



EL FORGE LIMITED

Our Company was originally incorporated as 'The Ellore Electric Supply Corporation Limited' in the state of Tamil Nadu on July 18, 1934 under the Companies Act, 1913. The name of our Company was changed to 'Ellore Engineering Company Limited' and a fresh certificate of incorporation consequent on change of name was obtained on February 24, 1964. Subsequently, the name of our Company was changed to 'El Forge Limited' and fresh certificate of incorporation consequent on change of name was obtained on December 21, 1979.

Registered Office: No. 338, Ambujammal Street, Alwarpet, Chennai-600018

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Contact person: Mrs. R. Sowmithri, Company Secretary & Compliance Officer

ISSUE OF 1,29,44,286 EQUITY SHARES OF FACE VALUE OF ₹ 10/- EACH, FOR CASH AT PAR AGGREGATING TO ₹ 1,294.43 LAKHS BY EL FORGE LIMITED, ("THE COMPANY" OR "THE ISSUER") TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY ON RIGHTS BASIS IN THE RATIO OF THREE EQUITY SHARES FOR EVERY TWO EQUITY SHARES HELD ON JUNE 30, 2011, THE RECORD DATE, I.E. [3:2]. THE ISSUE PRICE OF EACH EQUITY SHARE IS ONE TIME THE FACE VALUE OF THE EQUITY SHARE.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the offer including the risks involved. The securities being offered in the issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document. Investors are advised to refer to the section entitled "Risk Factors" beginning on page vii of this Letter of Offer before making an investment in this Issue.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions, expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on Bombay Stock Exchange Limited (BSE), Ahmedabad Stock Exchange Limited (ASE), Madras Stock Exchange Limited (MSE), and are permitted to trade on National Stock Exchange (NSE) w.e.f. November 05, 2009. Our Company has received in-principle approvals from BSE, ASE and MSE vide their letter nos. DCS/PREF/PR/IP-RT/187/11-12, ASEL/2011/258 and MSE/LD/PSK/738/189/11 dated May 19, 2011, May 12, 2011 and May 09, 2011 respectively for listing of the Equity Shares being issued in terms of this Letter of Offer. For the purposes of the Issue, the Designated Stock Exchange shall be BSE.

LEAD MANAGER TO THE ISSUE

KEYNOTE

KEYNOTE CORPORATE SERVICES LIMITED

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Contact Person: Mr. Nikhil S. Patil

SEBI Regn. No.: INM 000003606

AMBI Regn No: AMBI/040



INTEGRATED ENTERPRISES (INDIA) LIMITED

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ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	ISSUE CLOSING ON
Thursday, July 21, 2011	Friday, July 29, 2011	Saturday, August 06, 2011

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SECTION I – GENERAL**DEFINITIONS AND ABBREVIATIONS**

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.

Conventional and General Terms

Term	Description
Companies Act	: The Companies Act, 1956, as amended.
Copyright Act	: The Copyright Act, 1955, as amended.
Depository	: A depository registered with SEBI under the SEBI (Depository and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	: The Depositories Act, 1996, as amended from time to time.
Financial Year/Fiscal	: The period of 12 months beginning April 1 and ending March 31 of that particular year, unless otherwise stated.
IT Act	: The Income Tax Act, 1961, as amended.
Indian GAAP	: The generally accepted accounting principles in India.
Industrial Policy	: The industrial policy and guidelines issued by the Ministry of Industry, Govt.
Listing Agreement	: The equity listing agreements signed between our Company and the Stock Exchanges.
Rupees /Rs./ ₹	: The lawful currency of India.
SEBI Act	: The Securities and Exchange Board of India Act, 1992, as amended.
SEBI Regulations	: The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
Takeover Code	: The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
Trademarks Act	: The Trademarks Act, 1999.
Weights & Measures Act	: The Standard of Weights & Measures Act, 1976 as amended.

Issue Related Terms

Term	Description
Abridged Letter of Offer	: The abridged letter of offer to be sent to the eligible Equity Shareholders of our Company with respect to this Issue, in accordance with the SEBI ICDR Regulations, 2009, as amended.
Allot/Allotment/Allotted	: Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue to the Allottees.
Allottee(s)	: The successful applicant(s) eligible for Allotment of Equity Shares pursuant to the Issue.
Application Money	: The aggregate amount payable in respect of the Equity Shares applied for in this Issue at the Issue Price.
ASBA/Application Supported by Blocked Amount	: The application (whether physical or electronic) used by a shareholder to make an application authorizing the SCSB to block the amount payable on application in their specified bank account.
ASBA Investor	: An applicant who is applying through a bank account maintained with SCSBs.
Bankers to the Issue	: The Bankers to the Issue being Axis Bank Limited and IDBI Bank Limited.



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Term	Description
Business Day/Working Day	: All days other than a Saturday or Sunday or a public holiday, on which commercial banks are open for business.
Composite Application Form/CAF	: The form used by an Investor to make an application for allotment of Equity Shares pursuant to Issue.
Consolidated Certificate	: In case of holding of Equity Shares in physical form, our Company would issue one certificate for the Equity Shares allotted to one folio.
Controlling Branches	: Such branches of the SCSBs which coordinate applications under the Issue by the ASBA Investors with the Registrar to the Issue and the Stock Exchanges and a list of which is available at http:// www.sebi.gov.in .
Designated Branches	: Such branches of the SCSBs which shall collect CAF from ASBA investor and a list of which is available on http:// www.sebi.gov.in .
Designated Stock Exchange/DSE	: Bombay Stock Exchange Limited (BSE).
Draft Letter of Offer	: The Draft Letter of Offer dated May 04, 2011 filed with SEBI for its observations.
Eligible Equity Shareholder(s)	: A holder(s) of Equity Shares of our Company as on the Record Date.
Issue	: Issue of 1,29,44,286 equity shares of face value of ₹ 10/- each, at par aggregating to ₹ 1,294.43 lakhs by El Forge Limited, ("the company" or "the issuer") to the eligible equity shareholders of our company on rights basis in the ratio of three equity share for every two equity share held on the record date, i.e. [3:2]. The issue price of each equity share is one time the face value of the equity share.
Issue Closing Date	: August 06, 2011.
Issue Opening Date	: July 21, 2011.
Issue Price	: ₹ 10 per Equity Share.
Issue Proceeds	: The monies received by our Company pursuant to the Equity Shares which are Allotted pursuant to the Issue.
Investor(s)	: The Equity Shareholders of our Company on the Record Date i.e. June 30, 2011, Renouncees and any other persons eligible to subscribe to the Issue.
Lead Manager	: Keynote Corporate Services Limited.
Letter of Offer	: The letter of offer dated July 04, 2011 to be filed with the Stock Exchanges after incorporating SEBI comments on the Draft Letter of Offer.
Record Date	: June 30, 2011
Registrar to the Issue or Registrar	: Integrated Enterprises (India) Limited.
Renouncee(s)	: Any person(s) who have/has acquired Rights Entitlements from Eligible Equity Shareholders.
Rights Entitlement	: The number of Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to his/ her shareholding in our Company as on the Record Date.
Equity Shares	: The equity shares of face value ₹ 10/- each of our Company offered and to be issued and allotted pursuant to the Issue.
SAF(s)	: Split Application Form(s).
Self Certified Syndicate Banks or SCSB(s)	: The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on www.sebi.gov.in .
Stock Exchange(s)	: BSE, MSE and ASE where the Equity Shares of our Company are presently listed.



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Company and Industry Related Terms

Abbreviations

Term	Description
AGM	: Annual General Meeting.
AS	: Accounting Standards, as issued by the ICAI.
ASE	: Ahmedabad Stock Exchange Limited.
B.E.	: Bachelor of Engineering.
B.Sc.	: Bachelor of Science.
BSE	: Bombay Stock Exchange Limited.
CAF	: Composite Application Form.
CAGR	: Compounded Annual Growth Rate.
CC	: Cash Credit.
CDSL	: Central Depository Services (India) Limited.
DP	: Depository Participant.
EBIDTA	: Earnings Before Interest, Depreciation, Taxes & Amortization.
ECS	: Electronic Clearing Service.
EGM	: Extraordinary General Meeting.
EPS	: Earnings per share.
E.S.I/E.S.I Act	: Employee State Insurance Act, 1948.
FDI	: Foreign Direct Investment.
FEMA	: Foreign Exchange Management Act, 1999, as amended and any circulars, notifications, rules and regulations issued pursuant to the provisions thereof.
FI	: Financial Institution.
FII(s)	: Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	: Foreign Investment Promotion Board.
FITL	: Funded Interest Term Loan.
FY	: Financial Year ended.
GBP	: Great Britain Pound.
GDP	: Gross Domestic Product.
GoI	: Government of India.
HRD	: Human Resource Development.
HUF	: Hindu Undivided Family.
ICAI	: Institute of Chartered Accountants of India.
IFSC	: Indian Financial System Code.
ISIN	: International Securities Identification Number.
I.T./IT Act	: Income Tax Act, 1961.
Indian GAAP	: The Generally Accepted Accounting Principles in India.
Indian GAAS	: The Generally Accepted Accounting Standards in India.
ITAT	: Income Tax Appellate Tribunal.
LC	: Letter of Credit.
M.Sc.	: Master of Science.
MICR	: Magnetic Ink Character Recognition.
MoU	: Memorandum of Understanding.
MTPA/ M.T p.a.	: Metric Tonnes Per Annum.
MSE	: Madras Stock Exchange Limited.
N.A.	: Not Applicable.
NAV	: Net asset value.
NEFT	: National Electronic Fund Transfer.
NR	: Non Resident.
NRI(s)	: Non Resident Indians, as defined in the Foreign Exchange Management (Deposit) Regulations, 2000, as amended.
NSDL	: National Securities Depository Limited.
NSE	: The National Stock Exchange of India Limited.



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Term		Description
OCB(s)	:	Overseas Corporate Body(ies).
OCCRPS	:	Optionally Convertible Cumulative Redeemable Preference Shares.
p.a.	:	Per annum.
PAN	:	Permanent Account Number.
PSCBD	:	Post Shipment Bill Discounting Facility.
RBI	:	Reserve Bank of India.
RoC	:	Registrar of Companies, Tamil Nadu, located at Chennai.
RTGS	:	Real time gross settlement.
SEBI	:	Securities and Exchange Board of India.
STT	:	Securities Transaction Tax.
TPA	:	Tonne per annum.
USD or US\$:	United States Dollar.
VAT	:	Value Added Tax.
WCTL	:	Working Capital Term Loan.
w.e.f.	:	With effect from.



PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Unless stated otherwise, the financial information and data in this Letter of Offer is derived from our Company's audited financial statements and has been prepared in accordance with the SEBI Regulations. Our Company's fiscal year commences on April 1 and ends on March 31 of the following calendar year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. Our Company is an Indian listed company and prepares its financial statements in accordance with Indian GAAP, the Companies Act and Indian Accounting Standards. Indian GAAP differs significantly in certain respects from IFRS and US GAAP. Neither the information set forth in the financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or any accounting principles other than principles specified in the Indian Accounting Standards. In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

Currency of Presentation

All references to "India" contained in this Letter of Offer are to the Republic of India. All references to 'Rupees', "INR" or "₹" are to Indian Rupees, the official currency of the Republic of India. In this Letter of Offer, references to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words 'Lakh' or "Lac" mean "100 thousand"; "10 lakhs" means a "million", and; "10,000 lakhs" means a "billion".

FORWARD-LOOKING STATEMENTS

Our Company has included statements in this Letter of Offer which contain words or phrases such as “may”, “will”, “aim”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “potential” and similar expressions or variations of such expressions, that are or may be deemed to be forward looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with its expectations with respect to, but not limited to, factors affecting:

- ◆ General economic and business conditions in India and other countries.
- ◆ Regulatory changes relating to our industry / sector in India and our ability to respond to them;
- ◆ Fluctuation in operating costs;
- ◆ The ability to successfully implement the strategy, growth and expansion plans and technological changes;
- ◆ Changes in laws and regulations that apply to the customers of our Company;
- ◆ Increasing competition in and the conditions of the customers of our Company;
- ◆ The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, changes in domestic and foreign laws, regulations and taxes.
- ◆ Occurrence of natural disaster or calamities;
- ◆ Changes in political conditions in India.

For a further discussion of factors that could cause our Company’s actual results to differ, please refer to the section entitled “**Risk Factors**” beginning on page no. vii of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither our Company nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI / Stock Exchanges’ requirements, our Company and Lead Manager will ensure that Investors are informed of material developments until the time of the grant of listing and trading permission for the Equity Shares by the Stock Exchanges.



SECTION II – RISK FACTORS

An investment in equity and equity related securities involves a high degree of risk. You should carefully consider all of the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment. If any of the following risks actually occur, the business, financial condition, results of operations and prospects could suffer, the trading price of the Equity Shares and the Equity Shares of our Company could decline and you may lose all or part of your investment. You should also pay particular attention to the fact that our Company is governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in other countries. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Letter of Offer. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risks where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

Materiality

The risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- *Some events may not be material individually, but may be found material collectively.*
- *Some events may have material impact qualitatively instead of quantitatively.*
- *Some events may not be material at present but may have material impact in the future.*

INTERNAL RISK FACTORS

1. ***We are involved in certain legal proceedings that, if determined against us, could adversely impact our image, business and financial conditions.***

Sr. No	Particulars	No. of cases/ notices/ disputes/ claims	Approx. amount involved where quantifiable (₹ in lakhs)
Against our Company			
1	Civil Case	01	10.55
Notices received by our Company			
1	Income Tax	03	106.23
2	Service Tax	04	26.42
3	Central Excise Duty	11	16.20
4	Employees' State Insurance (ESI)	03	2.86

For more information please refer to section "Legal and Other information" on page no. 107 of this letter of offer.

2. ***As on March 31, 2011 there are certain contingent liabilities which have not been provided for and if any of them materialise, this could adversely affect our financial condition.***

Our Company has the following contingent liabilities in the Standalone Balance Sheet, as at March 31, 2011 which has been not provided for:

			(₹ in lakhs)
Sr No.	Particulars	As on 31/03/2011	
1	Claims not accepted by our Company : E.S.I under Appeal	2.08	
2	Guarantee given to bank(foreign Bank) for subsidiary company	183.63	
3	Demands raised by SIPCOT for the Leasehold Land at Gummidipondi not accepted by our Company. A writ appeal is pending in Madras High Court.	13.01	
4	Sales Bill Factoring with SBI GLOBAL FACTORS LTD This facility is secured by a charge on receivables factored	51.81	



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Sr No.	Particulars	As on 31/03/2011
6	Demand from Income Tax under appeal	0.03
7	Demand from Central Excise & service tax under appeal	42.62
8	Guarantee given to a bank against the loan taken by a Company	650.00

In the event such contingent liabilities materialize it may have an adverse effect on the financial condition and future financial performance of our Company.

3. ***The working capital requirement of our Company for which the proceeds of the issue is being utilised has not been appraised by any bank, financial institution or other independent agency.***

The working capital requirements of our Company are based on internal management estimates and not been appraised by any bank, financial institution or other independent agency. The actual operations may be different from management estimates and our Company may not be able to deploy the funds as planned. The entire issue proceeds excluding expenses towards the issue is being utilised for working capital purposes. For further details on working capital requirement, please refer to the section entitled "Objects of the Issue" beginning on page no. 25 of this Letter of Offer.

4. ***Our Company has incurred losses for the years ended March 31, 2009, March 31, 2010 and for the Twelve months period ended March 31, 2011. There can be no assurance that we would not incur losses in future.***

Our Company's operations consecutively suffered losses for the years ended March 31, 2009, March 31, 2010 and for the twelve months period ended March 31, 2011 due to the global recession in FY 2008-09 followed by a slow recovery phase in FY 2009-10 which narrowed down our order book substantially. The details for the same on Standalone and Consolidated basis are as under:

Particulars	Standalone			Consolidated		
	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2011	March 31, 2010	March 31, 2009
Net Loss after tax	827.60	274.64	1,805.38	860.72	409.79	1,905.70

Thus, due to such uncertainties in the economy and the industry in which we operate, there can be no assurance that our Company would not incur losses in future.

5. ***We have experienced a negative Operating Cash Flow from activities in the FY 2009-10 and for twelve months ended 31/03/2011 on Standalone basis.***

In FY 2009-10 and for twelve months ended 31/03/2011, we have incurred negative cash flow from our operating activities of ₹ 3,076.78 lakhs and ₹ (248.66). The negative cash flows were on account of increase in inventory and working capital requirements. For further details, please see section titled – **Financial Information** beginning on page no. 61 of this Letter of Offer.

6. ***We have implemented a Corporate Debt Restructuring Scheme (CDR) with State Bank of India (SBI), Axis Bank Limited, Union Bank of India, Exim Bank of India and IDBI Bank Limited for restructuring our Company's outstanding loan obligations. Inability on our part to comply with the terms mentioned under the scheme will lead to revocation of the concessions granted by the banks and thus, would affect the business operations and financial condition of our Company.***

In order to meet the growing demands of our customers, in FY 2008-09, we had set up state-of-the-art facility at Appur, near Chennai with an investment of ₹ 11,390.00 lakhs which was partly financed by way of loan funds of ₹ 5,500.00 lakhs. The said loans were arranged by State Bank of India (SBI), Axis Bank Limited, Union Bank of India, Exim Bank of India and IDBI Bank Limited. In the same year, our country at large witnessed global recession which affected our industry as also the order book which as a result affected the business and the financial operations of our Company. We were unable to service the repayment of the aforesaid loans and subsequently we approached CDR Cell for restructuring the said loans. The CDR Cell vide its letter no. CDR (ABP) no.



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277/2009-10 dated June 16, 2009 approved our restructuring proposal and we were given relaxation in repayments of these loans till March 31, 2011 with further concession in interest rates. This was subject to full co-operation and active support in ensuring compliance of critical conditions by us as mentioned in the letter. Therefore, any inability on our part to comply with the terms mentioned under the scheme will lead to revocation of the concessions granted by the banks and thus would affect the business operations and financial condition of our Company.

7. ***The CDR empowered group has envisaged the sale of land at Hosur as a part of restructuring proposal under CDR mechanism. This may impact our production which might affect our business and financial operations.***

The CDR empowered group under the restructuring scheme has envisaged sale of entire 11.195 acres of land located at Hosur which is owned by the company as part of our business restructuring plan. The proceeds of this land will be used to pay off statutory liabilities, labour dues, unsecured loans/ICDs, plant shifting expenses and the balance would be used for the working capital requirements (as per the management's estimates). This may have an impact our production which may further affect the business operations of our Company.

Management Proposal

The sale of this land will not cause any disruption to the manufacturing activities presently being carried on by the company. The entire facility of Hosur plant is proposed to be shifted to another location at Nallagana Kothapalli Village, Koneriapalli Panchayat, Hosur Taluk, Krishnagiri District which is owned by our Company. During the course of shifting, we will be making an alternative arrangement, whereby it will be using the manufacturing facilities of Appur Plant to service the clients of Hosur Plant so that the sales are not affected. .

8. ***Our Promoters have pledged their shares with the State Bank of India under the CDR Scheme.***

The Promoters of our Company have pledged 26,76,824 equity shares constituting 31.02% of the present paid up equity share capital under the CDR Scheme with State Bank of India. Further, as per the terms of the CDR Scheme, 100% of the shareholding in our company held by Mr. V. Srikanth (Promoter and Chairman) and Mr. K.V. Ramachandran (Promoter and Vice Chairman & Managing Director) including fresh equity to be brought by the promoter shall be pledged with the lenders on pari passu basis. The pledge of shares would lead to restriction in leveraging our debt. For further details, please refer the section titled "Capital Structure" on page no. 20 of this Letter of Offer.

9. ***We do not own the premises at which our registered office is located.***

We do not currently own the premises where our registered office is situated. The premises has been taken on lease basis from its owners i.e. Mr. Girish Seshagiri and Mrs. Baa Seshagiri for 3 (three) years for a monthly rent of ₹ 65,000/-. The present lease is valid till September 2011. The lease may be renewed subject to mutual consent of the lessors. In the event that the lessor requires us to vacate the premises, we will have to seek a new premise at short notice and for a price that may be higher than what we are currently paying, which may thus affect the operating costs of our Company.

10. ***Our Company has been reported as defaulting borrower of ₹ 100.00 Lakhs and above under non- suit filed accounts (doubtful & loss accounts) by the Royal Bank of Scotland N.V.. Any such foregoing events can have adverse impact on the future borrowings to be made from the banks.***

The Royal Bank of Scotland N.V. (RBS) has informed our company that though we have not been reported as willful defaulter, but our company has been reported as a defaulting borrower of ₹ 100.00 Lakhs and above under non- suit filed accounts (doubtful & loss accounts). Any such foregoing events can have adverse impact on the future borrowings to be made from the banks which can have an impact on our business operations.



11. *Our Company does not have long term contracts with its customers.*

Our Company has not executed any long term contracts with its customers. All its sales are based on purchase orders that are placed by the customers depending on their requirements. Consequently, our revenue is also dependent on the requirements of the customers. In the absence of long term contracts, there can be no assurance that a particular customer would continue to purchase products from our Company in the future. A reduction in the purchase orders placed by customers may adversely affect the business and revenues. Further, any loss of major customers arising out of competition or from cheaper sources can lead to reduced margins and results and operations of our Company may be affected.

12. *Our Company depends on few suppliers for substantial portion of raw material purchases.*

Our Company does not have any agreement with suppliers for sourcing of raw materials and thus may affect its regular supplies in case of any conflict or delay in the supply. Hence, it could adversely affect the manufacturing operations and consequently affect the financial results of our Company. Any problems faced by suppliers resulting in delays or non-adherence to quality requirements could adversely impact ability to meet its customer's requirements in time and operations would be affected to the extent our Company is unable to line up supplies from alternate suppliers.

13. *We are vulnerable to volatility in prices of our raw materials which could adversely affect our business and financial results.*

The main raw materials used in the manufacture of our forged products are various grades of steel. The prices of steel we purchase from our suppliers may fluctuate due to changes in demand and supply conditions for steel. In the event of any significant increase in the prices of steel and if we are unable to pass on fully such increase in the prices of steel to our customers, our profitability will be adversely affected. However our Company fixes the selling prices of our finished products keeping in view increase in the cost of steel from time to time.

14. *Our Company faces severe competition from the new entrants and existing players which may result in decreased demand or lower prices for our products. Our failure to effectively compete with our competitors could reduce our profitability.*

Our Company may face significant competition from existing players and potential entrants in the Indian Forging Industry. Some of our competitors may be large international corporations and have, or are subsidiaries of large international corporations that have, significantly greater resources than those available to us. Some of the Indian competitors are larger than us and have greater financial resources.

If we are unable to compete effectively, including in terms of pricing or providing quality products, our market share may decline, which could have a material adverse effect on our financial condition and results of operations.

15. *Changes in technology and trends in the industry may affect our ability to compete.*

Technology plays a vital role in the forging industry. Failure or inability to incorporate any change in technology might place competitors at an advantage in terms of costs, efficiency and timely delivery of the final products. Therefore, we are committed to implant the best technology for manufacturing of our products. We also keep ourselves abreast with the latest technology and update our operations accordingly on a continuous basis so as to remain cost effective and competitive in the business.

16. *Our Company's future success depends on its ability to reduce the cost of production and thereby increase its operational efficiency. However, inability to achieve operational efficiencies will have an adverse impact on the operational financial activities.*

Reducing the cost of production is essential to our business strategy in a highly demanding and competitive market environment. Our cost reduction strategy focuses on, among other things,



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increasing the levels of localization for our new product introductions, improving raw material and component sourcing, vendor participation in cost reduction, continuing focus on sharing basic vehicle platform among multiple models in order to spread development costs, and reducing selling, general and administrative costs over maximum models and variants. Our measures to increase our operational efficiency may not yield results in the future, which may adversely affect our results of operations.

17. Our Company is dependent on the expertise of its senior management team and key technical and managerial personnel.

Our Company is dependent on its senior management team for setting the strategic direction and managing its business, both of which are crucial to its success. Given the substantial experience of the senior management team, in the event any or all of them leave or are unable to continue to work with us, it may be difficult to find suitable replacements in a timely manner or at all. Our Company's ability to retain experienced personnel as well as senior management will also in part depend on us in maintaining appropriate staff remuneration and associated benefits. Our Company cannot be sure that the remuneration and benefits that are in place will be sufficient to retain the services of the senior management and skilled people. The loss of any of the members of the senior management or other key personnel may adversely affect the business, financial condition and results of operations of our Company.

18. The business of our Company is dependent on its manufacturing facilities. The loss of or shutdown of operations at its manufacturing facilities may have a material adverse affect on business, financial condition and results of operations.

Our Company's manufacturing facilities are situated at Appur and Hosur. These are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output, raw material shortage or unsuitability, obsolescence, labor disputes, strikes, lock-outs, non-availability of services of the external contractors, the ability to respond to technological advances and emerging industry standards and practices in the industries we operate and propose to operate on a cost-effective and timely basis, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities, and any other factors which may or may not be within control. The occurrence of any of these risks could significantly affect our business, its operating results and financial condition of our Company. Although we take precautions to minimize the risk of any significant operational problems at facilities, the financial condition, results of operations and the trading price of Equity Shares may be adversely affected by any disruption of operations at facilities, including but not limited to any of the factors mentioned above.

19. Fluctuation in foreign exchange may have adverse impact on the profitability of our Company.

Our exports are billed mainly in Euro and Great Britain Pound currency. As such, we are exposed to exchange rate fluctuation risk. However, we mitigate this risk to some extent by entering into forward contracts to hedge the exchange rate exposure. Furthermore, due to weakening of all the major world currencies against the Indian Rupee in the recent past, we were insisting our customers for billing in Euro or Great Britain Pound currency instead of US Dollar, so as to reduce the loss on exchange fluctuation. Nevertheless, any adverse movement in foreign exchange rates may have adverse impact on the profitability of our Company and consequently results of operations and financial condition.

20. We are yet to receive certain approvals relating to our existing operations that we have applied for. Failure or delay in obtaining these approvals may have a material adverse effect on our business, financial condition and profitability.

In respect of our existing operations, we have submitted applications for the renewal of certain approvals and the same are pending before the regulatory and municipal authorities. A summary of such approvals is detailed hereunder:



EL FORGE LIMITED

Description	Facility located	Issuing Authority	Status
Certificate for Air Pollution Control	Hosur	Tamil Nadu Pollution Control Board (TNPCB)	We have, vide our letter dated 23.04.2010 and 09.08.2010, 2010 addressed to the TNPCB, an application for renewal of consent to operate under section 21 of the Air (Prevention and Control of Pollution) Act, 1981, with respect to both of our facilities located at Hosur and Appur, Tamil Nadu.
	Appur		
Certificate for Water Pollution Control	Hosur	Tamil Nadu Pollution Control Board (TNPCB)	We have, vide our letter dated 23.04.2010 and 09.08.2010 2010 addressed to the TNPCB, an application for renewal of consent to operate under sections 25/ 26 of the Water (Prevention and Control of Pollution) Act, 1974 with respect to both of our facilities located at Hosur and Appur, Tamil Nadu
	Appur		

The licenses and approvals required to be renewed or obtained by us for the purpose of carrying on our existing and proposed businesses are granted by governmental or statutory authorities. The grant of these licenses and approvals are affected under the due processes and procedures as prescribed by the applicable governmental/ municipal rules and regulations. Further, the grant of the licenses are contingent upon the satisfaction of certain norms and conditions as may be prescribed by the relevant authority as well as an inspection of the facilities of our Company. Consequently, there may be a substantial amount of delay in the receipt of the required approvals.

For further details, please refer to the section titled ***“Government and Other Approvals”*** on page no. 114 of this Letter of Offer. Failure or delay in obtaining the above approvals may have a material adverse effect on our business, financial condition and profitability.

21. *Deployment of issue proceeds is entirely at the discretion of the Issuer and is not subject to any monitoring by any independent agency.*

The net proceeds from this Issue are expected to be used as set forth under ***“Objects of the Issue”*** on page no. 25 of this Letter of Offer. The use of the net proceeds is at our Company’s sole discretion and is not subject to any monitoring by any independent agency. Accordingly, investors in this Issue have to rely upon the judgment of the management, who will have considerable discretion, with respect to the use of proceeds.

22. *Our Company has entered into certain related party transactions.*

Our Company has entered into related party transactions with the promoters, directors and some of its group entities. For details please refer to the section ***“Financial Information”*** beginning on page no. 61 of this Letter of Offer.

23. *The Equity Shareholders will not be able to sell immediately on an Indian stock exchange any of the Equity Shares purchased in the Issue.*

The Equity Shares will be listed on the BSE, ASE and MSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors’ book entry or “demat” accounts with depository participants in India are expected to be credited within two working days of the date of allotment. Thereafter, upon receipt of final approval from the BSE, ASE and MSE, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Our Company cannot assure that the Equity Shares will be credited to investors’ demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above.

B. EXTERNAL RISK FACTORS**24. *Risk relating to a downturn in automobile and auto ancillary sector.***

In late FY 2007-08 and FY 2008-09, the Indian economy witnessed a downturn due to the global economic breakdown world over. All the major industries, including the automobile and auto ancillary sector were worst hit by this breakdown. Thus the demand for our Company's products remained subdued due to the lackluster demand from the automobile sector, which is one of the major drivers for the demand for our Company's products. In future if the automobile and auto ancillary industry is affected adversely, it could adversely impact our business and profitability.

25. *There is no assurance that the Equity Shares will be listed on the Stock Exchanges in a timely manner or at all and any trading closures at the Stock Exchanges may adversely affect the trading price of the Equity Shares.*

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after the Equity Shares have been issued and allotted. Such permission will require that all other relevant documents authorising the issue of the equity Shares to be submitted. There could be a failure or a delay in listing the Equity shares on the BSE, ASE and MSE. Any failure or delay in obtaining the approval would restrict the investor's ability to dispose of their Equity Shares.

26. *Equity Shareholders bear the risk of fluctuation in the price of the Equity Shares of our Company.*

It is impossible to predict whether the price of the Equity Shares of our Company will rise or fall. Trading prices of the Equity Shares will be influenced by, among other things, the financial position of and the results of operations of our Company, and political, economic, financial and other factors. There can be no assurance that the prices at which the Shares are currently traded will correspond to the prices at which the Equity Shares will be traded in the market subsequent to the Issue.

27. *Future sale of Equity Shares by some of the current Shareholders could affect the price of the Equity Shares in the secondary market.*

The market price of the Equity Shares of our Company could decline if some of the existing shareholders sell a substantial number of Equity Shares post listing or on the perception that such sales or distributions could occur. This, in turn, could make it difficult for the Shareholders to sell Equity Shares in the future at a time and at a price that you deem appropriate.

28. *The price of the Equity Shares may be highly volatile.*

The price of the Equity Shares of our Company on the stock exchanges may fluctuate after this Issue as a result of several factors including:

- Volatility in Indian and global securities market
- The results of operations and performance
- Adverse media reports, if any, on our Company
- Changes in the estimates of the performance or recommendations by financial analysts
- Significant development in India's economic liberalization and de-regulation policies
- Significant development in India's fiscal and environmental regulations
- There can also be no assurance that the price at which the Equity Shares are currently traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.



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29. Our Company is subject to risks arising from interest rate fluctuations, which could adversely affect its business, financial condition and results of operations.

Changes in interest rates could significantly affect the financial condition and results of Operations of our Company. If the interest rates for its existing or future borrowings increase significantly, its cost of funds will increase. This may adversely impact our Company's results of operations, planned capital expenditures and cash flows.

Prominent Notes

1. This is an Issue of 1,29,44,286 Equity Shares of face value of ₹ 10/- each at par aggregating to ₹ 1,294.43 Lakhs on rights basis to the existing shareholders of our Company in the ratio of three Equity Shares for every two Equity Shares held by the existing shareholders on the Record Date, i.e. [3:2].
2. The networth of our Company as on March 31, 2010 is ₹ 2,518.63 lakhs and ₹ 2,031.08 lakhs on Standalone and Consolidated basis, respectively. The networth of our Company for the twelve months period ended March 31, 2011 is ₹ 1,674.84 lakhs and ₹ 1,157.45 lakhs on Standalone and Consolidated basis, respectively.
3. The details of transactions by EFL with group or subsidiary companies during one year immediately preceding the date of filling the Letter of Offer with the SEBI are as under:

A. Transaction with Group Company

Our Company has not entered into any transactions with any of the group company(ies) during FY 2009-10 and for the twelve months period ended March 31, 2011.

