the Company comprise a period from April to March (12 Months). The results for every quarter beginning from April is declared within 45 days from the end of the quarter and the audited results were declared in August as permitted under the listing agreement.

#### c) Date of Book Closure

The Directors decided to close the Register of Members on 16<sup>th</sup> September, 2016 to 22<sup>nd</sup> September 2016 both days inclusive.

#### d) Listing on Stock Exchanges

The Company's shares are listed on the Bombay Stock Exchange.

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

At present the trading in BSE has been suspended. The company has appealed for revocation of the suspension and is hopeful of getting this completed .

#### e). Stock Code

Bombay Stock Exchange Limited

Code No.531144

#### f). Market Price Data

The details of monthly highest and lowest closing quotations of the equity shares of the Company at the Bombay Stock Exchange during the financial year 2015-16 are as under:

**EL FORGE LIMITED**

<b>Month</b>	<b>Quotations at Bombay Stock Exchange (BSE)</b>	
	High (Rs.)	Low (Rs.)
April 2015	6.19	4.20
May 2015	4.50	3.91
June 2015	4.10	4.10
July 2015	4.30	3.78
August 2015	4.68	3.90
September 2015	4.91	4.24
October 2015	4.24	3.84
November 2015	4.21	4.02

Last quoted in November 2015 only

g) **Registrars and Share Transfer Agents**

M/s.Integrated Enterprises (India) Ltd, "Kences Towers", 2<sup>nd</sup> Floor, 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.

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	<b>For the Year 2015-16</b>	
	Received	Cleared
<i>Relating to Transfer, Transmissions, Dividend, Demat and Remat and Change of Address etc.</i>	0	0

j) **Distribution of Shareholdings as on 31<sup>st</sup> March, 2016**

Sl.No	Category	No.of Holders	% of	Holders of Shares	No.% of Shares
1.	Upto 100	5583	56.49	286902	1.41
2	101 to 250	250	1549	284915	15.67
3.	251 to 500	1075	10.88	427192	2.10
4.	501 to 1000	656	6.64	531526	2.62
5.	1001 - 5000	695	7.03	1589329	7.82
6.	5001 - 10000	132	1.34	993622	4.89
8.	1001 and above	193	1./95	16210818	79.76
	**** Total ***	9883	100.00	20324304	100.00

## EL FORGE LIMITED

### k) Pattern of Shareholding as on 31<sup>st</sup> March, 2016

Sl.No.	Category	No.of Shares	% of Shareholding
1.	Promoters	8385858	41.26
2.	Corporate Bodies	1914260	9.42
3.	Mutual Funds	1605	0.01
4.	Bank's	945	0.01
6.	NRI's/Foreign Nationals	50329	0.25
7.	Public	9971307	49.06
	Total	20324304	100.00

### l) Dematerialisation of shares and liquidity

About 96% of the shares have been dematerialised as on March, 31, 2016. The Equity shares of the Company are permitted to be traded in dematerialised form.

Demat ISIN No allotted to the Company is INE 158F01017

### 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 Company Secretary 21C, A.R.K.Colony, Eldams Road, Road, Alwarpet, Chennai 600 018 Ph No. 42207800 - Fax No.42014708 Email : <a href="mailto:edf@elforge.com">edf@elforge.com</a>	Mr.K.Suresh Babu Sr.Vice President Integrated Enterprises (India) Ltd Kences Towers, 1, Ramakrishna Street, North Usman T.Nagar, Chennai 600 017 Ph : 28140801 / 28140802 Email : <a href="mailto:sureshkumar@integratedindia.in">sureshkumar@integratedindia.in</a>

### 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 Director, 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 : The 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.
- 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 year ended 31<sup>st</sup> March, 2016.

Place : Chennai  
Date : 10/08/2016

K.V.RAMACHANDRAN  
VICE CHAIRMAN & MANAGING DIRECTOR  
DIN No.00322331

# **EL FORGE LIMITED**

## **ANNEXURE C TO THE DIRECTORS' REPORT**

### **Management Discussion and Analysis**

#### **Overview**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013, guidelines issued by the Securities and Exchange Board of India (SEBI) and the Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements as well as for the various estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

#### **Economic Situation**

The global economic growth remained subdued at 3.1% in 2015, as against 3.4% in 2014 as per the International Monetary Fund Report.

India's GDP grew by 7.6% in Financial Year 2016 as against 7.2% in the previous year. The Government of India has ushered in various reforms in agriculture, manufacturing and services sector to help the economy realize in full potential. India's trade deficit declined to US \$ 5.1 billion in March 2016. This was the result of a fall in net imports by 21.6%. Stability in the political environment and the Government's pro-reform approach continued to strengthen the confidence of entire producers and investors. Higher Infrastructure spending, increased fiscal devolution to states, focus on enhancing the ease of doing business resulted in improved investor sentiment and business outlook.

#### **Indian Automobile Industry**

The domestic Commercial Vehicle (CV) Industry, has shown significant growth in the financial year 2015-16. The Medium and Heavy Vehicle (M & HCV) segment witnessed a significant growth of 30% over the financial year 2014-15. The Light Commercial Vehicle (LCV) segment has been flat, with a growth of 0.3% over the previous year.

Indian Passenger Vehicle (PV) Industry grew by 3.9% in Financial Year 2015, but growth not yet broad based with 12 out of 18 OEM's witnessing YOY decline in volumes during Financial Year 2015. On the Export front, volume grew by 4.4% YOY during Financial Year 2015.

#### **Opportunities & Threats**

The state-of-the-art shop is well equipped and quality certifications are also in place. This is a positive factor and has attracted major global auto manufacturers and Tier one giants like GKN, TRW etc. The factory being in the Auto belt in Chennai has a locational advantage in its potential for new business.

Fluctuating steel prices, rising fuel and power costs and increase in virtually every input costs are a threat to the business. Delay in concluding business arrangement with Investor or restructuring with Lenders and also augmenting the Working Capital regime is a major issue for our Company.

## EL FORGE LIMITED

### Risk Management

Managing foreign exchange inflows is very important for the company. Our Company sells into both the export market and the domestic market. Our domestic customers in turn sell to their overseas Customers in Europe, America and China. The wide market reach, acts as an insulation from the local vagaries which will otherwise make it dependent on the economies of a single country. Depending on the situation the company takes appropriate cover to safeguard the values.

### Commodity Price Risk

The world is now facing an economic meltdown with metallics and steel prices spirally downwards. The Chinese slowdown has depressed the steel markets but the Indian economy has been resistant to global events. Fluctuation in steel prices and other input costs are being dealt with on a case to case basis depending on customers demands on these changes.

### Financial Review

Summary of Statement of Profit and Loss Account is given below

(Rs. in Lakh)

	2015-16	2014-15	Inc/(Dec)%
<b>Income</b>			
Sales (net of excise duty)	3876.72	5374.66	(27.87)
Other Income	410.31	21.04	1850.14
<b>Total</b>	<b>4207.03</b>	<b>5395.70</b>	<b>(22.22)</b>
<b>Expenditure</b>			
Material Costs	2247.71	2995.85	(24.97)
Stock differential	147.92	45.36	226.10
Employee benefits expense	782.86	1015.98	(22.95)
Other expenses	1092.27	1895.05	(42.36)
Depreciation and amortisation expenses	954.48	973.84	(1.99)
Finance Cost	128.88	135.17	(4.65)
<b>Total</b>	<b>5354.11</b>	<b>7061.25</b>	<b>(24.18)</b>
Profit before exceptional items	(1067.09)	(1665.55)	(35.93)
Exceptional items	(540.25)	(111.49)	(384.57)

## EL FORGE LIMITED

Profit before tax	(1607.34)	(1777.04)	(9.54)
<b>Tax Expenses</b>			
Current Tax	NIL	NIL	NIL
Deferred tax	NIL	NIL	NIL
Profit before tax	(1607.34)	(1777.04)	(9.54)
Basic Earnings per	-7.91	-8.74	(9.50)
Share(Rs.)	Rs.10/-	Rs.10/-	--

### Revenues

The revenues are from the sale of forgings. During the year there has not been any income from sale of land as compared to the previous year.

### Costs

Material Costs :The material cost for the year was 57.97 % of the sale value compared to 58.20% in the previous period. This is due to the product mix than actual decrease in material cost.

Staff Cost : there is a decrease in staff costs due to reduction in number of employees consequent to drop in business volumes and conscious effort to become cost effective.

Other expenses : The management has made constant efforts to bring down costs and as a result other costs have also dropped during the year compared to the previous year.

### Depreciation :

The depreciation has been charged according to the provisions of the companies Act,2013.

### Summary of Balance Sheet is given below :

(Rs. in Lakh)

	As at 31.03.2016	As at 31.03.2015	Inc/(Dec)%
<b>Sources of Funds</b>			
Shareholders ' Funds	(3862.67)	(2255.33)	(71.27)
Non Current liabilities	7439.93	7830.54	(4.99)
Current Liabilities	10709.45	10263.46	(4.35)
<b>Total</b>	14286.72	15838.67	(9.80)

## EL FORGE LIMITED

Application of Funds			
Fixed Assets	8123.30	9281.52	(14.48)
Investments	385.26	392.76	(1.91)
Loans & other Non current assets	1627.21	1624.45	0.16
Current Assets	4150.91	4539.93	(8.57)
<b>Total</b>	<b>14286.72</b>	<b>15838.67</b>	<b>(9.80)</b>

### Cash Flow Statements

	2015-16	2014-15
Profit /(Loss) from operations	(1707.34)	(1777.04)
Inc / (Dec) in net working capital	(353.96)	(569.76)
Net cash flow from operating activities	610.65	(2106.16)
Payment for acquisition of assets net	38.45	151.11
Cash outflow for investing activities	--	--
Proceeds from sale of immovable Properties	(6.63)	(40.40)
Cash flow from financing activities	655.73	1914.65
Net cash inflow / (outflow)	(6.63)	(40.40)

### The year Ahead

The Asset Reconstruction Company (India) Ltd (ARCIL) and Edelweiss Asset Reconstruction Company Ltd have taken over the debts from State Bank of India, Union Bank of India and Export Import Bank of India Ltd and are considering our proposal for stepping up our operations through a reconstruction scheme which is mutually agreeable. The Company management is closely following with them for a speedy evolution of the scheme.

The Company is also trying for a financial / strategic investor for stepping up Operations.

### 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.



## **EL FORGE LIMITED**

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 sound HR practices.

During the year under review, the total number of people on the rolls of the Company is 180

### **Foreign Exchange Risk**

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

### **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.

### **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.

### **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**

## **ANNEXURE D TO THE DIRECTORS' REPORT**

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

We hereby certify that for the year ended 31<sup>st</sup> March, 2016 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.
2. 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.
3. These are to the best of our knowledge and belief, no transactions entered into by the Company during period 2015-16 which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. 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
5. We further certify that
  - a) There has been no significant changes in internal control over financial reporting during the year.
  - b) There have been change in accounting policies for reckoning interest on Banks.
  - 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 : 10.08.2016**

**K.V.RAMACHANDRAN**  
**VICE CHAIRMAN &**  
**MANAGING DIRECTOR**  
**DIN 00322331**

**R.SOWMITHRI**  
**ED (FINANCE) & SECRETARY**  
**DIN 00280988**

# **EL FORGE LIMITED**

## **ANNEXURE E TO THE DIRECTORS' REPORT 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 31<sup>st</sup> March, 2016 as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligation & Disclosure) Regulations, 2015, pursuant to 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 1) The Board does not have independent directors at present and the function of all committees have been discharged by the Board consisting of all 4 Directors. Registrars of the Company have maintained the records of Investor Grievances and certified that as at 31st March, 2016 there were no Investor Grievances remaining unattended / pending for more than 30 days. The shareholder / Investment Grievances committee relies on this report.

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.

**Place : Chennai**  
**Date : 26.05.2016**

**For P.RAJAGOPALAN & CO**  
**CHARTERED ACCOUNTANTS**  
**Regn No.003408S**  
**R.VENKATESH**  
**PARTNER**  
**(M.No.028368)**

# EL FORGE LIMITED

## ANNEXURE F TO THE DIRECTORS' REPORT

Form No.MGT 9

Extract of ANNUAL RETURN

As on the Financial year ended 31.03.2016

(pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(3) of the

Companies (Management and Administration) Rules 2014

### I. Registration and other details

Corporate Identify No.(CIN) : L34103TN1934PLC000669  
Registration Date : 18/07/1934  
Name of the Company : El Forge Limited  
Category / Sub-category of the Co : Company limited by shares/Indian-Non-Government Co.  
Address of the Registered Office : No.1A, Sriperumbudur High Road, (via) Singaperumal Koil,  
and contact details Appur Village, Kattangulathur Onrium, Kancheepuram Dist 603204 –  
Ph (044) 470025800 Fax (044) 47002523  
e mail : [elforgeho@elforge.com](mailto:elforgeho@elforge.com) Website [www.elforge.com](http://www.elforge.com)

Whether listed Company Yes / No. : Yes

### II, PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sr.No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the Company
1.	Manufacturers of Steel Forgings	-----	100%
2.	Income from sale of land.		

### III. PARTICULARS OF HOLDING, SUBSIDIARY OR ASSOCIATE COMPANIES

.Sl.No.	Name of the Co.	Address of the Co.	CIN	Holding/Subsidiary Associate Company	% of Shares	Applicable Section under Companies Act, 2013
Nil	Nil	Nil	Nil	Nil	Nil	Nil

### IV. SHARE HOLDING PATTERN

Category of Shareholders	No.of Shares held at the beginning of the year				No.of Shares held at the end of the year				% change During the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoter</b>									
<b>(1) Indian</b>									
a) Individual/Huf	1311188	9664	1320852	6.50	1311188	9664	1320852	6.50	Nil
b) Central Govt.									