B. Transaction with the Subsidiary Company namely Shakespeare Forgings Limited

(₹ in lakhs)			
Sr No.	Description	Period Ended 31.03.2011	Year Ended 31.03.2010
I	Remuneration to Key Management Personnel	52.84	43.04
II	FD interest paid	4.12	2.79
III	Salaries	6.19	5.03
IV	Shakespeare Forging Ltd		
	(a) Sales	485.64	424.08
	(b) Purchases	--	4.30

For further details see **"Financial Information"** on page no. 61 of this Letter of Offer.

4. There has been no financing arrangement whereby the Promoter Group, the Directors of our Company and their relatives have financed the purchase of securities by any other person of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the Letter of Offer with SEBI.
5. All information shall be made available by the Lead Manager and by our Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
6. Investors may contact Compliance Officer or the Lead Manager for any complaints pertaining to the Issue.
7. Our Company satisfies the following conditions as prescribed under Regulation 57(2) (b) of Part E of Schedule VIII of the ICDR Regulations.



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- a. Our Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this letter of offer with the designated stock exchange.
 - b. The reports, statements and information referred to sub-clause (a) above are available on the website of Bombay Stock Exchange Limited (BSE) one of the recognized stock exchange with nationwide trading terminals
 - c. Our Company has investor grievance-handling mechanism which includes meeting of the Shareholder's or Investor's Grievance Committee at frequent intervals, appropriate delegation of power by the board of directors of our Company as regards share transfer and have clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.
8. The Lead Manager and our Company shall update this Letter of Offer and keep the shareholders/public informed of any material changes till the listing and trading commencement.

**SECTION III – INTRODUCTION****THE ISSUE**

The following is a summary of the Issue, for more detailed information in the chapter titled “Terms of the Issue” beginning on page no. 124 of this Letter of Offer.

Equity Shares being offered by our Company	1,29,44,286 Equity Shares
Entitlement for Rights Equity Shares	Three (3) Equity Shares for every Two (2) Equity Shares held on the Record Date
Record Date	June 30, 2011
Face Value per Equity Shares	₹ 10
Issue Price per Equity Share	At par i.e. ₹ 10/- per Equity Share
Equity Shares outstanding prior to the Issue	86,29,524 Equity Shares
Equity Shares outstanding after to the Issue	2,15,73,810 Equity Shares
Terms of the Issue	For more information, please refer to the section entitled “Terms of the Issue” beginning on page no. 124 of this Letter of Offer.



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SUMMARY OF CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

The following tables set forth our Company's summary Balance Sheet and Profit & Loss Account based on our Company's financial statements as at and for the twelve months period ended March 31, 2011 on which the Auditor has issued a audit report and our Company's summary balance sheet, profit and loss account and cash flow statement based on our Company's financial statements as at and for the period ended March 31, 2010 and March 31, 2009 on which the Auditor has issued an audit report.

Our Company's summary statements presented below should be read in conjunction with the financial statements, notes and significant accounting policies thereto included in the section titled "**Financial Information**" on page no. 61 of this Letter of Offer.

Summary of Statement of Assets and Liabilities for the year ended March 31, 2010 (Consolidated)

(₹ in lakhs)		
Particulars	Year Ended 31/03/2010	Year Ended 31/03/2009
A Fixed Assets		
Gross Block	16,039.03	16,032.46
Less: Depreciation	3,150.54	2,413.84
Net Block	12,888.49	13,618.62
Less: Revaluation Reserve	50.75	59.79
Net Block After Adjustment for revaluation reserve	12,837.74	13,558.83
B Investments	97.23	97.23
C Good Will	46.03	105.53
D Current Assets, Loans and Advances		
Inventories	2,617.14	2,900.91
Sundry Debtors	2,676.54	1,176.55
Cash and Bank Balances	197.87	71.79
Loans and Advances	1,367.23	817.99
Total	6,858.78	4,967.24
E Liabilities and Provisions		
Secured Loans	15,110.84	11,453.35
Unsecured Loans	194.31	506.87
Current Liabilities and Provisions	2,426.34	4,280.67
Liability for Deferred payment	77.23	126.27
Total	17,808.72	16,367.16
F: Grand Total (A+B+C+D-E) = F	2,031.06	2,361.67
G: Net Worth Represented by		
Share Capital	862.95	862.95
Equity Share Advances	150.00	65.00
Reserves	3,813.42	3,822.46
Less: Revaluation Reserve	50.75	59.79
Reserves (Net of Revaluation reserves)	3,762.67	3,762.67
Total	4,775.62	4,690.62
H Misc. Expend. To the Extent not written off or adjusted	692.86	678.23
I: Surplus(+) or Deficit (-) in Profit & Loss Account	2,051.70	1,650.72
Networth (G- H-I)	2,031.06	2,361.67



EL FORGE LIMITED

Summary of Statement of Profit & Loss Account for the year ended March 31, 2010 (Consolidated)

Particulars	(₹ in lakhs)	
	Year Ended 31/03/2010	Year Ended 31/03/2009
INCOME		
Sales -		
of Products manufactured by the company	8,811.85	10,891.05
of Products traded in by the Company	-	-
Other income	963.54	100.03
Increase/ Decrease (-) in Inventories	(417.21)	(204.91)
Total	9,358.18	10,786.17
EXPENDITURE		
Raw Material Consumed	4,141.13	5,593.46
Staff Costs	1,418.94	1,602.47
Other Manufacturing Expenses	1,670.31	2,190.19
Administration Expenses	484.60	655.09
Selling & Distribution and Other Expenses	520.93	348.99
Total	8,235.92	10,390.20
Earnings Before Depreciation, Interest & Tax	1,122.26	395.97
Depreciation	766.12	654.95
Interest	796.51	1,669.11
Net Profit Before Tax and Extraordinary Items	(440.37)	(1,928.09)
Less: Prior Period Adjustments	36.01	-
Taxation		
Current Tax (Including Fringe Benefit Tax)	(5.43)	(22.39)
Deferred Tax	-	-
Net Profit before Extraordinary Items	(409.79)	(1,905.70)
Extraordinary items	-	-
Net Profit after extraordinary items	(409.79)	(1,905.70)
Adjustments on account of prior period expenses	-	-
Adjusted profit	(409.79)	(1,905.70)

Note: The decrease in sales of the products manufactured by our company in FY 2010 compared to FY 2009 was mainly due to the global recession and credit crisis situation which had hit the markets in FY 2008-09.

The components of other income for the financial year 2010 and 2009 are as given below:

Particulars	(Amount ₹ in lakhs)	
	2008-09	2009-10
Miscellaneous Receipts	5.50	-
Dividend Income	0.35	0.01
Profit on Exchange Rate Fluctuation	21.55	-
Profit on sale of Fixed Assets	72.63	963.53
Total	100.03	963.54



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Summary of Statement of Cash Flow for the year ended March 31, 2010 (Consolidated)

(₹ in lakhs)

Particulars	Year Ended 31.03.2010		Year Ended 31.03.2009	
01. Cash Flow from Operations				
(01) Net Profit before Tax	-	(404.36)	-	(1,928.08)
(02) Adjustment for	-	-	-	-
(a) Depreciation	766.12	-	654.95	-
(b) Interest Expenses	801.53	-	1,674.96	-
(c) Other Income	-	-	(5.50)	-
(d) Profit on Sales of Fixed Assets	(954.07)	-	(72.63)	-
(e) Interest Income	(5.03)	-	(5.85)	-
(f) Dividend Received	(0.01)	-	(0.35)	-
(g) Sales of Investments	-	-	-	-
(h) Revaluation Reserve	-	608.54	9.61	2,255.19
(03) Operating Profit before working Capital Changes	-	204.18	-	327.11
(04) Adjustment for Increase/ Decrease in	-	-	-	-
(b) Trade & Other Receivables	(2,049.25)	-	2,302.48	-
(a) Inventories	283.78	-	2,456.43	-
(d) Sundry Creditors	(1,854.32)	-	(1,192.20)	-
(e) Miscellaneous Expenses/Deferred Rev. Exp	(14.63)	-	(191.71)	-
(f) Increase in Bank Borrowings	-	(3,634.42)	-	3,375.00
(05) Cash Generation from Operation	-	(3,430.25)	-	3,702.12
(06) Less the Following	-	-	-	-
(a) Tax Paid/ Provided	(5.43)	-	22.39	-
(b) Extraordinary items	-	-	-	-
(c) Misc. receipts	-	-	5.50	-
(d) Deferred sales Tax Liability	-	(5.43)	-	27.89
(07) Net Cash from Operating Activities	-	(3,435.68)	-	3,730.01
02. Cash Flow from Investing Activities				
(01) Purchase or Sale of Fixed Assets	(98.37)	-	(4,566.81)	-
(a) Purchase of fixed assets, Including CWIP	1,016.25	-	191.75	-
(b) Sale Proceeds of Fixed assets	5.03	-	5.85	-
(02) Interest Received	0.01	-	0.35	-
(03) Dividend Received	-	-	-	-
(04) Purchase or Sale of Investments	-	-	-	-
(a) Purchase	-	-	-	-
(b) Sales	-	-	-	-
(05) Purchase or Sale of Goodwill	59.50	-	97.05	-
(a) Additions	-	982.41	-	(4,271.82)
(b) Deletion	-	-	-	-
(05) Net Cash Flow from Investing Activities	-	-	-	-
03. Cash Flow from Financing Activities				
(01) From Term Loan/ Deferral Loan				
(a) Obtained	4,269.51	-	1,628.36	-
(b) Re-Paid	-	-	-	-
(02) From Capital	-	-	-	-
(a) Additions	85.00	-	65.00	-
(b) Withdrawn	-	-	-	-
(03) From Unsecured Loans	-	-	-	-
(a) Obtained	-	-	-	-
(b) Re-Paid	-	-	-	-
(04) From Short (Bank Borrowings)	(973.62)	-	383.30	-



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Particulars	Year Ended 31.03.2010		Year Ended 31.03.2009	
(05) Interest Paid	(801.53)	-	(1,674.96)	-
(06) Dividend and Tax Thereon	-	-	-	-
(07) Minority Interest	-	-	-	-
(08) Net Cash Flow from financing Activities	-	2,579.36	-	401.71
04. Net Increase/ Decrease in Cash & Cash Equivalents (04= 01+02+03)	-	126.09	-	(140.10)
05. Cash & Cash Equivalent- Opening Balance	-	71.78	-	211.88
06. Cash & Cash Equivalent- Closing Balance	-	197.87	-	71.78
07. Net Increase/ Decrease in Balances	-	126.09	-	(140.10)



EL FORGE LIMITED

Summary of Statement of Assets and Liabilities for the twelve months period ended March 31, 2011 (Consolidated)

(₹ in lakhs)

SI No.	Particulars	Twelve Months Ended 31/03/2011	Year Ended 31/03/2010
A	Fixed Assets		
	Gross Block	16,302.64	16,039.06
	Less: Depreciation	3,923.29	3,150.55
	Net Block	12,379.35	12,888.51
	Less: Revaluation Reserve	189.88	50.75
	Net Block After Adjustment for revaluation reserve	12,189.47	12,837.76
B	Investments	97.23	97.23
C	Good Will	97.48	46.03
D	Current Assets, Loans and Advances		
	Inventories	2,865.88	2,617.14
	Sundry Debtors	3,089.06	2,676.54
	Cash and Bank Balances	140.29	197.87
	Loans and Advances	1,880.27	1,367.24
	Total	7,975.93	6,858.79
E	Liabilities and Provisions		
	Secured Loans	15,595.21	15,110.85
	Unsecured Loans	318.14	194.31
	Current Liabilities and provisions	3,250.96	2,426.34
	Liability for Deferred payment	38.35	77.23
	Total	19,202.66	17,808.73
	Grand Total(A+B+C+D-E) = F	1,157.45	2,031.08
	Net Worth Represented by		
G	Share Capital	862.95	862.95
	Equity Share Advances	150.00	150.00
	Reserves	3,952.54	3,813.41
	Less: Revaluation Reserve	189.88	50.75
	Reserves(Net of Revaluation reserves)	3,762.66	3,762.66
	Total	4,775.61	4,775.61
H	Mis. Expenditure to the Extent not written off or adjusted	(730.09)	(692.87)
I	Surplus(+) or Deficit () in Profit & Loss Account	(2,888.07)	(2,051.66)
	Networth (G-H-I)	1,157.45	2,031.08

Note: As on March 31, 2011, the figure of debtors includes an amount of ₹ 640.49 Lakhs receivable from the subsidiary of El Forge Ltd., Shakespeare Forgings Limited (SFL). Similarly, in case of loans & advances the amount receivable from the subsidiary is ₹ 761.27 lakhs.



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Summary of Statement of Profit & Loss Account for the Twelve months period ended March 31, 2011 (Consolidated)

(₹ in lakhs)

Particulars	Twelve months Ended 31/03/2011	Year Ended 31/03/2010
Sales:		
Of Products manufactured by the Company	9,741.59	8,811.85
of Products traded in by the Company		
other income	8.84	963.54
Increase /(Decrease) in Inventories	211.79	(417.21)
Total	9,962.22	9,358.18
Expenditures		
Raw Material Consumed	5,071.22	4,141.13
Staff Costs	1,442.48	1,418.94
Other Manufacturing Expenses	2,029.72	1,670.32
Administration Expenses	473.35	484.60
Selling & Distribution Expenses	463.96	520.94
Total	9,480.73	8,235.93
Earnings Before Depreciation, Interest& Tax	481.49	1,122.25
Depreciation	806.00	766.12
Interest	536.21	796.50
Net Profit Before Tax and Extraordinary items	(860.72)	(440.37)
Less: Prior Period Adjustments	0.00	36.01
Taxation		
Current Tax (Including Fringe Benefit Tax)	0.00	(5.43)
Deferred Tax	-	-
Net Profit before Extraordinary Items	(860.72)	(409.79)
Extraordinary items	-	-
Net Profit after extraordinary items	(860.72)	(409.79)
Adjustments on account of prior period expenses	-	-
Adjusted profit	(860.72)	(409.79)



EL FORGE LIMITED

Summary of Statement of Cash Flow for the Twelve months period ended March 31, 2011 (Consolidated)

(₹ in lakhs)	
Particulars	Twelve months Ended 31/03/2011
Cash flow from Operating activities	85.32
Cash flow from Investing activities	(171.19)
Cash flow from Financing activities	(28.29)
Net Increase / (decrease) in cash and cash equivalents (1+2+3)	(57.58)
Cash and cash equivalent at the beginning of period	197.87
Cash and cash equivalent at the end of period	140.29

Notes on Cash Flow Statement:

1. The above condensed Cash Flow Statement has been prepared in the manner set out in Accounting Standard 25-Interim Financial Reporting specified in Companies (Accounting Standard) Rule, 2006.
2. Cash and Cash Equivalents represent Cash and Bank Balances only.



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GENERAL INFORMATION

Dear Eligible Equity shareholder(s),

Pursuant to the resolution passed by the Board of Directors of our Company at meeting held on March 16, 2011 and the authority given by the shareholders at the AGM held on August 19, 2010 it has been decided to make the following offer to the Equity Shareholders of our Company, with a right to renounce:

ISSUE OF 1,29,44,286 EQUITY SHARES OF FACE VALUE OF ₹ 10/- EACH, FOR CASH AT PAR AGGREGATING TO ₹ 1,294.43 LAKHS BY EL FORGE LIMITED, ("THE COMPANY" OR "THE ISSUER") TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY ON RIGHTS BASIS IN THE RATIO OF THREE EQUITY SHARE FOR EVERY TWO EQUITY SHARE HELD ON JUNE 30, 2011, THE RECORD DATE, I.E. [3:2]. THE ISSUE PRICE OF EACH EQUITY SHARE IS ONE TIME THE FACE VALUE OF THE EQUITY SHARE.

For further details please refer to "Terms of the Issue" beginning on page no. 124 of this Letter of Offer.

Registered Office of our Company*

El Forge Limited

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Alwarpet, Chennai-600018

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Email: elforgeho@elforge.com

Website: www.elforge.com

** For change in registered office of our Company please refer to page no. 49 of this Letter of Offer*

Company Registration Number – 000669

Corporate Identification Number - L34103TN1934PLC000669

Address of the Registrar of Companies

Block No.6, B Wing 2nd Floor,
Shastri Bhawan 26, Haddows Road,
Chennai - 600034

Tel: +91-44-28277182, 28272676

Fax: +91-44-28234298

E-mail: roc.chennai@mca.gov.in

The Equity Shares of our Company are listed and traded on the Stock Exchanges, namely the BSE, ASE and MSE. The equity shares of our Company are traded under the permitted category of the NSE.

Company Secretary & Compliance Officer

Mrs. R. Sowmithri

338, Ambujammal Street,

Alwarpet,

Chennai-600 018

Tel: +91-44- 42007800;

Fax: +91-44- 42014708;

Email: edf@elforge.com;

Website: www.elforge.com



EL FORGE LIMITED

Lead Manager to the Issue

KEYNOTE

Keynote Corporate Services Limited

4th Floor, Balmer Lawrie Building,
5, J. N. Heredia Marg, Ballard Estate,
Mumbai-400 001.

Tel : +91-22-3026 6000-3;

Fax: + 91- 22 -22694323;

Website: www.keynoteindia.net

E-mail: mbd@keynoteindia.net

Contact Person: Mr. Nikhil S. Patil

SEBI Registration Number: INM 000003606

Registrar to the Issue



Integrated Enterprises (India) Limited

II Floor, "Kences Towers", No.1, Ramakrishna Street,
North Usman Road, T Nagar,
Chennai - 600 017

Tel: +91-44-28140801-03;

Fax: +91-44-28142479;

Website: www.iepindia.com;

E-mail: corpserv@iepindia.com;

Contact Person: Mr. Sriram S;

SEBI Registration Number: INR000000544

Legal Advisor to the Issue

Mr. N. V. Prakash

3B, Third Floor,
SARA Apartments,
No. 11, 4th Cross Street,
CIT Colony, Mylapore,
Chennai-600 004.

Tel: +91-44-24990086;

E-mail: barristerprakash@yahoo.com;

Contact Person: Mr. N. V. Prakash;

Statutory Auditor to our Company

P. Rajagopalan & Co.

No.32, II Cross Street,
West C.I.T Nagar,
Chennai-600 035.

Tel: +91-44-2433 2331;

E-mail: prajagopalanandco@gmail.com;

Contact Person: Mr. D. Venkatesh;

ICAI Registration Number: 003408S



EL FORGE LIMITED

Peer Review Auditor for the Issue

Murali Jawahar & Co.

Old No.58, New No.60

Brindavan Street, Chennai-600 033

Tel: +91-44-2473 2288

Email: keyesem_ksm@yahoo.com

Contact Person: Mr. K. S. Muralidharan

ICAI Registration Number: 0021685

Bankers to our Company

State Bank of India

Industrial Finance Branch

155, Anna Salai, Chennai-600 002.

Tel: +91-44-28603171;

Fax: +91-44-28600572;

Website: www.statebankofindia.com;

Contact Person: Mr. Shanmuga Kumaraswmy

Axis Bank Limited

“Karumuthu Nilayam”

192, Anna Salai

Chennai-600 002.

Tel: +91-44-2841 3697;

Fax: +91-44-2841 3699;

Website: www.axisbank.com;

Contact Person: Mr. K. Ramasubramanian

Union Bank of India

No. 9, Riaz Garden,

Kodambakkam High Road,

Nungambakkam,

Chennai-600 034.

Tel: +91-44-23460749;

Fax: +91-44-23460751.

Website: www.unionbankofindia.co.in;

Contact Person: Mr. P. Raju

IDBI Bank Limited

115, Anna Salai

Saidapet, Chennai-600 015.

Tel: +91-44-2220 2040;

Fax: +91-44-22355226;

Website: www.idbi.com;

Contact Person: Mr. N. K. Srivastava

Indusind Bank Ltd

115/116, G. N. Chetty Road

4th Floor, T. Nagar,

Chennai 600 017.

Tel: +91-44-28346066;

Fax: +91-44-45962510;

Website: www.indusind.com;

Contact Person: Mr. Aravind Marimuthu



EL FORGE LIMITED

Royal Bank of Scotland

No.1, Harrington Road
Chetpet
Chennai-600 031.
Tel: +91-44-42224337;
Fax: +91-44-28206436;
Website: www.rbs.in;
Contact Person: Mr. Ravi Chhabria

Kotak Mahindra Bank

Cee Bros Centre, 1st Floor,
39, Montieth Road,
Egmore,
Chennai-600 008.
Tel: +91-44-42245500;
Fax: +91-44-28589279;
Website: www.kotak.com
Contact Person: Mr. M. A. Krishnan

Export Import Bank of India

Add: UTI House 1st Floor
No.29, Rajaji Salai,
Chennai - 600 001.
Tel: +91-44-25224712;
Fax: +91-44-25224082;
Website: www.eximbankindia.com;
Contact Person: Mr. T. D. Sivakumar

Bankers to the Issue

Axis Bank Limited

Ground Floor, Karumuthu Nilayam,
No 192, Annasalai, Chennai
Chennai - 600 004
Tel: +91-44-2830 6800
Fax: +91-44- 28413699
Website: www.axisbank.com;
Contact Person: Mr. Ancil Kappen

IDBI Bank Limited

Unit No. II, Corporate Park,
Near Swastik Chambers,
Sion-Trombay Road, Chembur,
Mumbai - 400 071.
Tel: +91-22-66908402/25286173;
Fax: +91-22-66908424;
Website: www.idbibank.com;
Contact Person: Mr. N. Ganesh Raj.

Self Certified Syndicate Bankers

As on date following banks are registered with SEBI for collection of ASBA forms:

Sr No.	Particulars	Sr No.	Particulars
1.	Axis Bank Ltd	22.	Indusind Bank
2.	State Bank of Hyderabad	23.	Allahabad Bank
3.	Corporation Bank	24.	Karur Vysya Bank Ltd.
4.	State Bank of Travencore	25.	The Federal Bank
5.	IDBI Bank Ltd.	26.	Indian Bank



EL FORGE LIMITED

Sr No.	Particulars	Sr No.	Particulars
6.	State Bank of Bikaner and Jaipur	27.	Central Bank of India
7.	YES Bank Ltd.	28.	Oriental Bank of Commerce
8.	Punjab National Bank	29.	Standard Chartered Bank
9.	Deutsche Bank	30.	J P Morgan Chase Bank, N.A.
10.	Union Bank of India	31.	Nutan Nagarik Sahakari Bank Ltd.
11.	HDFC Bank Ltd.	32.	UCO Bank
12.	Bank of Baroda	33.	Canara Bank
13.	ICICI Bank Ltd	34.	United Bank of India
14.	Vijaya Bank	35.	Syndicate Bank
15.	Bank of Maharashtra	36.	South Indian Bank
16.	State Bank of India	37.	Indian Overseas Bank
17.	Andhra Bank	38.	Tamilnad Mercantile Bank Ltd.
18.	HSBC Ltd.	39.	City Union Bank Ltd.
19.	Kotak Mahindra Bank Ltd.	40.	BNP Paribas
20.	Bank of India	41.	The Kalupur Commercial Co-operative Bank Limited
21.	CITI Bank	42.	Bank of America N.A.

APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (ASBA): Eligible Equity Shareholders may apply through the ASBA process. ASBA can be availed by all the Eligible Equity Shareholders. The Eligible Equity Shareholders are required to fill the ASBA form and submit the same to their bank which in turn will block the amount in the account as per the authority contained in ASBA form and undertake other tasks as per the specified procedure. On allotment, amount will be unblocked and account will be debited only to the extent required to pay for allotment of shares. Hence, there will be no need of refunds etc. ASBA form can be submitted to several banks, the list of such banks are given in the ASBA form and is available on website of SEBI at www.sebi.gov.in.

For more details on the ASBA process, please refer to the details given in ASBA form and also please refer to the section “Terms of the Issue” beginning on page no. 124 of this Letter of Offer.”

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount (“ASBA”) Process are available at the SEBI website (URL reference: <http://www.sebi.gov.in>). Details relating to designated branches of SCSBs collecting the ASBA forms are available at the above mentioned link.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

Inter-se allocation of responsibilities

Keynote Corporate Services Limited is the sole Lead Manager to this issue, however the list of major responsibilities of Keynote Corporate Services Limited inter alia, is as follows:

Sr. No.	Activity
A.	Capital Structuring with relative components and formalities such as composition of Structuring of the offer document.
B.	Drafting and design of the offer document and of the advertisement or publicity material including newspaper advertisement and brochure or memorandum containing salient features of the offer document.
C.	Selection of various agencies connected with issue, such as registrars to the issue, printers, advertising agencies, etc.
D.	Marketing of the issue, which shall cover, <i>inter alia</i> , formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres for



EL FORGE LIMITED

Sr. No.	Activity
	holding conferences of shareholders, investors, etc., (iii) bankers to the issue, (iv) collection centres as per schedule III of ICDR, distribution of publicity and issue material, Letter of Offer.
E.	Post-issue activities, which shall involve essential follow-up steps including follow-up with bankers to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the issuer about the closure of the issue, based on correct figures, finalization of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as Registrar to the issue, Bankers to the issue, Self Certified Syndicate Banks, etc.

Monitoring Agency

Since the Issue size does not exceed ₹ 50,000.00 Lakhs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required. The Board of Directors of our Company will monitor the use of the proceeds of this Issue.

Appraisal Reports

The requirement and proposed utilisation of proceeds of the Issue have not been appraised by any bank, financial institution or other independent agency.

Underwriting

This issue is not being underwritten.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of subsection (1) of Section 68A of the Act which is reproduced below:

“Any person (a) who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or otherwise induces a Company to allot, or register any transfer of shares therein to him, or (b) any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”



EL FORGE LIMITED

PRINCIPAL TERMS OF LOANS AND ASSETS CHARGED AS SECURITY

Sr. No.	Name of the Bank/ Lender	Date of Sanction	Amount sanctioned (₹ In Lacs)	Amount Outstanding/ Availed as on March 31, 2011 (₹ In Lacs)	Rate of Interest (%)	Security	
						Primary	Collateral
1.	State Bank of India	20/07/2009 (As per CDR scheme)	Term Loan: 2,213.00	Term Loan: 2,141.38	6% p.a (from 1/01/2009 to 31.03.2011)	Paripassu First Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland Paripassu Second Charge on entire Current Assets of the Company	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Funded Interest Term Loan: 669.00	Funded Interest Term Loan: 489.36	8% from 2011-13		
			WCTL 2,723.00	WCTL 2,427.61	10% from 2013-2015		
					11% from Further years		
			Cash Credit 1,068.00	Cash Credit 1,062.15	9% p.a	Paripassu First Charge on entire Current Assets of the Company. Paripassu Second Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Non Fund Based	Non Fund Based			
			LC 600.00	LC 600.00			
			BG 25.00				
2.	Axis Bank Limited	22/06/2009 (As per CDR scheme)	Term Loan: 2310.00	Term Loan: 2304.00	6% p.a (from 1/01/2009 to 31.03.2011)	Paripassu First Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Funded Interest Term Loan: 438.00	Funded Interest Term Loan: 298.14	8% from 2011-13 10% from 2013-2015		



EL FORGE LIMITED

Sr. No.	Name of the Bank/ Lender	Date of Sanction	Amount sanctioned (₹ In Lacs)	Amount Outstanding/ Availed as on March 31, 2011 (₹ In Lacs)	Rate of Interest (%)	Security	
						Primary	Collateral
					11% from Further years.	Scotland Paripassu Second Charge on entire Current Assets of the Company.	
			Fund Based Cash Credit 144.00	Fund Based Cash Credit 105.64	9% p.a	Paripassu First Charge on entire Current Assets of the Company.	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Non Fund Based LC 80.00	Non Fund Based LC 80.00		Paripassu Second Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland.	
3.	Union Bank of India	09/07/2009 (As per CDR scheme)	WCTL : 1027.00	Term Loan: 1027.00	6% p.a (from 1/01/2009 to 31.03.2011) 8% from 2011-13 10% from 2013-2015 11% from Further years	Paripassu First Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland.	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Funded Interest Term Loan: 138.00	Funded Interest Term Loan: 87.77		Paripassu Second Charge on entire Current Assets of the Company.	
			Fund Based Cash Credit 461.00	Fund Based Cash Credit 459.88	9% p.a	Paripassu First Charge on entire Current Assets of the Company.	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth,



EL FORGE LIMITED

Sr. No.	Name of the Bank/ Lender	Date of Sanction	Amount sanctioned (₹ In Lacs)	Amount Outstanding/ Availed as on March 31, 2011 (₹ In Lacs)	Rate of Interest (%)	Security	
						Primary	Collateral
			Non Fund Based 225.00	Non Fund Based 225.00		Paripassu Second Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland.	- Mr. K. V. Ramachandran
4.	Export Import Bank of India	25/06/2009 (As per CDR scheme)	Term Loan: 1409.00	Term Loan: 1361.38	6% p.a (from 1/01/2009 to 31.03.2011)	Paripassu First Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland Paripassu Second Charge on entire Current Assets of the Company.	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Funded Interest Term Loan: 228.00	Funded Interest Term Loan: 179.26	8% from 2011-13 10% from 2013-2015 11% from Further years		
5.	IDBI Bank Ltd	30/06/2009 (As per CDR scheme)	Term Loan & Funded Interest Term Loan 316.00	Term Loan & Funded Interest Term Loan: 328.36	6% p.a (from 1/01/2009 to 31.03.2011)	Paripassu First Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland Paripassu Second Charge on entire Current Assets of the Company.	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Funded Interest Term Loan 22.01	Funded Interest Term Loan 13.08	8% from 2011-13 10% from 2013-2015 11% from Further years.		



EL FORGE LIMITED

Sr. No.	Name of the Bank/ Lender	Date of Sanction	Amount sanctioned (₹ In Lacs)	Amount Outstanding/ Availed as on March 31, 2011 (₹ In Lacs)	Rate of Interest (%)	Security	
						Primary	Collateral
			Funded Limit Cash Credit 110.00	Funded Limit Cash Credit 110.00	9% p.a.	Paripassu First Charge on entire Current Assets of the Company. Paripassu Second Charge on entire fixed assets of the Company excluding those exclusively charged to Indusind Bank and Royal Bank of Scotland.	Personal Guarantee and Pledge of shares of: - Mr. V. Srikanth, - Mr. K. V. Ramachandran
			Non Funded Limit LC 60.00	Non Funded Limit LC 60.00			
6.	Indusind Bank	28/03/2009	Term Loan: 875.00	Term Loan: 745.00	9% p.a.	Hypothecation of Bosch receivables Negative lien on the assets acquired out of the loan	Exclusive equitable mortgage of land at Gundu Kurukki Village area, Konneripalli, Panchayat Limit, admeasuring 23.99 acres standing in the name of the Company. Personal Guarantee of: - Mr. V. Srikanth - Mr. K. V. Ramachandran.
7.	Royal Bank of Scotland	08/07/2009	Cash Credit 1220 Pre-shipment Bill discounting Facility 100.00	Cash Credit 1091.53 Pre-shipment Bill discounting Facility 97.86	9%	Paripassu First Charge on entire Current Assets of the Company. Paripassu Second Charge on entire fixed assets of the Company excluding those	Exclusive Charge on specific movable Fixed assets



EL FORGE LIMITED

Sr. No.	Name of the Bank/ Lender	Date of Sanction	Amount sanctioned (₹ In Lacs)	Amount Outstanding/ Availed as on March 31, 2011 (₹ In Lacs)	Rate of Interest (%)	Security	
						Primary	Collateral
			SBLC GBP 250000	SBLC GBP 250000		exclusively charged to Indusind Bank and Royal Bank of Scotland	
8.	Kotak Mahindra Bank Ltd	25/03/2010	Sales Bill Discounting Facility 150.00	Sales Bill Discounting Facility 15.00	10.50%	Receivables of Ashok Leyland Ltd	Personal Guarantee of: - Mr. V .Srikanth - Mr. K. V. Ramachandran
9.	SBI Global Factors Ltd	19.08.2009	Sales Bill Factoring 213.00	Sales Bill Factoring 75.85	11.00%	Receivables of Chaitanya Hi-tech Engineering Co Pvt Ltd	Personal Guarantee of: - Mr. V .Srikanth - Mr. K. V. Ramachandran

Note: Apart from the banks under the CDR scheme our Company has borrowed money from Non-CDR lenders viz. Indusind Bank, Royal Bank of Scotland and Kotak Mahindra Bank on which we have been paying interest. There has been no default in payment of interest for more than 6 months towards these loans. The details of all the loans have been provided in the table given above.