# EL FORGE LIMITED

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change During the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) State Govt.									
d) Bodies Corp.	7065006	--	7065006	34.76	7065006	--	7065006	34.76	Nil
e) Banks									
f) Any other									
<b>Sub Total (A)(1)</b>	8376194	9664	8385858	41.26	8376194	9664	8385858	41.26	Nil
<b>(2) Foreign</b>									
a) NRIs- Individuals	--	--	--	--	--	--	--	--	--
b) Other Individuals	--	--	--	--	--	--	--	--	--
c) Bodies Corp	--	--	--	--	--	--	--	--	--
d) Banks / FI	--	--	--	--	--	--	--	--	--
e) Any other	--	--	--	--	--	--	--	--	--
<b>Sub Total (A)(2)</b>	--	--	--	--	--	--	--	--	--
<b>Total Share holding of promoters (A)=(A)(1)+(A)(2)</b>	8376194	9664	8385858	41.26	8376194	9664	8385858	41.26	Nil
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	1605	--	1605	0.01	1605	--	1605	0.01	Nil
b) Banks/FI	990	--	990	0.01	945	--	945	0.01	Nil
c) Central Govt.	--	--	--	--	--	--	--	--	--
d) State Govt.	--	--	--	--	--	--	--	--	--
e) Venture Capital Funds	--	--	--	--	--	--	--	--	--
f) Insurance Companies	--	--	--	--	--	--	--	--	--
g) FIs	--	--	--	--	--	--	--	--	--
h) Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
i) Others specify	--	--	--	--	--	--	--	--	--
<b>Sub Total (B)(1)</b>	2595	--	2595	0.01	2550	--	2550	0.01	Nil
<b>2. Non-Institutions</b>									
a) Bodies Corp. 1) Indian 2) Overseas	1859694 --	55396 --	1915090 --	10.05 --	1858819 --	55441 --	1914260 --	9.42 --	0.63
<b>b) Individuals</b>									
1) Individual share Holders holding nominal share capital upto Rs.1 lakhs	3374524	394277	3769651	18.55	4285027	600615	4885642	24.05	5.50
2) 1) Individual share Holders holding nominal share capital excess of Rs.1 lakhs	5788457	369190	6157647	30.30	5010973	84378	5095351	25.07	-5.23

# EL FORGE LIMITED

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change During the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>c) Others-clearing members</b>									
- Trusts	--	520	520	0.01	--	520	520	0.01	Nil
Corporate Body	--	--	--	--	--	--	--	--	--
Foreign bodies	--	--	--	--	--	--	--	--	--
NRI	--	--	--	--	--	--	--	--	--
Foreign Nationals	--	--	--	--	--	--	--	--	--
Limited Liability Partnership	6	--	6	0.00	--	6	6	0.00	Nil
Unclaimed Securities suspense a/c	42608	--	42608	0.20	40117	--	0	0.20	Nil
Foreign portfolio Investors	--	--	--	--	--	--	--	--	--
Corporate	--	--	--	--	--	--	--	--	--
<b>Sub Total(B)(2)</b>	11068754	869692	11938446	58.74	11197492	740960	11938446	58.73	Nil
<b>C) Shares held by Custodian for GDRs &amp; ADRs</b>	--	--	--	--	--	--	--	--	--
<b>Grand Total (A + B + C)</b>	19446667		20324304	100.00	19573680	750624	20324304	100.00	

## EL FORGE LIMITED

### (ii) Shareholding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share Holding during the year
		No.of Shares	% of total shares of the Co.	% of shares pledged/ Encumbered to total shares	No.of Shares	% of total shares of the Co.	% of shares pledged/ Encumbered to total shares	
1.	Chendur Forgings Ltd	7065006	34.76	98.98	7065006	34.76	98.98	Nil
2.	Srikanth V	511012	2.51	100.00	511012	2.51	100.00	Nil
3.	V.Ramachandran	331720	1.63	0.00	331720	1.63	0.00	Nil
4.	K.V.Ramachandran	118119	0.58	100.00	118119	0.58	100.00	Nil
5.	V.Subha	113578	0.56	0.00	113578	0.56	0.00	Nil
6.	K.J.Ramaswamy	112500	0.55	0.00	112500	0.55	0.00	Nil
7.	Chitra Venkataraman	76450	0.38	86.92	76450	0.38	86.92	Nil
8.	Ramachandran K.V	14026	0.07	100.00	14026	0.07	100.00	Nil
9.	K.V.Srikanth	12500	0.06	0.00	12500	0.06	0.00	Nil
10.	P.L.Reddy	8100	0.04	0.00	8100	0.04	0.00	Nil
11.	V.Balu	6708	0.03	0.00	6708	0.03	0.00	Nil
12.	Nandini Ramachandran	4000	0.02	0.00	4000	0.02	0.00	Nil
13.	Nandini Srikanth	3277	0.02	0.00	3277	0.02	0.00	Nil
14.	Ananya Srikanth	3195	0.02	0.00	3195	0.02	0.00	Nil
15.	Rohini Ramasamy	1300	0.01	0.00	1300	0.01	0.00	Nil
16.	V.Srikanth	1190	0.01	100.00	1190	0.01	100.00	Nil
17.	Ramachandran K.V	1021	0.01	100.00	1021	0.01	100.00	Nil
18.	R.Visweswaran	487	0.00	0.00	487	0.00	0.00	Nil
19.	R.Visweswaran	1189	0.00	0.00	1189	0.00	0.00	Nil
20.	Srihari K.R.	300	0.00	0.00	300	0.00	0.00	Nil
21.	Manasvini K.R.	200	0.00	0.00	200	0.00	0.00	Nil
		8385878	41.26	91.88	8385878	41.26	91.88	Nil

## EL FORGE LIMITED

### (ii) Change in Promoters Shareholding

Sl.No.		Shareholding at the beginning of the year		Cumulative Shareholding at the end of the year	
		No.of Shares	% of total shares of the Company.	No.of shares	% of total shares of the Company
		Nil	Nil	Nil	Nil

### (IV) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRS)

Sl. No.	For each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No.of Shares	% of total shares of the Company	No.of Shares	% of total shares of the Company
1.	Prime Broking Co.India Ltd	1347287	6.63	1424287	7.00
2.	Indira Vasudevan	750000	3.69	750000	3.69
3.	Tumpudi Muralidhar Bhagwat	446100	3.25	446100	3.25
4.	N.Jayakumar	289435	1.42	289435	1.42
5.	Ramasubramanian S	200200	0.99	200200	0.99
6.	Dixit Gunvanthri Shah	200000	0.98	200000	0.98
7.	Madhu Vadera Jayakumar	158400	0.78	158400	0.78
8.	Snehalatha Singhi	126596	0.62	126596	0.62
9.	Charu D Shah	115050	0.57	115050	0.57
10.	Philip Samuel	114227	0.56	114227	0.56

### (V) Shareholding of Directors and Key Managerial Personnel (KMP)

Sl. No.	For each of the Directors of the Company and KMP	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No.of Shares	% of total Shares of the Co.	No.of Shares	% of total Shares of the Co.
	<b>Directors</b>				
1	Mr. V.Srikanth Chairman (Non Executive)				
	At the beginning of the year	512202	2.52		
	Datewise increase in shareholding during the year	Nil			
	Acquisition of shares				
	At the end of the year	512202	2.52	512202	2.52
2.	Mr.K.V.Ramachandran (Vice Chairman & Managing Director)				
	At the beginning of the year	133166	0.66		
	Datewise increase in shareholding during the year	Nil			
	Acquisition of shares				
	At the end of the year	133166	0.66	133166	0.66



## EL FORGE LIMITED

3.	Mr.V.Ramachandran Director (Non Executive)				
	At the beginning of the year	331720	1.63		
	Datewise increase in shareholding during the year	Nil			
	Acquisition of shares				
	At the end of the year	331720	1.63	331720	1.63
4.	Mrs.R.Sowmithri Executive Director				
	At the beginning of the year	400	0.001		
	Datewise increase in shareholding during the year	Nil			
	Acquisition of shares				
	At the end of the year	400	0.001	400	0.001

### VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### A. Remuneration to Mr.K.V.Ramachandran, Vice Chairman & Managing Director & Key Managerial Personnel

Sl.No.	Particulars of Remuneration	K.V.Ramachandran	R.Sowmithri
1.	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act 1961 (b) Value of perquisites u/s 17(2) of Income Tax Act, 1976	1890000 539716	1785000 32400
2.	Commission Performance Bonus Long Term Incentive Plan (LTIP)	-- -- --	-- -- --
3.	Other – Retirement Benefits	--	--
	Total	2429716	1817400
	Ceiling as per the Act	% of the Net Profit	NA

#### B Remuneration to Other Directors

##### 1. Non Executive Directors

Particulars of Remuneration	Mr.V.Srikanth	Mr.V.Ramachandran	Total Amount
Fee for attending Board / Committee Meetings	Rs.11,000	Rs.22,000	Rs.33,000
Commission	Nil	Nil	Nil
Others please specify (Conveyance)	Nil	Rs.7,200	Rs.7,200

#### II Penalties / Punishment / Compounding of offences

Type	Section of Companies Act	Brief Description	Details of penalty Punishment / Compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made If any (Give details)
Penalty					
Punishment					
Compounding					
C OTHER OFFICERS IN DEFAULT			NIL		
Penalty					
Punishment					
Compounding					

# **EL FORGE LIMITED**

## **ANNEXURE G TO THE DIRECTORS' REPORT**

### **SECRETARIAL AUDIT REPORT**

#### **FOR THE FINANCIAL YEAR ENDED 31.03.2016**

(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014

To

#### **The Members**

#### **El Forge Limited**

I have conducted the Secretarial Audit of the Compliance of applicable statutory provisions and the adherence to good Corporate practices by M/s.El Forge Limited, CIN L34103TN1934PLC000669 ("the Company") Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit. I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31<sup>st</sup> March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper board processes and compliance mechanism in place to the extent, I the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Company for the financial year ended 31<sup>st</sup> March, 2016 according to the provisions of

1. The Companies Act 2013(the Act) and the rules made thereunder;
2. The securities contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder.
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder
5. The following regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act')
  - a) The Securities and Exchange Board of India(substantial Acquisition of Shares and Takeovers) Regulations 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Scheme and Employee Stock Purchase Scheme) Guidelines 1999;
  - e) The Securities and Exchange Board of India (Issue and List of Debt Securities) Regulations 2008.
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents ) Regulations, 1993 regarding the Companies Act dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations 2009

## **EL FORGE LIMITED**

6. The Securities and Exchange Board of India (Buyback of Securities) Regulations 1998. The other laws as may be applicable specifically to the Company are: Based on the reports of the heads of the Department of Factories located at Appur and the compliance reports made by the Occupier of the factories submitted to the Board of Directors of the Company, I report that the Company has substantially complied with the provisions of those Acts that are applicable to Companies having factories which manufacture Automobile Parts , The Petroleum Act, Environmental Protection Act 1986, other laws related to maintenance of Factories, Laws related to Human resources including Employees Provident Fund Act, Employees State Insurance Act. Based on the information, explanations and management representation, the Company has substantially complied with the Tax Laws applicable to the Company.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standard on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India (ICSI)
- (ii) The Listing Agreements entered into by the Company with the Stock Exchange(s) namely BSE

During the period under review, the Company has complied with provisions of Act, Rules, Regulations, Listing Agreement with Stock Exchanges, Guidelines, Standards etc. mentioned above, subject to the following observations:

I further report that

- 1. The Board of Directors of the Company is duly constituted with 2 Executive Directors and 2 Non Executive Directors. The changes in the composition of the Board of Directors, that took place during the period under review were carried out in compliance with the provisions of the Act.
- 2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda terms before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members, views are captured and recorded as part of the minutes.
- 3 I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**Date : 10.08.2016**  
**Place : Chennai**

**Name of Company Secretary in Practice : B.Venkatalakshmi**  
**ACS/FCS No. 677 CP No. CP1005**

## EL FORGE LIMITED

### **Independent Auditor's Report on the Financial Statement (Standalone)**

**To the Members of EL Forge Limited [CIN: L34103TN1934PLC000669]**

**01. Financial Statements, their period, etc.,**

We have audited the accompanying standalone Financial Statements of EL Forge Limited ('the Company') which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year ended 31st March, 2016 and a summary of significant accounting policies and other explanatory information.

**02. Management's Responsibility for the Standalone Financial Statements**

The Board of Directors of the Company is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**03. Auditor's Responsibility**

(01) Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

(02) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

(03) We believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for our audit opinion.

**04. Appointment, Terms of appointment of auditors, etc.**

(01) The Company has constituted Audit Committee. Among other responsibilities/ matters, the Audit Committee shall recommend the appointment of auditors, terms of appointment, remuneration, etc. The company is not having any independent directors in the Board, during the material time of appointment of auditors (for

## EL FORGE LIMITED

auditing the accounts of the current Financial Year) and the subsequent period. Hence, the company is not in position to have an independent director in the Audit Committee, as required by Section 177(2) of the Act. Accordingly, the appointment of auditors, remuneration, terms of reference, etc, has been recommended and approved by the audit committee, comprising of no independent director.