The restrictive covenants relating to the above said loans have been mentioned in the CDR scheme appearing under “History and Corporate Structure” on page no. 37 of the Letter of Offer. The restrictive covenants do not restrain our Company from raising equity; therefore, our Company does not need to take any prior permission to increase the capital.



EL FORGE LIMITED

CAPITAL STRUCTURE

Details as on the date of this Letter of Offer	Aggregate Value at Face Value (₹ in lakhs)	Aggregate Value at Issue Price (₹ in lakhs)
Authorized Capital		
2,60,00,000 Equity Shares of ₹ 10/- each	2,600.00	
3,00,000 Redeemable Preference Shares of ₹ 100/- each	300.00	
Total	2,900.00	
Issued, Subscribed & Paid-up Capital		
86,29,524 Equity Shares of ₹ 10/- each fully paid – up	862.95	
Present Rights Issue		
1,29,44,286 Equity shares of ₹ 10/- each for cash at par i.e. ₹ 10/- per Equity Share	1,294.43	1,294.43
Post Issue Capital		
2,15,73,810 Equity shares of ₹ 10/- each fully paid-up	2,157.38	2,157.38
Share Premium Account		
Before the offer		2,343.81
After the offer		2,343.81

Notes to capital structure

1. Promoters' Contribution and Lock-in for the present issue

The present issue being a rights issue, provisions of promoters' contribution and lock-in are not applicable.

2. The details of Locked-in, pledged and encumbered shares of the Promoter and Promoter Group

Name of the Promoter/Promoter Group	Lock in /Pledged/encumbered	Total Number of shares as on date of letter of offer	Number of shares locked in/pledged/ encumbered as on date of letter of offer
Chendur Forgings Limited	Pledged	22,87,003	21,87,003
Mr. V. Srikanth	Pledged	4,05,798	4,05,798
Ms. Chitra Venkataraman	Pledged	66,450	66,450
Mr. K. V. Ramachandran	Pledged	17,573	17,573
Total		27,76,824	26,76,824

As per the terms of the CDR Scheme, 100% of the shareholding in our company held by Mr. V. Srikanth (Promoter and Chairman) and Mr. K.V. Ramachandran (Promoter and Vice Chairman & Managing Director) including fresh equity to be brought by the promoter shall be pledged with the lenders on pari passu basis.



EL FORGE LIMITED

3. Present Rights Issue:

Type of Instrument	Ratio	Face Value (₹)	No. of shares	Issue Price (₹)	Consideration
Equity Shares	3:2 (i.e. Three <i>Equity shares for every Two equity share held</i>)	10/-	1,29,44,286	10.00	Cash

4. The shareholding pattern of our Company as on March 31, 2011 was as follows:

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals / Hindu Undivided Family	19	678,096	639,805	7.86	7.86	489,821	72.23
Bodies Corporate	01	2,287,003	2,287,003	26.50	26.50	2,187,003	95.63
Sub Total	20	2,965,099	2,926,808	34.36	34.36	2,676,824	90.28
(2) Foreign	--	--	--	--	--	--	--
Total shareholding of Promoter and Promoter Group (A)	20	2,965,099	2,926,808	34.36	34.36	2,676,824	90.28
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	04	1,605	--	0.02	0.02	--	--
Financial Institutions / Banks	05	990	--	0.01	0.01	--	--
Sub Total	09	2,595	--	0.03	0.03	--	--
(2) Non-Institutions							
Bodies Corporate	251	867,893	795,905	9.87	9.87	--	--
Individuals							
Individual shareholders holding nominal share capital up to Rs. 1 lakh	9,805	2,998,049	2,557,753	34.74	34.74	--	--
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	54	1,697,922	1,492,788	19.68	19.68	--	--
Any Others (Specify)	48	64,056	63,536	0.74	0.74	--	--
Clearing Member	6	1,284	1,284	0.01	0.01	--	--
Trusts	02	7,520	7,000	0.09	0.09	--	--
Corporate CM/TM-Client Margin A/c	08	20,575	20,575	0.24	0.24		



EL FORGE LIMITED

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of A+B+C	Number of shares	As a % of Total No. of Shares
Corporate CM/TM-Client Beneficiary A/c	32	34,677	34,677	0.40	0.40	--	--
Sub Total	10,160	5,661,830	4,909,982	65.61	65.61	--	--
Total Public shareholding (B)	10,169	5,664,425	4,909,982	65.64	65.64	--	--
Total (A)+(B)	10,189	8,629,524	7,836,790	100.00	100.00	2,676,824	31.02
(C) Shares held by Custodians and against which Depository Receipts have been issued	--	--	--	--	--	--	--
Total (A)+(B)+(C)	10,189	8,629,524	7,836,790	100.00	100.00	2,676,824*	31.02

* Pledged under the CDR Scheme with State Bank of India, Anna Salai Branch, Chennai.



EL FORGE LIMITED

5. The details of shareholding by the Promoter and the Promoter Group as of March 31, 2011 are as follows:

Sr. No.	Name of the Shareholder	Total Shares held Number	As a % of grand total (A)+(B)+(C)	Shares pledged or otherwise encumbered		
				Number	% of Total shares held	As a % of grand total (A)+(B)+(C)
1	Chendur Forgings Ltd	2,287,003	26.50	2,187,003	95.63	25.34
2	Mr. V. Srikanth	405,798	4.70	405,798	100.00	4.70
3	Mr. R. Visweswaran	487	0.01	--	--	--
4	Mr. V. Balu	6,708	0.08	--	--	--
5	Ms. V. Subha	20,700	0.24	--	--	--
6	Ms. Tanvi Vaidyanathan	8,596	0.10	--	--	--
7	Ms. Rohini Ramaswamy	1,300	0.02	--	--	--
8	Mr. K. R. Srihari	300	0.00	--	--	--
9	Ms. K. R. Manasvini	200	0.00	--	--	--
10	Mr. V. Ramachandran	112,688	1.31	--	--	--
11	Mr. R. Visweswaran	1,169	0.01	--	--	--
12	Mr. P. L. Reddy	1,000	0.01	--	--	--
13	Mr. K. V. Ramachandran	17,573	0.20	17,573	94.31	0.20
14	Ms. V. Subha	10,555	0.12	--	--	--
15	Ms. Nandini Srikanth	3,277	0.04	--	--	--
16	Ms. Nandini Ramachandran	600	0.01	--	--	--
17	Mr. K. J. Ramaswamy	5,000	0.06	--	--	--
18	Mr. K. V. Srikanth	12,500	0.14	--	--	--
19	Ms. Ananya Srikanth	3,195	0.04	--	--	--
20	Ms. Chitra Venkataraman	66,450	0.77	66,450	100.00	0.77
	Total	2,965,099	34.36	2,676,824*	90.24	31.02

* pledged under the CDR Scheme with State Bank of India, Anna Salai Branch, Chennai.

The entities belonging to the Promoter/Promoter Group have undertaken to subscribe to their rights entitlement in full and collectively to subscribe to the unsubscribed portion from public shareholders. It will be ensured that in the event of such subscription by the promoters, their post rights issue holding in our Company does not result in the public shareholding of our Company falling below the requisite levels as prescribed under clause 40A of the Listing Agreement.

Some of the Promoters and Promoter group entities have brought in Equity Share Advance to finance the objects of the issue. The promoters(s)/ promoter group companies who have brought in Equity Share Capital Advance have consented to adjust the same towards their rights entitlement and subscription towards unsubscribed portion if any in the rights issue. The details of the Equity Share Capital Advance brought in as on April 27, 2011 that can be adjusted towards their rights entitlement and/ or towards unsubscribed portion of rights issue is as follows:

Sr. No.	Particulars	Date on which share advances have been received in the Company	(₹ In Lacs)
Promoter/ Promoter Group			
1	Chendur Forgings Limited	31/03/2010	127.80
		26/04/2011	350.00
2	V. Srikanth	31/03/2010	10.64
3	K. V. Ramachandran	31/03/2010	11.56
Total			500.00

Presuming no subscription is received from other shareholders and promoters(s)/promoter group as mentioned above subscribing to the unsubscribed portion as mentioned above, their shareholding may increase to 73.74% of the post rights issue equity capital of our Company. As a result of this subscription and consequent allotment, the promoters/promoter group may acquire shares over and



EL FORGE LIMITED

above their entitlement in the issue which may result in their shareholding in our Company being above their current holding. This subscription and acquisition of additional equity shares by the Promoters/Promoter Group, if any, will not result in change of control of the management of our Company and shall be exempt from the requirements of making a public offer in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

6. As on the date of this Letter of Offer there are no equity shares of the company that are locked in.
7. The details of the shareholders holding more than one percent of the share capital of our Company as on March 31, 2011 are as follows:

Sr. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
<i>Promoter and Promoter Group</i>			
1.	Chendur Forgings Limited	22,87,003	26.50
2.	Mr. Srikanth. V	4,05,798	4.70
3.	Mr. V. Ramachandran	1,12,688	1.31
<i>Others</i>			
4.	Mr. N Jayakumar	2,89,435	3.35
5.	Mr. Madhu Vadera Jayakumar	1,58,400	1.84
6.	Prime Securities Limited	97,316	1.13
7.	Duke Corporation Ltd.	88,419	1.03

8. As on the date of this Letter of Offer, there are no outstanding options or securities that have been issued by our Company.
9. The Issue being a Rights Issue, provisions of Promoters' contribution and lock-in are not applicable as per Regulation 34 (c) of SEBI (ICDR) Regulations, 2009.
10. As on the date of this Letter of Offer, our Company has not allotted any Equity Shares to employees pursuant to any ESOP/ ESOS scheme.
11. None of the Promoters of our Company, their relatives and associates, and entities belonging to the Promoter Group have purchased or sold directly or indirectly, any equity shares during a period of one year proceeding the date on which this Letter of Offer is filed with SEBI.
12. Equity Shares of our Company are being traded in compulsory dematerialized mode. The market lot of the equity shares is 1 (One).
13. Our Company/Promoters/Directors/Lead Manager have not entered into buy back or similar arrangements for purchase of securities issued by our Company.
14. As on the date of filing this letter of offer there are no partly paid up shares in our Company.
15. Further, presently our Company does not have any proposal, intention, negotiation or consideration to alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of Equity Shares or any other securities within a period of six months from the date of opening of the present issue.
16. As on date the Lead managers and their associates do not hold any equity shares in El Forge Limited.



EL FORGE LIMITED

OBJECTS OF THE ISSUE

The Objects of the issue is to augment the capital base to meet the working capital requirements of our Company and for meeting the expenses of the issue.

The main object clause of the Memorandum and Articles of Association of our Company enables us to undertake the existing activities for which the funds are being raised through the present issue.

Cost of Project

Particulars	(₹ in lakhs)
Augment the Capital base to meet working capital requirements	1,244.43
Issue Expenses	50.00
Total	1,294.43

Means of Finance

Particulars	(₹ in lakhs)
Proceeds of the Rights Issue	1,294.43
Total	1,294.43

a. Augment the capital base to meet Working Capital Requirements

We are engaged in the manufacture of forged products in domestic and international markets. Our Company has its units located at Hosur and Appur Village, Chennai. EL Forge supplies steel forgings to OEM's mainly in the auto sector in the domestic market to customers like Ashok Leyland Ltd, Bosch Ltd, Wabco TVS, Greaves Cotton Ltd and in the export market to customers like Eaton Corporation, Poland, GKN UK, TRW GERMANY/Czech Republic etc.

The Appur plant is a state-of-the-art facility with four press lines near Oragadum, Chennai. The installed capacity of this plant is 10,000 MTPA. All the major OEM's are present within the vicinity of these facility which is an advantage/ opportunity for our Company to service its products in a much more efficient and effective manner.

Apart from the supplies to auto sector, our Company has obtained orders from Railways, mining industry, etc., for supply of forged products such as rolling stock coupling linkages, carriage chassis couplings and excavation implements.

In order to scale up production we need additional working capital, which shall be part financed through the proposed Rights Issue. The working capital requirement has not been appraised by any Banks or Financial Institutions and the same has been estimated by the management.

The details of the working capital are as given herein under:

(₹ in Lakhs)						
Sr No.	Particulars	Holding Level (Days)	As on 31/03/2010	Holding Level (Days)	As on 31/03/2011	As on 31/03/2012
			Audited		Audited	Estimated
(A)	Current Assets					
	Raw Material	60	249.94	60	270.24	1,274.13
	Forging Stock & WIP	60	2,027.18	60	2,151.45	2,822.84
	Sundry Debtors	90	2,676.54	90	3,042.66	4,315.03
	Total (A)		4,953.66		5,464.35	8,412.00
(B)	Current Liabilities					
	Sundry Creditors	30	1,219.99	30	1,521.33	625.27
	Total (B)		1,219.99		1,521.33	625.27



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Sr No.	Particulars	Holding Level (Days)	As on 31/03/2010	Holding Level (Days)	As on 31/03/2011	As on 31/03/2012
(C)	Working Capital Gap (A-B)		3,733.67		3,943.02	7,786.73
	Less: Margin		730.67		157.84	1086.73
	Total (C)		3,003.00		3,785.18	6,700.00
(D)	Financed By					
	Bank Borrowing		3,003.00		3,635.18	5,455.57
	Rights issue		0.00		150.00	1,244.43
	Total (D)		3,003.00		3,785.18	6,700.00

As on March 31, 2011 the sanctions of credit facilities (fund based and non fund based) made by the banks to our Company are given below:

Sr. No	Particulars	Amount (₹ in Lacs)
1	State Bank of India	1,668.00
2	Union Bank of India	686.00
3	Axis Bank	224.00
4	IDBI	170.00
5	Royal Bank of Scotland	1,400.00
6	Kotak Mahindra Bank Ltd.	150.00
7	SBI Global Factors	213.00
s	Total	4,511.00

The CDR Cell at its CDR empowered group meeting held on September 24, 2010, had agreed to our company's request for additional working capital limits of ₹ 1,200.00 Lakhs. It was accordingly conveyed to us in December 2010 that the actual working capital limits shall be assessed and the additional requirement shall be shared by the CDR lenders based on the present sharing pattern. Subsequently Axis Bank Limited has sanctioned ₹ 96.00 Lakhs to the Company towards the additional working capital. The details of the said loans are as given below:

Name of the Bank	Amount of loan sanctioned (₹ in Lakhs)	Rate of Interest	Terms & Conditions
Axis Bank Ltd	96.00	9%	Primary: <ul style="list-style-type: none"> Paripassu First Charge on Current assets of the Company. Collateral: <ul style="list-style-type: none"> Paripassu Second Charge on all Fixed Assets of the Company (excluding the assets charged exclusively to Indusind Bank & ABN Amro bank). Others: Personal Guarantee of; <ul style="list-style-type: none"> Mr. V. Srikanth [Personal network as on March 31, 2010 ₹ 46.89 lacs] Mr. K. V. Ramachandran [Personal network as on March 31, 2010 ₹ 20.07 lacs] promoters/ directors of the Company.



EL FORGE LIMITED

Our Company is yet to receive the sanction letters for outstanding amount of ₹ 1104.00 Lakhs from other banks. For further details of the sanctions of credit facilities by the banks to our Company please refer to "Principal terms of loans and assets charged as security" on page no 15 of this Letter of Letter.

Basis of estimation:

The augmentation of long term working capital requirements are based on historical company data and estimation of the future requirements in FY 2011-12 considering the growth in activities of our Company and in line with norms accepted by our bankers. Our Company has estimated the average inventory levels at 60 days as this is essential to scale up operations and reach turnover at the estimated levels.

Our Company provides average credit of about 90 days to its customer and same has been considered for determine the working capital for FY 2012. Similarly we have estimated advance to suppliers, other current assets and current liabilities in line with working capital employed in last two years.

Capacity Utilisation *v/s-a-v/s* business growth

The capacity utilisation of our Company for the last three FY 2009-10 and estimated for FY 2010-2011 and 2011-2012 are as under:-

Particulars	FY 2009-2010 (Actuals) (MTPA)	FY 2010-2011 (Provisional) (MTPA)	For FY 2011-2012 (Estimated) (MTPA)
Installed Capacity	18,000	18,000	18,000
Capacity Utilisation	34.73%	40.77%	73.33%
Production	6,252	7,340	13,200

**Based on management estimates*

All the above projections are based on management estimates and have not been appraised by any bank or financial institution.

b. Issue Expenses

The Issue related expenses include, among others, fees to intermediaries such as lead manager, registrar to the issue, registrar and depository fees and listing fees etc, fees to SEBI and Stock Exchanges, printing and distribution expenses, statutory advertisement expenses, legal fees. The breakup of the issue expenses is as given herein under:

Particulars	Expense (₹ in Lakhs)	Expense (% of the total expenses)	Expense (% of the Issue size)
Fees payable to Lead Manager	12.00	24.00	0.05
Fees payable to Registrar	10.00	20.00	0.04
Fees payable to SEBI and Stock Exchanges	3.00	6.00	0.12
Printing & Distribution	11.00	22.00	0.44
Statutory Advertising and Marketing	7.00	14.00	0.28
Legal Fees	5.00	10.00	0.20
Miscellaneous Expenses	2.00	4.00	0.08
Total Issue Expenses	50.00	100.00	2.00



EL FORGE LIMITED

Sources and Deployment of Funds

As per the certificate dated June 22, 2011 of M/s P. Rajagopalan & Co., Chartered Accountants we have deployed ₹ 520.73 lacs till June 22, 2011. The same has been financed from the promoters' contribution towards their entitlement in this Issue and cash accruals.

Particulars	(₹ in lakhs)
Deployment of Funds	
Working Capital	500.00
Expenses of the Issue	20.73
Total	520.73
Sources of Funds	
Equity Share Advance	500.00
Cash Accruals	20.73
Total	520.73

Bridge Loan

We have not raised any bridge loan which will be repaid from the issue proceeds.

Interim Use of Funds

Our management, in accordance with the policies formulated by the Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization, for the purposes described in the "Objects of the Issue" as stated above, we intend to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with banks for the necessary duration. However since the issue is for meeting the working capital requirements of our Company, we shall utilize the proceeds for the same.

Basic terms of the Issue

The Equity shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of our Company, the terms of this Letter of Offer and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, GOI, RBI, ROC and/or other authorities as in force on the date of issue and to the extent applicable.



EL FORGE LIMITED

STATEMENT OF TAX BENEFITS

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS AS PER THE CERTIFICATE ISSUED BY STATUTORY AUDITORS OF THE COMPANY

To
The Board of Directors
El Forge Limited
No.338, Ambujammal Street
Alwarpet, Chennai 600 018

Dear Sirs,

Sub: Statement of Tax Benefits

01. We hereby report that the enclosed annexure states the tax benefits available to M/s. El Forge Limited (the "Company") and to the Shareholders for the Company under the provisions of the Income Tax Act, 1961 ('the Act') and other direct tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in future, the Company may or may not choose to fulfill.
02. The benefits discussed in enclosed annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and changing tax laws, each investor is advised to consult his own tax consultant with respect to specific tax implications arising out of their participation in the issue, particularly in view of the fact that there could be different interpretations of legislation.
03. Unless otherwise specified, sections referred to in the annexure are sections of Income Tax Act, 1961. All the provisions set out in the annexure are subject to conditions specified in the respective sections.
04. We do not express any opinion or provide any assurance as to whether:

(01) The Company or its shareholders will continue to obtain these benefits in future; or
(02) The conditions prescribed for availing the benefits have been or would be met.
05. The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in preparation of this statement, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

Place: Chennai
Date: April 14, 2011

R. Venkatesh
Partner
Membership No.: 28368
For P. Rajagopalan and Co
Chartered Accountants
Registration No. of the Firm: 003408S
No.32, II Cross Street,
West CIT Nagar, Chennai 600035.



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The Auditors of the Company, P. Rajagopalan and Co, Chartered Accountants have advised the Company vide their letter dated April 14, 2011 that under the current Direct Tax Law, the following tax benefits interalia will be available to the Company and the shareholders of the Company. A shareholder is advised to consider in his own case the tax implication of an investment in the shares. The Statement of tax benefits certificate from the Auditors of the Company is reproduced below:

A: SPECIAL TAX BENEFIT AVAILABLE TO THE EL FORGE LIMITED AND ITS SHAREHOLDERS

The Company does not enjoy any "Special Tax Benefits ". All the benefits as mentioned in the statement are as per the current tax laws amended by the Finance Act, 2010 and will be available only to the sole/ first named holder in case the shares are held by joint holders.

B: BENEFITS UNDER THE INCOME TAX ACT, 1961

01. To the Company

(01) Business Income

- (a) The Company is entitled to claim depreciation under section 32 of the Act, on specified tangible and intangible assets owned by it and used for the purpose of its business. It is also entitled to claim a onetime additional depreciation @ 20% of the actual cost of specified new plant and machinery acquired and put to use during a year.
- (b) The Company is entitled for a weighted deduction of 2 times of expenditure incurred on scientific research (except cost of land or building) or in-house research as per Section 35(2AB) of the Act. It is also eligible for a weighted deduction of 1.25 times of any sum paid to a company to be used by it for scientific purpose, subject to fulfillment of the conditions provided in Section 35(1)(ia) of the Act.
- (c) The Company shall be eligible for amortization of preliminary expenditure, in Five equal installments, as specified in section 35D of the Act including expenditure on public issue of shares, subject to meeting the conditions and limits specified in that section.
- (d) As per section 35DDA, the company is eligible for deduction in respect of payments made to its employees in connection with their voluntary retirement of an amount equal to 1/5th of such expenses over 5 successive Assessment Years ('AY') subject to conditions specified in that section.
- (e) As per Section 72, Business Losses, if any, for any AY which cannot be set off against income of the year under any other head, can be carried forward and set off against business profits for eight subsequent Assessment Years (AY), if the Income Tax Return is filed as required by Section 139(1). Similarly, it shall also be entitled to carry forward unabsorbed depreciation of the year for set off in subsequent years for unlimited period.
- (f) The Company shall be liable to pay Minimum Alternative Tax ('MAT') as per section 115JB of the Act if the taxes payable under the normal provisions of the Act is less than 18.50%% of the Book Profits computed in accordance with the provisions of Section 115JB of the Act and surcharge at the rate of 2.50% (for income Rs.1 Crore or less) or at the rate of 7.50% (for the income exceeding Rs.1 Crore).
- (g) Further, as per Section 115JAA(1A) of the Act, the Company is eligible to claim credit for MAT paid for any AY commencing on or after April 1, 2006 against normal income-tax payable in subsequent AYs. MAT credit shall be allowed for any AY to the extent of difference of the tax paid for any AY under 115JB and the amount of tax payable as per the normal provisions of the Act for that AY. Such MAT credit will be available for set-off up to 10 years succeeding the AY in which the MAT credit becomes allowable.
- (h) Under the newly inserted section 36(iv)(a),(vide clause 7 of the Finance Act, 2011) effective from 1.4.2012 the Company is eligible for reduction of contribution towards pension scheme, as



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referred in section 80CCD, to the extent not exceeding 10% of the salary of the employee in the previous year.

(02) Dividend Income

- (a) As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies), received on the shares of any company, is except from tax
- (b) As per section 10(35) of the Act, the following income shall be exempt in the hands of the company.
- (c) Income received in respect of the units of Mutual Fund specified under clause (23D) of section 10; or
- (d) Income received in respect of units from the Administrator of the specified undertaking; or
- (e) Income received in respect of units from the specified company.
- (f) However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.
- (g) For this purpose (i) Administrator means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) Specified Company means a company as referred to in section 2(h) of the said Act.
- (h) The Company shall, be subject to disallowance, if any, under section 14A of the Act , for expenditure incurred in relation to earning aforesaid tax free dividend income

(03) Capital Gains

- (a) As per Section 10(38) of the Act, long term capital gains arising to the company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the company.
- (b) For this purpose: Equity Oriented Fund: means a fund –
 - ❖ where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such fund; and
 - ❖ which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act
- (c) Under section 48 of the Act, the long term capital gains (in cases not covered under section 10(38) of the Act) arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.
- (d) As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of a long-term capital asset will be exempt from tax if the capital gains are invested in a “long term specified asset” within a period of six months after the date of such transfer.
 - ❖ If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced.



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- ❖ However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.
 - ❖ A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2007:
 - by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
 - by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
 - ❖ As per 1st Proviso to Section 54EC(1), the investments made in the Long Term Specified Asset on or after April 1, 2007 by any assessee during the financial year should not exceed 50 Lakh Rupees.
- (e) As per section 112 of the Act, long-term capital gains on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) will be charged to tax at the lower of:
- ❖ 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act; or
 - ❖ 10% (plus applicable surcharge and education cess) without indexation benefits.
- (f) As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity shares or units of an equity oriented mutual fund transacted through a recognized stock exchange in India, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and education cess). All other short term capital gains shall be taxable at normal rates.
- (g) As per section 71 read with section 74, short term capital loss arising during a year is allowed to be set-off only against other capital gains including long term capital gains. Balance loss, if any, should be carried forward for subsequent 8 years and set-off against subsequent year's short term as well as long term capital gains
- (h) As per section 71 read with section 74, long term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, should be carried forward for subsequent 8 years and set-off against subsequent year's long term capital gains.

(04) Credit for Dividend Distribution Tax ('DDT') paid by a subsidiary company

- (a) As per Section 115-O of the Act to provide that, in order to compute the DDT payable by a domestic company, the amount of dividend paid by it would be reduced by the dividend received by it from its subsidiary company during the financial year, if:
- ❖ The subsidiary company has paid DDT on such dividend; and
 - ❖ The domestic company is itself not a subsidiary of any company.
- (b) For this purpose, a company would be considered as a subsidiary if the domestic company holds more than half its nominal equity capital.



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02. Benefits to the Resident Shareholders of the Company:

(01) Dividend Income

As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of the Company is exempt from tax, subject to disallowance, if any, under section 14A, for expenditure incurred in relation to earning such dividend.

(02) Capital Gains

(a) Benefits outlined in Paragraph B: 01 (03) above are also applicable to resident shareholders. In addition to the same, the following benefits are also available to resident shareholders.

(b) As per section 54F of the Act, long term capital gains [in cases not covered under section 10(38)] arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family will be exempt from tax if the net consideration is utilized as under:

(A) in the purchase of a residential house within a period of one year before, or two years after the date of transfer; or

(B) for construction of a residential house within three years.

(C) Such benefit will not be available:

❖ If the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and

❖ If the income from such new residential house is chargeable under the head "Income from house property".

- If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration will be exempt.
- If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head "capital gains" of the year in which the residential house is transferred.

(03) Deduction for STT paid

(a) As per Section 36(xv) of the Act, the STT paid by the shareholder in respect of taxable securities transactions entered into in the course of the business will be allowed as deduction if the income arising from taxable securities transactions is chargeable under the head "Profits and Gains of Business or Profession".

(b) In respect of other shareholders, the STT paid shall be treated as expenses incidental to transfer to be reduced from the sale value of shares sold while computing Capital Gains.



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03. Benefits available to Non-Resident Indians/Non Resident Shareholders (other than FIIs and Foreign venture capital investors)

(01) Dividend Income

As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of the Company is exempt from tax, subject to disallowance, if any, under section 14A, for expenditure incurred in relation to earning such dividend.

(02) Capital Gains

Benefits outlined in Paragraph B: 02 (02) above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company, acquired in convertible foreign exchange, need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer, into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated.

(03) Deduction for STT paid

Benefits outlined in Paragraph B: 02(03) above are also applicable to the non-resident shareholders.

04. Special provision in respect of income / LTCG from specified foreign exchange assets available to non-resident Indians under Chapter XII-A

- (01) As per section 115E of the Act, in the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.
- (02) As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within a period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act, then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- (03) As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- (04) As per section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139 of the Act, that the



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provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

(05) Tax Treaty Benefits

The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident. In case the non-resident has fiscal domicile in a country with which no Tax Treaty exists, then due relief under Section 91 of the Act may, in given circumstances, be available.

05. Benefits available to Foreign Institutional Investors ('FIIs')

(01) Dividend Income

As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of the Company is exempt from tax.

(02) Capital Gains

- (a) As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to STT, will be exempt in the hands of the FIIs.
- (b) As per section 115AD read with section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and education cess).
- (c) As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the provisions of section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains (other than referred to in section 111A)	30

- (d) The above tax rates will be increased by the applicable surcharge and education cess.
- (e) In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.
- (f) Benefit of exemption under Section 54EC shall be available as outlined in Paragraph B: 01(03) (d) above.

(03) Deduction for STT paid

Benefits outlined in Paragraph B: 02(03) above are also applicable to the non-resident shareholders

(04) Tax Treaty Benefits

Benefits of Tax Treaty as outlined in Paragraph B: 04 (05) above are also available to FIIs



EL FORGE LIMITED

06. Venture Capital Companies/Funds

As per section 10(23FB) of the Act, all venture capital companies/funds registered with the Securities and Exchange Board of India, subject to the conditions are eligible for exemption from income tax on all other income, including income from sale of shares of the company. However, income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

07. Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under. Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may be notification in the Official Gazette specify in this behalf.

C: Benefits to shareholders of the Company under the Wealth Tax, Act, 1967

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

D: Benefits to shareholders of the Company under the Gift Tax Act.

Gift Tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of Shares will not attract gift – tax.

E: Notes:

- (01) In respect of non residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements if any, between India and the country in which the non-residents has fiscal domicile.
- (02) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor, with respect to specific tax consequences of his / her anticipation in the issue.
- (03) The above Statement of Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
- (04) This statement is only intended to provide general information to the investor and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult their own consultant with respect to the specific tax implications arising out due to their participation in the issue.
- (05) We do not express any opinion or provide any assurance as to whether:
 - (a) The company or its shareholders will continue to obtain these benefits in future;
 - (b) The conditions prescribed for availing the benefits have been / or would be met with.

Place: Chennai
Date: April 14, 2011

R. Venkatesh
Partner
Membership No. 28368
For P. Rajagopalan and Co
Chartered Accountants
Registration No. of the Firm: 003408S
No.32, II Cross Street,
West CIT Nagar, Chennai 600035.



EL FORGE LIMITED

SECTION IV – HISTORY AND CORPORATE STRUCTURE

Our Company (originally known as ‘Ellore Electric Supply Corporation Limited’) was incorporated on July 18, 1934 under the Indian companies Act, 1913 to carry on the business of generation and distribution of power in Ellore town of Andhra Pradesh. In the year 1960 the distribution of power was nationalized by the government after which we had set up the Forging unit at Chromepet with 900 MT of installed capacity in 1963 that catered to the needs of Automobile Industries in South. The name of our Company was then changed to ‘Ellore Engineering Company Limited’. Our Company during the period 1963-1973 progressively increased its installed capacity to 2400 MT by addition of hammers.

In the year 1974, with the rising demand of forgings in South India, we had set up a plant in Hosur, Karnataka, with an installed capacity of 2400 MT. The name of our Company was then changed to ‘El Forge Limited’ in the year 1979. We have constantly worked upon increasing its productivity and efficiency. Since, 1999 we have embarked on a programme of Total Productive Maintenance (TPM) with an objective to achieve ‘Zero Defects’ thus attaining higher productivity. In 1995 we merged another Forging Company M/s. Chendur Forge Exports Ltd with our Company.