- (02) It has been explained to us that the Company has informed to the authorities concerned, regarding the aforesaid fact of not having an independent director in the Board.
- (03) Considering the mandatory compliance, relating to submission of the audited accounts, related report thereon and other related certificates, the aforesaid appointment has been considered by us and accepted by us.
- (04) The entire audited accounts, report, certificates, etc., certified/ issued by us, (in relation to the subject matter of the financial statements) are without prejudice to the generality of above said facts, stated in the this paragraph.

### 05. **Emphasis Matters**

Without qualifying our opinion, we draw the attention to the following

- (01) Item No.11 (Relating to Non-Disclosure of details under Employees Benefit) AS-15 (Reversed) in Note 28 on Financial Statements, Non-Payment of contribution to Employees Gratuity Plan agreed upon with Life Insurance Corporation of India, amounting to Rs. 178.18 Lakh (as at 31-03-2016), amount determined based on the information available with the Company. Further no Actuarial Valuation report has been obtained by the company. Accordingly, the disclosure under AS-15, namely, Employees' Benefit has not been made and no amount has been charged to Statement of Profit & Loss on account of actuarial gain or loss.
- (02) Item No 12 (Relating to Penalty and Interest) in Note 28 on Financial Statements, Interest & penalty leviable, if any, for non remittance of statutory dues, on account of delay / short remittance of statutory dues.
- (03) The deferred revenue expenses and deferred interest amounting to Rs. 332.75 Lakh and Rs.1202.80 Lakh respectively, has not been charged to Statement of Profit and Loss but shown as assets, under the grouping Non-Current Assets, please refer Item No.05 in Note No. 28 on Financial Statements.
- (04) On the basis of our examination and according to the information and explanation given to us, we are of the opinion that the company has defaulted in repayment of dues to various banks, obtained under consortium, during the earlier years and during the current year. A few banks (Assignor) have assigned their loan amounts (Along with their rights, claims, benefits, etc.) to two Asset Reconstruction Companies (ARC'S), invoking the option under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Based on the information available with the company, the amount due to the Assignor has been transferred to and is shown in the respective name of the ARC'S, under the grouping Secured Loans, Long Term Borrowings, or the case maybe, Short Term Borrowings. Accordingly, the company has not shown the amount defaulted to Assignor, just before assignment, under the Note No.04 (01) (e), on Financial Statements, regarding default of the Loan and other related details. However, the amount due to the remaining banks continues to be shown and the amount defaulted is Rs. 1173.87 Lakh and Rs 925.33 Lakh, towards principal and interest (including the accrued interest not provided for in the books) respectively, as at 31.03.2016.

## EL FORGE LIMITED

- (05) A few creditors have filed cases against the company, before the Honourable Madras High Court, under Section 433, of the Companies Act, 1956, for winding up of the company. The company has taken up the matter; and it has been explained that company has been contesting the case and/ or following directions given by the Honourable Madras High Court.
  - (06) Shakespeare Forgings Ltd (SFL), a company incorporated in United Kingdom (UK) was a wholly owned subsidiary (WOS) of the Company, up to February 2, 2015. During the Financial Year 2014-15, SFL has ceased to be 100% foreign subsidiary from February 2015 and has become as Associate Company (in UK) concern within the meaning of the Companies Act 2013. As explained and informed to us, due to the change in strategy of SFL, The company is not taking part in any of affairs or management of SFL. Accordingly, during the current year under report, SFL ceased to be an Associate Company, within the meaning of the Companies Act, 2013. In the opinion of the management of the Company, consolidation of the financial of SFL with the financial of the company is not applicable. We also invite your attention to Item No.17 in Note No.28 on Financial Statements
  - (07) Item No.06 of Note No.28 on the Financial Statements, relating to diminution in the value of Investments made by the company, the quantum of which is not ascertained.
  - (08) The company has paid all the fixed deposits which have matured and claimed; but the company has not paid the Fixed Deposits matured but not claimed. The amount of such deposits works out to Rs 90.90 Lakh, as at 31-03-2016; since the amount is due for payment, the same has been included and/ or shown under the grouping Current Liabilities.
  - (09) As per section 138 of Companies Act 2013 read with Rule 13 of Companies (Accounts) Rules, 2014, certain classes of companies are required to appoint Internal Auditors. Accordingly, every listed company should appoint internal auditors [Rule 13(1)(a) of Companies (Accounts) Rules, 2014 ]. The company, being a listed company, has not appointed any internal auditors, for carrying out internal audit, relating to the current financial year.
  - (10) As said at the beginning of the paragraph, we have not qualified or modified our opinion on the aforesaid matters, including their impacts, on the Financial Statements.
06. **Basis for Qualification of Opinion:**
- (01) Going Concern:
    - (a) The Company's operating results has been materially affected due to various factors during earlier years and also during the current financial year ended 31st March, 2016, under report, and the Company has huge accumulated losses as on the aforesaid date, which has eroded the entire net worth of the company. Accordingly, the appropriateness of the going concern assumption is dependent on the Company's ability to establish consistent profitable operations as well as raising, obtaining or infusing adequate/ required fund to meet its short term and long term obligations.
    - (b) At the end of the Financial Year 2015-16, net worth of the company has been totally eroded and become negative of an amount of minus Rs.6617.26 Lakh [ (01) after excluding amount of (a) Rs.1219.03 Lakh Capital Reserve (created while converting the fixed assets (Land) into stock in-

## EL FORGE LIMITED

trade); (b) Rs.1535.56 Lakh, relating to Deferred Interest and Deferred Revenue Expenses, shown as non-Current Assets].

- (c) Further, the Company's Current Liabilities (as at 31st March, 2016) have also exceeded its Current Assets by an amount of Rs. 6558.54 Lakh. These factors also raise doubts about the ability of the Company to continue as a going concern.
- (d) In case the going concern concept is vitiated, necessary adjustments will be required on the carrying amount of Assets and Liabilities (as at 31st March, 2016) which are not ascertainable, at this stage.

### (02) Change in the Method of accounting

- (a) With effect from the Financial Year 2013-14, the company has changed the method of accounting of Interest on Bank Borrowings (both short term and long term borrowings) from mercantile method to cash method. Accordingly, an amount of Interest (as determined by the management, based on the information available with them, and relied upon by the auditors) of Rs.1751.96 Lakh, relating to Financial Year under report, has not been provided in the books of account and the same has not been charged as an expense in the Statement of Profit and Loss Account for the Financial Year under report.
- (b) Had the aforesaid interest been provided, as per the earlier method of accounting, consistently followed by the company, the operating loss, for the year under report, would have been more by an amount of Rs.1751.96 Lakh and the Net worth, as at March 2016, of the company would have been less by an amount (or in other words, the minus figure of the net worth would be more by the amount of Rs.4393.78 Lakh after taking into account the arrears of interest not provided till the end of the previous financial year amounting to Rs. 2641.82 Lakh.
- (c) In our opinion, the method of accounting of the aforesaid Bank Interest, is not in accordance with the provisions of Sections 128, 129 and 134 of the Companies Act, 2013 read with Companies (Accounts) Rules 2014.

### 07. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, the Loss for the year ended on that date and the cash flows for the year ended on that date.

### 08. Reason for Qualification

As required by Section 143(4) of the Companies Act, 2013, we give following reasons for the qualification (i.e., modified opinion) made by us on the aforesaid financial Statements.

#### (01) Regarding Going Concern

- (a) The company has been incurring loss for many immediately preceding financial years, and has huge accumulated loss at the end of the Financial Year under report. The net worth of the company has become negative. The company is not in a position to meet its financial obligations, both short term and long term.

## EL FORGE LIMITED

- (b) Accordingly, we are of the view that preparing the financial statements on going concern basis may not be fair. Hence, we have qualified the same. However, we are not in a position to quantify the same, since the impact of the above could not be ascertainable as on the date.
- (02) Regarding change in the accounting method:
  - (a) Section 128(1) of the Companies Act, 2013 requires that books of account of a company should be kept on accrual basis and according to the double entry system of accounting.
  - (b) Section 134(2)(c) and Section 134(5) of the Companies Act, 2013 cast a responsibility on the Board to include, in the Directors' Report, among other matter, "Directors' Responsibility Statement", in relating to the Financial Statements. Accordingly, selection of the method of accounting (including changing one method to another method) and following such methods, adopting proper accounting policies and procedures are the primary responsibility of the management of the company.
  - (c) Considering the statutory obligation rest with the Management of the Company, the reason advanced by the management in the above regard has been considered by us and included in the following paragraphs, regarding the change in the method of accounting.
  - (d) In continuation of the above, the company has not paid any amount towards Bank Interest from the earlier financial year 2013-14, since the company has acute financial constraints, in meeting its short term and long term obligations; accordingly the company has not charged any interest (Expenses) on the bank borrowings (both Long Term and Short Term) obtained from the banks. Considering the overall level of the financial position of the Company, during the financial year 2013-14, and as a prudent measure, the company decided to change method of accounting of expenses (Interest on bank borrowings) from Mercantile Method (Accrual Basis) to Cash Method (Cash Basis), with effect from the Financial Year 2013-14 and continued the same for the current financial year 2015-16 also.
  - (e) In our opinion, the above practice is not in accordance with the provisions of the Companies Act 2013. Hence, we have qualified the same together with the amount involved thereof.
- 09. **Report on other Legal and Regulatory Requirements**
  - (01) As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, 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-01 Statement on the Matters specified in paragraphs 3 of the said Order, to the extent applicable, to the company for the year under report together and wherever our report contains any answer to any of the questions referred to in paragraph 3 of the aforesaid Order is unfavourable or qualified, we state the basis for such unfavourable or qualified answer, as the case may be; and wherever we are unable to express any opinion on any specified matter, our report indicates such fact together with the reasons as to why it is not possible for us to give our opinion on the same.
  - (02) As required by Section 143(3) of the Act, we report that:
    - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.



## EL FORGE LIMITED

- (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from my examination of those books.
- (c) The report on the accounts of the branch offices, as required by clause (c) of sub-section (8) of section 143 of the Act, is not applicable for the year under report, since Company has not appointed any branch auditor, to audit the branch accounts, and accordingly dealing with the report of Branch Auditors, in preparing our report does not arise;
- (d) The Balance Sheet and the Statement of Profit and Loss dealt with by this Report are in agreement with the books of account.
- (e) Subject to the our observations, in the aforesaid paragraph, relating to basis for qualified opinion, in our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (f) On the basis of written representations received from the directors as on 31-03-2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31-03-2016, from being appointed as a director in terms of Section 164(2) of the Act.
- (g) As required by Clause (i) of Sub-section 3 of Section 143 of the Act, with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we enclose a separate report in the Annexure-02; and
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us,
  - (A) The company has disclosed the impact of all the pending litigations on its financial position in its financial statement; please refer Item No.03 and 14 of Note No.28 on Financial Statements
  - (B) The company does not have any long term contracts including derivative contracts, which will have foreseeable material loss;
  - (C) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company, except in the case of the Financial Year 2007-08, amounting to Rs.3.74 Lakh; please refer Item No 15 of Note No.28 on Financial Statements, relating to Investor Education and Protection Fund.

For P. Rajagopalan & Co  
Chartered Accountants  
Regn No. of the Firm: 003408S

Place: Chennai  
Date: 26-05-2016

R.VENKATESH  
Partner  
MNo:028368

# EL FORGE LIMITED

## Independent Auditor's Report on the Financial Statements (Standard alone), Continued

Addressed to the Members of El Forge Limited, CIN: L34103TN1934PLC000669)

Annexure-01 of Statement on the Matters specified in Paragraphs 3 of the Order

[Referred in Paragraph 08(01) of the aforesaid Auditors' Report]

### 01. Clause 3(i) of the Order, relating to Fixed Assets

- (01) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (02) The Management has the policy of physical verification of fixed assets once in every year, which is, in our opinion, reasonable intervals, considering the nature of fixed assets and size of the company. Accordingly, the Management has carried out physical verification of these fixed assets during the last month of the financial year under report;
- (03) No material discrepancies were noticed by the Management on such physical verification;
- (04) Considering the observations made in the aforesaid sub-paragraph, the remaining part of the Clause of the Order, relating to "Whether the same (i.e., material discrepancies) have been properly dealt with in the books of account" is not applicable to the Company for the year under report; and accordingly, we have not made any observation thereon; and
- (05) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company; but it has been explained that the title deeds of the immovable property have been mortgaged with the Banks/ Financial Institutions, etc., (or other Agencies, namely Assets Reconstruction Company, through assignment in terms of under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) for securing the borrowings and loan raised by the company; accordingly, the same was not in possession of the company.

### 02. Clause 3(ii) of the Order, relating to Inventory

- (01) The Management has the policy of physical verification of Inventories once in every year, which is, in our opinion, a reasonable interval, considering the nature of inventories, volume of the inventories, nature of business and size of the Company. Accordingly, the Management has carried out physical verification of these inventories during the last month of the financial year under report;
- (02) In our opinion, 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;
- (03) No material discrepancies were noticed by the Management on such physical verification; and
- (04) Considering the observations made in the aforesaid sub-paragraph, the remaining part of the Clause of the Order, relating to "Whether the same (i.e., material discrepancies) have been properly dealt with in the books of account" is not applicable to the Company for the year under report and accordingly, we have not made any observation thereon.

### 03. Clause 3(iii) of the Order, relating to Loans Granted

- (01) During the year under report, the Company has not granted, [ no loan previously given has been outstanding, at the end of the financial year ] any loan, secured or unsecured, companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (02) Considering the observations made in the aforesaid sub-paragraph, the remaining part of the Clause of the Order, given below, is not applicable to the Company for the year under report.
  - (a) Whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;
  - (b) Whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;
  - (c) If the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;
- (03) Accordingly, we have not made any observation, relating to the above.