In 2005, our Company acquired a Forging Company in UK. The Company Shakespeare Forgings Limited (100% subsidiary of El Forge Limited) manufactures and distributes Forgings to Auto, Mining, Agri, Offshore and General engineering Sectors. The acquisition has opened the gateway for us for supplies with UK and Europe. High volume price sensitive components are manufactured in India and Shakespeare Forgings Limited continues to manufacture average of low volume higher margin products in UK.

Our Company had embarked on an expansion and modernization programme with the purpose to meet the growing customer demand and to be a global player in Forging. With this objective we purchased 25 acres of land at Appur near Chennai from the sale proceeds of the unit at Chrompet. The factory is located near the area where Ford Motors, Hyundai Motors and other automobile ancillary units are situated. The facility was started in 2006 and was completed in 2008. The total installed capacity of the plant is 10,000 MT per annum.

CDR Scheme:

There was a severe strain on the operations and pressure on the Cash Flow position of our Company due to the credit crisis and slow-down in the auto-ancillary industry in the year 2009, our performance was affected as a result of which, in June 2009, we restructured our debt with the banks. The broad reasons for the financial crunches were: Impact of the global recession, which directly affected the order book; increase in steel prices which constitutes major input of our Company’s production.

The Consortium of Bankers led by SBI reviewed the operations of our Company in respect of the immediately preceding two years and being satisfied, took a positive and pragmatic view and approached the CDR cell for debt restructuring.

After careful considerations, the CDR Empowered Group approved the comprehensive debt restructuring package keeping cut-off date as January 01, 2009 with concessions and relief’s which includes reduction in the rates of interest, waiver of the differential rate of interest, penal rates of interest and liquidated damages, funding of the interest installment into term loan, conversion of the working capital into term loan and re-fixation of the payment of term loan installment. Axis Bank, EXIM Bank, Union Bank, IDBI Bank and State Bank of India gave effect to the above reliefs.

Decisions taken by the CDR Empowered Group (EG) are as follows:

1. Our Company was put under Class ‘A’ and conditions applicable under said category as stipulated. Additionally, pledge of promoter’s shareholding and personal guarantee were stipulated.
2. The Asset Sale Committee (ASC) comprising of SBI, Axis Bank and Exim Bank was constituted.
3. Equitable Mortgage was created on 2.83 acre and 4.17 acre of land at Appur and, also residential building at 11, Subbaraya Avenue, Alwarpet, Chennai – 600 018 standing in the name of Smt. Nandini Srikanth once the loan to HDFC is paid off.
4. Personal Guarantee of promoter director’s viz. Mr. Srikanth. V. and Mr. K.V. Ramchandran was stipulated.



EL FORGE LIMITED

5. Pledge of promoter's shareholding to the extent of 31.02% of the existing paid up equity capital of our Company and pledge of equity shares allotted to the promoter/ promoter group was stipulated.
6. SBI was appointed as the Monitoring Institution (MI) and the Monitoring Committee (MC) constituted comprised SBI, Axis Bank, Exim Bank and CDR Cell.

In Joint Lenders meeting (JLM) Axis Bank was appointed to prepare the restructuring report which was to be approved by the CDR Empowered Group.

Restructuring Scheme

The details of restructuring proposal as approved by the CDR Empowered Group (CDR Package) are as follows:

Sr No.	Particulars	Proposal																						
1	Cut-off Date	January 01, 2009																						
2	Business Restructuring	Sale of land at Thoraipakkam (area 1.5 acre) and Hosur (area 11.20 acre) generating ₹ 22.5 Crore between 2008 and 2012. Out of this amount, ₹ 2.50 Crore for Thoraipakkam land is already received. An asset Sale Committee comprising of SBI, Axis Bank Limited and Exim Bank is constituted to monitor the sale of land at Hosur and utilization (as proposed in the Final Report) of the same.																						
3	Financial Restructuring	<p>Rates of interest on Tls/WCTL/FCTL/FITL/OCCRPS/FCWC/WC facilities:</p> <p>Term Loans/ WCTL: Interest on all Rupee term loans, WCTL and term loans arising from takeover of outstanding of SBI Factors will be charged on set up basis payable monthly, as under:</p> <table><tr><th>Year</th><th>Interest Rate</th></tr><tr><td>2008-2009*</td><td>6%</td></tr><tr><td>2009-2010</td><td>6%</td></tr><tr><td>2010-2011</td><td>6%</td></tr><tr><td>2011-2012</td><td>8%</td></tr><tr><td>2012-2013</td><td>8%</td></tr><tr><td>2013-2014</td><td>10%</td></tr><tr><td>2014-2015</td><td>10%</td></tr><tr><td>2015-2016</td><td>11%</td></tr><tr><td>2016-2017</td><td>11%</td></tr><tr><td>2017-2018</td><td>11%</td></tr></table> <p><i>*From the cut-off date to 31-03-2009</i></p> <p>Foreign Currency TL & FCWC/Export Facilities: Interest on foreign currency working capital export credit facilities and foreign currency term loans will be charged based on the prevailing document rates.</p> <p>FITL: Interest on all term loans, including WCTL and term loan arising from takeover of outstanding of SBI Factors for the moratorium period (01-01-2009 to 31-03-2011) will be converted into 0% FITL and further the outstanding in FITL as on 31-03-2011 will be converted into 6% OCCRPS. Lenders will have to convert the OCCRPS into equity shares or seek redemption on respective due dates. The conversion shall be subject to the prevailing laws, including SEBI guidelines.</p>	Year	Interest Rate	2008-2009*	6%	2009-2010	6%	2010-2011	6%	2011-2012	8%	2012-2013	8%	2013-2014	10%	2014-2015	10%	2015-2016	11%	2016-2017	11%	2017-2018	11%
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2012-2013	8%																							
2013-2014	10%																							
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2015-2016	11%																							
2016-2017	11%																							
2017-2018	11%																							



EL FORGE LIMITED

Sr No.	Particulars	Proposal																								
		<p>Fresh WC Facilities: Interest rates on the fresh Rupee working capital facilities will be charged at 9% per annum payable monthly and will be serviced regularly.</p> <p>WCTL: Irregularities in WC accounts of ₹ 39.81 Crore shall be converted into WCTL by WC Banks.</p> <p>Repayment::</p> <p>Term Loans: Repayment of all the term loans, including WCTL and term loan arising from takeover of outstanding of SBI Factors will be in 30 unequal quarterly installments commencing from June 30, 2011 to September 30, 2018. Installments shall be payable at the end of each calendar quarter and the year-wise repayment schedule will be as under:</p> <table><tr><th>Financial Year</th><th>Yearly repayment % of Principal</th></tr><tr><td>2009-2010</td><td>NIL</td></tr><tr><td>2010-2011</td><td>NIL</td></tr><tr><td>2011-2012</td><td>5%</td></tr><tr><td>2012-2013</td><td>12%</td></tr><tr><td>2013-2014</td><td>12%</td></tr><tr><td>2014-2015</td><td>12%</td></tr><tr><td>2015-2016</td><td>14%</td></tr><tr><td>2016-2017</td><td>15%</td></tr><tr><td>2017-2018</td><td>15%</td></tr><tr><td>2018-2019</td><td>15%*</td></tr><tr><td>Total</td><td>100%</td></tr></table> <p>*Repayable in 2 quarterly installments on 30/06/2018 and 30/09/2018. Exim Bank shall continue with its FCTL repayable as per the schedule above.</p> <p>6% OCCRPS Repayable in 3 equal annual installments on 01/04/2016, 01/04/2017 and 01/04/2018 (lenders shall have the option to convert the OCRPS in shares).</p> <p>Non CDR Lenders:</p> <p>Kotak Mahindra Bank (KMB) The Company shall approach KMB for restructuring its dues on the lines of CDR package.</p> <p>Indusind Bank The bank has restructured its medium term loan (₹ 8.75 Crore as on 31/03/2009) which will be repaid in 40 unequal ballooning installments commencing from December 2009 to March 2013. Rate of Interest will be charged 9% p.a. in first year and 10% p.a. from second year onwards, payable monthly.</p>	Financial Year	Yearly repayment % of Principal	2009-2010	NIL	2010-2011	NIL	2011-2012	5%	2012-2013	12%	2013-2014	12%	2014-2015	12%	2015-2016	14%	2016-2017	15%	2017-2018	15%	2018-2019	15%*	Total	100%
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EL FORGE LIMITED

Sr No.	Particulars	Proposal																																							
		<p>ABN Amro Bank The Company shall approach ABN Amro to continue with its working capital limits with reduction in rate of interest in line with that applicable to CDR lenders.</p> <p>SBI Factors The outstanding of SBI factors (₹ 12.23 Crore as on 30/04/2009) shall be taken over by the existing CDR lenders having working capital exposure.</p> <p>'Holding on Operations' shall be allowed in the accounts of the Company by the lenders till the implementation of the package. Penal interest/ liquidated damages as on cut-of-date shall be refunded or waived.</p> <p>Need based WC facilities as assessed at ₹ 13.81 Crore shall be extended by CDR lenders. WC consortium shall be after sanction of the package.</p> <p>Sale of assets and utilization of proceeds:</p> <p>Sale of land envisaged under Business restructuring will generate ₹ 22.50 Crore are as under:</p> <table border="1"> <thead> <tr> <th>Year</th><th>Land</th><th>(₹ in Crores)</th></tr> </thead> <tbody> <tr> <td>2008-2009</td><td>Thoraipakkam (already received)</td><td>2.50</td></tr> <tr> <td>2009-2010</td><td>Thoraipakkam[#]</td><td>6.50</td></tr> <tr> <td>2010-2011</td><td>Hosur</td><td>2.50</td></tr> <tr> <td>2011-2012</td><td>Hosur land</td><td>11.00</td></tr> <tr> <td colspan="2">Total</td><td>22.50</td></tr> </tbody> </table> <p>[#] Our Company has received an amount of ₹ 7.50 Crores towards the sale of land during the FY 2009-10 as against ₹ 6.50 Crores mentioned in the table given above.</p> <p>The above future sale proceeds of ₹ 20.00 Crores will be utilised as under:</p> <table border="1"> <thead> <tr> <th>Sr No.</th><th>Particulars</th><th>(₹ in Crores)</th></tr> </thead> <tbody> <tr> <td>a</td><td>Statutory Liabilities</td><td>2.88</td></tr> <tr> <td>b</td><td>Labour Dues</td><td>1.75</td></tr> <tr> <td>c</td><td>Unsecured Loans/ ICDs*</td><td>3.27</td></tr> <tr> <td>d</td><td>Plant Shifting Expenses**</td><td>10.00</td></tr> <tr> <td>e</td><td>Balance for NWC/ debt servicing</td><td>2.10</td></tr> <tr> <td colspan="2">Total</td><td>20.00</td></tr> </tbody> </table> <p>*Unsecured loans to the tune of 3.27 Crores were raised from private parties against pledge of entire promoter's shareholding of 26,76,824 equity shares (31.01%). The promoters have since infused funds to the extent of ₹ 1.75 Crores to repay part of the said unsecured loan of ₹ 3.27 Crores by mortgage of personal/ family property in favour of HDFC Bank. Upon such repayment, the unsecured lenders have released the shares to the extent of 21,98,324^{###} (25.47%).</p>	Year	Land	(₹ in Crores)	2008-2009	Thoraipakkam (already received)	2.50	2009-2010	Thoraipakkam [#]	6.50	2010-2011	Hosur	2.50	2011-2012	Hosur land	11.00	Total		22.50	Sr No.	Particulars	(₹ in Crores)	a	Statutory Liabilities	2.88	b	Labour Dues	1.75	c	Unsecured Loans/ ICDs*	3.27	d	Plant Shifting Expenses**	10.00	e	Balance for NWC/ debt servicing	2.10	Total		20.00
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EL FORGE LIMITED

Sr No.	Particulars	Proposal																																																																																																
		<p>** We will be shifting our plant located at Hosur to another location at Nallagana Kothapalli Village, Koneriapalli Panchayat, Hosur Taluk, Krishnagiri District which is owned by us. Prior to shifting of the plant we would have to obtain required approval from the Asset Sale Committee (ASC) that is constituted by the CDR cell. Since, the present plant located at Hosur is already an established industrial unit, fresh approvals from the relevant authorities would be necessary only at the time of shifting of the plant which would be done by us at an appropriate time.</p> <p>### The promoter/promoter group of our Company had pledged 25,93,500 equity shares with Private Lenders against the borrowings made by us and the remaining equity shares with SBI. The following are the details of the shares that were pledged by the promoter/promoter group with the private lenders:</p> <table><tr><th>Name of Promoter</th><th>No. of Shares Pledged</th><th>Date of Pledge of Shares</th><th>Date of release of Pledged Shares</th></tr><tr><td>Mr. S. Venkataraman</td><td>60,000</td><td>25.03.2008</td><td>24.02.2009</td></tr><tr><td>Mr. S. Venkataraman</td><td>55,000</td><td>19.06.2008</td><td>20.02.2009</td></tr><tr><td>Mr. S. Venkataraman</td><td>45,000</td><td>14.07.2008</td><td>28.09.2009</td></tr><tr><td>Mr. S. Venkataraman</td><td>25,000</td><td>16.10.2008</td><td>20.02.2009</td></tr><tr><td>Mr. S. Venkataraman</td><td>30,000</td><td>14.10.2008</td><td>24.02.2009</td></tr><tr><td>Mr. S. Venkataraman</td><td>25,000</td><td>14.10.2008</td><td>24.02.2009</td></tr><tr><td>Mr. S. Venkataraman</td><td>37,500</td><td>14.10.2008</td><td>28.09.2009</td></tr><tr><td>Sub Total (A)</td><td>2,77,500</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Mr. V. Srikanth</td><td>52,000</td><td>30.05.2008</td><td>20.02.2009</td></tr><tr><td>Mr. V. Srikanth</td><td>70,000</td><td>06.06.2008</td><td>20.02.2009</td></tr><tr><td>Sub Total (B)</td><td>1,22,000</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Mrs. Chitra Venkataraman</td><td>60,000</td><td>10.10.2008</td><td>24.02.2009</td></tr><tr><td>Sub Total (C)</td><td>60,000</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Mr. K. V. Ramachandran</td><td>15,000</td><td>15.10.2008</td><td>20.02.2009</td></tr><tr><td>Sub Total (D)</td><td>15,000</td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td>Chendur Forgings Ltd</td><td>3,45,000</td><td>14.10.2008</td><td>24.02.2009</td></tr><tr><td>Chendur Forgings Ltd</td><td>6,67,000</td><td>14.10.2008</td><td>24.02.2009</td></tr><tr><td>Chendur Forgings Ltd</td><td>5,82,000</td><td>14.10.2008</td><td>24.02.2009</td></tr><tr><td>Chendur Forgings Ltd</td><td>3,60,000</td><td>14.10.2008</td><td>28.09.2009</td></tr></table>	Name of Promoter	No. of Shares Pledged	Date of Pledge of Shares	Date of release of Pledged Shares	Mr. S. Venkataraman	60,000	25.03.2008	24.02.2009	Mr. S. Venkataraman	55,000	19.06.2008	20.02.2009	Mr. S. Venkataraman	45,000	14.07.2008	28.09.2009	Mr. S. Venkataraman	25,000	16.10.2008	20.02.2009	Mr. S. Venkataraman	30,000	14.10.2008	24.02.2009	Mr. S. Venkataraman	25,000	14.10.2008	24.02.2009	Mr. S. Venkataraman	37,500	14.10.2008	28.09.2009	Sub Total (A)	2,77,500							Mr. V. Srikanth	52,000	30.05.2008	20.02.2009	Mr. V. Srikanth	70,000	06.06.2008	20.02.2009	Sub Total (B)	1,22,000							Mrs. Chitra Venkataraman	60,000	10.10.2008	24.02.2009	Sub Total (C)	60,000							Mr. K. V. Ramachandran	15,000	15.10.2008	20.02.2009	Sub Total (D)	15,000							Chendur Forgings Ltd	3,45,000	14.10.2008	24.02.2009	Chendur Forgings Ltd	6,67,000	14.10.2008	24.02.2009	Chendur Forgings Ltd	5,82,000	14.10.2008	24.02.2009	Chendur Forgings Ltd	3,60,000	14.10.2008	28.09.2009
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EL FORGE LIMITED

Sr No.	Particulars	Proposal													
		Chendur Forgings Ltd	80,000	10.05.2008	24.02.2009										
		Chendur Forgings Ltd	85,000	10.05.2008	20.02.2009										
		Sub Total (E)	21,19,000												
		Grand Total (A) to (E)	25,93,500												
		Presently, there are no shares of the promoters that are pledged with any private entities. As mentioned above the total shares that were pledged with the private entities have been released and later pledged with SBI as per the CDR scheme.													
4	Critical Conditions	1. Promoters Contribution Promoters will bring in ₹ 8 Crores as their contribution as under: <table><tr><th>Financial Year</th><th>(₹ in Crores)</th></tr><tr><td>2009-2010*</td><td>1.50</td></tr><tr><td>2010-2011</td><td>3.50</td></tr><tr><td>2011-2012</td><td>3.00</td></tr><tr><td>Total</td><td>8.00</td></tr></table> <p>*Includes inflow from promoter's share of dividend – ₹ 12 Lakhs and sacrifice of commission payable – ₹ 38 lakhs.</p> <p>Any Shortfall in the envisaged cash flows or in case of DSCR falls below 1 in any year during the currency of the scheme shall also be met by promoters from their own sources.</p> 2. Security Conditions: 2.1 Security for Term Loans, WCTL, FITL and FCTL: <p>All term loans including WCTL, FITL, FCTL, Term loan for taking over of outstanding of SBI factors, and all interest and other monies on the same shall be secured by:</p> <ul style="list-style-type: none">First mortgage and charge on the company's all immovable and movable properties excluding certain machineries charged to ABN Amro on exclusive basis, and 223.99 acres land at Hosur charged on exclusive basis to Indusind Bank (other than working capital assets), both present and future, ranking pari passu with other term lenders.Second charge on WC assets of the Company.Entire shareholding (100%) in the company, held by Shri. V. Srikanth, (Promoter and Chairman), Shri. K.V. Ramachandran (Promoter and Vice Chairman & Managing Director) including fresh equity to be brought by the promoter shall be pledged with lenders on pari passu basis.Unconditional & irrevocable Personal Guarantee of Shri. V. Srikanth, (Promoter and Chairman), Shri K.V. Ramachandran (Promoter and Vice Chairman & Managing Director). 2.2 Security for Working Capital facilities: <ul style="list-style-type: none">Hypothecation first charge on company's entire stocks of raw materials, stock in process, finished goods, book debts/receivables and all current assets stored in the company's factory premises, at all plants and/ or elsewhere				Financial Year	(₹ in Crores)	2009-2010*	1.50	2010-2011	3.50	2011-2012	3.00	Total	8.00
Financial Year	(₹ in Crores)														
2009-2010*	1.50														
2010-2011	3.50														
2011-2012	3.00														
Total	8.00														



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		<p>including those in transit covered by documents of title thereto, local and export usance bills ranking pari-passu in favour of all working capital banks.</p> <ul style="list-style-type: none"> Second charge on the entire movable and immovable assets of the company's fixed assets both present and future on pari passu basis. 100% of the shareholding in the Company held by Shri. V. Srikanth, (Promoter and Chairman), Shri. K.V. Ramachandran (Promoter and Vice Chairman & Managing Director) including fresh equity to be brought by the promoter shall be pledged with lenders on pari passu basis. Unconditional & irrevocable Personal Guarantee of Shri. V. Srikanth, (Promoter and Chairman), Shri K.V. Ramachandran (Promoter and Vice Chairman & Managing Director). <p>2.3 Additional Security to cover debt:</p> <p>Equitable mortgage of the following properties:</p> <p>2.3.1 Residential building in the name of Smt. Nandini Srikanth value at ₹ 2.25 Crore situated at 11, Subbaraya Avenue, Alwarpet, Chennai, admeasuring land area 3600 sq. ft. shall be mortgaged to CDR lenders after repaying the loan taken from HDFC against it. This property shall be released by the lenders upon achievement of the following milestones:</p> <ol style="list-style-type: none"> Promoters' contribution of ₹ 8 Crore being infused as envisaged in the scheme. Repayment of the term loan dues to the extent of 29% (being repayment falling in the first 3 years after moratorium period). All other terms and conditions of the scheme being complied with. <p>2.3.2 Properties/land of the company admeasuring 7 acres (2.83 acre and 4.17 acre) situated at Appur, of which original title deed of property/land of 2.83 acre is deposited with SBI Factors against its loan, which will be available after takeover of the loan by CDR lenders.</p> <p>3. Trust & Retention Account:</p> <p>The company shall open Trust & Retention Account (TRA) with SBI and entire cash flow to be routed through the said TRA. Waterfall arrangement shall be finalized by the Monitoring Committee in consultation with the lenders. TRA to be operated in a manner specified by and to the satisfaction of the lenders. SBI, in consultation with CDR cell shall structure the TRS Agreement in the format already circulated to all CDR members and operationalize the TRA at the earliest.</p> <p>The TRA Agreement shall be executed by all CDR lenders and the company within four months. TRA Agent shall be paid TRA agency fee by the company as per CDR guidelines.</p> <p>The company shall submit estimated cash budget on monthly basis well in advance and drawings to be permitted on the basis</p>



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		of the said cash budget subject to verification of genuine requirement. After completion of the month's operations, actual cash summary shall be submitted for the comparison with the estimates. Various analyses as may be done by concurrent auditor shall be monitored by Monitoring Committee periodically. Any action as may be required to be taken shall be with due recommendation of MC and approval of CDR EG.
5	Other Conditions (including restrictive covenants)	<ol style="list-style-type: none"> 1. CDR lenders, with the approval of CDR EG, shall appoint at the sole cost and expense of the borrower – corporate a Concurrent Auditor during the currency of the package, to review the operations of the Company on a periodic basis, monitoring the operations of TRA and any other work that may be assigned by the lenders. 2. The borrower - corporate shall not incur any capital expenditure, save and except such expenditure as is permitted in terms of the CDR package, without prior recommendation of monitoring committee and without prior approval of CDR EG. 3. The borrower – corporate shall not sell any of its fixed assets / investments save and except those as permitted in terms of the CDR package without prior recommendation of Monitoring Committee and prior approval of CDR EG. However, the borrower – corporate shall sell its non-core assets, wherever applicable and the "Asset Sale Committee" will be set up with the approval of CDR EG for sale of such assets. 4. The borrower – corporate shall procure and furnish an Undertaking from the promoters (the terms and the conditions of which shall be in a form and manner acceptable to CDR lenders) to bring additional funds by way of debt / equity / preference capital or any other instrument for meeting any cash flow shortage to service lender's debt / interest, if required by CDR EG. 5. The promoters / borrower – corporate would arrange to furnish additional collateral security, if required by CDR EG. 6. The borrower – corporate/individual CDR lenders shall file consent terms, in respect of any pending dispute or litigation before debt recovery tribunal / courts where recovery application / suit is pending. 7. Individual CDR lenders, with the approval of CDR EG, shall have the right to revoke the CDR package in case the Borrower commits an event of default, as described in the LOA or existing loan agreement or in the MRA or any Facility Agreement. The individual CDR lenders need to inform CDR EG within seven days of the event of default and proposed course of action on the same. CDR EG would give a decision on the same within 60 days; if not then individual lenders are permitted to take action at their discretion. 8. The borrower – corporate shall not declare any dividend on its equity shares without prior consent of CDR EG.



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		<p>9. CDR Lenders, with the approval of CDR-EG, shall have the right to renegotiate the terms of restructuring including accelerating the repayment schedule in the event of better performance by the Borrower vis-à-vis projections. Under such circumstances, the Company shall clear dues as per accelerated repayment schedule without demur.</p> <p>10. The borrower – corporate shall not escrow its future cash flow (except discounting of bills in the normal course of business) or create any charge or lien or interest thereon of whatsoever nature except as provided in CDR package, without the approval of CDR-EG.</p> <p>11. CDR Lenders, with the approval of CDR EG, shall have the right to recompense the reliefs / sacrifices/waivers extended by respective CDR Lenders as per CDR guidelines.</p> <p>12. CDR Lenders, with the approval of CDR EG, shall have a right to reset the interest rate for the term loans and interest rate for working capital every year. The OCCRPS will be included while computing the amount of recompenses.</p> <p>13. The borrower – corporate shall broad-base its Board of Directors and strengthen Management set up by inducting outside professionals to the satisfaction of lenders, if so desired by CDR EG.</p> <p>14. All participating CDR lenders shall be entitled to retain or appoint nominee/s (not exceeding two) on the Board of Directors of the Company during the current of their assistance.</p> <p>15. CDR lenders shall have a right to convert entire / part of defaulted interest and entire / part of defaulted principal into equity as per SEBI pricing formula in the event of default. However, in the case of those CDR lenders who have already have defaulted conversion rights, the same would be governed by existing loan covenants. The borrower-corporate / promoters shall take necessary steps and obtain all requisite / statutory / other approvals for such allotment of equity shares or a part of it in terms of the existing loan agreements.</p> <p>16. In case of debt outstanding beyond seven years from the date of CDR LOA, the CDR lenders shall have a right to convert into equity up to 20% of such outstanding (as on the date of conversion) as per SEBI guidelines / loan covenants whichever is applicable. In the event the lenders or any of the lenders exercises its right to sell the shares issued in terms of the conversion clause above, the first right of refusal to buy back the shares would be offered to the promoters.</p> <p>17. The borrower-corporate shall furnish an Undertaking to create negative lien on property, shares etc. in the form and manner and as may be advised by the CDR EG.</p>



Sr No.	Particulars	Proposal
		<p>18. In the event of the borrower committing default on the repayment of installment of the loan or payment of interest on the due dates, the CDR lenders shall have unqualified right to disclose the name of the borrower-corporate and its directors to be Reserve Bank of India (RBI) / Credit Information Bureau of India (CIBIL). The borrower- corporate shall give its consent to lenders of RBI/CIBIL to publish its name and the names its directors as defaulters in such manner and through such medium as lenders/RBI/CIBIL in their absolute discretion may think fit.</p> <p>19. The lender/s with the approval of CDR EG will have the option to accelerate repayments in the event of better performance than projected and the borrower – corporate will have a right to prepay. However, in the event of prepayment at the option of the borrower – corporate, prepayment premium shall be charged as per CDR Guidelines.</p> <p>20. In the case of any future induction of private equity / ECB / Venture Capital Funds / any other source, the charging of prepayment premium will be governed by the CDR guidelines and decision of EG. Normally, prepayment will on pro-rata basis amongst different debt instruments. However any change thereof as may be requested by the borrower – corporate could be considered and recommended by the Monitoring Committee and approved by CDR EG.</p> <p>21. The borrower – corporate shall agree to furnish written Undertaking not to sell/mortgage/ transfer/alienate in any manner its assets and properties during the currency of the loans, without the prior approval of CDR EG.</p> <p>22. Individual CDR Lenders shall have a right to assign / hypothecate / transfer their outstanding to any Asset Reconstruction Company / Bank / or any other entity, in terms of CDR guidelines.</p> <p>23. Any OTS or settlement with non-CDR members will be subject to prior recommendation of Monitoring Committee and prior approval of CDR EG. NPV of such settlements shall be, as far as possible, less than the NPV calculated on the basis of CDR package agreed to by the lenders.</p> <p>24. The borrower – corporate shall keep the lenders informed of any legal proceedings, the outcome of which would have a material impact on the debt servicing capability of the Company. In consultation with the lenders, it shall take such remedial actions, as may be required in the best interest of the borrower – corporate and the lenders.</p> <p>25. The borrower – corporate shall not effect any change in management set up without prior approval of CDR EG.</p> <p>26. The borrower – corporate/promoters shall undertake to comply with the conditions as per revised RBI guidelines on CDR dated August 27, 2008 as also amendments thereto. As per the CDR guidelines, the approved package should be</p>



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Sr No.	Particulars	Proposal
		<p>sanctioned in 45 days from the date of CDR LOA and should be implemented within 120 days from the date of CDR LOA in line with RBI guidelines. In this regard, the borrower – corporate may refer to critical conditions stipulated in the package relating to creation of security, promoters compliances, setting of TRA giving effect to the package in the books of lenders etc. These compliances form a part of implementation of the package. For the remaining stipulations, lenders may review the position at the end of three months and execute Master Restructuring Agreement between all CDR lenders / borrower – corporate. If required, in any case, all efforts should be made to comply with critical conditions at the earliest, within three months of the CDR LOA.</p> <p>27. In order to implement the package within 120 days from the date of CDR LOA, the borrower – corporate / promoters shall extend full co-operation and active support in ensuring compliance of critical conditions mentioned above. The Borrower – corporate / promoters shall resolve all outstanding issues with lenders covering reconciliation of figures, preparation of MRA/TRA, appointment of Legal Counsel etc immediately.</p> <p>28. Right to reverse the waivers/sacrifices etc. Lenders will have right to reverse the waivers / sacrifices in case of the following events of default.</p> <p>Events of Default</p> <p>The following individually and severally constitute events of default, which will be subject to any action as lenders may deem fit and subject to approval of CDR-EG.</p> <ul style="list-style-type: none"> • Default on any obligations to CDR lenders as per the approved terms of the package. • Violation of any or all of the undertakings given by the company / promoters as per the approved terms of package / LOA. • The Company failing to renew the relative insurance policies on the respective due dates. • Withholding of important information or providing any misleading information by the Company / sponsors that is detrimental to the interests of the lenders. • Undertaking any new project / expansion by the Company, without a prior approval of CDR EG. • Withdrawing unsecured loans inducted by promoters or making payments of interest on such loans unless specifically provided under CDR package. • Diverting any amount from the operations of the Company for meeting any unrelated expenditure or payment to any other concern without approval of lenders. • Any sale, transfer, mortgage, removal or disposal of the assets in any division without the prior approval of CDR EG / Company's board. • The company not adhering to the financial discipline envisaged in the restructuring package.



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Sr No.	Particulars	Proposal
		29. The borrower – corporate shall not open / maintain any account or avail any type of banking services / facilities from any bank(s) other than Banks/FIS from whom the borrower has availed credit facilities. Any deviations in this regard needs to be approved by CDR Empowered Group.
		30. Save as aforesaid all other terms and conditions of the earlier loan agreements / Facilities agreements entered into between the borrower – corporate and the lenders shall apply mutatis – mutandis to the extent not contrary to the terms of the CDR package.

Schedule of implementation

The Schedule of implementation of CDR Scheme is as given below:

Sr No.	Activities	Duration by which to be completed	Actual time of completion
1.	Restructuring of the loans to be completed by the Non-CDR lender banks namely Indusind Bank, ABN Amro bank, SBI Factors and Kotak Mahindra Bank	2009-10	2009-10
2	Personal Guarantees of Mr. V. Srikanth and Mr. K. V. Ramachandran	2009-10	June, 2009
3	Equitable Mortgage created on 2.83 acres and 4.17 acres of land at Appur with SBI Factors	2009-10	August, 2009
4	All documentation required by the banks to be completed by our Company	2009-10	February, 2010
5	Pledge of promoter's shareholding to the extent of 31.01% of the existing paid up equity capital alongwith pledge of equity shares by promoter/ promoter group	2009-10	March, 2010 (1000 equity shares held by Mr. K. V. Ramachandran, one of the promoters was pledged with SBI during December 2010)
6	Promoter's Contribution amounting to ₹ 1.50 Crores to be brought in during the FY 2009-10	2009-10	2009-10
7	Sale of the entire land at Thoraipakkam to be completed	2009-10	2009-10
8	Sale of the entire land at Hosur to be completed	2010-11 2011-12	To be completed

Major events of our Company

Year	Events
1934	Our Company was incorporated in the name of "Ellore Electric Supply Corporation Limited" to carry on the business of generation and distribution of Power. Our Company was listed on the Madras Stock Exchange.
1964	Our Company started its first Forging Plant in Chennai with a capacity of 2400 MTPA.
1974	Our Company started its second plant at Hosur which increased its overall capacity to 5600 MTPA.
1992	Our Company made its first Rights Issue of 8,40,000 equity shares of ₹ 10/- each at a



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Year	Events
	premium of ₹ 11/- aggregating to ₹ 176.40 Lakhs.
1995	Our Company made Rights issue of 8,83,000 equity shares of ₹ 10/- each at a premium of ₹. 30/- aggregating to ₹ 353.20 Lakhs.
	Acquired Chendur Forge Exports Limited located in Chendur, Tamil Nadu that increased our Company's production capacity to 12000 MTPA.
	Our Company was listed on the Bombay Stock Exchange on October 10, 1995.
1997	Our Company had set up State-of-Art CNC Tool Room and CAD/CAM technology at our Company's manufacturing facility.
1998	Our Company was awarded for "Consistent Good Quality and Delivery" by MICO—Bosch Group.
2002	Our Company received the "Award for Excellence" from MICO—Bosch Group in its respective field.
2004	Our Company received the "Excellence in Performance" award from MICO—Bosch Group.
2005	Acquisition of Shakespeare Forgings Limited, United Kingdom as a wholly owned subsidiary, to serve as a gateway to exports market of Europe.
2006	Our Company was awarded "Excellence in Performance" by Bosch.
	Our Company was awarded by Bosch for "Outstanding Cost Reduction initiative in their Connecting Flange supplies to MICO, Jaipur Plant".
	Embarked on a green field project to set up manufacturing facility at Appur to offer global quality standards.
2007	Our Company was awarded 3 rd position in Southern Region and was issued the Safety Certificate by Inspector of Factories, Government of Tamil Nadu in 2007.
	Our Company established Quality Management System aligned to ISO/TS – 16949 – 2002 in Hosur plant signifying High Level of International Quality Standards.
	Commenced Operations at State- of-the-Art Forging Facility at Appur.
2008	Our Company completed its project at Appur and started consolidation of manufacturing facilities at its three locations namely at Appur, Hosur and United Kingdom.
	Our Company was awarded by WABCO-TVS (INDIA) Limited for its "Commendable Support in New Product Introduction".
	Our Company was awarded and Ranked No. 1 by 9.9 Interactive as "Top Indian Manufacturing SME".
	Our Company was awarded for its program on Total Productive Maintenance (TPM) by ABT-AOTS for achieving 5 "S" Technology in 2008.
2009	Our Company was awarded for its program on Total Productive Maintenance (TPM) by ABT-AOTS for achieving 5 "S" Technology in 2009.
	Our Company established Quality Management System aligned to ISO/TS – 16949 – 2009 in Appur plant signifying High Level of International Quality Standards.
2010	Our Company was awarded by WABCO-TVS (INDIA) Limited for "Exceptional performance during 2009-10".

Changes in the Registered Office of our Company

Our Company at the time of incorporation had its registered office located at No.1, Ramchandra Road, Mylapore, Chennai-600004 which was then shifted to No. 84, Thiruneermalai Road, Chromepet, Chennai - 600 044 on February 23, 2004. On October 05, 2007 our registered office was shifted to 338, Ambujammal Street, Off T.T.K. Road, Alwarpet, Chennai, Tamil Nadu.

Main Objects of our Company

- To carry on in the Presidency of Madras and elsewhere in any part of the world and in particular at Ellore and the surrounding area, towns and districts, the business of an electric light and power company in all its branches.
- To construct, lay down, establish, fix and carry out all necessary cables, wires, lines, accumulators, lamps and works and to generate, accumulate, distribute and supply electricity in



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bulk or otherwise for the purposes of light, heat, motive power and for all other purposes for which electric energy can be employed.

- iii. To carry on the business of electrical engineers, electricians, mechanical engineers, contractors, manufacturers, constructors, suppliers of and dealers in electrical and other appliances and to manufacture, deal, buy, sell and hire all apparatus and things required for or capable of being used in connection with the generation, distribution, supply accumulation of electricity including in the term electricity all power that may be directly or indirectly derived from or may be incidentally hereafter discovered in dealing with electricity.
- iv. To acquire concessions or licences granted by or to enter into contracts with the Government of India or government of any province in India or any municipal or local authority, company or person in India or elsewhere for the production, transmission or use of electric power for lighting, heating, signaling, telephonic or traction or motive purposes or for trade, industrial or manufacturing purposes including the application thereof to tramcars, omnibuses, carriage, ships, conveyances or any other purposes.
- v. To construct, purchase, take on lease or otherwise acquire any railways, tramways or other ways, omnibuses and other vehicles and to equip, maintain work and develop the same by electricity, steam oil, gas, petrol or any other motive power and to employ or work the same.
- vi. To carry on the businesses of railway, tramway, omnibus, van carriage and proprietors and carriers of passengers and goods.
- vii. To construct, erect, maintain and carry on, either by the Company or other parties, any works, or undertakings of any description whatsoever either upon lands acquired by the Company or upon other lands.
- viii. To make experiments in and public exhibitions of electric force and lighting and electrical machinery and appliances.
- ix. To carry on all or any of the business of iron, brass, metal and other foundries and fitters, mechanical engineers, metal-workers, colliery owners, ship owners and ship builders, tramway owners, manufacturers of any commodity in the manufacture of which electricity is employed or any other business which can be conveniently carried on in connection with any business which the company is authorised to carry on or which may seem to the company calculated directly or indirectly to benefit the Company and to acquire and carry on all or any part of the property or business and to undertake any liabilities of any person, firm, association or company possessed of property suitable for any of the purposes of the Company or carrying on any such business as aforesaid and as consideration for the same to pay cash or to issue any shares, stocks or obligations of the Company.
- x. To carry on the business as financiers, promoters, concessionaries or bankers and any other business which may be conveniently carried on with the above
- xi. To carry on business as manufacturers of patent or special fuel and of pipes, bricks, tiles and terra cotta production of all kinds.
- xii. To carry on any other business whether manufacturing or otherwise which may seem to the Company capable of being carried on in connection with the above or calculated directly or indirectly to enhance the value or render profitable any of the Company's property or rights.
- xiii. To acquire or undertake the whole or any part of the business, property and liabilities of any person or company carrying on business which the Company is authorised to carry on or possessed of property suitable for the purposes of the Company.
- xiv. To apply for purchase or otherwise acquire any patents, brevets d'invention, licenses, concessions and the like conferring any exclusive or non-exclusive or limited right to use or any secret or other information as to any invention which may seem capable of being used for any of the purposes of this Company or the acquisition of which may seem calculated directly or



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indirectly to benefit the Company and to use, exercise, develop or grant licenses in respect of or otherwise turn to account the property rights or information so acquired.

- xv. Generally to purchase, take on lease or in exchange hire or otherwise acquire any real and personal property and any rights or privileges which the Company may think necessary for the purposes of its business and in particular any lands, buildings, easements, machinery, plant or stock in trade.
- xvi. To construct, improve, maintain, develop, work, manage carry out or control any roadways, tramways, railways, branches or sidings, bridges, reservoirs, water courses, wharves, manufacturers, warehouses, electric workshops, stores and advance the Company's interests and to contribute, subsidise, or otherwise assist or take part in the construction, improvement, management or maintenance, carrying out or control thereof.
- xvii. To take or otherwise acquire and hold shares in any other company having objects altogether or in part similar to those of this Company or carrying on any business capable of being conducted so as directly or indirectly to benefit the Company.
- xviii. To enter into any arrangements with any Government or authorities supreme, municipal, local or otherwise that may seem conducive to the Company's objects or any of them and to obtain from any such Government or authority any rights, privileges and concessions which the Company may think it desirable to obtain and carry out, exercise and comply with any such arrangements, rights, privileges and concessions.
- xix. To enter into partnership or into any agreement for sharing profits, union of interests, co-operation, joint adventure, reciprocal concessions or otherwise with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction capable of being conducted so as directly or indirectly to benefit the Company and to lend money to guarantee the contracts of or otherwise assist any person or company and to take or otherwise acquire shares and securities of any such company and to sell, hold, re-issue with or without guarantee or otherwise deal with the same.
- xx. To promote any company or companies for the purpose of acquiring all or any of the property, rights and liabilities of the Company or for any other purpose which may seem directly or indirectly calculated to benefit the Company.
- xxi. To invest and deal with the moneys of the Company not immediately required in such manner as may from time to time be determined.
- xxii. To lend money to such persons or companies and on such terms as may seem expedient and in particular to customers and others having dealings with the company and to guarantee the performance of contracts by any such persons or companies.
- xxiii. To borrow or raise or secure the payment of money in such manner as the Company shall think fit and in particular by the issue of debentures, debenture stock, perpetual or otherwise charged upon all or any of the Company's property (both present and future) including its uncalled capital and to purchase, redeem or pay off any such securities.
- xxiv. To remunerate any person or company for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares in the Company's capital or any debentures, debenture stock or other securities of the Company or in about the formation or promotion of the Company or the conduct of its business.
- xxv. To pay all or any costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- xxvi. To draw, make, accept, indorse, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.



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- xxvii. To adopt such means of making known the products of the Company as may seem expedient and in particular by advertising in the press by circulars by purchase and exhibition of work of art or interest by publication or books and periodicals and by granting prizes, rewards and donation.
- xxviii. To establish and support or aid in the establishment and support of associations, institutions, funds, trusts, and convenience calculated to benefit employees or ex-employees of the Company or the dependents or connections of such persons and to grant pensions allowances and to make payment towards insurance and to subscribe or guarantee money for charitable or benevolent objects or any exhibition or for any public general or useful objects.
- xxix. To sell or dispose of the undertaking of the Company or any part thereof for such consideration as the Company may think fit and in particular for shares, debentures or securities of any other company having objects altogether or in part similar to those of this Company.
- xxx. To sell, improve, manage, develop, exchange, lease, mortgage, enfranchise, dispose of, turn to account or otherwise with all or any part of the rights of the Company.
- xxxi. To distribute any of the Company's property among the members in specie.
- xxxii. To do all or any of the above things in any part of the world and as principals, agents, contractors, trustees, or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.
- xxxiii. To do all such other things as are incidental or conducive to the attainment of the above objects.
- xxxiv. To appoint any individual firm, or Company, as Managing Agents of this Company on such terms and conditions as may be agreed upon from time to time.
- xxxv. To amalgamate with or enter into partnership for any joint purpose or profit sharing arrangement with to co-operate in any way with or assist, subsidise, any company, or person, carrying on or proposing to carry on, any business similar to the objects of the Company.

Competition:

Our Company has taken the following steps and initiatives to deal with competition in the market. The market segments that we cater to are the Original Equipment Manufacturers (OEM) and Tier 1 suppliers to OEM's. We supply steel forgings to OEM's mainly in the Auto sector in the domestic market to customers like Ashok Leyland Ltd, Bosch Ltd, Wabco TVS, Greaves cotton Ltd and in the export market to customers like Eaton Corporation, Poland, GKN UK, TRW GERMANY/Czech Republic etc. Our Company has a product customer matrix / marketing paradigm which it uses for its customer penetration and strategy as given below:

Customer Product	Existing	New
Existing	Improve our Company's market share through extreme focus on client requirements.	Based on prior experience sell its existing products to the new customers.
New	Concurrently develop new products for its existing customers.	Depending on capability and the current product profile gaining access to new customers.

Keeping in line with the above strategy and the industry we cater to, the key elements of focus in differentiating our Company from competitors are given below:



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(a) Positioning in the Value Chain

Our Company has positioned itself as a supplier of critical and complex parts alongwith value addition by developing certain direct-to-fit parts for critical components for its selected customers. This strategy will keep a check on the competition as critical products involve severe audit requirements in Design and Process facilities and sophisticated equipments for die designs and layouts.

(b) Quality Certification

The manufacturing facilities of our Company are located at Appur and Hosur which have been certified with TS 16949 Quality System by TUV India Pvt Ltd. Being a quality certified company the track record is highly favourable, as International Buyers primarily distinguish on the basis of Quality Systems Certifications and the Certifying Body.

(c) Factory approvals & Customer Audit Profile

Our Company has State of the Art Manufacturing facilities both at Hosur and Appur which has been audited and certified for production by some of the major global auto majors viz. Bosch, GKN UK, TRW Germany and Wabco TVS to name a few. The audit standards of such customers are very high and therefore, the modernization of equipments and the software support in Die Design and manufacture play a very critical role in getting customer approvals.

(d) Delivery performance on quality

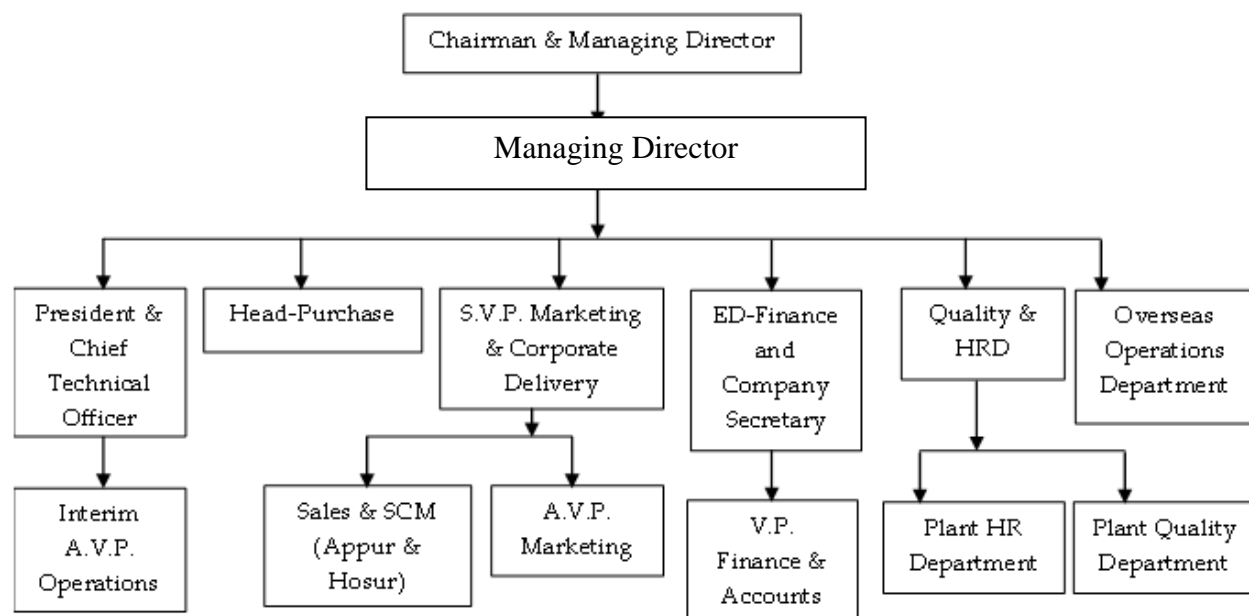
Delivery Performance (DP) is a broadly used standard to measure the fulfillment of a customers demand. Our Company has been able to provide delivery performance w.r.t quality by delivering defect-free parts over a period of time to its OEMs that include Tier 1 customers.

(e) Cost Competitiveness

Our Company has refined manufacturing facilities due to which it is able to get orders at remunerative prices in the market.

(f) Concurrent Engineering Strategy

Our company develops the components through its Concurrent Engineering Process which is a systematic approach to integrated product development that emphasizes the response to customer expectations and hence, provides an edge over our competitors.

Corporate Structure



EL FORGE LIMITED

SECTION V - MANAGEMENT

The Board of Directors has a mix of Executive and Non Executive Directors. Under the Articles of Association of our Company, our Company cannot have less than three Directors and not more than nine Directors. Presently, our Company has seven Directors on its Board.

Name/ Father's Name/ Designation/ Address	Date of Appointment/ Re- Appointment/ Date of Expiration of Appointment	Qualifications	Experience	Other Directorships
Mr. Srikanth. V S/o Mr. S.Venkataraman Executive Chairman No.11, Subbaraya Avnue, Chennai 600018 Occupation: Business Age: 57 Years DIN: 00076856 Nationality: Indian	Date of Appointment: August 26, 1983 Date of Re-Re- appointment: 01/07/2009 Date of Expiration of Office: 30.06.2014	ACA Post Graduate in Management (Specialisation in Finance and Accounting), University of Newyork	27 years	<ul style="list-style-type: none"> The Vellore Electric Corporation Limited Wesco Engineers Limited Parry Agro Industries Limited
Mr. K. V. Ramachandran S/o Mr. R.Visweswaran Vice Chairman & Managing Director No. 80, St.Marys Road, Chennai 600018. Occupation: Business Age: 54 Years DIN: 00322331 Nationality: Indian	Date of Joining: November 02, 1995 Date of Re-Re- appointment: 01/04/2009 Date of Expiration of Office: 31.03.2014	B.Sc (Statitstics), Post Graduate in Business Ma-agement, XLRI - Jamshedpur	27 years	<ul style="list-style-type: none"> Coromandel Steels Limited Wesco Engineers Limited
Mr. P. L. Reddy S/o Mr. P.Subbarama Reddy Independent Director, Non- Executive Flat 2E, Cambrey Hall 72, Dr.P.V.Cherian Crescent, Commander-in-Chief Road, Egmore, Chennai 600105 Occupation: Retired Age: 83 Years DIN: 00280898 Nationality: Indian	Date of Joining: October 12, 1971 Date of Expiration of Office: Retire by Rotation	B.E. (Mechanical)	62 years	NIL



EL FORGE LIMITED

Name/ Father's Name/ Designation/ Address	Date of Appointment/ Re- Appointment/ Date of Expiration of Appointment	Qualifications	Experience	Other Directorships
Mr. V. Ramachandran S/o Mr. S.Venkataraman Non Independent Director, Non Executive 448, 8th Cross, 5th Main Rajmahal Vilas Extn. HAL Ind Stage, Bangalore 560 084 Occupation: Service Age: 62 Years DIN: 00053007 Nationality: Indian	Date of Joining: March 14, 1996 Date of Expiration of Office: Retire by Rotation	B.E. (Mechanical) Post Graduation – Business Administration	30 years	<ul style="list-style-type: none"> Kar Mobiles Limited VST Tillers Tractors Limited The Vellore Electric Corporation Limited
Mr. K. J. Ramaswamy S/o Mr. K.J.Seetharaman Independent Director, Non Executive 42, First Avenue, Shastri Nagar, Adyar, Chennai 600020 Occupation: Retired Age: 64 Years DIN: 00281040 Nationality: Indian	Date of Joining: March 14, 1996 Date of Expiration of Office: Retire by Rotation	B. Sc. (Mathematics)	40 years	<ul style="list-style-type: none"> Chairman – International Clearing and Shipping Agency India (Pvt) Ltd. The Contemporary Arts & Crafts Siddharth Agencies Siddship Private Limited D.A. Logistics & Farming Private Limited
Mr. Balraj Vasudevan S/o Mr. Vasudevan Independent Director, Non Executive I-34, Anna Nagar (East) Chennai 600040 Occupation: Service Age: 50 Years DIN: 00125250 Nationality: Indian	Date of Joining: June 3, 2008 Date of Expiration of Office: Retire by rotation	B.A. (Economics)	20 years	<ul style="list-style-type: none"> The Autopumps & Bearings Co. Private Limited Regaalia Realty Limited TVS-CJC Limited Banyan (Managing Partner)



EL FORGE LIMITED

Name/ Father's Name/ Designation/ Address	Date of Appointment/ Re- Appointment/ Date of Expiration of Appointment	Qualifications	Experience	Other Directorships
Mr. Samuel Joseph Jebaraj S/o Mr. Samuel George Stephen Jebaraj Independent Director, Nominee of EXIM Bank of India, Non Executive 1203, Wallace Apts. 1, Sleater Road, Grant Road(West) Mumbai 400007 Occupation: Service Age: 42 Years DIN: 02262530 Nationality: Indian	Date of Joining: June 27, 2008 Date of Expiration of Office: Retire by EXIM Bank's decision	B.E. Mechanical (Hons.), MBA	15 years	<ul style="list-style-type: none"> Pioneer Embroideries Limited Vijai Electricals Limited

Details of current and past directorship(s) of our Directors for a period of five years (prior to the date of this Letter of Offer) in companies whose shares have been / were suspended from being traded on the nationwide stock exchanges

None of our directors are associated in any company during the period of five years (prior to the date of this Letter of Offer) whose shares have been / were suspended from being traded on the nationwide stock exchanges.

Details of current and past directorship(s) in listed companies who have been/ were delisted from the stock exchange(s)

None of our directors are associated in any company (ies) which have been delisted from the stock exchange(s)

Relationship among directors

There is no relationship among any of the directors in our Company with each other except for the one given below:

Name of the Director	Relationship between Directors
Mr. V. Ramachandran	Elder Brother of Mr. Srikanth. V

Arrangements with major shareholders, customers, suppliers or others

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the directors were selected as director or member of senior management. As on date of filing of the offer document there is no service agreement entered into by the directors with our Company providing benefits upon termination of employment except of Mr. V. Srikanth (Executive Chairman) and Mr. K. V. Ramachandran (Vice Chairman and Managing Director).



EL FORGE LIMITED

Remuneration

A. Mr. Srikanth. V.

Mr. Srikanth. V. has been appointed as the Executive Chairman with effect from 01/07/2009 for a period of 5 years on the terms and conditions set below:

Basic Salary	A salary of ₹ 1,02,500/- (Rupees One Lac two thousand five hundred only) per month in the grade of ₹ 102500-7500-132500 and a special allowance of ₹ 15,000/- (Rupees fifteen thousand only) per month.
Commission	Commission based on Net Profits of our Company in a particular year, which put together with Salary and perquisites shall be subject to the overall ceilings laid down in the Sections 198 and 309 of the Companies Act, 1956 shall be paid.
Perquisites	<p>The perquisites given to Mr. Srikanth. V. is ₹ 8,56,677/- per annum. Perquisites are classified into three categories A, B and C as follows:</p> <p>Category A This will comprise Residential Accommodation, House Rent Allowance, Leave Travel Concession, Medical Reimbursement, Fees of Clubs and Personal Accident Insurance. These may be provided as under:</p> <p>Residence Residential accommodation or in lieu thereof House Rent Allowance at 60% of salary per month. Gas, Electricity and Water shall be valued as per the Income Tax Rules 1962. This shall however be subject to a ceiling of 10% of the Salary.</p> <p>Medical Reimbursement Expenses incurred by self and family subject to a ceiling of one month's salary in one year or three months salary over a period of three years including premium for medical insurance.</p> <p>Leave Travel Concession For executive Chairman and his family in accordance with the Rules of our Company once in a year.</p> <p>Explanation For the purpose of category A, Family means the Spouse, the dependent children and dependent parents of the Executive Chairman.</p> <p>Club Fees Fees to Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.</p> <p>Personal Accident Insurance Premium not to exceed ₹ 5000/- per annum.</p> <p>Hard and Soft Furnishing Reimbursement upto ₹ 30,000/- per annum towards hard furnishing. Reimbursement upto ₹ 20,000/- per annum towards soft furnishing.</p> <p>Category B</p> <ul style="list-style-type: none"> • Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. • Gratuity in accordance with the rules of our Company as applicable



EL FORGE LIMITED

	<p>to Senior Executives of our Company but not exceeding one-half month's salary for each completed year of service.</p> <ul style="list-style-type: none"> • Encashment of leave at the end of the tenure. • Retirement and other benefits as per rules of our Company. <p>Category C</p> <p>Provisions of Car for use on our Company's Business and Telephone at Residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by our Company to the Executive Chairman.</p> <p>Notwithstanding anything herein, where in any financial year during the currency of the tenure of the Executive Chairman, the Company has no profits or its profits are inadequate. The Company will pay him remuneration by way of Salary or perquisites specified above.</p>
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B. Mr. K. V. Ramachandran

Mr. K. V. Ramachandran has been re-appointed as the Vice Chairman and Managing Director with effect from 01/04/2009 for a period of 5 years on the terms and conditions set below:

Basic Salary	salary of ₹ 97,500/- (Rupees ninety seven thousand five hundred only) per month in the grade of 97,500-7,500-1,27,500 and a special allowance of ₹ 15,000/- (Rupees fifteen thousand only) per month.
Commission	Commission based on Net Profits of our Company in a particular year, which put together with Salary and perquisites shall be subject to the overall ceilings laid down in the Sections 198 and 309 of the Companies Act, 1956 shall be paid.
Perquisites	<p>The perquisites given to Mr. K. V. Ramachandran is ₹ 11,42,384/- per annum.</p> <p>Perquisites are classified into three categories A, B and C as follows:</p> <p>Category A</p> <p>This will comprise Residential Accommodation, House Rent Allowance, Leave Travel Concession, Medical Reimbursement, Fees of Clubs and Personal Accident Insurance. These may be provided as under:</p> <p>Residence</p> <p>Residential accommodation or in lieu thereof House Rent Allowance at 60% of salary per month. Gas, Electricity and Water shall be valued as per the Income Tax Rules 1962. This shall however be subject to a ceiling of 10% of the Salary.</p> <p>Medical Reimbursement</p> <p>Expenses incurred by self and family subject to a ceiling of one month's salary in one year or three months salary over a period of three years including premium for medical insurance.</p> <p>Leave Travel Concession</p> <p>For Vice Chairman and Managing Director and his family in accordance with the Rules of our Company once in a year.</p> <p>Explanation</p> <p>For the purpose of category A, Family means the Spouse, the dependent children and dependent parents of the Executive Chairman.</p> <p>i. Club Fees</p> <p>Fees to Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.</p>



EL FORGE LIMITED

	<p>ii. Personal Accident Insurance Premium not to exceed ₹ 5000/- per annum.</p> <p>iii. Hard and Soft Furnishing Reimbursement upto ₹ 30,000/- per annum towards hard furnishing. Reimbursement upto ₹ 20,000/- per annum towards soft furnishing.</p> <p>Category B</p> <ul style="list-style-type: none"> • Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. • Gratuity in accordance with the rules of our Company as applicable to Senior Executives of our Company but not exceeding one-half month's salary for each completed year of service. • Encashment of leave at the end of the tenure. • Retirement and other benefits as per rules of our Company. <p>Category C</p> <ul style="list-style-type: none"> • Provisions of Car for use on our Company's Business and Telephone at Residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by our Company to the Executive Chairman. • Notwithstanding anything herein, where in any financial year during the currency of the tenure of the Executive Chairman, our Company has no profits or its profits are inadequate. Our Company will pay him remuneration by way of Salary or perquisites specified above.
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Interest of Directors

All our Company's Directors, including Independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Company's Articles of Association.

All our Company's Non-Executive Directors, including its Chairman, and excluding its Managing Director and Joint Managing Director, are entitled to sitting fees of ₹ 5,000 per meeting of the Board or a committee thereof. Our Company's Managing Director and Joint Managing Director are interested to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

All our Company's Directors, including the independent Directors, may also be deemed to be interested to the extent of Shares, if any, held by them and also to the extent of any dividend payable to them and other distributions in respect of the said Shares. Our Company's Directors, including the independent Directors, may also be regarded as interested in the Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

All our Company's Directors may be deemed to be interested in the contracts, agreements or arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as otherwise stated in this Letter of Offer and statutory registers maintained by our Company in this regard, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Letter of Offer in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made with them.

SECTION VI - FINANCIAL INFORMATION

A. STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

AUDITORS' REPORT

Auditors' Report to the members of EL Forge Limited on Standalone Financial Statement

To,
The Board of Directors,
EL Forge Ltd,
No.338, Ambujammal Street,
Alwarpet, Chennai 600 018

Dear Sirs,

We have examined the attached Financial Information's of EL Forge Limited (the Company) as approved by the Board of Directors of the Company, prepared in terms of the requirements of Part 1 of Schedule VI to the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 (ICDR Regulation 2009) as amended from time to time issued by the SEBI (SEBI Guidelines) and in terms of our engagement letter dated 14.02.2011 in connection with the proposed rights issue of equity shares of the Company.

1. Financial Information's as per Audited Standalone Financial Statement :

We have examined the attached Standalone Statement of Assets and Liabilities of the Company as at 31st March, 2009 and 31st March, 2010 (Annexure I), the Standalone Statement of Profit and Loss (Annexure II) and the Standalone Statement of Cash Flows (Annexure III) together referred to as "Summary Statements".

The statements have been extracted by the Management from the Audited Financial Statement for the financial year ended 31st March, 2009 and 31st March, 2010.

Audit for the financial year ended 31st March, 2009 and 31st March, 2010 was conducted by statutory auditors M/s. P. Rajagopalan & Co, Chartered Accountants. We have done a re-audit for the financial year ended 31st March, 2010. Reliance has been placed on the Financial Information as audited by M/s. P. Rajagopalan & Co, Chartered Accountants for the financial year 31st March, 2009.

2. Based on our examination of these summary statements we state that :

- (a) The 'summary statements' have to be read in conjunction in the significant accounting policies mentioned in Annexure IV. There has been no change in the accounting policy during the period covered in this report.
- (b) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification in the Auditors' Report on the Standalone Financial Statements requiring adjustments to the summary statements.

3. Other Financial Information:

We have also examined the following other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the year ended 31st March, 2009 and 31st March, 2010 and Statement of Accounting Ratios included in Annexure V.

In our opinion the financial information contained in Annexure I to V of this report read along with Significant Accounting policies, changes in Significant Accounting Policies and Notes (Refer Annexures) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with SEBI (ICDR) regulations, 2009.



EL FORGE LIMITED

4. We further state that:

- a) In our opinion, the 'Financial Information as per Audited Standalone Financial Statement', and 'Other Financial Information' for the financial year ended 31st March 2009 and 31st March 2010 have been prepared in accordance with Accounting Standards issued by ICAI and Indian GAAPs.
- b) The summary statements (1) Statement of Assets and Liabilities of the Company (2) Statement of Profit and Loss of the Company and (3) Statement of Cash Flows of the Company for the year ended 31st March, 2009 and 31st March, 2010 are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies.
- c) This report should not in any way be construed as a re-issuance nor re-dating of any of the previous audit report given by the Statutory Auditors M/s P. Rajagopalan & Co, Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein.
- d) This report is intended solely for your information and for inclusion in the Letter of Offer in connection with the proposed Rights Issue of the Company and not to be used, referred to or distributed for any other purpose without our prior written consent.

5. We confirm that our firm M/s. Murali Jawahar & Co, Chartered Accountants, has been subjected to Peer Review Process of The Institute of Chartered Accountants of India and holds a valid Certificate No002124 dated 30th December, 2008 issued by "Peer Review Board" of ICAI.