### 04. Clause 3(iv) of the Order, relating to loans, investments, guarantees, and security

- (01) Compliance of Section 185 of the Act (Loan to directors, etc.):

## EL FORGE LIMITED

- (a) Based on verification, as per the information and explanations given to us, the Company has not given any loan to any directors of the company.
- (b) Accordingly, we have not made any observation on the compliance of the aforesaid section.
- (02) Compliance of Section 186 of the Act 2013 (Loans, investments, guarantees, and security)
  - (a) Relating to the Current Financial Year:
    - (A) The Company has not (i) given any loan to any person or other body corporate, (ii) given any guarantee or provide security in connection with a loan to any other body corporate or person, and (iii) acquired by way of subscription, purchase or otherwise, the securities of any other body corporate, during the year;
    - (B) In view of the above, the provisions of section 186 of the Act are not applicable to the Company for the year under report; accordingly, we have not made any observation on the compliance of the aforesaid section
  - (b) Relating to the earlier financial years:
 

The company has given a guarantee, much earlier to the 12-09-2013, the date from which Section 186 of the Companies Act, 2013 has come into force for loans taken by a domestic company from its banker. The domestic company is not in a position to repay the loan amount to its Banker. Their Banker issued notice under the provisions of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Considering the aforesaid facts, in our opinion, the guarantee given is prejudicial to the interest of the company.
  - (c) Audit Committee
 

As per Section 177(4)(iv) of the Act, the Audit Committee shall, among other matters, scrutiny of inter-corporate loans and investments. Since the company is not having any independent directors in the Board, the Audit Committee does not have any independent Director, as required by Section 177(2) of the Act. Accordingly, we refrain ourselves from expressing any opinion on the above.
- 05. **Clause 3(v) of the Order, relating to Deposits**
  - (01) In our opinion and according to the information and explanations given to us, the Company has not accepted or renewed deposit from the public to which the directives issued by the Reserve bank of India, provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975 are applicable.
  - (02) The company has paid all the fixed deposits which have been matured and claimed; but the company has not paid the Fixed Deposits matured but not claimed. The amount of such unclaimed deposits works out to Rs 90.90 Lakh, as at 31-03-2016; since the amount is due for payment the same has been included and/ or shown under the under the grouping Current Liabilities in the Balance Sheet.
  - (03) The company has not made any amount as are required to be kept as liquid assets in respect of public deposit, since they are due now and not going to mature in the ensuing financial year.
  - (04) It has been explained to us that no order (not the CARO-Order, referred by us) has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal; accordingly, the remaining part of the sub-clause of the aforesaid Clause of the Order, namely "Whether the same (order) has been complied with or not?" is not applicable for the financial year under report.
  - (05) As required by Paragraph 4 of the order, we give reason for our unfavourable or qualified remarks (Answers), as follows:
 

The company has not repaid the amount of deposits outstanding and fallen due, but remained unclaimed. Hence, we have qualified the same together with the amount remaining unpaid.

## EL FORGE LIMITED

**06. Clause 3(vi) of the Order, relating to Cost Records**

The company has maintained pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013. We have broadly reviewed the aforesaid cost records, maintained by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

**07. Clause 3(vii) of the Order, relating to Statutory Dues**

- (01) 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. 314.93 Lakh 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 required by Paragraph 4 of the order, we give reason for our unfavourable or qualified remarks (Answers):  
Since the company has not paid the undisputed statutory dues, even though they are due, we have qualified the same together with the amount, as per the aforesaid clause of the Order.
- (03) As at the end of the financial period under report, no undisputed amount of income tax / sales tax / Wealth tax / Service Tax / Custom duty / Excise duty / Cess has been outstanding except those, given below:

Sl. No	Nature of the Statue	Nature of the dues	Amount (Rs. In Lacs)	Year to which the amounts relates	Forum where dispute is pending
1	ESI	ESI Contribution	2.08	Year – 2001	Employees Insurance court, Chennai
2	Income Tax	Income Tax Demand	0.03	Assessment Year 2004 – 05	CIT Appeals, Chennai
3	Income Tax	Income Tax Demand	75.60	Assessment Year 2007 – 08	CIT Appeals, Chennai
4	The Service Tax	Service Excise Demand	4.89	2006 – 08 to 2008 – 09	Commissioner Appeals of Central Excise & Service Tax, Chennai
5	The Central Excise	Excise Demand	1.47	2003 – 04 to 2006 -07	Commissioner of Central Excise Chennai IV Commissionerate
6	The Central Excise	Excise Demand	1.72	2002 to 2005	Customs, Excise and Service Tax Appellate Tribunal
7	The Central Excise	Excise Demand	5.23	2008 – 09 to 2012 – 13	Additional Commissioner of Central Excise Div. appeal Chennai III
8	The Central Excise	Excise Demand	8.49	2007 – 08	Assistance commissioner of Central Excise Chennai III

**08. Clause 3(viii) of the Order, relating to Repayment of Loans**

- (01) Out of consortium of banks, a few banks (Assignor) have assigned their loan amounts (Along with their rights, claims, benefits, etc.) to two Assets Restructuring Companies (ARC), invoking the option under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Based on the information available with the company, the amount due to the Assignor has been transferred to and shown in the respective name of the ARC. Accordingly, the amount assigned by the Assignor, no longer appears in the name of the bank; these amount have been excluded for the purpose of this clause;
- (02) In continuation of the above, based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has defaulted in repayment of dues to financial institutions / banks amounting to Rs 1173.87 Lakh and Rs. 925.33 Lakh (including the interest accrued but not provided in the books of accounts) towards principal and interest respectively as at 31.03.2016

## EL FORGE LIMITED

- (03) As required by Paragraph 4 of the Order, we give reason for our unfavourable or qualified remarks (Answers):  
As per the information and explanations given to us, the company has not entered into any agreement with ARC, hence it is not possible to classify the amount, in terms of the requirement of Schedule III to the Companies Act, 2013. Hence, the aforesaid observation.
- 09. Clause 3(ix) of the Order, relating to application of Term Loan**
- (01) Out of consortium of banks, a few banks (Assignor) have assigned their loan amounts (Along with their rights, claims, benefits, etc.) to two Assets Restructuring Companies (ARC), invoking the option under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Based on the information available with the company, the amount due to the Assignor has been transferred to and is shown in the respective name of the ARC. Accordingly, the amount assigned by the Assignor, no longer appears in the name of the bank; these amounts have been excluded for the purpose of this clause;
- (02) Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has defaulted in repayment of dues to financial institutions / banks amounting to Rs 1173.87 Lakh and Rs. 925.33 Lakh (including interest accrued but not provided for in the books of account) towards principal and interest respectively as at 31.03.2016
- 10. Clause 3(x) of the Order, relating to Fraud**  
Based on the examination of the books of account and the information and explanations/ representation given to us, no fraud on or by the company has been noticed or reported during the year under report; accordingly, remaining part of the Clause of the Order relating to "the nature and the amount involved is to be indicated" is not applicable to the company for the year under report; and accordingly, we have not made any observation, relating to the above.
- 11. Clause 3(xi) of the Order, relating to managerial remuneration**  
The managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- 12. Clause 3(xii) of the Order, Nidhi Company**
- (01) In our opinion, the Company is not carrying out any activities resulting in Nidhi, accordingly reporting of certain matters, under the clause, 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 maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability", are not applicable to company for the financial year under report.
- (02) In view of the above, we have not reported the details of default/ reason / delay and subsequent rectification, if any.
- 13. Clause 3(xiii) of the Order, Related Party Transactions, in compliance with sections 177 and 188 of Act**
- (01) Compliance of Section 177 of the Act (Relating to Audit Committee)
- (a) The provisions Section 177 of the Act, read with Rule 6 of Companies (Meetings of Board and its powers) Rules, 2014, shall apply to listed companies. As per the Section 177(2) of the Act, the Audit Committee shall comprise of at least one Independent Director; however, the company does not have any independent director, in the Audit Committee. Hence, it is not possible for us to give our observation relating to compliance.
- (b) As required by Paragraph 4 of the Order, we give reason for our unfavourable or qualified remarks (Answers):  
As per the Section 177(2) of the Act, the composition of the Audit Committee shall have at least one independent director. No independent Director has been in the audit committee, during the financial year under report. So it is not possible for us to comment on the disposition of matters prescribed under Sub-Sections 4, 5, 6, 7 and 8 of section 177 of the Act. Hence, we have given the aforesaid observation.
- (02) Compliance of Section 188 of the Act (Relating to Related Party Transactions)
- (a) The provisions Section 177 of the Act, read with Companies (Meetings of Board and its powers) Rules, 2014, shall apply to all listed companies. Since the Company is a listed company, the provisions of the Section 177 shall apply to the Company for the Financial Year under report. As per the Section 177(2) of the Act, the Audit Committee shall comprise of at least one Independent Director; however, the company does not have any

## EL FORGE LIMITED

independent director, in the Audit Committee, during the Financial Year under report. As per Section 177(4)(iv) of the Act, the Audit Committee shall, inter alia, approval (including any subsequent modification thereof) transactions of the company with related parties; since the Audit Committee did not have any Independent Director, during the Financial Year under report, it is not possible for us to give our observation relating to compliance.

- (c) As required by Paragraph 4 of the Order, we give reason for our unfavourable or qualified remarks (Answers):  
As per the Section 177(2) of the Companies Act, 2013, the composition of the Audit Committee shall have at least one independent director. No independent Director has been in the audit committee, during the financial year under report. So it is not possible for us to comment on the disposition of matters prescribed under section 177(4)(iv) [relating to approval (including any subsequent modification thereof) transactions of the company with related parties] of the Act. Hence, we have given the aforesaid observation

**14. Clause 4(xiv) of the Order, relating to Preferential Allotment**

The company has not made any preferential allotment of shares or private placement of shares or fully or partly convertible debentures during the year under report; accordingly, we have not reported on the compliance with requirement of Section 42 of the Act, and the amount raised have been used for the purposes for which the funds were raised. The remaining part of the Clause, namely "providing the details in respect of the amount involved and nature of non-compliance" is not applicable to the Company for the year under report.

**15. Clause 4(xv) of the Order, relating to Non-Cash Transactions**

During the financial year under report, the company has not entered into any non-cash transactions with directors or persons connected with him; accordingly, reporting on the matters, namely, "Whether the provisions of section 192 of Companies Act, 2013 have been complied with" is not applicable to the company for the financial year under report;

**16. Clause 4(xvi) of the Order, relating to registration under section 45-IA of the Reserve Bank of India Act, 1934**

During the financial year under report, the Company is not falling under the category or definition of a "Non-Banking Financial Company", as defined under Clause (f) of Section 45-I of Reserve Bank of India Act, 1934. Accordingly, in my opinion, company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. In view of the above, I have not stated, anything relating to "obtaining of the registration from the authorities concerned, as required by Section 45-IA of Reserve Bank of India Act, 1934".

For P. Rajagopalan & Co  
Chartered Accountants  
Regn No. of the Firm: 003408S

R.VENKATESH  
Partner  
MNo:028368

Place: Chennai  
Date: 26-05-2016

## EL FORGE LIMITED

### **Independent Auditor's Report on the Financial Statements (Standard alone), Continued**

**(Addressed to the Members of El Forge Limited, CIN: L34103TN1934PLC000669)**

Annexure-02 of Report on the Internal Financial Controls [Section 143(3)(i) the Companies Act, 2013], (Referred in Paragraph 08(02)(g) of the aforesaid Auditors' Report)

#### **01. Financial Statements, Period, etc.**

We have audited the Internal Financial Controls over Financial Reporting of El Forge Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **02. Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **03. Auditors' Responsibility**

(01) Our responsibility is to express an opinion on the Company's Internal Financial Controls over Financial Reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of Internal Financial Controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal Financial Controls over Financial Reporting was established and maintained and if such controls operated effectively in all material respects.

(02) Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of Internal Financial Controls over Financial Reporting included obtaining an understanding of Internal Financial Controls over Financial Reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

(03) We believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's Internal Financial Controls system over Financial Reporting.

#### **04. Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(01) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(02) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(03) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **05. Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the

## EL FORGE LIMITED

risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**06. Emphasis Matters**

Without qualifying our opinion, we draw the attention to the following

- (01) The provisions Section 177 of the Act, read with Companies (Meetings of Board and its powers) Rules, 2014, shall apply to all listed companies. Since the Company is a listed company, the provisions of the Section 177 shall to the Company for the Financial Year under report. As per the Section 177(2) of the Act, the Audit Committee shall comprise of at least one Independent Director; however, the company does not have any independent director, in the Audit Committee, during the Financial Year.
- (02) As per Section 177 of the Act, the Audit Committee shall, inter alia, evaluate the Internal Financial Controls and risk management systems [Section 177(4)(vii) of the Act]; Since the Audit Committee did not have any Independent Director, during the year under report, it is not possible for us to examine the evaluation of internal financial controls and risk management systems made by the Audit Committee.