For **Murali Jawahar & Co**
Chartered Accountants
Registration no. of the Firm: 002168S

Sd/-
K. S. Muralidharan
Partner
Membership No: 024154

Place: Chennai - 600 033
Date: February 21, 2011



EL FORGE LIMITED

Annexure-I - Statement of Assets and Liabilities (Standalone)

	(₹ in Lakhs)	
Particulars	As at 31/03/2010	As at 31/03/2009
A Fixed Assets		
Gross Block	14,779.97	14,772.25
Less: Depreciation	2,872.66	2,202.51
Net Block	11,907.31	12,569.73
Less: Revaluation Reserve	5.99	6.18
Net Block After Adjustment for revaluation reserve	11,901.32	12,563.55
B Investments	471.06	471.06
Total	12,372.38	13,034.61
C Current Assets, Loans and Advances		
Inventories	2,472.82	2,667.49
Sundry Debtors	2,676.54	1,406.53
Cash and Bank Balances	196.82	71.74
Loans and Advances	2,128.52	1,519.26
Total	7,474.69	5,665.02
D Liabilities and Provisions		
Secured Loans	14,322.81	11,095.48
Unsecured Loans*	194.30	506.87
Current Liabilities and Provisions	2,793.66	4,362.22
Liability for Deferred payment	17.67	26.79
Total	17,328.44	15,991.36
E: Grand Total (A+B+C-D) = E	2,518.63	2,708.27
F: Net Worth Represented by		
Share Capital	862.95	862.95
Equity Share Advances	150.00	65.00
Reserves	3,768.65	3,768.84
Less: Revaluation Reserve	5.99	6.18
Reserves (Net of Revaluation reserves)	3,763.00	3,763.00
Total	4,775.62	4,690.61
G Misc. Expend. to the Extent not written off or adjusted	332.75	332.75
H: Surplus(+) or Deficit (-) in Profit & Loss Account	1,924.23	1,649.60
Networth (F-G-H)	2,518.63	2,708.27



EL FORGE LIMITED

Annexure-II - Statement of Profit and Loss Account (Standalone)

(₹ in Lakhs)		
Particulars	Year Ended 31/03/2010	Year Ended 31/03/2009
INCOME		
Sales -		
of Products manufactured by the company	7,002.80	8,687.83
of Products traded in by the Company	-	-
Other income	963.53	100.03
Increase/ Decrease (-) in Inventories	(334.88)	8.10
Total	7,631.45	8,795.95
EXPENDITURE		
Raw Material Consumed	3,395.43	4,918.62
Staff Costs	954.06	1,010.91
Other Manufacturing Expenses	1,387.48	1,888.64
Administration Expenses	88.89	110.06
Selling & Distribution and Other Expenses	660.24	510.63
Total	6,486.10	8,438.86
Earnings Before Depreciation, Interest & Tax	1,145.35	357.10
Depreciation	694.14	570.10
Interest	720.41	1,577.38
Net Profit Before Tax and Extraordinary Items	(269.21)	(1,790.39)
Taxation		
Current Tax (Including Fringe Benefit Tax)	5.43	15.00
Deferred Tax	-	-
Net Profit before Extraordinary Items	(274.64)	(1,805.39)
Extraordinary items	-	-
Net Profit after extraordinary items	(274.64)	(1,805.39)
Adjustments on account of prior period expenses	-	-
Adjusted profit	(274.64)	(1,805.39)



EL FORGE LIMITED

Annexure-III - Statement of Cash Flow (Standalone)

(₹ in Lakhs)

Particulars	Year Ended 31/03/2010		Year Ended 31/03/2009	
01. Cash Flow from Operations				
(01) Net Profit before Tax	-	(269.21)	-	(1,790.39)
(02) Adjustment for	-	-	-	-
(a) Depreciation	694.14	-	570.10	-
(b) Interest Expenses	725.44	-	1,577.38	-
(c) Other Income	-	-	(5.50)	-
(d) Profit on Sales of Fixed Assets	(963.53)	-	(72.63)	-
(e) Interest Income	(5.03)	-	-	-
(f) Dividend Received	(0.01)	-	(0.35)	-
(g) Sales of Investments	-	-	-	-
(h) Revaluation Reserve	-	451.02	-	2,069.00
(03) Operating Profit before working Capital Changes	-	181.81	-	278.61
(04) Adjustment for Increase/ Decrease in	-	-	-	-
(b) Trade & Other Receivables	(1,879.27)	-	1,768.66	-
(a) Inventories	194.67	-	2,223.88	-
(d) Sundry Creditors	(1,568.56)	-	(493.78)	-
(e) Miscellaneous Expenses/Deferred Rev. Exp	-	-	(171.19)	-
(f) Increase in Bank Borrowings	-	(3,253.16)	424.06	3,751.63
(05) Cash Generation from Operation	-	(3,071.35)	-	4,030.24
(06) Less the Following	-	-	-	-
(a) Tax Paid/ Provided	(5.43)	-	(1,583.23)	-
(b) Extraordinary items	-	-	-	-
(c) Misc. receipts	-	-	-	-
(d) Deferred sales Tax Liability	-	(5.43)	(15.00)	(1,598.23)
(07) Net Cash from Operating Activities	-	(3,076.78)	-	2,432.01
02. Cash Flow from Investing Activities				
(01) Purchase or Sale of Fixed Assets	-	-	-	-
(a) Purchase of fixed assets, Including CWIP	(82.52)	-	(4,370.08)	-
(b) Sale Proceeds of Fixed assets	1,014.13	-	178.57	-
(02) Interest Received	5.03	-	5.85	-
(03) Dividend Received	0.01	-	0.35	-
(04) Purchase or Sale of Investments	-	-	-	-
(a) Purchase	-	-	-	-
(b) Sales	-	-	-	-
(05) Purchase or Sale of Goodwill	-	-	-	-
(a) Additions	-	-	-	-
(b) Deletion	-	-	-	-
(05) Net Cash Flow from Investing Activities	-	936.65	-	(4,185.32)
03. Cash Flow from Financing Activities				
(01) From Term Loan/ Deferral Loan	-	-	-	-
(a) Obtained	4,309.44	-	1,832.71	-
(b) Re-Paid	-	-	(16.04)	-
(02) From Capital	-	-	-	-
(a) Additions	85.00	-	65.00	-
(b) Withdrawn	-	-	-	-
(03) From Unsecured Loans	-	-	-	-
(a) Obtained	-	-	-	-
(b) Re-Paid	-	-	(268.39)	-



EL FORGE LIMITED

Particulars	Year Ended 31/03/2010		Year Ended 31/03/2009	
(04) From Short (Bank Borrowings)	(1,403.80)	-	-	-
(05) Interest Paid	(725.44)	-	-	-
(06) Dividend and Tax Thereon	-	-	-	-
(07) Minority Interest	-	-	-	-
(08) Net Cash Flow from Investing Activities	-	2,265.20	-	1,613.28
04. Net Increase/ Decrease in Cash & Cash Equivalents (04= 01+02+03)	-	125.07	-	(140.02)
05. Cash & Cash Equivalent- Opening Balance	-	71.74	-	211.76
06. Cash & Cash Equivalent- Closing Balance	-	196.82	-	71.74
07. Net Increase/ Decrease in Balances	-	125.07	-	(140.02)



EL FORGE LIMITED

Annexure – IV – Notes on Accounts

Para I

Significant Accounting Policies

01. Financial statements are prepared on Historical Cost and on Accrual basis.
02. Fixed Assets are stated at their original cost (*except those assets which have been revalued*) including taxes, duties, freight and other incidental expenses related to acquisition and installation, wherever CENVAT credit has been availed, excise element is excluded from the original cost. Depreciation on fixed assets is calculated on straight-line basis on historical cost, commensurate with Section 205, read with Schedule XIV, of the Companies Act, 1956. (Double Shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV to the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets. Reserve Account. Freehold land is not depreciated.
03. Raw Material, Stores Spares and work-in-progress are valued at cost. Finished Goods are valued at cost or Net realizable value whichever is lower, as per Accounting Standard (AS 2) issued by The Institute of Chartered Accountants of India.
04. Investments are stated at Cost. Earnings from Investments have been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
05. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees 'of the Company's respective Funds on the basis of accrued liability where appropriate.
06. Research and Development :
 - 1) Revenue expenditure is charged to Profit & Loss Account of the year during which it is incurred.
 - 2) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease the lease rentals will be amortized from profits over the useful economic life of the asset.
07. Miscellaneous Expenditure incurred is amortized from profits over the expected period of future benefit.
08. All transactions in foreign currency are entered in the books of account at the rates prevailing on the date of transaction.
09. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS22), issued by the Institute of Chartered Accountant of India. However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
10. Use of Estimates: The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognized prospectively in the financial statements when revised.
11. Revenue Recognition: Income is accounted on accrual basis.



EL FORGE LIMITED

Para II

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

13. Details of Managerial Remuneration

(₹ in Lakhs)		
Particulars	For 2009-10	For 2008-09
Salary	23.05	2036250
Contribution to Provident Fund and other Funds	3.51	242250
Perquisites	16.48	937236
Commission (For 3 Directors) *	0.00	0.00
Total	43.04	32.16
* Due to the loss during the year no commission is eligible		

14. Related party disclosures: Related party disclosures as required under accounting standard on "Related Party Disclosures (AS-18) issued by the Institute of Chartered Accountants of India are given below;

- (01) Key Management personnel
 (a) Mr. V. Srikanth, Chairman.
 (b) Mr. K.V.Ramachandran, Vice Chairman & Managing Director.

- (02) Relative of Managerial Personnel

Sl. No.	Name of the Relative	Relationship & Name of the managerial Person (**)
01	Mr.S.Venkatraman	Father of Mr.V.Srikanth
02	Mrs.Chitra Venkatraman	Mother of Mr. V.Srikanth
03	Mr. K.R. Sri Hari	Son of Mr.K.V.Ramachandran

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

- (03) Subsidiary:

Shakespeare Forgings Ltd

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

(₹ in Lakhs)		
Particulars	For 2009-10	For 2008-09
Remuneration to Key Management Personnel	--	--
FD interest paid	2.79	3.37
Salaries	5.03	2.67
Shakespeare Forging Ltd	0.00	0.00
(a) Sales	424.08	1,154.63
(b) Purchases	4.30	0.00

*** Please refer the details of Managerial Remuneration given above

15. Depreciation

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



EL FORGE LIMITED

- 2) The depreciation amounting to ₹ 0.19 lakhs (Previous Year ₹ 0.19 lakhs) on account of difference between revalued cost and historical cost has also been provided at the rates specified in schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Reserve account.

16. Sundry Debtors, Creditors, Loans & Advances:

The Company has sent letters for confirmation of Balance as on 31/03/2010 but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

17. Miscellaneous Expenditure:

Due to the Loss during the year, the company has not written off any deferred revenue expenses during the year. (Previous year ₹ Nil) and same is to be amortized from profit over a period of succeeding ten years.

18. Corporate Debt Restructure:

The company has made Corporate Debt Restructure (CDR) arrangements with company's bankers/ Financial Institutions, during the year under report. The CDR scheme takes retrospective effect from 01/01/2009. Among other benefits, the company enjoys concessional rate of interest, in terms of the CDR Scheme. Under the CDR scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR scheme, the Interest on Term Loans will be treated as optionally convert able cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the year under report. Accordingly, interest amounting to ₹ 550.11 lakhs has not been charged; but treated as deferred Interest, grouped under Loans & Advances. The management is of the opinion to write off the deferred interest proportionately to amount converted, from the financial year during which is exercised by the Lenders.

Investments

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

19. Hire Purchase

Out of the total liability ₹ 17.67 lakhs (Previous year ₹ 26.79 lakhs), towards fixed assets purchased under HP, the amount due within One year amount to ₹ 11.25 lakhs (Previous year ₹13.96 lakhs)

20. Contingent Liabilities

Particulars	(₹ in Lakhs)	
	As at 31/03/2010	As at 31/03/2009
Claims not accepted by the Company : E.S.I under Appeal	2.86	2.86
Guarantee given to bank (Foreign Bank) for subsidiary company	183.63	183.63
Demands raised by SIPCOT for the Leasehold (Pl. refer Note 01)	13.01	13.01
Sales Bill Factoring (Pl. refer Note 02)	72.48	925.38
Estimated capital expenditures (Pl. refer note 03)	100.00	100.00
Demand from Income Tax under appeal	66.02	66.02
Demand from Central Excise & service tax under appeal	72.85	51.70
Guarantee given to a bank against the loan taken by a company	650.00	650.00



EL FORGE LIMITED

Note:

- (01) Land at Gummidipondi not accepted by the Company. A writ appeal is pending in Madras High Court.
- (02) Bills discounting has been done with SBI GLOBAL FACTORS LTD. This facility is secured by a charge on receivables factored.
- (03) Estimated amount of contracts remaining to be executed on capital account and not provided for

21. Licensed and Installed Capacity

- (01) Licensed Capacity: Not Applicable
- (02) Installed Capacity: Most of the Plant & Machinery being common for different types of forgings manufactured by the Company and installed capacity being dependent on product mix, which in turn is decided by the actual demand for various forgings from time to time, and also on availing of sub-contracting facilities. It is not feasible for the company to indicate the exact installed capacity.
- (03) Production: 6,252 MT (Previous Year 8,143 MT)

22. Central Excise Duty

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.

23. Quantitative & Other Details (To the extent applicable), Qty in MT and ₹ in Lakhs.

Particulars	For 2009-10		For 2008-09	
	Qty / %	Amount	Qty/ %	Amount
(01) Opening Stock of Finished Goods	2,584	234,5.56	3,008	2,322.17
(02) Sale of Forgings	6,489	6,594.84	8,567	7,994.02
(03) Closing Stock of Finished Goods	2,347	2,011.31	2,584	2,345.56
(04) Raw Materials Consumed				
Forging Quality Steel	7,906	3,395.43	10,366	4,918.62
(05) Raw Materials, Stores, etc consumed				
(a) Imported	0.21%	7.38	24.83%	1,243.03
(b) Indigenous	99.79%	3,510.09	75.17%	3,762.60
(06) Expenditure in Foreign Currency				
(a) Traveling Expenses	-	1.56	-	0.0016
(b) Commission on export sales	-	0.00	-	0.014
(c) Subscription books and periodicals	-	0.40	-	6,125
(d) Consultancy Fee	-	0	-	27.58
(e) Others	-	3.07	-	42,300
(07) Imports of goods on C.I.F Basis				
(a) Spares	-	7.38	-	9.05
(b) Machinery	-	0	-	12.39



EL FORGE LIMITED

Particulars	For 2009-10		For 2008-09	
	Qty / %	Amount	Qty/ %	Amount
(c) Raw Material	-	0	-	1,233.98
(08) Earnings in Foreign Currency on				
(a) Exports of goods- FOB basis		2,477.72		2,113.90
(09) Notes				
(a) Stock and Sales quantities are as certified by the Management				

24. Amount due to Micro, Small and Medium Enterprises:

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

25. Interest Income: Interest is shown net of interest receipts - ₹ 5.03 lakhs (previous year ₹ 5.85 lakhs). TDS on interest receipts - ₹ 0.89 lakhs (previous year ₹ 0.72 lakhs)

26. Re-Groupings: Previous year's figures have been regrouped wherever necessary to conform to current year classification/ grouping.



EL FORGE LIMITED

B. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

Auditors' report to the Board of Directors on the Consolidated Financial Statements of El forge Limited and its subsidiary Statements for the year ended March 31, 2010

To,
The Board of Directors,
El Forge Ltd,
No.338, Ambujammal Street,
Alwarpet, Chennai 600 018

1. We have examined the attached Consolidated Financial Information of El Forge Limited and its Subsidiary as approved by the Board of Directors of the Company prepared in terms of the requirements of Part 1 of Schedule VI to the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2009 (ICDR Regulation 2009) as amended from time to time and in terms of our engagement agreed with you in accordance with your letter dated 14.02.2011 in connection with the proposed Rights Issue of Equity shares of the Company.
2. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our examination in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the review to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India, and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our examination provides a reasonable basis for our opinion.
3. This information has been prepared by the Management from the financial statements for the year ended March 31st, 2009 and March 31, 2010. Audit for the financial year ended 31st March, 2009 and 31st March, 2010 was conducted by statutory auditors M/s. P. Rajagopalan & Co, Chartered Accountants. We have done a re-audit for the financial year ended 31st March, 2010. Reliance has been placed on the Financial Information as audited by M/s. P. Rajagopalan & Co, Chartered Accountants for the financial year 31st March, 2009. The financial report included for these years are based solely on the 2009 report submitted by them. The financial statement of the subsidiary company has been audited by M/s. Langard Lifford Hall Ltd, Accountants and Registered Auditors, Birmingham of UK and the consolidated statements are based on their report.
4. We have not audited the financial statements of the subsidiary, whose financial statements reflect the Company's total share of assets of ₹ 3.39 Crores as at March 31, 2010, and Gross Revenue for the Year ended on that date ₹ 22.33 Crores and net cash inflows, aggregating ₹ 0.01 Crores for the year ended on that date, which is considered in the attached consolidated financial statements. These financial statements and other audited information of this subsidiary have been audited by other auditors and whose report has been furnished to us, and our opinion is solely based on the report of the other auditors.
5. We have examined the Consolidated Financial Information set out in the Annexures prepared by the Management and approved by the Board of Directors to relation to the Company and audited by the Statutory Auditors M/s. P. Rajagopalan & Co, Chartered Accountants for the financial years ended 31st March, 2009 and 31st March, 2010, and the subsidiary Shakespeare Forgings Ltd audited by its Statutory Auditors M/s. Langard Lifford Hall Ltd, Birmingham, UK for the period ending 31st March, 2009 and 31st March, 2010. We have done a re-audit for the financial year ended 31st March, 2010.
6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated



EL FORGE LIMITED

Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

7. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, we are of the opinion that:
 - (01) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its subsidiary as at March 31, 2010;
 - (02) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
 - (03) the Consolidated Cash Flow statement gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended;
8. Other Financial information's:
We have examined the following information relating to the Company prepared to be included in the Letter of Offer as approved by the Board of Directors and Statement of Accounting Ratios included in Annexure V.
9. We confirm that our firm M/s. Murali Jawahar & Co, Chartered Accountants has been subjected to Peer Review Process of The Institute of Chartered Accountants of India and holds a valid Certificate No 002124 dated 30th December, 2008 issued by "Peer Review Board" of ICAI.

For **Murali Jawahar & Co**
Chartered Accountants
Registration no. of the Firm: 002168S

Sd/-
K. S. Muralidharan
Partner
Membership No: 024154

Place: Chennai - 600 033
Date: February 21, 2011



EL FORGE LIMITED

Annexure-I - Statement of Assets and Liabilities (Consolidated)

(₹ in Lakhs)

Particulars	As at 31/03/2010	As at 31/03/2009
A Fixed Assets		
Gross Block	16,039.03	16,032.46
Less: Depreciation	3,150.54	2,413.84
Net Block	12,888.49	13,618.62
Less: Revaluation Reserve	50.75	59.79
Net Block After Adjustment for revaluation reserve	12,837.74	13,558.83
B Investments	97.23	97.23
C Good Will	46.03	105.53
D Current Assets, Loans and Advances		
Inventories	2,617.14	2,900.91
Sundry Debtors	2,676.54	1,176.55
Cash and Bank Balances	197.87	71.79
Loans and Advances	1,367.23	817.99
Total	6,858.78	4,967.24
E Liabilities and Provisions		
Secured Loans	15,110.84	11,453.35
Unsecured Loans	194.31	506.87
Current Liabilities and Provisions	2,426.34	4,280.67
Liability for Deferred payment	77.23	126.27
Total	17,808.72	16,367.16
F: Grand Total (A+B+C+D-E) = F	2,031.06	2,361.67
G: Net Worth Represented by		
Share Capital	862.95	862.95
Equity Share Advances	150.00	65.00
Reserves	3,813.42	3,822.46
Less: Revaluation Reserve	50.75	59.79
Reserves (Net of Revaluation reserves)	3,762.67	3,762.67
Total	4,775.62	4,690.62
H Misc. Expend.to the Extent not written off or adjusted	692.86	678.23
I: Surplus(+) or Deficit (-) in Profit & Loss Account	2,051.70	1,650.72
Networth (G- H-I)	2,031.06	2,361.67



EL FORGE LIMITED

Annexure-II - Statement of Profit & Loss (Consolidated)

(₹ in Lakhs)		
Particulars	Year Ended 31/03/2010	Year Ended 31/03/2009
INCOME		
Sales -		
of Products manufactured by the company	8,811.85	10,891.05
of Products traded in by the Company	-	-
Other income	963.54	100.03
Increase/ Decrease (-) in Inventories	(417.21)	(204.91)
Total	9,358.18	10,786.17
EXPENDITURE		
Raw Material Consumed	4,141.13	5,593.46
Staff Costs	1,418.94	1,602.47
Other Manufacturing Expenses	1,670.32	2,190.19
Administration Expenses	484.60	655.09
Selling & Distribution and Other Expenses	520.93	348.99
Total	8,235.93	10,390.20
Earning Before Depreciation, Interest & Tax	1,122.25	395.97
Depreciation	766.12	654.95
Interest	796.50	1,669.11
Net Profit Before Tax and Extraordinary Items	(440.37)	(1,928.09)
Less: Prior Period Adjustments	36.01	-
Taxation		
Current Tax (Including Fringe Benefit Tax)	(5.43)	(22.39)
Deferred Tax	-	-
Net Profit before Extraordinary Items	(409.79)	(1,905.70)
Extraordinary items	-	-
Net Profit after extraordinary items	(409.79)	(1,905.70)
Adjustments on account of prior period expenses	-	-
Adjusted profit	(409.79)	(1,905.70)



EL FORGE LIMITED

Annexure-III - Statement of Cash Flow (Consolidated)

(₹ in Lakhs)

Particulars	Year Ended 31/03/2010		Year Ended 31/03/2009	
01. Cash Flow from Operations				
(01) Net Profit before Tax	-	(404.36)	-	(1,928.08)
(02) Adjustment for	-	-	-	-
(a) Depreciation	766.12	-	654.95	-
(b) Interest Expenses	801.53	-	1,674.96	-
(c) Other Income	-	-	(5.50)	-
(d) Profit on Sales of Fixed Assets	(954.07)	-	(72.63)	-
(e) Interest Income	(5.03)	-	(5.85)	-
(f) Dividend Received	(0.01)	-	(0.35)	-
(g) Sales of Investments	-	-	-	-
(h) Revaluation Reserve	-	608.54	9.61	2,255.19
(03) Operating Profit before working Capital Changes	-	204.18	-	327.11
(04) Adjustment for Increase/ Decrease in	-	-	-	-
(b) Trade & Other Receivables	(2,049.25)	-	2,302.48	-
(a) Inventories	283.78	-	2,456.43	-
(d) Sundry Creditors	(1,854.32)	-	(1,192.20)	-
(e) Miscellaneous Expenses/Deferred Rev. Exp	(14.63)	-	(191.71)	-
(f) Increase in Bank Borrowings	-	(3,634.42)	-	3,375.00
(05) Cash Generation from Operation	-	(3,430.25)	-	3,702.12
(06) Less the Following	-	-	-	-
(a) Tax Paid/ Provided	(5.43)	-	22.39	-
(b) Extraordinary items	-	-	-	-
(c) Misc. receipts	-	-	5.50	-
(d) Deferred sales Tax Liability	-	(5.43)	-	27.89
(07) Net Cash from Operating Activities	-	(3,435.68)	-	3,730.01
02. Cash Flow from Investing Activities				
(01) Purchase or Sale of Fixed Assets	(98.37)	-	(4,566.81)	-
(a) Purchase of fixed assets, Including CWIP	1,016.25	-	191.75	-
(b) Sale Proceeds of Fixed assets	5.03	-	5.85	-
(02) Interest Received	0.01	-	0.35	-
(03) Dividend Received	-	-	-	-
(04) Purchase or Sale of Investments	-	-	-	-
(a) Purchase	-	-	-	-
(b) Sales	-	-	-	-
(05) Purchase or Sale of Goodwill	59.50	-	97.05	-
(a) Additions	-	982.41	-	(4,271.82)
(b) Deletion	-	-	-	-
(05) Net Cash Flow from Investing Activities	-	-	-	-
03. Cash Flow from Financing Activities				
(01) From Term Loan/ Deferral Loan				
(a) Obtained	4,269.51	-	1,628.36	-
(b) Re-Paid	-	-	-	-
(02) From Capital	-	-	-	-
(a) Additions	85.00	-	65.00	-
(b) Withdrawn	-	-	-	-
(03) From Unsecured Loans	-	-	-	-
(a) Obtained	-	-	-	-
(b) Re-Paid	-	-	-	-



EL FORGE LIMITED

Particulars	Year Ended 31/03/2010		Year Ended 31/03/2009	
(04) From Short (Bank Borrowings)	(973.62)	-	383.30	-
(05) Interest Paid	(801.53)	-	(1,674.96)	-
(06) Dividend and Tax Thereon	-	-	-	-
(07) Minority Interest	-	-	-	-
(08) Net Cash Flow from Financing Activities	-	2,579.36	-	401.71
04. Net Increase/ Decrease in Cash & Cash Equivalents (04= 01+02+03)	-	126.09	-	(140.10)
05. Cash & Cash Equivalent- Opening Balance	-	71.78	-	211.88
06. Cash & Cash Equivalent- Closing Balance	-	197.87	-	71.78
07. Net Increase/ Decrease in Balances	-	126.09	-	(140.10)



EL FORGE LIMITED

Annexure – IV – Notes on Accounts

Para I

Significant Accounting Policies

01. Financial statements are prepared on Historical Cost and on Accrual basis.
02. Fixed Assets are stated at their original cost (Except those assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation. Wherever MODVAT/CENVAT Credit has been availed Excise element is excluded from Original Cost.
03. Depreciation on fixed assets is calculated on straight-line basis on historical book cost, commensurate with Section 205 read with Schedule XIV of the Companies Act, 1956. (Double Shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets Reserve account. Freehold land is not depreciated.
04. Raw Material, Stores Spares and work in progress are valued at cost. Finished Goods are valued at cost or Net realisable value whichever is lower, as per Accounting Standard (AS2) issued by the Institute of Chartered Accountants of India.
05. Investments are stated at Cost. Earnings from Investments have been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
06. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees 'of the Company's respective Funds on the basis of accrued liability where appropriate.
07. Research and Development: (a) Revenue expenditure is charged to profit & Loss Account of the year during which it is incurred. (b) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease the lease rentals will be amortized from profits over the useful economic life of the asset.
08. Miscellaneous Expenditure: Miscellaneous Expenditure incurred is amortized from profits over the expected period of future benefit.
09. All transactions in foreign currency are entered in the books of account at the rates prevailing on the date of transaction.
10. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS-22), issued by Institute of Chartered Accountants of India. However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
11. The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme. The amounts provided by the Company and accumulated in the Fund is sufficient to cover the liability.
12. Revenue Recognition: Income is accounted on accrual basis.



EL FORGE LIMITED

Para II

01. Principles of Consolidation

The consolidated financial statements relate to El Forge Limited (the Company or Parent Company), it's wholly subsidiary (there is no Joint Venture companies and Associate Companies). The consolidated financial statements have been prepared on the following basis:

- (01) The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating the intra-group balances, intra-group transactions and unrealized profits or losses in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- (02) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements. The excess/ shortfall of cost of Investments in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary, is recognized in the financial statements of the Parent Company as goodwill/ capital reserve respectively
- (03) The subsidiary company considered consolidated financial statements is:-

Sr. No.	Name of the company	Country	2009-10	2008-09
01	Shakespeare Forgings Ltd	United Kingdom	100%	100%

In the aforesaid paragraph,

- (a) "Country" means the name of the country in which the subsidiary company has been incorporated; and
- (b) "Interest" means the proportion of the Ownership Interest of the Company in the Subsidiary.

02. Details of Managerial Remuneration

Particulars	(₹ in lakhs)	
	For 2009-10	For 2008-09
1) Salary	116.24	124.25
2) Contribution to Provident Fund and other Funds	3.51	2.42
3) Perquisites	16.48	9.37
Total	136.23	136.04

03. Related party disclosures:

Related party disclosures as required under accounting standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below;

(01) Subsidiary

Shakespeare Forgings Limited

(02) Key Management personnel

- (a) Mr. V. Srikanth, Chairman
- (b) Mr. K. V. Ramachandran, Vice Chairman & Managing Director



EL FORGE LIMITED

(03) Relatives of Key Management personnel

Name of the Person	Relative (**)
Mr.S.Venkatraman	Father of Mr. V Srikanth
Mrs. Chitra Venkatraman	Mother of Mr. V.Srikanth
Mr. K. R. Sri Hari	Son of Mr. K.V.Ramachandran

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

(04) The following transactions were carried with related parties in the ordinary course business.

Particulars	(₹ in lakhs)	
	Year ended 31.03.2010	Year Ended 31.03.2009
Remuneration to Key Management Personnel	(As in Note No. 2)	
FD interest paid	2.79	3.38
Salary Paid	5.03	2.67
Shakespeare Forgings Limited		
(a) Sales	424.08	1154.62
(b) Purchases	4.30	0.00

04. Depreciation

- (01) Depreciation for the year on all assets of the company has been calculated on straight line method at the rates specified in schedule XIV of the Companies Act, 1956 (Double shift rates for Plant & Machinery), on historical book cost and has been charged to Profit & Loss Account.
- (02) The depreciation amounting to ₹ 0.19 lakhs (Previous Year ₹ 0.19 lakhs) on the difference between revalued cost and historical cost has also been provided at the rates specified in schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Fixed Assets Reserve account.
- (03) Depreciation charged to Profit and Loss Account excludes ₹ 0.19 lakhs relating to revaluation reserves adjustment.

05. Sundry Debtors, Creditors, Loans & Advances

The Company has sent letters for confirmation of Balance as on 31/03/2010 but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

06. Miscellaneous Expenditure:-

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

07. The company has made Corporate Debt Restructure (CDR) arrangements with company's banks/ Financial Institutions, during the year under report. The CDR scheme takes retrospective effect from 01-01-2009. Among other benefits, the company enjoys concessional rate of interest, in terms of the CDR Scheme. Under the CDR scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR scheme, the Interest on Term Loans will be treated as optionally convert able cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the year under report. Accordingly, interest amounting to ₹ 550.11 lakhs has not been charged; but treated as deferred Interest, grouped under Loans & Advances. The management is of the opinion to write



EL FORGE LIMITED

off the deferred interest proportionately to amount converted, from the financial year during which the options is exercised by the lender.

08. Segment Reporting

The Company has only one business segment of manufacture and sale of steel forgings.

09. Use of Estimates:

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognized prospectively in the financial statements when revised.

10. Hire Purchase

Out of the total liability ₹ 17.67 lakhs (Previous year ₹ 26.78 lakhs), towards fixed assets purchased under HP, the amount due within One year amount to ₹ 11.25 lakhs (Previous year ₹ 13.96 lakhs)

11. Earnings Per Share

Earnings per share Basic ₹ Nil and diluted ₹ Nil (Face Value ₹10/-) during the year.

12. Contingent Liabilities:

Particulars	(₹ in Lakhs)	
	As at 31/03/2010	As at 31/03/2009
Claims not accepted by the Company : E.S.I under Appeal	2.86	2.86
Guarantee given to bank (Foreign Bank) for subsidiary company	183.63	183.63
Demands raised by SIPCOT for the Leasehold (Pl. refer Note 01)	13.01	13.01
Sales Bill Factoring (Pl. refer Note 02)	72.48	925.38
Estimated capital expenditures (Pl. refer note 03)	100.00	100.00
Demand from Income Tax under appeal	66.02	66.02
Demand from Central Excise & service tax under appeal	72.85	51.70
Guarantee given to a bank against the loan taken by a company	650.00	650.00

Project Cost (Miscellaneous Expenditure)

13. The Company has incurred costs in respect of relocation and project cost following their takeover by El Forge, a company registered in India. In the opinion of the directors these cost if written off to the profit and loss account would not show a true and fair view of the state of the company's affairs. Therefore in contradiction to FRS 10 goodwill and intangible assets these costs have been capitalised. These costs have been incurred due to relocation of the company's trading activities following a scaling down of their manufacturing activity and development costs incurred with the relocation of certain of the manufacturing activities to India. In the opinion of the directors these costs will generate cost saving in the future.

These costs will be written off over a period of 5 and 10 years respectively. An impairment review will be undertaken on an annual basis to ensure; in the opinion of the directors their carry values are reasonable.

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

15. All the figures have been rounded off to the nearest lakhs.



EL FORGE LIMITED

C. STANDALONE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2011 AUDITORS' REPORT

Auditors' Report to the Board of Directors of EL Forge Limited on Standalone Financial Statements for the period ended March 31, 2011

To,
The Board of Directors,
EL Forge Ltd,
No.338, Ambujammal Street,
Alwarpet, Chennai 600 018

Dear Sirs,

We have examined the attached Financial Information of EL Forge Limited (the Company) as approved by the Board of Directors of the Company, prepared in terms of the requirements of Part 1 of Schedule VI to the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 (ICDR Regulation 2009) as amended from time to time issued by the SEBI (SEBI Guidelines) and in terms of our engagement letter dated 14.02.2011 in connection with the proposed rights issue of equity shares of the Company.

1. Financial Information as per Audited Standalone Financial Statement:

We have examined the attached Standalone Statement of Assets and Liabilities of the Company as at 31st March, 2011 and 31st March, 2010 (Annexure I), the Standalone Statement of Profit and Loss (Annexure II) and the Standalone Statement of Cash Flows (Annexure III) together referred to as "Summary Statements".

The statements have been extracted by the Management from the Audited Financial Statement for the financial Period ended 31st March, 2011 and year ended 31st March, 2010.

Audit for the financial period ended 31st March, 2011 and year ended 31st March, 2010 was conducted by statutory auditors M/s. P. Rajagopalan & Co, Chartered Accountants. We have done a re-audit for the financial period ended 31st March, 2011 and year ended 31st March 2010.