**07. Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For P. Rajagopalan & Co  
Chartered Accountants  
Regn No. of the Firm: 003408S

R.VENKATESH  
Partner  
MNo:028368

Place: Chennai  
Date: 26-05-2016



**BALANCE SHEET AS AT 31st MARCH 2016(STANDALONE)**

SI.PARTICULARS No.	Note No.	As at 31st March 2016	As at 31st March 2015	(Rs. in Lakhs)
<b>I.EQUITY AND LIABILITIES</b>				
<b>1.Shareholders' funds</b>				
(a) Share Capital	1	3,243.55	3,243.55	
(b) Reserves and Surplus	2	(7,106.22)	(5,498.88)	
		<b>(3,862.67)</b>		<b>(2,255.33)</b>
<b>2.Share application money pending allotment</b>	<b>3</b>	<b>-</b>	<b>-</b>	
<b>3.Non- current liabilities</b>				
(a) Long-term borrowings	4	7,439.93	7,830.54	
(b) Deferred Tax liabilities (Net)		-	-	
(c) Other Long term liabilities		-	-	
		<b>7,439.93</b>		<b>7,830.54</b>
<b>4.Current Liabilities</b>				
(a) Short term borrowings	5	5,006.44	5,142.68	
(b) Trade payables	6	2,498.94	2,518.43	
(c) Other current liabilities	7	3,181.50	2,579.79	
(d) Short term provisions	8	22.57	22.57	
		<b>10,709.45</b>		<b>10,263.47</b>
<b>TOTAL</b>		<b>14,286.71</b>		<b>15,838.68</b>
<b>II.ASSETS</b>				
<b>1.Non-current assets</b>				
(a) Fixed assets				
(i) Tangible assets	9	7,821.02	8,977.44	
(ii) Intangible assets				
(iii) Capital work-in-progress		302.28	304.09	
(iv) Intangible assets under development				
(b) Non-current investments	10	385.26	392.76	
(c) Deferred tax assets (net)				
(d) Long-term loans and advances	11	21.45	19.10	
(e) Other non-current assets	12	1,605.79	1,605.36	
		<b>10,135.80</b>		<b>11,298.75</b>
<b>2.Current assets</b>				
(a) Current investments				
(b) Inventories	13	864.69	1,172.60	
(c) Stock in trade (Land)	14	1,131.16	1,131.16	
(d) Trade receivables	15	1,312.09	1,506.13	
(e) Cash and Bank Balances	16	5.56	12.19	
(f) Short-term loans and advances	17	344.41	330.97	
(g) Other current assets	18	493.00	386.88	
		<b>4,150.91</b>		<b>4,539.93</b>
<b>TOTAL</b>		<b>14,286.71</b>		<b>15,838.68</b>

As per our annexed report

For P.Rajagopalan & Co.,  
Chartered Accountant  
Reg No. of the Firm: 003408S

R. Venkatesh  
Partner  
MNo: 028368

Place: Chennai  
Date: 26-05-2016

R. Sowmithri  
Executive Director &  
Company Secretary  
DIN 00280988

On behalf of Board

V. Srikanth  
Chairman  
DIN 00076856

K. V. Ramachandran  
Vice Chairman &  
Managing Director  
DIN 00322331

Place: Chennai  
Date: 26-05-2016

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st March 2016(STANDALONE)**

			Rs. In Lacs	
Sl. No.	PARTICULARS	Note No.	2015-16	2014-15
I	Revenue from operations	19	3,876.72	5,374.66
II	Other Income	20	410.31	21.04
III	<b>Total Revenue (I + II)</b>		<b>4,287.03</b>	<b>5,395.70</b>
IV	Expenses			
	a)Cost of Materials Consumed	21	2,247.71	2,995.85
	b)Changes in inventories of finished goods, work in progress and Stock-in- trade	22	147.92	45.36
	c)Employee benefits expense	23	782.86	1,015.98
	d)Finance Costs	24	128.88	135.17
	e)Depreciation and amortization expense		954.48	973.84
	f)Other expense	25	1,092.27	1,895.05
	<b>Total Expense (a to f)</b>		<b>5,354.12</b>	<b>7,061.26</b>
V	Profit before exceptional and   extraordinary items and tax (III-IV)		<b>(1,067.09)</b>	<b>(1,665.56)</b>
VI	Add: Exceptional Items Income (Expenses)		(540.25)	(111.48)
VII.	Profit before tax (V-VI)		<b>(1,607.34)</b>	<b>(1,777.04)</b>
VIII	<b>Tax expense:</b>			
	(1) Current tax		0.00	0.00
	(2) Prior period tax provision		0.00	0.00
	<b>Total</b>		<b>0.00</b>	<b>0.00</b>
IX	Profit/(Loss) for the year (VII - VIII)		<b>(1,607.34)</b>	<b>(1,777.04)</b>
X	<b>Earnings per equity share(of Rs.10each):</b>			
	(1) Basic (Rs)		-7.91	-8.74
	(2) Diluted (Rs)		-7.91	-8.74

As per our annexed report

For P.Rajagopalan & Co.,  
Chartered Accountant  
Reg No. of the Firm: 003408S

R. Venkatesh  
Partner  
MNo: 028368

Place: Chennai  
Date: 26-05-2016

R. Sowmithri  
Executive Director &  
Company Secretary  
DIN 00280988

**On behalf of Board**

V. Srikanth  
Chairman  
DIN 00076856

K. V. Ramachandran  
Vice Chairman &  
Managing Director  
DIN 00322331

Place: Chennai  
Date: 26-05-2016

**Notes on Financial Statements relating to the Financial Year 2015-16**

**(Rs. In Lakh)**

<b>Sl.</b>	<b>Particulars</b>	<b>As at 31-03-2016</b>	<b>As at 31-03-2015</b>
<b>01</b>	<b>Share Capital :</b>		
<b>(01)</b>	<b>Authorised Share Capital</b>		
	(a) Equity Share Capital		
	(A) Number of Equity Shares	26,000,000	26,000,000
	(B) Face Value per Equity Share (in Rs.)	10	10
	(C) Total Amount of Authorised Equity Share Capital	2,600.00	2,600.00
	(b) Preference Share Capital		
	(A) Number of Preference Share	1,300,000	1,300,000
	(B) Face Value per Preference Share (in Rs.)	100	100
	(C) Total Amount of Authorised Preference Share Capital	1,300.00	1,300.00
	(c) Summary Authorised Share Capital		
	(A) Equity Share Capital	2,600.00	2,600.00
	(B) Preference Share Capital	1,300.00	1,300.00
	(C) Total	3,900.00	3,900.00
<b>(02)</b>	<b>Issued,subscribed and Fully Paid up</b>		
	(a) Equity Share Capital		
	(A) Number of Equity Shares	20,324,304	20,324,304
	(B) Face Value per Equity Share (in Rs.)	10	10
	(C) Total Amount of paid up Equity Share Capital	2,032.43	2,032.43
	(b) Preference Share Capital		
	(A) Number of Preference Share	1,211,123	1,211,123
	(B) Face Value per Preference Share (in Rs.)	100	100
	(C) Total Amount of Paid up Preference Share Capital	1,211.12	1,211.12
	(c) Summary Issued, subscribed & Paid up Capital (in Rs.)		
	(A) Equity Share Capital	2,032.43	2,032.43
	(B) Preference Share Capital	1,211.12	1,211.12
	<b>(C) Total</b>	<b>3,243.55</b>	<b>3,243.55</b>
<b>(03)</b>	<b>Share Reconciliation (Shares in Numbers)</b>		
	(a) Equity Share of Rs.10/= each (in No.)		
	(A) No. of shares at the beginning	20,324,304	20,324,304
	(B) No. of shares issued during the year/ period		
	(C) Sub-Total	20,324,304	20,324,304
	(D) Less: Adjusted/ Redeemed/ Buyback		
	(E) Closing Balance	20,324,304	20,324,304
	(b) Preference Share of Rs. 100/= Each (in No.)		
	(A) No. of shares at the beginning	1,211,123	1,211,123
	(B) No. of shares issued during the year/ period		
	(C) Sub-Total	1,211,123	1,211,123
	(D) Less: Adjusted/ Redeemed/ Buyback		
	(E) Closing Balance	1,211,123	1,211,123

**Notes on Financial Statements relating to the Financial Year 2015-16**

**(Rs. In Lakh)**

<b>Sl.</b>	<b>Particulars</b>	<b>As at 31-03-2016</b>	<b>As at 31-03-2015</b>
<b>(04)</b>	<b>Shareholding more than 5%</b>		
	(a) Equity Shares		
	(A) Chendur Forgings Ltd		
	(i) No. Equity Shares	7,065,006	7,065,006
	(ii) Percentage	34.76%	34.76%
	(B) Prime broking Company India Limited.		
	(i) No. Equity Shares	1347287	1347287
	(ii) Percentage	6.63%	6.63%
	(b) Preference Shares		
	(A) State Bank of India (No of shares & %)	545931 & 45.08%	545931 & 45.08%
	(B) Axis Bank Ltd (No of shares & %)	307206 & 25.37%	307206 & 25.37%
	(C) Union Bank of India (No of shares & %)	108202 & 8.93%	108202 & 8.93%
	(D) Export & Import Bank of India (No of shares & % )	209817 & 17.32%	209817 & 17.32%
	(E) IDBI (No of shares & % )	39967 & 3.30%	39967 & 3.30%
<b>(05)</b>	<b>Conversion of Preference shares to Equity Shares</b>		
	(a) Purely at the option of the bank		
	(b) Extent of option: either fully or partly		
<b>(06)</b>	<b>Redemption of Preference shares</b>		
	(A) on 01-04-2016	one third	one third
	(B) on 01-04-2017	one third	one third
	(C) on 01-04-2018	one third	one third
<b>(07)</b>	<b>Other details</b>		
	(a) Equity Shares allotted for acquisition of Shakespeare Forgings Limited, UK*		
	(i) Total	1,265,329.00	1,265,329.00
	(ii) For consideration other than cash	50,329.00	50,329.00
	(iii) For cash	1,215,000.00	1,215,000.00

\* a subsidiary at the time of acquisition but ceased to be a subsidiary and associate during the Financial Year 2014-15.

**Notes on Financial Statements relating to the Financial Year 2015-16**

(Rs. In Lakh)

Sl. No.	Particulars	As at 31-03-2016	As at 31-03-2015
<b>02.</b>	<b>Reserves &amp; Surplus:</b>		
<b>(01)</b>	<b>Capital Reserves (Share Premium)</b>		
	(a) Opening Balance (Since last Balance Sheet)	2,263.98	2,263.98
	(b) Add: Additions/ Transfers/ Created	0.00	0.00
	(c) Sub-Total	2,263.98	2,263.98
	(d) Less: Utilized/ Adjusted (Right Issue Expenses)	0.00	0.00
	(e) Closing Balance	2,263.98	2,263.98
<b>(02)</b>	<b>Capital Reserves *</b>		
	(a) Opening Balance (Since last Balance Sheet)	1,219.03	1,219.03
	(b) Add: Additions/ Transfers/ Created	0.00	0.00
	(c) Sub-Total	1,219.03	1,219.03
	(d) Less: Transfers/ Utilized/ Adjusted	0.00	0.00
	(e) Closing Balance	1,219.03	1,219.03
<b>(03)</b>	<b>Surplus: Closing Balance of Profit &amp; Loss A/c</b>		
	(a) Opening Balance [ Surplus/ Defecit (-) ]	-8,981.89	-7,134.63
	(b) Add:/ Less Adjustments **	0.00	-70.22
	(c) Sub-Total	-8,981.89	-7,204.85
	(d) Add: Profit/ Loss (-) [Per Statement of Profit & Loss A/c ]	-1,607.34	-1,777.04
	(e) Add: Adjustments General Reserve	0.00	0.00
	(f) Sub-Total	-1,607.34	-1,777.04
	(g) Less: Transfers to general Reserves	0.00	0.00
	(h) Less: Provisions for Dividend	0.00	0.00
	(i) Less: Provisions for Dividend Tax	0.00	0.00
	(j) Closing Balance	-10,589.23	-8,981.89
<b>(04)</b>	<b>Summary of Closing Balance</b>		
	(a) Capital Reserves (Share Premium)	2,263.98	2,263.98
	(b) Capital Reserves (Other than Share Premium)	1,219.03	1,219.03
	(c) Surplus/ Deficit (-)	-10,589.23	-8,981.89
	<b>Total</b>	<b>-7,106.22</b>	<b>-5,498.88</b>
* Fixed Assets (Land) Converted into stock in trade and revalued			
** As per Schedule II to the Companies Act, 2013			
<b>03.</b>	<b>Share Application Money Pending Allotments</b>		
	(01) Amount Pending Allotment	0.00	0.00
<b>04.</b>	<b>Long term Borrowings:</b>		
<b>(01)</b>	<b>Term Loans</b>		
	(a) From Banks		
	(A) Secured	770.04	1,160.65
	(B) Unsecured	0.00	0.00
	(C) Total	770.04	1,160.65
	(b) From Others		
	(A) Due from Related Parties		
	(i) Secured	0.00	0.00
	(ii) Unsecured	0.00	0.00
	(iii) Sub- Total	0.00	0.00

(Rs. In Lakh)

Sl. No.	Particulars	As at 31-03-2016	As at 31-03-2015
(B)	Due from Others(Assets Reconstruction Company)		
	(i) Secured	6,669.89	6,669.89
	(ii) Unsecured	0.00	0.00
	(iii) Sub- Total	6,669.89	6,669.89
	(C) Total		
	(i) From Related Parties	0.00	0.00
	(ii) From Others (Assets Reconstruction Company)	6,669.89	6,669.89
	(iii) Total	6,669.89	6,669.89
	(c) Summary of Term Loans		
	(A) From Banks	770.04	1,160.65
	(B) From Others (Assets Reconstruction Company)	6,669.89	6,669.89
(C)	<b>Total</b>	<b>7,439.93</b>	<b>7,830.54</b>
	(d) Term of repayment of Term Loan(existing bank)		
	(A) During the year 2015-16 *	0.00	0.00
	(B) During the year 2016-17 *	0.00	390.61
	(C) During the year 2017-18	390.61	390.61
	(D) During the year 2018-19	379.43	379.43
	(Repayment scheudle shows only remaining bank loan		
(E)	Default of Repayment of Loans		
(A)	First date of default	01/07/2011	01/07/2011
(B)	Total Amount of Principal defaulted(to banks)	1,173.87	809.30
(C)	Total Amount of interest defaulted(to banks) **	925.33	616.34
(D)	Default continued	Yes	Yes
(E)	Amt defaulted as on the balance sheet date **	2,099.20	1,425.64
(F)	Securities Details		
(A)	Term Loans from Banks & Assets Reconstruction Company (ARC's)		
	a) Pari Passu first charge on all immovable Properties of the Company.		
	b) Pari Passu first charge on all movable fixed assets of the company excluding those movable fixed assets exclusively charged to The Royal Bank of Scotland N.V		
	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.		
	(B) All Term Loans are fully Guaranteed by (1) Chairman		
	(2) Vice Chairman & Managing Director.		
	(C) During the year 2013-14, EXIM Bank & during the year 2014-15, State Bank of India and Union Bank of India have assigned their debts to ARCs.		
	State bank of india to Asset Reconstruction Company (India) limited and EXIM Bank and Union Bank of india to Edelweiss Asset Reconstruction Company Ltd., as a result the debts and security has passed on from Bank to ARCs.		
	Note: * Transferred to Current Liabilities.		
	** Including interest Accrued but not provided in the books.		
(02)	<b>Loans and Advances from Related Parties</b>		
	(a) Secured	0.00	0.00
	(b) Unsecured	0.00	0.00
	Total	0.00	0.00
(03)	<b>Long Term maturities of Financial Obligations</b>		
	(a) Hire Purchase	0.00	0.00
(04)	<b>Summary of Long Term Borrowings</b>		
	(a) Term Loans	7,439.93	7,830.54
	(b) Deposits	0.00	0.00
	(c) Loans and Advances from Related Parties	0.00	0.00
	(d) Long Term maturiries of Financial Obligations	0.00	0.00
	<b>Total</b>	<b>7,439.93</b>	<b>7,830.54</b>
05.	<b>Short Term Borrowings</b>		
	<b>(01) Loans Payable on Demand</b>		
	(a) From Bank		
	(A) Secured	1,674.23	1,679.82
	(B) Unsecured	0.00	0.00
	Total	1,674.23	1,679.82

(Rs. In Lakh)

Sl. No.	Particulars	As at 31-03-2016	As at 31-03-2015
	(b) From Others		
	(A) Secured (Asset Reconstruction Company.)	3,027.21	3,027.21
	(B) Unsecured	0.00	0.00
	Total	3,027.21	3,027.21
	(c) Summary of Loan Payable on Demand		
	(A) From Bank	1,674.23	1,679.82
	(B) From Others	3,027.21	3,027.21
	Total	4,701.44	4,707.03
	<b>(02) Loans and Advances from Related Parties</b>		
	(a) From Related Parties	0.00	5.54
	(b) From Others	0.00	0.00
	Total	0.00	5.54
	<b>(03) Deposits</b>		
	(a) Secured	0.00	0.00
	(b) Unsecured	305.00	430.11
	Total	305.00	430.11
	<b>(04) Summary of Short Term Borrowings</b>		
	(a) Loan Payable on Demand	4,701.44	4,707.03
	(b) Loans and Advances from Related Parties	0.00	5.54
	(c) Deposits	305.00	430.11
	Total	5,006.44	5,142.68
	<b>(05) Security (Loans Payable on Demand)</b>		
	The cash credit including packing credit accounts are secured by a paripassu first charge on current assets by hypothecation of raw materials, stores and spares, finished goods and book debts that are not factored and also secured by a pari passu second charge on immovable and movable properties and in addition Secured Loans are fully guaranteed by (1) Chairman (2) Vice Chairman & Managing Director		
	<b>06. Trade Payables :</b>		
	(01) Dues to MSME*	0.00	0.00
	(02) Others	2,498.94	2,518.43
	Total	2,498.94	2,518.43
	*MSME stands for Micro Small and Medium Enterprises		
	<b>07. Other Current Liabilities</b>		
	(01) Current maturities of Long Term Debts	1,564.48	1,173.87
	(02) Unclaimed Dividends	3.74	8.41
	(03) Sundry Creditors for Expenses and others	1,445.01	1,233.52
	(04) Bills Acceptances	77.37	77.37
	(04) Current maturities of Deposits (incl. Public Deposits)	90.90	86.62
	Total	3,181.50	2,579.79
	<b>08. Short Term Provisions</b>		
	(01) Provision for Taxation	22.57	22.57
	(02) Provision for proposed dividend	0.00	0.00
	(03) Provision for Tax on proposed dividend	0.00	0.00
	Total	22.57	22.57
	<b>09. Fixed Assets- Tangible :</b>		
	Gross Block *	15,398.97	15,924.53
	Depreciation till date	7,577.95	6,947.09
	Net Block	7,821.02	8,977.44

		(Rs. In Lakh)	
Sl. No.	Particulars	As at 31-03-2016	As at 31-03-2015
<b>10. Non-current investments</b>			
(01) Trade investments		0.00	0.00
(02) Other investments (At Cost)			
(a) in Equity Instruments (Quoted)		0.01	0.01
Indusind Bank Ltd 436 (436) No.of Shares of Rs.10/- each			
Sub-Total		0.01	0.01
(b) in Equity Instruments (Unquoted)			
Sai Regency power corporation Ltd.,75000 (150000)			
No.of Shares of Rs.10/- each		11.43	18.93
Shakespeare Forgings Ltd -UK* 150000 (150000) Nos. of GBP 1		373.82	373.82
Sub-Total		385.25	392.75
(c) Aggregate amount of Investments			
(A) Aggregate amount of Quoted Investment		0.01	0.01
(B) Aggregate amount of Unquoted Investment		385.25	392.75
<b>(C) Aggregate amount of above</b>		<b>385.26</b>	<b>392.76</b>
(d) Market value Quoted Investments		4.22	3.59
(e) Aggregate provision for diminution in value of investments		0.00	0.00
(f) Investments are made in the following type of entity		0.00	0.00
(A) Foreign Company		373.82	373.82
<b>11. Long Term Loans and Advances</b>			
(01) Advance against Capital Goods		21.45	19.10
<b>Total</b>		<b>21.45</b>	<b>19.10</b>
<b>12. Non-Current Assets</b>			
(01) Advance, Deposits, etc.		70.23	69.80
(02) Deferred Interest		1,202.81	1,202.81
(03) Deferred Revenue Expenditures		332.75	332.75
<b>Total</b>		<b>1,605.79</b>	<b>1,605.36</b>
<b>13. Inventories</b>			
(01) Raw-Materials / Die Tools Steel		515.35	575.38
(02) Work-In-Progress		20.59	20.26
(03) Finished goods		251.14	393.17
(04) Stores and Spares		73.06	165.89
(05) Loose Tools		0.00	7.13
(06) Flash Stock		4.55	10.77
<b>Total</b>		<b>864.69</b>	<b>1,172.60</b>



		(Rs. In Lakh)	
Sl. No.	Particulars	As at 31-03-2016	As at 31-03-2015
<b>14. Stock-in-Trade</b>			
(01) Land (Converted from Fixed Assets)		1,131.16	1,131.16
<b>Total</b>		<b>1,131.16</b>	<b>1,131.16</b>
<b>15. Trade Receivables</b>			
(01) Outstanding for a period more than 6 months			
(a) Secured & Considered Good		0.00	0.00
(b) Unsecured & Considered Good		1,001.01	998.90
(c) Doubtful		0.00	0.00
Sub-Total		1,001.01	998.90
(02) Others			
(a) Secured & Considered Good		0.00	0.00
(b) Unsecured & Considered Good		311.08	507.23
(c) Doubtful		0.00	0.00
Sub-Total		311.08	507.23
<b>Total</b>		<b>1,312.09</b>	<b>1,506.13</b>
<b>16. Cash and Cash Equivalents</b>			
(01) Balances with banks;			
(a) On Earmarked Accounts		3.74	8.41
(b) On margin money accounts against borrowings		0.00	0.00
(c) In current Account		1.29	2.04
(02) Cash on Hand;			
(a) Free Legal tender		0.53	1.74
(b) With repatriation restrictions		0.00	0.00
<b>Total</b>		<b>5.56</b>	<b>12.19</b>
<b>17 Short Tem Loan and advances:</b>			
(01) Advance to Employees		19.86	25.14
(02) Prepaid Expenses		1.70	12.38
(03) Balance with Central Excise		322.85	293.45
<b>Total</b>		<b>344.41</b>	<b>330.97</b>
<b>18. Other current assets:</b>			
(01) Tax deducted at source		23.77	21.49
(02) Advances for Purchase		22.90	20.48
(03) Other Advances		300.11	147.17
(04) Receivables from statutory Authorities		146.22	197.74
<b>Total</b>		<b>493.00</b>	<b>386.88</b>

**Notes on Financial Statements relating to the Financial Year 2015-16**

Rs.in Lacs

SL. No.	Particulars	For the Year 2015-16	For the Year 2014-15
<b>19. Revenue from Operations</b>			
(01) Sale of Products		3,806.91	5,304.02
(02) Sale of Services		93.08	71.03
(03) Other Operating Income (sale of Flash)		213.61	400.35
(04) Sub-Total		4,113.60	5,775.40
(05) Less: Central Excise		236.88	400.74
<b>(06) Net Revenue From Operations</b>		<b>3,876.72</b>	<b>5,374.66</b>
(07) Other Operating Income		0.00	0.00
<b>(08) Net Revenue From Operations</b>		<b>3,876.72</b>	<b>5,374.66</b>
<b>20. Other Income</b>			
(01) Dividend Income		0.02	0.02
(02) Sales of Fixed Assets (Exceptional Items)		0.00	0.00
(03) Other Non-Operating Income		410.29	21.02
<b>Total</b>		<b>410.31</b>	<b>21.04</b>
<b>21. Raw Materials Consumed</b>			
(01) Opening Stock		575.38	674.67
(02) Add: Purchases		2,187.68	2,896.56
(03) Sub-Total		2,763.06	3,571.23
(04) Less: Sales		0.00	0.00
(05) Amount net of Sales		2,763.06	3,571.23
(06) Less: Closing Stock		515.35	575.38
<b>(07) Raw Materials consumed</b>		<b>2,247.71</b>	<b>2,995.85</b>
<b>22.Changes in inventories*</b>			
(01) Inventories, at the beginning			
(a) Finished Goods		393.17	428.55
(b) Work-in-Progress		20.26	22.49
(c) Flash Stock		10.77	18.52
Sub-Total		424.20	469.56
(02) Inventories, at the End			
(a) Finished Goods		251.14	393.17
(b) Work-in-Progress		20.59	20.26
(c) Flash Stock		4.55	10.77
Sub-Total		276.28	424.20
<b>(03) Change in Inventories</b>		<b>147.92</b>	<b>45.36</b>

\*Inventory means finished goods, work-in-progress and Flash Stock

**Notes on Financial Statements relating to the Financial Year 2015-16**

Rs.in Lacs

<b>SL. No.</b>	<b>Particulars</b>	<b>For the Year 2015-16</b>	<b>For the Year 2014-15</b>
<b>23. Employee Benefit Expenses</b>			
(01)	Salaries & Wages	390.74	439.41
(02)	Contribution to PF, ESI, etc	49.23	142.77
(03)	Welfare Expenses	342.89	433.80
	<b>Total</b>	<b>782.86</b>	<b>1,015.98</b>
<b>24. Finance Cost</b>			
(01)	Interest Expenses	127.65	131.95
(02)	Other Borrowing Cost	1.23	3.22
	<b>Total</b>	<b>128.88</b>	<b>135.17</b>
<b>25. Other Expenses:</b>			
(01)	Consumption of stores and spare parts.	111.62	147.53
(02)	Power and fuel.	510.23	724.36
(03)	Job Charges	49.06	157.73
(04)	Repairs to machinery.	75.06	126.44
(05)	Repairs&Maintenance - Others	46.09	42.45
(06)	Rent.	44.79	40.84
(07)	Insurance .	7.49	24.75
(08)	Rates and taxes, excluding, taxes on income.	9.22	6.79
(09)	Travelling and Conveyance	49.83	65.42
(10)	Packing and Forwarding	99.41	441.54
(11)	Payment to Auditors:		
(a)	As Auditors (Statutory audit Fees)	1.75	1.75
(b)	For Taxation matters	0.57	0.22
(c)	For Certificate	0.00	0.00
(12)	Miscellaneous expenses,	87.15	115.24
	<b>Total</b>	<b>1,092.27</b>	<b>1,895.06</b>

Note:

Other details are given in the subsequent note.