2. Based on our examination of these summary statements we state that:

- (a) The 'summary statements' have to be read in conjunction in the significant accounting policies mentioned in Annexure IV. There has been no change in the accounting policy during the period covered in this report.
- (b) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification in the Auditors' Report on the Standalone Financial Statements requiring adjustments to the summary statements.

3. Other Financial Information:

We have also examined the following other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the period ended 31st March, 2011 and year ended 31st March, 2010 and Statement of Accounting Ratios included in Annexure V.

In our opinion the financial information contained in Annexure I to V of this report read along with Significant Accounting policies, changes in Significant Accounting Policies and Notes (Refer Annexures) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with SEBI (ICDR) regulations, 2009.



EL FORGE LIMITED

4. We further state that:

- a) In our opinion, the 'Financial Information as per Audited Standalone Financial Statement', and 'Other Financial Information' for the financial period ended 31st March 2011 and year ended 31st March 2010 have been prepared in accordance with Accounting Standards issued by ICAI and Indian GAAPs.
- b) The summary statements (1) Statement of Assets and Liabilities of the Company (2) Statement of Profit and Loss of the Company and (3) Statement of Cash Flows of the Company for the period ended 31st March, 2011 and year ended 31st March, 2010 are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies.
- c) This report should not in any way be construed as a re-issuance nor re-dating of any of the previous audit report given by the Statutory Auditors M/s P. Rajagopalan & Co, Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein.
- d) This report is intended solely for your information and for inclusion in the Letter of Offer in connection with the proposed Rights Issue of the Company and not to be used, referred to or distributed for any other purpose without our prior written consent.

5. We confirm that our firm M/s. Murali Jawahar & Co, Chartered Accountants, has been subjected to Peer Review Process of The Institute of Chartered Accountants of India and holds a valid Certificate No. 002124 dated 30th December, 2008 issued by "Peer Review Board" of ICAI.

For **Murali Jawahar & Co.,**
Chartered Accountants
Registration no. of the Firm: 002168S

Sd/-
K.S. MURALIDHARAN
Partner
Membership No: 024154

Place: Chennai - 600 033
Date: June 22, 2011



EL FORGE LIMITED

ANNEXURE – I – Statement of Assets and Liabilities (Standalone)

(Amount in ₹ Lakhs)

Sl. No	Particulars	As at 31.03.2011	As at 31.03.2010
A	Fixed Assets		
	Gross Block	14,829.52	14,779.97
	Less: Depreciation	3,571.37	2,872.66
	Net Block	11,258.14	11,907.31
	Less: Revaluation Reserve	5.79	6.00
	Net Block After Adjustment for revaluation reserve	11,252.35	11,901.31
B	Investments	471.05	471.05
	Total	471.05	471.05
C	Current Assets, Loans and Advances	-	
	Inventories	2,610.18	2,472.82
	Sundry Debtors	3,042.66	2,676.54
	Cash and Bank Balances	139.75	196.82
	Loans and Advances	2,641.98	2,128.52
	Total	8,434.57	7,474.70
	Liabilities and Provisions	-	
D	Secured Loans	14,944.51	14,322.80
	Unsecured Loans	318.14	194.30
	Current Liabilities and provisions	3,211.86	2,793.66
	Liability for Deferred payment	8.64	17.67
	Total	18,483.12	17,328.43
E	Grand Total(A+B+C-D) = E	1,674.84	2,518.63
	Net Worth	-	
	Represented by		
F	Share Capital	862.95	862.95
	Equity Share Advances	150.00	150.00
	Reserves	3,768.46	3,768.66
	Less: Revaluation Reserve	5.79	6.00
	Reserves(Net of Revaluation reserves)	3,762.66	3,762.66
	Total	4,775.61	4,775.61
G	Mis. Expenditure to the Extent not written off or adjusted	(348.94)	(332.75)
H	Surplus(+) or Deficit (-) in Profit & Loss Account	(2,751.84)	(1,924.23)
	Networth (F-G-H)	1,674.84	2,518.63



EL FORGE LIMITED

ANNEXURE II –Statement of Profit and Loss Account (Standalone)

(Amount in ₹ Lakhs)		
Particulars	Period Ended 31/03/2011	Year Ended 31/03/2010
Income		
Sales:		
Of Products manufactured by the Company	8,300.69	7,002.80
of Products traded in by the Company		
Other income	8.84	963.53
Increase / (Decrease) in Inventories	117.51	(334.88)
Total	8,427.04	7,631.45
Expenditures		
Raw Material Consumed	4,552.09	3,395.43
Staff Costs	1,058.32	954.06
Other Manufacturing Expenses	1,756.55	1,387.48
Administration Expenses	90.50	88.89
Selling & Distribution Expenses	594.45	660.24
Total	8,051.91	6,486.10
Earning Before Depreciation, Interest & Tax	375.13	1,145.35
Depreciation	731.96	694.14
Interest	470.77	720.41
Net Profit Before Tax and Extraordinary items	(827.60)	(269.21)
Taxation		
Current Tax (Including Fringe Benefit Tax)		5.43
Deferred Tax		-
Net Profit before Extraordinary Items	(827.60)	(274.64)
Extraordinary items		-
Net Profit after extraordinary items	(827.60)	(274.64)
Adjustments on account of prior period expenses		-
Adjusted profit	(827.60)	(274.64)



EL FORGE LIMITED

Annexure III - Statement of Cash Flow (Standalone)

(Amount in ₹ in Lacs)

Particulars	Period ended 31/03/2011	Year ended 31/03/2010
01. Cash Flow from Operations		
(01) Net Profit before Tax	(827.60)	(269.21)
(02) Adjustment for		
(a) Depreciation	731.96	694.14
(b) Interest Expenses	475.58	725.44
(c) Other Income	-	-
(c) Profit on Sales of Fixed Assets	(8.14)	(963.53)
(d) Interest Income	(4.81)	(5.03)
(e) Dividend Received	(0.70)	(0.01)
(f) Sales of Investments	-	-
(g) Revaluation Reserve	-	-
	1,193.89	451.02
(03) Operating Profit before working Capital Changes	366.29	181.81
(04) Adjustment for Increase/ Decrease in		
(a) Trade & Other Receivables	(879.58)	(1,879.27)
(b) Inventories	(137.36)	194.67
(c) Sundry Creditors	418.18	(1,568.56)
(d) Miscellaneous Expenses/Deferred Rev. Exp	(16.18)	-
(e) Increase in Bank Borrowings		
	(614.95)	(3,253.16)
(05) Cash Generation from Operation	(248.66)	(3,071.35)
(06) Less the Following		
(a) Tax Paid/ Provided	-	(5.43)
(b) Extraordinary items	-	-
(c) Misc. receipts	-	-
(d) Deferred sales Tax Liability	-	-
	-	(5.43)
(07) Net Cash from Operating Activities	(248.66)	(3,076.78)
02. Cash Flow from Investing Activities		
(01) Purchase or Sale of Fixed Assets		
(a) Purchase of fixed assets, Including CWIP	(87.30)	(82.52)
(b) Sale Proceeds of Fixed assets	12.45	1,014.13
(02) Interest Received	4.81	5.03
(03) Dividend Received	0.70	0.01
(04) Purchase or Sale of Investments		
(a) Purchase	-	-
(b) Sales	-	-
(05) Purchase or Sale of Goodwill		
(a) Additions	-	-
(b) Deletion	-	-
(05) Net Cash Flow from Investing Activities	(69.34)	936.65
03. Cash Flow from Financing Activities		
(01) From Term Loan/ Deferral Loan		
(a) Obtained	518.78	4,309.44
(b) Re-Paid	-	-
(02) From Capital		
(a) Additions	-	85.00
(b) Withdrawn	-	-
(03) From Unsecured Loans		
(a) Obtained	-	-
(b) Re-Paid	-	-



EL FORGE LIMITED

Particulars	Period ended 31/03/2011		Year ended 31/03/2010	
(04) From Short (Bank Borrowings)	217.73		(1,403.80)	
(05) Interest Paid	(475.58)		(725.44)	
(06) Dividend and Tax Thereon	-		-	
(07) Minority Interest	-		-	
(08) Net Cash Flow from Financing Activities		260.93		2,265.20
04. Net Increase/ Decrease in Cash & Cash Equivalent (04= 01+02+03)		(57.07)		125.07
05. Cash & Cash Equivalent- Opening Balance		196.82		71.74
06. Cash & Cash Equivalent- Closing Balance		139.75		196.82
07. Net Increase/ Decrease in Balances		(57.07)		125.07



EL FORGE LIMITED

Annexure – IV – Notes on Accounts (Standalone)

Para I

Significant Accounting Policies

1. Financial statements are prepared on Historical Cost and on Accrual basis.
2. Fixed Assets are stated at their original cost (Except those assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation, wherever MODVAT/CENVAT Credit has been availed, Excise element is excluded from the original cost. Depreciation on fixed assets is calculated on straight-line basis on historical cost, commensurate with Section 205, read with Schedule XIV, of the Companies Act, 1956. (Double Shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV to the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets. Reserve account. Freehold land is not depreciated.
3. Raw Material, Stores Spares and work in progress are valued at cost. Finished Goods are valued at cost or Net reliable value whichever is lower, as per Accounting Standard AS2 prescribed by under section 211(3C) of the companies act, 1956 & rules made thereunder.
4. Investments are stated at Cost. Earnings from Investments has been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
5. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees of the Company's respective Funds on the basis of accrued liability where appropriate.
6. Research and Development : (a) Revenue expenditure is charged to profit & Loss Account of the year during which it is incurred. (b) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease the lease rentals will be amortised from profits over the useful economic life of the asset.
7. Miscellaneous Expenditure : Miscellaneous Expenditure incurred is amortised from profits over the expected period of future benefit.
8. All transactions in foreign currency are entered in the books of account at the rates prevailing on the date of transaction.
9. Deferred Tax Assets / Liability shall be recognised , as required by Accounting Standard (AS22), However deferred Tax Assets shall be recognised only where there is a virtual certainty supported by convincing evidence.
10. Use of Estimates: The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognised prospectively in the financial statements when revised.
11. Revenue Recognition: Income is accounted on accrual basis.



EL FORGE LIMITED

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

13. Details of Managerial Remuneration (Amount in ₹)

Particulars	31.03.2011	31.03.2010
1) Salary	29,17,500	23,04,750
2) Contribution to Provident Fund and other Funds	4,14,400	3,51,100
3) Perquisites	19,52,683	16,47,961
Total	52,84,583	43,03,811

14. Related party disclosures: Related party disclosures as required under accounting standard on "Related Party Disclosures (AS-18)" are given below;

A) Key Management personnel

- I. Mr. V. Srikanth , Executive Chairman.
- II. Mr. K.V.Ramachandran, Vice Chairman & Managing Director.

B) Relative of Managerial Personnel

Sl. No.	Name of the Relative	Relationship & Name of the Managerial Person(**)
01	Mrs. Chitra Venkatraman	Mother of Mr. V. Srikanth
02	Mr. K.R. Sri Hari	Son of Mr. K. V. Ramachandran

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

C) Subsidiary:

Shakespeare Forgings Ltd

D) The following transactions were carried with related parties in the ordinary course business.

Particulars	Period Ended 31.03.2011	Year Ended 31.03.2010
Remuneration to Key Management Personnel	***	***
FD interest paid	4,11,856	2,79,254
Salaries	6,18,600	5,02,530
Shakespeare Forging Ltd		
(a) Sales	4,85,64,943	4,24,08,053
(b) Purchases	Nil	4,30,384

*** Please refer the details of Managerial Remuneration given above.

15. Depreciation

- 1) Depreciation for the year on all assets of the company has been calculated on straight line method at the rates specified in schedule XIV of the Companies Act, 1956 (Double shift rates for Plant & Machinery), on historical book and has been charged to Profit & Loss Account.
- 2) The depreciation amounting to Rs.19434/- (Previous Year Rs.19434/-) on account of difference between revalued cost and historical cost has also been provided at the rates



EL FORGE LIMITED

specified in schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Reserve account.

16. Sundry Debtors, Creditors, Loans & Advances:

The Company has sent letters for confirmation of Balance as on 31.03.2011 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.

17. Miscellaneous Expenditure:-

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

18. The company has made Corporate Debt Restructure (CDR) arrangements with company's banks/ Financial Institutions, during the year under report. The CDR scheme takes retrospective effect from 01-01-2009. Among other benefits, the company enjoys concessional rate of interest, in terms of the CDR Scheme. Under the CDR scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR scheme, the Interest on Term Loans will be treated as optionally convertible cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the Period under report. Accordingly, interest amounting to ₹ 11,57,83,572/- (Previous year ₹ 5,50,11,050/-) has not been charged; but treated as deferred Interest, grouped under Loans & Advances. The management is of the opinion to write off the deferred interest proportionately to amount converted, from the financial year during which the option is exercised by the lender.

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

20. Hire Purchase :

Out of the total liability ₹ 8,64,071/- (Previous year ₹ 17,67,403/-), towards fixed assets purchased under HP, the amount due within One year amount to ₹ 5,53,576/- (Previous year ₹ 11,25,314/-)

21. Contingent Liabilities :

Particulars	As at 31/03/2011	As at 31/03/2010
a) Claims not accepted by the Company : E.S.I under Appeal	2,08,100	2,86,100
b) Guarantee given to bank(foreign Bank) for subsidiary company	1,83,62,500	1,83,62,500
c) Demands raised by SIPCOT for the Leasehold land at Gummidipundi not accepted by the company. A writ appeal is pending in Madras high Court.	13,00,750	13,00,750
d) Sales Bill Factoring with SBI Global Factors Ltd This facility is secured by a charge on receivables factored	51,80,693	72,47,863
e) Estimated amount of contracts remaining to be executed on capital account and not provided for	0	1,00,00,000
f) Demand from Income Tax under appeal	2,910	66,02,154
g) Demand from Central Excise & service tax under appeal	42,61,927	72,85,437
h) Guarantee given to a bank against the loan taken by a company	6,50,00,000	6,50,00,000



EL FORGE LIMITED

22. Licensed and Installed Capacity

01. Licensed Capacity: Not Applicable
02. Installed Capacity: Most of the Plant & Machinery being common for different types of forgings manufactured by the Company and installed capacity being dependent on product mix, which in turn is decided by the actual demand for various forgings from time to time, and also on availing of sub-contracting facilities. It is not feasible for the company to indicate the exact installed capacity.
03. Production 7330 M.T. (Previous Year 6252 M.T.)

23. Central Excise Duty

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.

24. Quantitative & Other Details (To the extent applicable), Qty in MT and (Amount in ₹)

Particulars	Period Ended 31.03.2011		Year Ended 31.03.2010	
	M.T.	₹	M.T.	₹
(1) Opening Stock of Finished Goods	2,347	20,11,31,100	2584	23,45,55,905
(2) Sale of Forgings	7,283	77,28,10,936	6489	65,94,84,285
(3) Closing Stock of Finished Goods	2,394	21,34,71,380	2347	20,11,31,100
(4) Raw Material Consumed Forging Quality Steel	9,663	45,52,08,727	7906	33,95,42,757
(05) Raw Material, Stores, etc consumed	%	₹	%	₹
(a) Imported	0%	0%	0.21%	7,37,875
(b) Indigenous	100.00%	46,73,59,142	99.79%	35,10,08,889
(06) Expenditure in Foreign Currency	M.T.	Rs.	M.T.	Rs.
(a) Travelling Expenses	-	21,523	-	1,55,624
(b) Commission on export sales	-	-	-	0
(c) Subscription books and periodicals	-	-	-	40,652
(d) Consultancy Fee	-	-	-	0
(e) Others	-	-	-	3,07,491
(07) Imports of goods on C.I.F Basis				
(a) Spares	-	-	-	7,38,375
(b) Machinery	-	-	-	-
(c) Raw Material	-	-	-	-
(08) Earnings in Foreign Currency on		21,15,78,303		24,77,72,425
(a) Exports of goods – FOB basis				
(09) Notes				
(a) Stock and Sales quantities are as certified by the Management				

25. Amount due to Micro, Small and Medium Enterprises:

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

26. Interest is shown net of interest receipts - ₹ 4,81,188/- (previous year ₹ 5,02,875/-). TDS on interest receipts - ₹ 12,525/- (previous year Rs.88,826/-)

27. Re-groupings:- Previous year's figures have been regrouped wherever necessary to conform to current year classification/grouping.



EL FORGE LIMITED

D. Auditors' report to the Board of Directors on the Consolidated Financial Statements of El forge Limited and its subsidiary for the Period Ended March 31, 2011

To,
The Board of Directors,
El Forge Ltd,
No.338, Ambujammal Street,
Alwarpet, Chennai 600 018

We have examined the attached Consolidated Financial Information of El Forge Limited and its Subsidiary as approved by the Board of Directors of the Company prepared in terms of the requirements of Part 1 of Schedule VI to the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2009 (ICDR Regulation 2009) as amended from time to time and in terms of our engagement agreed with you in accordance with your letter dated 14.02.2011 in connection with the proposed Rights Issue of Equity shares of the Company.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our examination in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the review, to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India, and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our examination provides a reasonable basis for our opinion

This information has been prepared by the Management from the audited financial statements for the period ended 31st March 2011 and Year Ended 31st March 2010. Audit for the period ended 31st March, 2011 and 31st March, 2010 was conducted by Statutory Auditors M/s. P. Rajagopalan & Co, Chartered Accountants. We have done a re-audit for the financial period ended 31st March, 2011 and Year ended March 31, 2010 for standalone results and reliance was placed on audited accounts for the subsidiary for the consolidated accounts for the period ended 31st March, 2011.

We have not audited the financial statements of the subsidiary, whose financial statements reflect the Company's total share of assets of Rs.3.24Crores as at 31st March 2011(Rs.3.39 Crore as at 31st March, 2010), and Gross Revenue for the Period ended on that date Rs.19.26 Crore (Rs. 22.33 Crore for the year ended 31st march 2010) and net cash inflows, aggregating Rs. (0.51) Crore as at period ended 31st March 2011 (Rs.0.01 Crore for the year ended on 31.03.2010), which is considered in the attached consolidated financial statements. These financial statements and other information of this subsidiary have been based on the management accounts which has been furnished to us, and our opinion is solely based on the report of M/s. P. Rajagopalan & Co, Chartered Accountants.

We have examined the Consolidated Financial Information set out in the Annexures prepared by the Management and approved by the Board of Directors to relation to the Company and audited by the Statutory Auditors M/s. P. Rajagopalan & Co, Chartered Accountants for the financial period ended 31st March, 2011 and year ended 31st March, 2010, and the subsidiary Shakespeare Forgings Ltd audited by its Statutory Auditors M/s. Langard Lifford Hall Ltd, Birmingham, UK for the period ended 31st March, 2011 and Year ended 31st March 2010. We have done a re-audit of the financial statements audited by others.

Management in accordance with the requirements of Accounting Standard (AS) 21, consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.



EL FORGE LIMITED

On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, we are of the opinion that:

- the Consolidated Balance Sheet gives a true and fair view of the consolidated state of Affairs of the Company and its subsidiary as at 31st March 2011 and 31st March 2010;
- the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the period then ended; and
- the Consolidated Cash Flow statement gives a true and fair view of the consolidated results of operations of the Company and its subsidiary for the period then ended;

Other Financial Information:

We have examined the following information relating to the Company prepared to be included in The Letter of Offer as approved by the Board of Directors and Statement of Accounting Ratios Included in Annexure V.

We confirm that our firm M/s. Murali Jawahar & Co., Chartered Accountants, has been subjected to Peer Review Process of The Institute of Chartered Accountants of India and holds a valid Certificate No. 002124 dated 30th December, 2008 issued by "Peer Review Board" of ICAI.

For **Murali Jawahar & Co.,**
Chartered Accountants
Registration no. of the Firm: 002168S

Place: Chennai - 600 033
Date: June 22, 2011

Sd/-
K.S. MURALIDHARAN
Partner
Membership No: 024154



EL FORGE LIMITED

ANNEXURE I – Statement of Assets and Liabilities (Consolidated)

(Amount in ₹ Lakhs)			
Sl. No	Particulars	As at 31.03.11	As at 31.03.2010
A	Fixed Assets		
	Gross Block	16,302.64	16,039.06
	Less: Depreciation	3,923.29	3,150.55
	Net Block	12,379.35	12,888.51
	Less: Revaluation Reserve	189.88	50.75
	Net Block After Adjustment for revaluation reserve	12,189.47	12,837.76
B	Investments	97.23	97.23
C	Good Will	97.48	46.03
D	Current Assets, Loans and Advances		
	Inventories	2,865.88	2,617.14
	Sundry Debtors	3,089.06	2,676.54
	Cash and Bank Balances	140.29	197.87
	Loans and Advances	1,880.27	1,367.24
	Total	7,975.93	6,858.79
E	Liabilities and Provisions		
	Secured Loans	15,595.21	15,110.85
	Unsecured Loans	318.14	194.31
	Current Liabilities and provisions	3,250.96	2,426.34
	Liability for Deferred payment	38.35	77.23
	Total	19,202.66	17,808.73
	Grand Total(A+B+C+D-E) = F	1,157.45	2,031.08
	Net Worth Represented by		
G	Share Capital	862.95	862.95
	Equity Share Advances	150.00	150.00
	Reserves	3,952.54	3,813.41
	Less: Revaluation Reserve	189.88	50.75
	Reserves(Net of Revaluation reserves)	3,762.66	3,762.66
	Total	4,775.61	4,775.61
H	Mis. Expenditure to the Extent not written off or adjusted	(730.09)	(692.87)
I	Surplus(+) or Deficit () in Profit & Loss Account	(2,888.07)	(2,051.66)
	Networth (G-H-I)	1,157.45	2,031.08



EL FORGE LIMITED

ANNEXURE II – Statement of Profit and Loss Account (Consolidated)

(Amount in ₹ Lakhs)

Particulars	Period Ended 31.03.2011	Year Ended 31.03.2010
Sales:		
Of Products manufactured by the Company	9,741.59	8,811.85
of Products traded in by the Company		
other income	8.84	963.54
Increase /(Decrease) in Inventories	211.79	(417.21)
Total	9,962.22	9,358.18
Expenditures		
Raw Material Consumed	5,071.22	4,141.13
Staff Costs	1,442.48	1,418.94
Other Manufacturing Expenses	2,029.72	1,670.32
Administration Expenses	473.35	484.60
Selling & Distribution Expenses	463.96	520.94
Total	9,480.73	8,235.93
Earnings Before Depreciation, Interest& Tax	481.49	1,122.25
Depreciation	806.00	766.12
Interest	536.21	796.50
Net Profit Before Tax and Extraordinary items	(860.72)	(440.37)
Less: Prior Period Adjustments	0.00	36.01
Taxation		
Current Tax (Including Fringe Benefit Tax)	0.00	(5.43)
Deferred Tax	-	-
Net Profit before Extraordinary Items	(860.72)	(409.79)
Extraordinary items	-	-
Net Profit after extraordinary items	(860.72)	(409.79)
Adjustments on account of prior period expenses	-	-
Adjusted profit	(860.72)	(409.79)



EL FORGE LIMITED

Annexure III – Statement Cash Flow (Consolidated)

(Amount in ₹ Lacs)

Particulars	Period ended 31/03/2011	Year ended 31/03/2010
01. Cash Flow from Operations		
(01) Net Profit before Tax	(860.72)	(404.36)
(02) Adjustment for		
(a) Depreciation	806.00	766.12
(b) Interest Expenses	541.03	801.53
(c) Other Income	-	-
(d) Profit on Sales of Fixed Assets	(8.14)	(954.07)
(e) Interest Income	(4.81)	(5.03)
(f) Dividend Received	(0.70)	(0.01)
(g) Sales of Investments	-	-
(h) Revaluation Reserve	-	1333.37
(03) Operating Profit before working Capital changes	472.65	608.54
(04) Adjustment for Increase/ Decrease in		
(a) Trade & Other Receivables	(925.98)	(2049.25)
(b) Inventories	(248.74)	283.78
(c) Sundry Creditors	824.61	(1854.32)
(d) Miscellaneous Expenses/Deferred Rev. Exp	(37.23)	(14.63)
(05) Cash Generation from Operation	85.32	(3634.42)
(06) Less the Following		
(a) Tax Paid/ Provided	-	(5.43)
(b) Extraordinary items	-	-
(c) Misc. receipts	-	-
(d) Deferred sales Tax Liability	-	(5.43)
(07) Net Cash from Operating Activities	85.32	(3435.68)
02. Cash Flow from Investing Activities		
(01) Purchase or Sale of Fixed Assets		
(a) Purchase of fixed assets, Including CWIP	(140.72)	(98.37)
(b) Sale Proceeds of Fixed assets	15.46	1016.25
(02) Interest Received	4.81	5.03
(03) Dividend Received	0.70	0.01
(04) Purchase or Sale of Investments		
(a) Purchase	-	-
(b) Sales	-	-
(05) Purchase or Sale of Goodwill		
(a) Additions	(51.44)	-
(b) Deletion	-	59.50
(05) Net Cash Flow from Investing Activities	(171.19)	982.41
03. Cash Flow from Financing Activities		
(01) From Term Loan/ Deferral Loan		
(a) Obtained	488.93	4269.51
(b) Re-Paid	-	-
(02) From Capital		
(a) Additions	-	85.00
(b) Withdrawn	-	-
(03) From Unsecured Loans		
(a) Obtained	-	-
(b) Re-Paid	-	-



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Particulars	Period ended 31/03/2011		Year ended 31/03/2010	
(04) From Short (Bank Borrowings)	(80.38)		(973.62)	
(05) Interest Paid	(541.03)		(801.53)	
(06) Dividend and Tax Thereon	-		-	
(07) Minority Interest	-		-	
(08) Net Cash Flow from Financing Activities		(28.29)		2579.36
04. Net Increase/ Decrease in Cash & Cash equivalent (04=01+02+03)		(57.58)		126.09
05. Cash & Cash Equivalent- Opening Balance		197.87		71.78
06. Cash & Cash Equivalent- Closing Balance		140.29		197.87
07. Net Increase/ Decrease in Balances		(57.58)		126.09



EL FORGE LIMITED

Annexure – IV – Notes on Accounts

Significant Accounting Policies

1. Financial statements are prepared on Historical Cost and on Accrual basis.
2. Fixed Assets are stated at their original cost (Except those assets which have been revalued) including taxes, duties, freight and other incidental expenses related to acquisition and installation. Wherever MODVAT/CENVAT Credit has been availed Excise element is excluded from Original Cost.
3. Depreciation on fixed assets is calculated on straight-line basis on historical book cost, commensurate with Section 205 read with Schedule XIV of the Companies Act, 1956. (Double Shift rates for Plant & Machinery). The depreciation on the difference between revalued cost and historical cost has also been provided at the rates specified in Schedule XIV of the Companies Act, 1956, and the same has been debited to Revaluation of Fixed Assets Reserve account. Freehold land is not depreciated.
4. Raw Material, Stores Spares and work in progress are valued at cost. Finished Goods are valued at cost or Net realisable value whichever is lower, as per Accounting Standard AS2 prescribed by under section 211(3C) of the companies act, 1956 & rules made thereunder..
5. Investments are stated at Cost. Earnings from Investments has been taken into account as accrued or on declaration or receipt basis, wherever appropriate and the tax deducted at source thereon is treated as advance tax.
6. Normal Retirement Benefits as per contract of employment are provided in the books of account and payments are made to the Trustees of the Company's respective Funds on the basis of accrued liability where appropriate.
7. Research and Development: (a) Revenue expenditure is charged to profit & Loss Account of the year during which it is incurred. (b) Capital expenditure is shown as addition to fixed assets or where Capital assets have been taken on lease the lease rentals will be amortized from profits over the useful economic life of the asset.
8. Miscellaneous Expenditure: Miscellaneous Expenditure incurred is amortized from profits over the expected period of future benefit.
9. All transactions in foreign currency are entered in the books of account at the rates prevailing on the date of transaction.
10. Deferred Tax Assets / Liability shall be recognized, as required by Accounting Standard (AS-22). However deferred Tax Assets shall be recognized only where there is a virtual certainty supported by convincing evidence.
11. The Retirement Benefit Funds towards gratuity are administered by LIC under Group Gratuity Scheme The amounts provided by the Company and accumulated in the Fund is sufficient to cover the liability
12. Revenue Recognition:
Income is accounted on accrual basis.



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1. Principles of Consolidation

The consolidated financial statements relate to El Forge Limited (the Company or Parent Company), its Wholly subsidiary (there is no Joint Venture companies and Associate Companies). The consolidated financial statements have been prepared on the following basis:

1. The financial statements of the Parent Company and its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating the intra-group balances, intra-group transactions and unrealized profits or losses in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements.
2. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements. The excess/ shortfall of cost of Investments in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary, is recognized in the financial statements of the Parent Company as goodwill/ capital reserve respectively
3. The subsidiary company considered consolidated financial statements is:-

Sl. No	Name of the company	Country	2010-11	2009-10
01	Shakespeare Forgings Ltd	United Kingdom	100%	100%

In the aforesaid paragraph,

- (a) "Country" means the name of the country in which the subsidiary company has been incorporated; and
- (b) "Interest" means the proportion of the Ownership Interest of the Company in the Subsidiary.

2. Details of Managerial Remuneration

(Amount ₹ in Thousands)

Particulars	For 2010-11	For 2009-10
1) Salary	11,603	11,624
2) Contribution to Provident Fund and other Funds	414	351
3) Perquisites	1,953	1,648
Total	13,970	13,623

3. Related party disclosures:

Related party disclosures as required "under accounting standard on "Related Party Disclosures issued by the Institute of Chartered Accountants of India are given below;

1. Subsidiary:
Shakespeare Forgings Limited
2. Key Management Personnel:
 - a. Mr. V. Srikanth, Executive Chairman
 - b. Mr. K. V. Ramachandran, Vice Chairman & Managing Director



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3. Relatives of Key Management Personnel

Name of the Person	Relative (**)
Mrs. Chitra Venkatraman	Mother of Mr. V.Srikanth
Mr. K. R. Sri Hari	Son of Mr. K.V.Ramachandran

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

The following transactions were carried with related parties in the ordinary course business:

(₹ In Thousands)		
Particulars	Period Ended 31.03.2011	Year Ended 31.03.2010
Remuneration to Key Management Personnel	(As in Note No. 2)	
FD interest paid	412	279
Salary Paid	619	503
Shakespeare Forgings Limited		
Sales	48,564	42,408
Purchases	0	430

4. Depreciation:

1. Depreciation for the year on all assets of the company has been calculated on straight line method at the rates specified in schedule XIV of the Companies Act, 1956 (Double shift rates for Plant & Machinery), on historical book cost and has been charged to Profit & Loss Account.
2. The depreciation amounting to ₹ Nil thousands (Previous Year ₹ 19 thousands) on the difference between revalued cost and historical cost has also been provided at the rates specified in schedule XIV of the Companies Act, 1956 and the same has been debited to Revaluation of Fixed Assets Reserve account.
3. Depreciation charged to Profit and Loss Account excludes ₹ Nil thousands relating to revaluation reserves adjustment.

5. Sundry Debtors, Creditors, Loans & Advances

The Company has sent letters for confirmation of Balance as on 31.12.2010 but only some of the parties have responded. In the opinion of the management the current assets and Loans and Advances will be recovered in full, in the normal course of business.

6. Miscellaneous Expenditure:-

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

The company has made Corporate Debt Restructure (CDR) arrangements with company 's banks/ Financial Institutions, during the year under report. The CDR scheme takes retrospective effect from 01-01-2009. Among other benefits, the company enjoys concessional rate of interest, in terms of the CDR Scheme. Under the CDR scheme, the interest on Term Loans is also funded; hence it does not involve any outflow of resources. Under the terms of the CDR scheme, the Interest on Term Loans will be treated as optionally convert able cumulative preference capital. In view of the above, the management is of the opinion that interest is not an expense for the year under report. Accordingly, interest amounting to Rs. 100811 thousands (Previous year ₹ 55,011 thousands) has not been charged; but treated as deferred Interest, grouped under Loans & Advances. The management is of the opinion to write off the deferred interest proportionately to amount converted, from the financial year during which the options is exercised by the lender.