## Note : 9 Fixed Assets -Tangible

Name of the Fixed Asset	Gross Block				Depreciation				Net Block	
	Opening Balance As at 01-04-2015	Additions during the year	Deletions/ Tranfer during the year	Closing Balance as at 31-03-2016	Opening Balance As at 01-04-2015	Addition during the year	Deduction during the year	Closing Balance as at 31-03-2016	As at 31-03-2016	As at 31-03-2015
Land	73.32	0.00	0.00	73.32	0.00	0.00	0.00	0.00	73.32	73.32
Land (Lease Hold)	6.88	0.00	0.00	6.88	0.00	0.00	0.00	0.00	6.88	6.88
Building	2168.88	0.00	57.67	2111.21	594.06	66.82	41.91	618.97	1492.24	1574.82
Plant & machinery	13091.32	23.17	481.45	12633.04	5905.89	837.96	271.02	6472.83	6160.21	7185.43
Furnitutre & Fixtures	250.08	0.00	0.00	250.08	157.38	37.37	0.00	194.75	55.33	92.70
Vehicle	34.61	0.00	0.00	34.61	29.57	0.84	0.00	30.41	4.20	5.04
Office Equipments	299.44	0.37	9.98	289.83	260.19	11.49	10.69	260.99	28.84	39.25
<b>Total</b>	15924.53	23.54	549.10	15398.97	6947.09	954.48	323.62	7577.95	7821.02	8977.44

**Fund Flow Statement for the year Ended 31.03.2016**

**Rs. In Lacs**

Particulars	For the year 2015-16	For the year 2015-16	For the year 2014-15	For the year 2014-15
01. Cash Flow from Operations				
(01) Net Profit before Tax		(1607.34)		(1777.04)
(02) Adjustment for				
(a) Depreciation	954.48		973.84	
(b) Interest Expenses	128.88		135.17	
(c) Other Income	0.00		0.00	
(d) Profit/Loss on Sale of Fixed Assets	166.06		0.00	
(e) Interest Income	3.94		2.99	
(f) Dividend Received	0.02		0.02	
(g) Sales of Investments	0.00		0.00	
(h) Revaluation Reserve	0.00		0.00	
		<u>1253.38</u>		<u>1112.02</u>
(03) Operating Profit before working Capital Changes		(353.96)		(665.02)
(04) Adjustment for Increase/ Decrease in				
(a) Trade & Other Receivables	74.47		770.62	
(b) Inventories	307.91		235.97	
(c) Sundry Creditors	582.23		(2456.37)	
(d) Miscellaneous Expenses/Deferred Rev. Exp	0.00		0.00	
(e) Conversion of Fixed Assets to Stock	0.00		0.00	
		<u>964.61</u>		<u>(1449.78)</u>
(05) Cash Generation from Operation		610.65		(2114.80)
(06) Less the Following				
(a) Tax Paid/ Provided	0.00		0.00	
(b) Extraordinary items	0.00		0.00	
(c) Misc. receipts	0.00		0.00	
(d) Deferred sales Tax Liability	0.00		0.00	
		0.00		0.00
(07) Net Cash from Operating Activities\		<u>610.65</u>		<u>(2114.80)</u>
02. Cash Flow from Investing Activities				
(01) Purchase or Sale of Fixed Assets				
(a) Purchase of fixed assets, Including CWIP	(23.54)		(21.21)	
b) Sale Proceeds of Fixed assets	61.22		0.00	
(c) Deduction on account of Conversion	0.00		0.00	
(d) Deduction on Investment	7.50		0.00	
(02) Interest Received	(3.94)		(2.99)	
(03) Dividend Received	(0.02)		(0.02)	
(04) Purchase or Sale of Investments				
(a) Purchase	0.00		0.00	
(b) Sales	0.00		0.00	

**Fund Flow Statement for the year Ended 31.03.2016**

**Rs. In Lacs**

Particulars	For the year 2015-16	For the year 2015-16	For the year 2014-15	For the year 2014-15
(05) Advances & Non-Current Assets	0.00		0.00	
(a) Paid	0.00		0.00	
(b) Realised	(2.78)		175.33	
(06) Purchase or Sale of Goodwill				
(a) Additions	0.00		0.00	
(b) Deletion	0.00		0.00	
(07) Net Cash Flow from Investing Activities		38.45		151.11
03. Cash Flow from Financing Activities				
(01) From Term Loan/ Deferral Loan				
(a) Obtained	0.00		0.00	
(b) Re-Paid	(390.61)		1592.86	
(02) From Capital				
(a) Additions	0.00		0.00	
(b) Withdrawn	0.00		0.00	
(03) From Unsecured Loans				
(a) Obtained	0.00		0.00	
(b) Re-Paid	0.00		0.00	
(04) From Short Term Borrowings	(136.24)		465.60	
(05) Interest Paid	(128.88)		(135.17)	
(06) Dividend and Tax Thereon	0.00		0.00	
(07) Net Cash Flow from Financing Activities		(655.73)		1923.29
04. Net Increase/ Decrease in Cash & Cash Equivalent (04= 01+02+03)		(6.63)		(40.40)
05. Cash & Cash Equivalent- Opening Balance		12.19		52.59
06. Cash & Cash Equivalent- Closing Balance		5.56		12.19
07. Net Increase/ Decrease in Balances		(6.63)		(40.40)

As per our annexed report

For P.Rajagopalan & Co.,  
Chartered Accountant  
Reg No. of the Firm: 003408S

R. Venkatesh  
Partner  
MNo: 028368

Place: Chennai  
Date: 26-05-2016

R. Sowmithri  
Executive Director &  
Company Secretary  
DIN 00280988

**On behalf of Board**

V. Srikanth  
Chairman  
DIN 00076856

K. V. Ramachandran  
Vice Chairman &  
Managing Director  
DIN 00322331

Place: Chennai  
Date: 26-05-2016

# EL FORGE LIMITED

El Forge Limited, CIN L34103TN1934PLC000669

Chennai

Notes No.27 on Financial Statements as at 31-03-2016, relating to Significant Accounting Policies, forming an integral part of Financial Statements

## 01. Accounting Convention

The books of account have been maintained under the Historical Cost Convention, except certain fixed assets, which have been revalued, and on Going Concern basis. The financial statements have been prepared in accordance with, Generally Accepted Accounting Principals, in India (Indian GAAP), Accounting Standard prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014. The financial statements are presented in Indian rupees rounded off to the nearest rupees in lakh.

## 02. Use of Estimates

- (01) The preparation of financial statements requires making of estimates and assumptions by the management based on the information available and, wherever necessary, taking into account the applicable accounting principles/ Accounting Standards and such estimates and assumptions may affect:-
- (02) The reported amount of assets and liabilities on the date of the financial statements; and
- (03) The reported revenues and expenses during the reporting period;
- (04) Differences between the actual results and estimates/ assumptions are recognized in the period in which the results are known/ materialized.

## 03. System of Accounting

The books of account have been maintained on accrual basis (i.e., Mercantile Method of Accounting), except in the case of Bank Interest, which has been accounted on cash basis, and under Double Entry System of Accounting.

## 04. Expenditure during construction period

In case of new projects and substantial expansion of existing fixed assets, expenditure incurred including attributable interest and financing costs prior to commencement of commercial production is capitalized.

## 05. Fixed Assets: Tangible

Fixed Assets are shown at cost less accumulated Depreciation. Cost includes cost of purchase/acquisition or construction and all other direct expenses (For example Transport, Transit Insurance, Loading and Unloading, installation and Erection Expenses, attributable interest and financial cost) till such assets are put in to use and includes allocation of pre operative Expenses. Till the Assets are put into use, the same shall be shown under the head Capital Work in Progress. Fixed Assets have been accounted net off central excise and Vat wherever applicable.

## 06. Fixed Assets Intangible

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/ depletion and impairment loss, if any. The cost comprises purchase price, borrowing costs, and any cost directly attributable to bringing the asset to its working condition for the intended use.

## 07. Depreciation and Amortization

- (01) Depreciation on all Fixed Assets has been charged under Straight Line Method (SLM) and Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013.
- (02) Depreciation on additions to fixed assets is calculated on pro-rata basis from the date of addition (i.e., date of use) and in the case sale/ dispose depreciation shall be calculated up to the date of sale / disposal.
- (03) Leasehold Land premium has been amortized on pro-rata basis, based on the lease period.

## 08. Impairment

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Statement in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount

## 09. Inventories

- (01) Raw Material, Stores and Spares and Work in Progress are valued at cost. Finished goods are valued at cost or Net realizable value whichever is lower
- (02) Cost on the Inventories comprises of cost of purchases, cost of conversion and other cost of manufacturing and other costs incurred in bringing the inventories to their present location and condition.

## 10. Revenue Recognition and Expenses

- (01) Revenue Recognition  
Revenue is recognized only when risks and rewards incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations includes sale of goods, services, excise duty and net of discounts, rebates, sales tax. Dividend income is recognized when the right to receive payment is established. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

## EL FORGE LIMITED

- (02) Expenses
- (a) Expenses (i.e., relating to above revenue) are accounted in the year in which the revenue is recognized.
- (b) The other expenses not related to (a) above, shall be, normally, charged to Statement of Profit and Loss, in the same year in which they are incurred (i.e., on the mercantile basis), unless the same is accounted on cash basis.
- 11. Foreign Currency Transactions**
- (01) Initial Reorganization  
Foreign currency transactions are recorded in the reporting currency (i.e., Indian Rupees), by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (02) Subsequent Reorganization  
Monetary items, denominated in foreign currency, are restated/ reported using yearend foreign currency rate. Non-monetary items are carried at cost, using the rate of foreign exchange on the date of the transaction; and the gain or loss on account of realization or payments shall be shown in statement of profit and loss, as exchange rate difference.
- 12. Taxation**  
Tax expenses for the year comprises of current tax (Either normal tax or Minimum alternate tax), as per the provisions of Income Tax Act, 1961, and deferred tax. Deferred income tax reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws those are enacted or substantively enacted at the reporting date. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations, where the Company has unabsorbed depreciation or carry forward losses under tax laws, all deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Deferred tax assets and deferred tax liabilities are off-set, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws
- 13. Segment Reporting**
- (01) The segment reporting of the Company has been prepared in accordance with Accounting Standard – 17, “Segment Reporting” (Specified under section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014). segment Reporting Policies.
- (02) Identification of Segments : Primary – Business Segment : The Company has identified two reportable segments viz., Forgings and Land Developments on the basis of the nature of products, the risk and return profile of individual business and the internal business reporting systems.
- (03) Secondary–Geographical Segment. The Analysis of geographical segment is based on geographical location of the customers.
- 14. Property Development**  
The company is also engaged in the business of Property Development business. For this purpose, the company has converted the Fixed Assets (Land) into Stock-in-trade. But the company has not purchased any property. This is considered as a separate segment
- 15. Provisions and Contingent Liabilities**
- (01) Provisions  
A provision (subject to the method of accounting followed by the company, including recognizing particular item of expenses) is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.
- (02) Contingent liabilities  
A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.
- 16. Investment :**  
Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are long term investments and classified as non-current Investments. On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Provision for diminution in the value of Non-Current investments is made only if such a decline is other than temporary



# EL FORGE LIMITED

## EL Forge Limited

CIN: L34103TN1934PLC000669

Notes No. 28 on Financial Statements as at 31-03-2016, relating to other information, forming an integral part thereof

### 01. Denomination

All the figures are rounded off to nearest Lakh

### 02. Re-Grouping of Amounts

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

### 03. Contingent Liabilities & Commitments

Claims against the company not acknowledged as debt (Amount in Rs in lakhs )

Sl. No.	Particulars	As at 31-03-2016	As at 31-03-2015
01	E.S.I under Appeal	0.77	2.08
02	Demands raised by SIPCOT for the Leasehold Land	13.00	13.00
03	Demand from Income Tax	75.63	75.60
04	Demand from Central Excise & service tax	21.80	41.68
05	Guarantees given to Bank against the loan taken by a company	650.00	650.00
06	Pending contract on account of Completion of CWIP	25.00	25.00

### 04. Confirmation of Balance

The Company has sent letters for confirmation of Balance as at 31.03.2016 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.

### 05. Miscellaneous Expenditure

Due to the Loss during the year, the company has not written off any deferred revenue expenditure and deferral interest during the year and same is to be amortized from profit over the expected period of future benefit.

### 06. Non-Provision for diminution in the value of Investments

The company has not provided for decline in the market value (or net realizable value) of investment made in the shares of companies as decided by the management, in view of the loss incurred by the company.

### 07. Excise duty on the finished goods pending clearance.

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.

### 08. Due to MSME

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 has been shown Nil.

## EL FORGE LIMITED

**09. Netting off Interest Income**

Interest Expenses is shown after setting off interest receipts (Income) amounting to Rs. 3.94 Lakh (Previous year Rs.12.36 Lakh).

**10. Non-Payment of Group Gratuity Fund**

The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme. There is a short fall of the amounts provided by the Company to Gratuity Scheme

**11. Non-Disclosure of the details under Employees Benefits, AS-15 (Revised)**

(01) The Company has opened a Gratuity Scheme with Life Insurance Corporation of India (LIC), for settling any amount due on account of Gratuity. Under the aforesaid Scheme, the company has to contribute annual premium, based on the amount arrived by LIC. Due to continuous operating loss during the earlier years, the Company has not made the payment of Gratuity premium to Life Insurance Corporation of India (LIC). However, required provision on this account has been made in the books of account, in consistent with mercantile method of accounting followed by the company. The management is of the view that liability provided for in the books of account up to the year end is sufficient, to meet the liability on account of gratuity.

(02) An amount of Rs.178.38 Lakh (Previous year Rs. 207.29 Lakh) has been outstanding in respect of the above fund as on 31.03.2016, as per the books of the company. Due to non-payment of annual premium on account of gratuity, the estimated return from the fund or scheme may not be ascertained or determined. Accordingly, no disclosure has been made, in terms of AS-15. The Company is taking sincere steps to make the payment of the amount due and is in the process of adopting AS-15 (Revised), any implications arising there from including the valuation of future liability on actual basis and determination of plan assets will be done in due course.

**12. Penalty and Interest**

As said earlier, due to operating loss, the company has not been in a position to pay the statutory dues, in time, to the authorities concerned and further statutory dues are still outstanding. Non-payment or delayed payment of such due shall attract interest and penalty. The management arrived, based on the information available with them, an amount of Rs.145.82 Lakh towards penalty and interest. The same has not been provided in the books of account and will be accounted in the year of payment.

**13. Change in the method of Accounting**

The company has changed the method of accounting of interest on bank borrowings from mercantile to cash basis. The interest on bank borrowings amounting to Rs. 1751.96 Lakh not provided during the year (Previous year Rs.1590.99 Lakh)

**14. Pending Litigation.**

Some suppliers have filed suit before the Honourable Madras High Court against on the company for recovery of their respective dues. The company has addressed these cases and worked out a schedule of repayment over the following four year term. In some of the cases, winding up petition has been filed before the Honourable Madras High Court and the company has filed the counter requesting repayment over the next few years. The company is hopeful of reaching an understanding with those suppliers. The list of such cases and the amount (Rs. in Lakh) involved are given below

Sl. No.	Name of the creditor	31-03-16	31-03-15	Nature of Claim
1	Southern Packaging	1.97	2.02	Legal notice
2	AMW MGM Forgings	3.66	3.66	Legal Notice
3	Federal Express Corporation	10.43	10.43	Legal Notice
4	Lifetime Safe Solutions	0.91	0.91	Legal Notice
5	PCK Buderus (India) Special Steels P Ltd	63.18	63.18	Legal Notice
6	ISMT Ltd	16.51	16.51	Legal Notice

## EL FORGE LIMITED

7	TVS Dynamic Global Freight Services Ltd	101.57	106.58	Suit Filed*
8	Usha Martin Ltd	66.99	68.99	Suit Filed *
9	Damco India Pvt Ltd	88.07	97.07	Suit Filed *
10	Goel Steel Company	17.58	25.37	Suit Filed *
11	Mohinder Agencies	16.40	16.40	Legal Notice
	Total	387.27	411.12	

\*under Section 433 of the Companies Act, 1956

### 15. Investor Education & Protection Fund

- (01) Whenever the company declares dividend, it transfers the amount equivalent to an earmarked account, meant for the same, by opening an account with a bank. An unpaid amount, if any, lying in the aforesaid amount shall be transferred to Investor Education & Protection Fund, by taking Demand Draft, from the Bank.
- (02) In compliance of the above, the dividend amount, relating to Financial Year 2007-08, has been transferred to an account lying with a nationalized bank. An amount of Rs.3.74 Lakh is remaining unpaid, in that account. The company has taken steps to obtain demand draft to transfer the same to Investor Education & Protection Fund. Since the bank has not issued Demand Draft, the company is not in a position to transfer the same to Investor Education & Protection Fund.

### 16. Asset Reconstruction Company

- (01) The company has borrowed money, both Long Term and Short Term, from a few banks, under consortium. The total amount outstanding with the banks as at 31st March, 2016 is Rs.13847.17 Lakh (Previous year Rs. 13847.17 Lakh), excluding interest accrued. During the earlier Financial Year, some of the Banks has assigned (Assignor) their debts to various Asset Reconstruction Companies (ARCs). Accordingly, Export Import Bank of India had assigned their debts to Edelweiss Asset Reconstruction Co. Limited during the Financial Year, 2013-14. During the Financial Year 2014-15, Union Bank of India assigned its debts to Edelweiss Asset Reconstruction Co. Ltd and State Bank of India assigned its entire debts to Asset Reconstruction Company (India) Ltd, (Arcil). The borrowing, from IDBI Bank, Axis Bank Ltd and Royal Bank of Scotland still remains with the respective banks.
- (02) The current liabilities of long term debts were classified as current liabilities in the previous year. Now the current maturities of IDBI Bank and Axis Bank alone are shown under current liability.
- (03) Due to the assignment of debts by banks to the ARCs, the exact due date for the repayment of the Long term Loan (Included in the debts assigned by the Assignor) is not known, since finalization of the terms and conditions between the company and ARCs is under process. Accordingly, during the financial year 2014-15, the entire amount of long term loan with Edelweiss Asset Reconstruction Company Limited and Asset Reconstruction Company (India) Limited are classified as Long Term Borrowing. This has resulted in changing a short term classification (as per the previous year) into a long term classification (During the Current Financial Year) by an amount of Rs. 1671.50 Lakh (Previous year Rs.1671.50);
- (04) Exact classification of the debts assigned shall be done, in the year of finalization of the terms and conditions with the ARCs.

### 17. Shakespeare Forgings Ltd, in UK

- (01) There has been a change in the shareholding pattern of Shakespeare Forgings Ltd (SFL), UK, the Wholly Owned Subsidiary of the company till February 2015. Due to market and environmental requirements, infusement of additional funds had become obligatory at Shakespeare Forgings Ltd. As our Company was not in a position to

## EL FORGE LIMITED

accommodate this, the wholly owned subsidiary raised the necessary funds by issuing fresh equity on 02.02.2015. Without additional funds Shakespeare Forgings Ltd would have been forced to curtail its operations in a major way, which might have led to additional financial burden for your Company.

- (02) By issuing further shares, the shareholding of the Company in SFL has been reduced to 37.50% from 100% with effect from 02.02.2015.
- (03) Even though the Company owns more than 20% of the capital of SFL, the consolidation accounts has not been prepared incorporating the financials of the SFL, since the company does not have any significant control.
- (04) The Company does not have any other subsidiary or Joint venture or Associate Company, within the meaning of the Companies Act, 2013.
- (05) Further, the company has not visualized any diminution in the value of investment; and is in a near future can liquidate the investment.

### 18. Related Party Disclosure, as per AS-18

The related parties' details are disclosed as follows:

#### (01) List of Related Parties

(01) Related Parties
(a) Promoters
(i) Mr.V.Srikanth
(ii) Mr. K.V.Ramachandran
(b) Subsidiaries, Associates and Joint Venture: Nil
(c) Key Managerial Personnel
Mr.K.R.Srihari (Son of Mr.K.V.Ramachandran, Vice Chairman & Managing Director)

#### (02) Transaction Amount (In Rs. Lakh)

Particulars	FY 2015-16	FY 2014-15
(01) On account of Salaries		
Mr.K.R.Srihari	9.69	9.69
(02) Transaction with Related Parties		
(a) On Account of Interest	15.40	1.08
<b>(i) Director's Relatives</b>		
(b) On Account of Sales		
<b>Associates : Shakespeare Forgings Ltd, UK</b>	<b>NIL</b>	<b>673.69</b>

### 19. Segment Reporting

The Company has two business segment (1) Manufacture and sale of steel forgings.(2) Land and Development described as "Other Operating Income" (Amount in Rs. Lakh)

Sl.No.	Particulars	For the Year 2015-16	For the Year 2014-15
01	Segment Revenue		
	Forgings	3876.72	5374.66
	Land & Developments	0	0
	Total Revenue	3876.72	5374.66

## EL FORGE LIMITED

02	Segment Results [ Profit/ Loss (-) ]		
	Forgings	-1068.15	-1762.91
	Land & Developments	0	0
	Net Profit/ Loss (-) before Interest	-1068.15	-1762.91
03	Interest cost	128.88	135.17
03	Other Income	410.31	21.04
04	Net Profit/ Loss (-)	-1607.34	-1777.04

The Company is engaged in the business of manufacturing of Auto Ancillary part (Manufacture and sale of steel forgings). It is one of the reportable segments, as per AS 17. As the exports are mainly to Developed Countries, geographical risk is not different from domestic market and hence no separate secondary segment disclosure is required, in respect of the aforesaid reportable segments.

### 20. Additional information/ details

Following are additional information, to the extent applicable to the company, for the year under report. Rs. in Lakh

Sl.No.	Particulars	As at 31-03-16	As at 31-03-15
01	Expenditure in foreign currency on account of		
	Travelling	0	0
	Membership & Subscription	0	0
02	Foreign Exchange Earnings (Export-FOB Value)	210.68	796.64
03	Earning per Shares		
	(01) Net Profit after Tax	-1607.34	-1777.04
	(02) Adjusted Net Profit after Tax	-1607.34	-1777.04
	(03) Number of Shares		
	For basic EPS	20,324,304	20,324,304
	For Diluted EPS	20,324,304	20,324,304
	(04) EPS (in Rs., Face Value of Rs.10/-)		
	Basic EPS	-7.91	-8.74
	Diluted EPS	-7.91	-8.74
05	Raw Material Consumed (Amount)		
	Total	2247.71	2995.85
	Indigenous	2247.71	2995.85
	Imported	0	0
06	Raw Material Consumed (in Percentage)		
	Total	100.00	100.00
	Indigenous	100.00	100.00
	Imported	0	0

## EL FORGE LIMITED

07	Stores & Spares Consumed (Amount)		
	Total	173.77	212.79
	Indigenous	173.77	212.79
	Imported	0	0
06	Stores & Spares Consumed (in Percentage)		
	Total	100.00	100.00
	Indigenous	100.00	100.00
	Imported	0	0

### 21. Exercising the option of conversion

The Company has issued 1211123 number of Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS), during the financial years 2011 and 2012 . These shares have been issued by the company and fully subscribed by the banks (Who has extended loan to the company). Among other terms, the issue has given an option to convert the preference shares into equity shares, in three consecutive financial years 2016-17, 2017-18 and 2018-19. Till the date of approval of the financial statements, the company has not received any intimation, regarding the aforesaid option.

#### Signatories to all Notes on Financial Statements (Standalone)

As per our annexed report  
For P.Rajagopalan & Co.,  
Chartered Accountant  
Reg No. of the Firm: 003408S

R. Venkatesh  
Partner  
MNo: 028368

R. Sowmithri  
Executive Director &  
Company Secretary  
DIN 00280988

#### On behalf of Board

V. Srikanth  
Chairman  
DIN 00076856

K. V. Ramachandran  
Vice Chairman &  
Managing Director  
DIN 00322331

Date: 26-05-2016

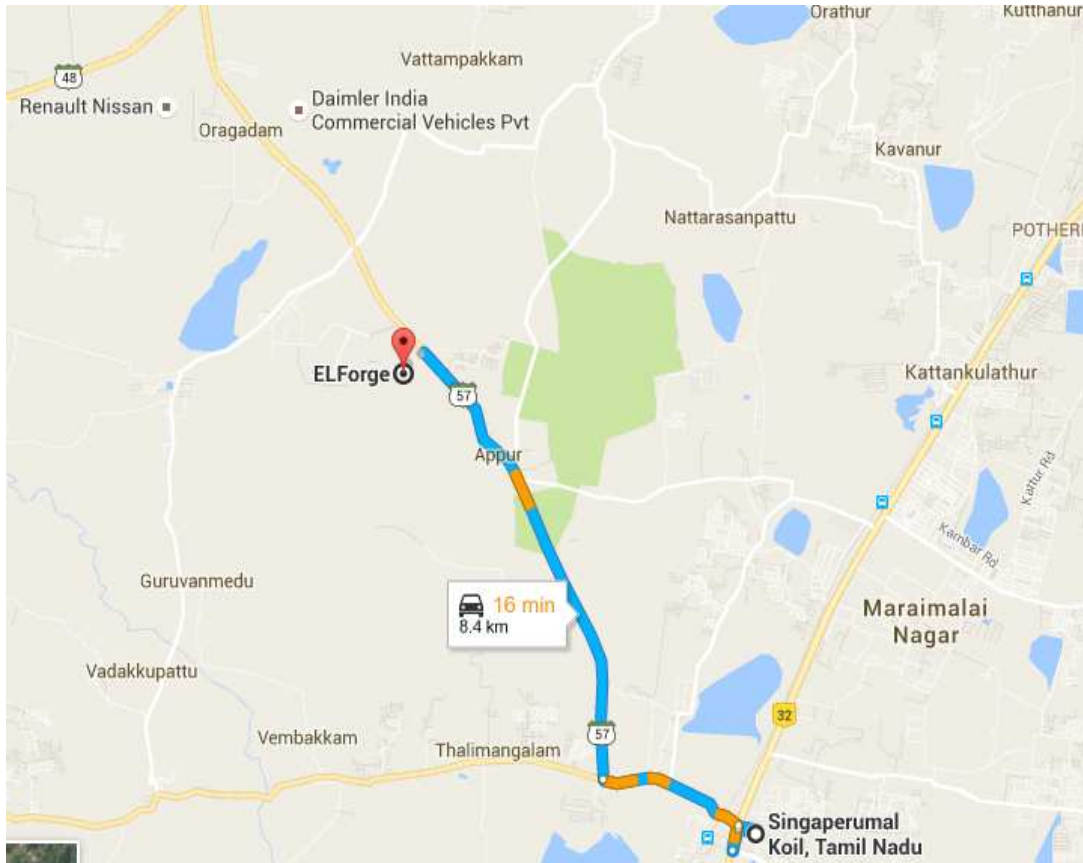
Place: Chennai

Date: 26-05-2016

Place: Chennai

# EL FORGE LIMITED

## AGM VENUE ROUTE MAP



Transport from Corporate Office at Eldams Road to the Factory (Registered office) will be available on AGM day. Members who wish to avail the facility, please intimate the company on or before 20th September, 2016.