7. Segment Reporting



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The Company has only one business segment of manufacture and sale of steel forgings.

8. Use of Estimates:

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Any revisions to financial estimates are recognized prospectively in the financial statements when revised.

9. Hire Purchase

Out of the total liability Rs.1187 thousands (Previous year Rs.1767 thousands), towards fixed assets purchased under HP, the amount due within One year amount to Rs.621 thousands (Previous year Rs.1125 thousands)

10. Earnings Per Share

Earnings per share Basic Rs. Nil and diluted Rs. Nil (Face Value Rs.10/=) during the year.

Contingent Liabilities

Particulars	(Amount ₹ in Thousands)	
	As at 31/03/11	As at 31/03/10
a) Claims not accepted by the Company :- E.S.I under Appeal	208	286
b) Guaranty given by bank for subsidiary company Shakespeare Forging Ltd	18,363	18,363
c) Demands raised by SIPCOT for the Leasehold land at Gummidipundi not accepted by the company. A writ appeal is pending in Madras High court.	1,301	1,301
d). Sales Bill Factoring with SBI Global Factors Ltd: This facility is secured by a charge on receivables factored	5,181	7,248
e). Estimated amount of contracts remaining to be executed on capital account and not provided for	0	10,000
f) Demand from Income tax under appeal	3	6,602
g) Demand from Central Excise & service tax under appeal	4,262	7,285
h) Guarantee given to a bank against the loan taken by a company	65,000	65,000

Project Cost (Miscellaneous Expenditure):

The Company has incurred costs in respect of relocation and project cost following their takeover by El Forge, a company registered in India. In the opinion of the directors these cost if written off to the profit and loss account would not show a true and fair view of the state of the company's affairs. Therefore in contradiction to FRS 10 goodwill and intangible assets these costs have been capitalised. These costs have been incurred due to relocation of the company's trading activities following a scaling down of their manufacturing activity and development costs incurred with the relocation of certain of the manufacturing activities to India. In the opinion of the directors these costs will generate cost saving in the future.

These costs will be written off over a period of 5 and 10 years respectively. An impairment review will be undertaken on an annual basis to ensure; in the opinion of the directors their carry values are reasonable.

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

All the figures have been rounded off to the nearest thousands.



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E. CERTAIN OTHER FINANCIAL INFORMATION

Working results of our Company for the period from April 01, 2011 to May 30, 2011:

Particulars	(₹ in lakhs)
Sales	1,575.43
Other Income	--
Estimated Gross Profit /(Loss) excluding Depreciation	21.73
Provision for Depreciation	125.15
Provision for Taxes	--
Estimated Net Profit /(Net Loss)	(103.42)

Material changes and commitments, if any affecting financial position of the Company

Except as disclosed in the section entitled **“Material Developments”** beginning on page 116 of this Letter of Offer there are no Material changes and commitments, if any affecting financial position of our Company.

The Board of Directors of the Company at their meeting held on March 16, 2011, have decided to extend the financial year 2010-11 by a period of 3 months so that the financial year 2010-11 will be 15 months period April 01, 2010 to June 30, 2011.

Week-end prices for the last four weeks, current market price; and highest and lowest prices of Equity Shares during the period with the relative dates

For details in connection with the week-end prices for the last four weeks, current market prices, and highest and lowest prices of the Equity Shares, please refer to the section entitled **“Market Price Information”** beginning on page no. 103 of this Letter of Offer.



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MARKET PRICE INFORMATION

The equity shares of our Company are listed on Ahmedabad Stock Exchange Ltd. (ASE), Bombay Stock Exchange Ltd. (BSE) and Madras Stock Exchange Ltd. (MSE) and are permitted to trade on National Stock Exchange Ltd. (NSE) w.e.f. November 05, 2009.

The stock market data for the equity shares on the **BSE** are as follows;

Preceding 3 Years

Particulars	High			Low			Average Price (₹)	Total Volume (no. of shares)
	High (₹)	Date	Volume on date of high (no of shares)	Low (₹)	Date	Volume on date of Low (no of shares)		
2008	109.00	02-Jan-08	62,222	13.05	20-Nov-08 & 03-Dec-08	2,858 & 6,979	61.03	28,28,671
2009	27.10	7-Sep-09	3,75,693	11.30	16-Mar-09	2,315	19.20	55,43,529
2010	37.75	15-Jan-10	5,58,067	20.65	24-Nov-10	78,018	29.20	61,37,018

Preceding 6 Months

Particulars	High			Low			Average Price (₹)	Total Volume (no. of shares)
	High (₹)	Date	Volume on date of high (no of shares)	Low (₹)	Date	Volume on date of Low (no of shares)		
December, 2010	28.50	20-Dec-10	4,40,009	21.35	10-Dec-10	17,968	24.92	8,15,021
January, 2011	23.75	10-Jan-11	4589	16.10	31-Jan-11	3664	19.92	95,990
February, 2011	16.25	01-Feb-11	5879	12.05	10-Feb-11	8626	14.15	83,079
March, 2011	15.25	01-Mar-11	6590	10.25	30-Mar-11	1570	12.75	1,21,223
April, 2011	16.49	07-Apr-11	4,730	13.48	01-Apr-11	3,975	14.99	9,67,775
May, 2011	14.90	02-May-11	249	11.36	26-May-11	150	13.13	21,140

Week end price of equity Shares of El Forge Limited on the BSE.

Week ended	High Price (₹)	Low Price (₹)	Closing Price (₹)
03-Jun-11	13.70	13.00	13.01
10-Jun-11	13.45	13.25	13.25
17-Jun-11	13.20	11.63	12.75
24-Jun-11	12.45	10.63	12.08

The market price of the Company as on July 04, 2011, the date on which the Board of Directors approved the Letter of Offer was ₹ 11.50 on The Bombay Stock Exchange (BSE).

The market price of the equity shares of our Company as on March 16, 2011 (the date of meeting of Board of Directors where decision of proposed rights issue was taken) and as on August 19, 2010 (the date of AGM of the Shareholders where they authorized the proposed rights issue) was ₹ 13.73 and ₹ 25.85 on BSE.

The cum-rights closing price of the shares of our Company as on July 01, 2011 was ₹ 11.71 on BSE. The ex-rights closing price of the shares of our Company as on June 29, 2011 was ₹ 13.05 on BSE.



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The stock market data for the equity shares on the **NSE** are as follows

Preceding 3 Years

Particulars	High			Low			Average Price (₹)	Total Volume (no. of shares)
	High (₹)	Date	Volume on date of high (no of shares)	Low (₹)	Date	Volume on date of Low (no of shares)		
2009*	24.50	31-Dec-09	5,778	18.00	05-Nov-09	4,001	21.25	2,27,862
2010	38.50	15-Jan-10	5,44,869	21.15	23-Nov-10	2,333	29.83	39,26,513

*The equity Shares of our company are permitted for trading on NSE w.e.f. November 05, 2009.

Preceding 6 Months

Particulars	High			Low			Average Price (₹)	Total Volume (no. of shares)
	High (₹)	Date	Volume on date of high (no of shares)	Low (₹)	Date	Volume on date of Low (no of shares)		
December, 2010	29.35	21-Dec-10	75,864	21.55	09-Dec-10	6,671	25.45	5,01,387
January, 2011	23.65	03-Jan-11	9,988	14.50	31-Jan-11	3,192	19.08	1,02,078
February, 2011	16.85	02-Feb-11	1,421	12.00	10-Feb-11	7,458	14.43	71,870
March, 2011	14.95	10-Mar-11	1802	11.20	24-Mar-11	2,383	13.07	62,967
April, 2011	16.35	07-Apr-11	694	12.15	04-Apr-11	10,584	14.25	41,206
May, 2011	14.95	11-May-11	7	11.10	27-May-11	751	13.03	16,517

Week end price of equity Shares of El Forge Limited on the NSE.

Week ended	High Price (₹)	Low Price (₹)	Closing Price (₹)
03-Jun-11	13.10	13.00	13.10
10-Jun-11	13.00	12.80	12.80
17-Jun-11	12.80	11.25	12.55
24-Jun-11	12.15	10.70	12.15

The market price of our Company as on July 04, 2011, the date on which the Board of Directors approved the Letter of Offer was ₹ 11.30 on the National Stock Exchange (NSE).

The market price of the equity shares of our Company as on March 16, 2011 (the date of meeting of Board of Directors where decision of proposed rights issue was taken) and as on August 19, 2010 (the date of AGM of the Shareholders where they authorized the proposed rights issue) was ₹ 13.30 and ₹ 25.80 on NSE.

The cum-rights closing price of the shares of our Company as on July 01, 2011 was ₹ 11.90 on NSE. The ex-rights closing price of the shares of the Company as on June 29, 2011 was ₹ 13.15 on NSE.

The issue price of ₹ 10 has been arrived at in consultation between our Company and the Merchant Banker.



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ACCOUNTING RATIOS, CAPITALISATION STATEMENT AND INFORMATION ON GROUP/ASSOCIATE/JOINT VENTURE COMPANIES

A. Accounting Ratios

The following table presents certain accounting and other ratios in accordance to AS-20 as issued by ICAI derived from Company's audited financial statements as at March 31, 2010 and for the Twelve months ended March 31, 2011, respectively, included in the section titled "Financial Information" beginning on page no. 61 of this Letter of Offer.

Particulars	Standalone			Consolidated		
	Twelve months ended March 31, 2011*	March 31, 2010	March 31, 2009	Twelve months ended March 31, 2011*	March 31, 2010	March 31, 2009
Weighted average number of equity shares outstanding during the period for basic and diluted EPS (₹ in Lakhs)	86.30	86.30	86.30	86.30	86.30	86.30
Basic and Diluted EPS (₹ per Share)	(9.59)	(3.18)	(20.92)	(9.97)	(4.75)	(22.08)
Return on Networth (%)	(49.41)	(9.17)	(1.50)	(74.36)	(24.53)	(80.69)
NAV per Share (₹ per Share)	19.41	29.19	31.38	13.41	23.54	27.37

* Based on the Audit Report for Twelve month period ended March 31, 2011; Not Annualised

The above ratios have been computed as below:

Basic EPS: Net profit attributable to Equity Shareholders (excluding extraordinary items, if any) / Number of Equity Shares outstanding at the end of the year

Diluted EPS: Net profit attributable to Equity Shareholders (excluding extraordinary items, if any) / Number of diluted Equity Shares outstanding at the end of the year

Return on Networth: Net profit attributable to Equity Shareholders (excluding extraordinary items, if any) / Net Worth at the end of the year (excluding revaluation reserves)

NAV per Share: Net worth at the end of the year (excluding revaluation reserves) / Number of Equity Shares outstanding at the end of the year

B. Capitalisation Statement

(₹ In Lakhs)

Particulars	Pre- Issue As at 31/03/2011 (₹ in lakhs)	As Adjusted Post Issue (₹ in lakhs)
Borrowings:		
Short-term Debt **	3,594.70	3,594.70
Long-term Debt **	11,676.59	11,676.59
Total Debt	15,271.29	15,271.29
Shareholders' funds :		
Share Capital	862.95	2157.38
Equity Share Advance	150.00	--



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Reserves	661.88	661.88
Total Shareholders' Funds	1,674.83	2,819.26
Long-term Debt/Equity ratio	6.97	4.14
Total Debt/Equity ratio	9.12	5.42

***Debts repayable within one year are adjusted and are treated as Short Term Debts*

The Issue price of ₹ 10/- has been arrived at in consultation between our Company and the Lead Manager.

C. Information on group/associate/joint venture Companies:

Our promoter group company i.e. Chendur Forgings Limited does not have any business interest in our Company. However, the wholly owned subsidiary of our Company, i.e. Shakespeare Forgings Limited has business interest to the extent of sale of products that are manufactured by us and details of which are provided in related party disclosures under 'SECTION VI - FINANCIAL INFORMATION' in this Letter of Offer.

Shakespeare Forgings Limited (SFL) is the wholly owned subsidiary of the issuer company. SFL is in the same line of business of the Issuer Company and manufactures forging products. The scale of manufacturing activities of SFL is small compared to the issuer company. Moreover, SFL serves as marketing front for the issuer company in UK and other European countries. Hence, there are no conflicting interests between Issuer Company and SFL.

SECTION VII- LEGAL AND OTHER INFORMATION**OUTSTANDING LITIGATIONS AND OTHER DEFAULTS**

Except as described below, there are no outstanding litigations, suits, civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or, alleging criminal or economic offences or tax liabilities or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against the Company and the Directors that would have a material adverse effect on its business. Further there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and arrears of cumulative preference shares that would have a material adverse effect on its business. Further, none of the directors of the Company are on the RBI's list of willful defaulters.

A. Litigations against the Company

Sr. No.	Details of the Case/Dispute			Brief Facts and Status
	Complaint/ Case No./ filed before	Parties	Nature of Petition/Complaint	
1.	C.P.No.149/2010 High Court of Judicature, Madras	Mahindra Intertrade Limited Mumbai - 400018 & El Forge Limited Chennai – 600 018	Civil Suit	<p>The total Outstanding amount of Rs.89.55 lakhs was due to Mahindra Intertrade Limited against which El Forge Limited had been making payments from time to time and brought down the outstanding amount from Rs. 89.55 lakhs to Rs. 18.00 lakhs approximately. This was done in good faith and intention to pay even at a time El Forge Limited was under severe financial constraints.</p> <p>Mahindra Intertrade Limited has filed a petition on 09/06/2010 u/s 433(e) and 433(f) of the Companies Act, 1956 for winding up of company and is pending at the High Court of Judicature, Madras.</p> <p>Meanwhile when the petition came up for hearing in the High Court of Judicature, Madras in 26th Feb 2011, a compromise formula with the mutual consent of the parties to the petition was decided upon. Based on that a payment of Rs.2 lakhs was immediately made against the total outstanding principal amount of Rs.17.55 lakhs. The balance amount Rs.15.55 lakhs is to be paid in installments in course of next few months commencing from March/ April 2011. This was accepted during the proceedings in the High Court, The Company has paid Rs.5 lakhs in April 2011 and thus bringing down</p>



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Sr. No.	Details of the Case/Dispute			Brief Facts and Status
	Complaint/ Case No./ filed before	Parties	Nature of Petition/Complaint	
				the total outstanding principal amount to Rs.10.55 lakhs. The Company will be completing the paying the balance amount within the next couple of months. The case is expected to be closed amicably between the parties concerned in the suit.

B. Notices received by the Company

1. Income Tax Appellate Tribunal

Sr. No.	Issuer	Brief facts and Status
1.	Deputy Commissioner of Income Tax, Chennai Company Circle II (1)	<p>For the Income Tax Assessment Year 2004-05, the Assessment was completed by the Deputy, Commissioner of Income Tax, Company Circle II (1), Chennai 34 by passing order dt. 30-11-2006 u/s 143 (3) of the Income Tax Act, 1961. The Assessing Officer raised a demand of Rs.66,02,154 including interest u/s 234 B and 234 C and after adjusting TDS and Self Assessment Tax paid.</p> <p>The Company filed an appeal against the above referred order to the Commissioner of Income Tax (appeals) u/s 250/263 of the Income Tax Act 1961 aside Appeal No.716/06-07</p> <p>The grounds of the appeal relates to the following points:</p> <ul style="list-style-type: none"> The unabsorbed carried forward losses have not been allowed in the assessment order by the assessing officer to be allowed now The disallowance of claim of misc. Expenses to the extent of Rs. 22,54,065 without appreciating the nature and the purpose of expenditure, which were incurred wholly and exclusively for the purpose of business deductible in terms of Sec 37 (1) of the Act and hence allowable in full in the computation of Total Income <p>While the appeal before the CIT (A) is pending disposal, the Assessing Officer, viz. Assistant Commissioner of Income Tax, Company Circle II (1), Chennai passed order u/s 154 of the Income Tax Act on a petition filed by the company and allowed the carried forward losses and recomputed income u/s 115JB of the Income Tax Act and reduced the demand from Rs.66,02,154 to Rs. 2910</p> <p>The appeal before CIT (A), against the disallowance of Rs,22,54,065 by the Assessing Officer, is still pending disposal.</p>
2.	Deputy Commissioner of Income Tax Circle II(1),	For the Assessment Year 2007-08 the Deputy Commissioner of Income Tax had raised demand of Rs.75,56,874/- on 23 rd February, 2011

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Sr. No.	Issuer	Brief facts and Status
	Chennai 600 034	<p>The Deputy Commissioner has later adjusted Rs.3,00,278 out of refund for Assessment year 2006-07 and the Company has also paid Rs.4,16,874/- reducing the demand to Rs. 68,39,722/-</p> <p>The Company has filed an appeal against the above order to the CIT (Appeals) under section 250/263 of Income Tax Act, 1961. The grounds of appeal relates to the following point :</p> <p>The wrong addition of Long Term Capital gain amounting to Rs.2,12,65,925/- on sale of land without relief under section 54G of the Income Tax Act. The hearing on the appeal is yet to be posted.</p> <p>The unabsorbed carried forward losses which have been properly allowed in the Assessment Order to be allowed.</p>
3.	Deputy Commissioner of Income Tax Circle II(1) Chennai 600034	<p>For the Assessment year 2008-09 the assessment was completed by passing order dt 27.12.2010 under section 143(3) of the Income Tax Act, 1961. The Assessing Officer raised a demand of Rs.62,12,598/-. Against the demand a sum of Rs.19,13,230/- being refund relating to Assessment Year 2006-07 was adjusted and demand was reduced to Rs.42,99,358/-. The Company has since paid Rs.5,19,368/- and the tax demand is reduced to Rs.37,79,990/-.</p> <p>The Company has also filed an appeal against the above order to the CIT (Appeals) under section 250/263 of the Income Tax Act, 1961. The grounds of appeal relates to the following points.</p> <ol style="list-style-type: none"> 1. The disallowance under section 40(a) for a sum of Rs.23,58,679/- being commission on export sales. 2. The disallowance under section 41(C) for a sum of Rs.7,82,240/- being unclaimed credits written back.

2. Service Tax

Sr No.	Issuer	Brief facts and Status
1.	The Joint Commissioner of Service Tax Chromepet Division	<p>During the period from July 2003 to April 2006 company has paid Rs.41,51,239/- as commission to a foreign agent viz. M/s. Bhushan Associates, U.S.A. in connection with promotion of export sales and co-ordination with export customer. The department has raised objection towards non-payment service tax on the above said commission classifying it as " BUSINESS AUXILLARY SERVICE " which has come into existence under Service Tax net since July 2003 and accordingly the Show Cause Notice No.IV/16/93/2007 – STC dated 4.5.2007 was issued by the Excise Authorities pertaining to the Company's Chrompet Unit. Demanding Service Tax Rs. 4,12,979. The demand in the Show Cause Notice was confirmed by the Quasi Judicial Authority vice Order No.06/2008 dated 20.02.2008 and imposed penalty and interest to the tune of Rs.4,14,079/- u/s 75 of the Finance Act, 1944,.. by rejecting the Company's stand that as the law was amended only on 18-04-2006 and hence not applicable for the period. In this connection the company filed an appeal with Commissioner of Appeals of Central Excise and Service Tax, Chennai and received order bearing No.46/2008 dated 11.07.2008 in Company's favour, but the Department has gone an appeal. Hence the case is pending</p>



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Sr No.	Issuer	Brief facts and Status
2.	The Superintendent of Central Excise I-D Range	During the Period from April 2007 to September 2008 the company had spent Rs.4,63,000/-to maintain Garden at Hosur Plant in order to create a serene and pollution free atmosphere in & around the plant which is a mandatory requirement as per per ISO norms. The Garden Service provider charged Service Tax in his monthly bills and the same was taken by the Company as CENVAT Credit under Excise Rules. The availment of this credit was objected by the department and a Show Cause Notice bearing No.V/15 /72/34/2008 ADJ dated 13.02.2009 demanding Rs.56,966/- was issued. The demand was confirmed by the Excise Authority vide their Order No.12/2009 dated 26.08.2009 rejecting the Company's stand that the garden maintenance is not a part of plant/factory maintenance and imposed interest and penalty u/s 75 of the Finance Act, 1994. The company has appealed to The Commissioner of Central Excise (Appeals) vide appeal No.130/09 dated 19.10.2009 and the same is pending
3.	The Addl. Commissioner of Service Tax (Commissionerate II)	During the Service Tax audit the authorities have objected the following :- 1) availment of Service Tax Credit to the tune of Rs.11,41,224/- terming it as credit pertaining to the services received before obtaining the Service Tax Registration, 2) Rs. 1,27,646/- pertaining to service tax credit on ineligible services and 3) non-payment of Service Tax to the tune of Rs.4,17,165/- towards commission paid to foreign agent. For the above disputes the department has issued a Show Cause Notice bearing No. 162 dated 13.04.2010 for total demand of Rs.16,86,035/- which covers the period from October 2006 to July 2008 .The company has appealed to the Additional Commissioner of Central Excise Chennai II Commissionerate on the basis that their action is within permissible rules for service tax credit .The case is still pending , and yet to be tried.
4.	The Deputy Commissioner of Service Tax Nandanam	The Show Cause Notice bearing No.25/2010 dated 21.04.2010 was issued for the demand of Service Tax Rs.72,308/- on the amount Rs.5,85,019/- paid as commission to Foreign Agent during the period April 2008 to March 2009 which has been appealed by the company . The case is pending before Dy.Commissioner of Central Excise and Service Tax and the same is yet to be tried.

3. Central Excise

Sr No.	Issuer	Brief facts and Status
1.	The Assistant Commissioner of Central Excise Perungudi Division	Show cause notice bearing no. 02/2006 dt.20-01-2006 has been issued for the period covering January 2002 to December 2004 demanding the differential duty Rs.1,72,407. The case was adjudicated by excise authorities who confirmed the demand vide their order No.5/2006 dt.25-05-2006 along with penalty and interest to the tune of Rs.1,72,407/- u/s 11AB of Central Excise Act. The Company's appeal in the first stage was not accepted and hence the Company has made a subsequent appeal against Order-in-Appeal No.53/2007 dt.25-05-2007 in CESTAT on 03-09-2007 and the same is pending before the Customs, Excise and Service Tax Appellate Tribunal.
2.	The Assistant Commissioner of Central Excise Perungudi Division	Show Cause Notice bearing No.18/2008 dt.28-04-2008 was issued covering the further period from January 2005 to December 2005 and demanded Rs.27,535/- on rejected forgings sold as scrap without sending them back to the customers. The case was decided



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Sr No.	Issuer	Brief facts and Status
		in favour of the department vide order No. 19/2008 dt.23-12-2008 and demand for Rs.27,535 along with interest & penalty u/s 11AB of Central Excise Act.was levied. The Company has appealed vide Appeal No. 34/09 dt.20-03-2009 and the same is pending with Commissioner of Appeals of Central Excise and Service Tax Chennai.
3.	The Assistant Commissioner of Central Excise Perungudi Division	Differential Duty on rejected forgings sold as scrap, was demanded to the tune of Rs.1,29,013/- by the excise authorities vide notice bearing No. 03/2007 dt.02-02-2007 for further period from January 2006 to December 2008 – Pertaining to Company's Thoraipakkam Unit. The case was heard and the demand of Rs.1,29,013/-, was confirmed by the authorities along penalty Rs.10,000 and interest u/s 11AB of the Central Excise Act, 1944 vide order No.02/2008 dt.07-02-2008. The appeal of the company was also rejected and the company has obtained a stay vide WP No. 22505 dt.04-11-2009 from The High Court at Chennai for further proceedings.
4.	The Assistant Commissioner Hosur I Division	For the period April 2008 to March 2009 – pertaining to the Hosur Unit. Excise duty demand of Rs.4,60,353 plus interest towards excise duty vide Show Cause Notice bearing No.V/15/73/10/2008 dated 1.12.2008 was made. This case is also on duty payable on rejected forgings not sent back to the customer and cleared as scrap. An appeal has been made to The Commissioner of Central Excise (Appeals) vide appeal No.42/2010 dated 5.5.2010 and the same is pending.
5.	The Assistant Commissioner Hosur I Division	For the Period April 2008 to March 2009 Excise Duty demand of Rs.1,46,352/- plus interest towards rejected forgings not sent back to the Customer and cleared as scrap vide Show Cause Notice bearing No.V/15/73/15/2009 dated 30.04.2009 was raised. The Company has made appeal to The Commissioner of Central Excise (Appeals) vide Appeal No.41/2010 dated 5.5.2010 and is pending.
6.	The Assistant Commissioner Hosur I Division	Period October 2009 to March 2010 – pertaining to Hosur Unit of the Company – Excise Duty demand of Rs.7236/- plus interest and penalty payable on rejected forgings not sent back to the Customer and cleared as scrap was raised vide notice No. V/15/73/20/2010 Adj. dt.29-04-2010 The case is yet to be hearing Assistant Commissioner of Central Excise, Hosur and is pending.
7.	The Assistant Commissioner Hosur I Division	The Company regularly claims differential value from the various customers along with duty & taxes thro' supplementary invoices which is necessitated due to price increase awarded by the customers retrospectively. The department raised an objection on the supplementary invoices so raised, stating that interest to be paid on the duty involved in such claims. Since the move was objected by the company, the department issued a Show Cause Notice demanding, interest on duty involved in the supplementary invoices raised for the period from August 2003 to January, 2004 which is Pertaining to Hosur Plant. Show Cause Notice bearing No. V/15/73/06/2005-Adj dt.25-04-2005 was made on the Company received for Interest of Rs.15,493/- on Excise Duty u/s 11B of the Central Excise Act, 1944, towards Duty paid against supplementary invoices towards claim of price revision and Die Cost. As this point is applicable for manufacturing companies in general, the Supreme Court has settled the matter in favour of the department. Consequently the company is liable to pay the amount when notice is served by the department for collection. As the company has not yet received the notice the case is shown as pending.
8.	The Superintendent of Central Excise Gummidipoondi III	The Company avails Cenvat Credit on Inputs used in the manufacture of both dutiable and exempted goods. The department raised an objection for using CENVAT Credit availed on inputs towards exempted goods which were cleared by the Company under



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Sr No.	Issuer	Brief facts and Status
	Range	Job-worker's Notification No. 214/86 dt.25-03-86. The department has rejected the Company's stand that goods cleared under Job-work category is not an exempted goods and moreover the scrap arising out of Job-work is subjected to duty, and issued a Show Cause Notice bearing No.IV/9/17/06/Adj.28-03-2006 to Gummidipoondi plant for the period from March 2005 to December 2005 demanding the reversal of duty credit to the tune of Rs.1,43,298/- . The case was not in Company's favour at initial level of adjudication and the authorities have imposed a penalty Rs.10000/- apart from the demand of Rs.1,43,298/- along with interest vide order No.31/2006 dt.29-08-2006. The Company has appealed vide appeal No.156/2006 dt.20-11-2007 further to Customs, Excise and Service Tax, Appellate Tribunal and obtained a stay.
9.	Commissionerate Chennai IV	The Company has transferred Raw materials from one Manufacturing Unit to another and the duty on the transfers made during the month was debited against the input credit available on the last day of the month as permitted by Excise Rules. The department, in this connection raised an objection as the duty on as such clearances should be paid then and there instead of debiting duty on the last day of the month. As this practice is permitted, the Company appealed on the show cause notice bearing No.74/2008 dt.21-11-2008 issued for the period from April 2003 to Feb 2007, pertaining to Throaipakkam Plant, demanding Interest Rs.1,46,635/- on as such clearance of inputs without considering the amendment in the Excise Rules, which facilitates to debit duty on the last of the month in all cases. The case is yet to be heard for disposal based on Company's representation.
10.	The Superintendent of Central Excise Gummidipoondi Range III	The Company has sold certain Non-Excisable Scrapped miscellaneous items, such as condemned computers, condemned electric cables, condemned motor cycle, condemned old machinery etc from the Gummidipoondi Plant during the period April 2007 to September 2008 and no duty was paid. The department has taken a view that they are capital goods which were cleared without payment of Excise duty and issued a Show Cause Notice bearing No.IV/9/78/2009-Adj. dt.17-08-2009 demanding duty Rs.48,585/- The case was adjudicated in favour of the department and hence interest and penalty on clearance of Misc Scrap was imposed on the Company. The Company has made an appeal vide appeal No.45/2010 dt.10-05-2010 to Commissioner of Central Excise (Appeal) and the same is pending.
11.	Deputy Commissioner Tambaram II Division	The Company has been regularly claiming Rebate of Excise duty on Export Clearances. During one particular month duty was shortly debited to the tune of Rs.1,30,246/- which was made good subsequently and the Company claimed the same for Excise Rebate. But department rejected the Company's claim stating that the rebate is claimable only when duty is paid on the relevant date and not on any date. Based on the order bearing No.29/2010 dt.27-04-2010 passed by Asst. Commissioner the company has gone on appeal contending that rebate is eligible since the duty was debited towards export clearance only and the question of relevant date cannot be interpreted wrongly. The appeal vide appeal No. 59/2010 dt. 25-06-2010 is yet to be heard.



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4. Employee State Insurance

Sr No.	Issuer	Brief facts and Status
1.	The Recovery Officer ESI Corporation	<p>Notice of demand in the year 1997 was raised by the Recovery Officer, Employees State Insurance Corporation, Chennai 600034 during inspection of records at the factory at Hosur relating to payment of contribution for the period 1984-87 having reference to overtime wages, Contract Employees wages, Casual Labour wages, Attendance bonus, Incentive wages, Salary wages paid to persons for garden Maintenance, Repair and Maintenance of Building etc.</p> <p>Against the 45-A order under the ESI Act (Non Payment of contribution for wages /salary paid) passed by the Director of ESI Corporation, Chennai, directing the Company to pay Rs.81768/- as indicated, the company has filed a petition before the Employees State Insurance Court, Chennai for invalidating the 45-A order and setting it aside. On various grounds and giving reasons for the same. However the case has been re-numbered as 335/2001 which was numbered earlier as EIOP of 13/89 is still pending before the Employees State Insurance Court, Chennai for appropriate disposal.</p>
2.	The Recovery Officer ESI Corporation	<p>Notice of recovery in the year 1999 was raised by the Recovery Officer of Employees State Insurance Corporation, Chennai Regional Office, Chennai 600 034 during inspection of records at the factory and order was passed for recovery u/s 45A of the ESI Act, 1948 to the tune of Rs.263066/- for the period 1990-93. However on personal appearance before the Assistant Director ESI and on production of appropriate records the amount then determined by the Assistant Director worked out to Rs.126186/- inclusive of interest charges. The said amount pertains to contributions in respect of omitted wages for employees like labour charges to contractors employed for Building Maintenance, Construction repair etc. painting whitewashing etc. Against the order passed by the Assistant Director, ESI Corporation, the Company has filed the appeal before the Employees State Insurance Court at Chennai for disposal after having produced the records. The case is numbered 304/2001 and is still pending before the ESI Court, Chennai for appropriate disposal.</p>
3.	Recovery Officer ESI Corporation	<p>Notice of demand was raised in the year 1997 by the Employees State Insurance Inspector during personal inspection of the records at the factory at Gummidipoondi towards the contribution payable in respect of contract employees and certain omitted wages regarding the same for the period 1994-97. Disputed contribution amount raised by the Inspector amounted to Rs.78147/-</p> <p>However on personal appearance before the Assistant Director of ESI Corporation, and on production of proper records regarding proof of payment of contributions the total liability on the Company got reduced from Rs.78147/- to Rs.5702/- and the said amount of Rs.5702/- was paid to ESI Corporation, Chennai and the matter has been set at rest by the ESI Corporation.</p> <p>The matter thereby relating to the same has been closed and the case numbered as 169/2001 is pending before the ESI Court at Chennai for proper disposal regarding the closure of the case.</p>



EL FORGE LIMITED

GOVERNMENT AND OTHER APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Governments and various Governmental agencies required for our present business and except as mentioned below, no further materials approvals are required for our present business.

On the basis of the indicative list of approvals below, our Company is permitted to carry on business activities and no further approvals from any Government authorities are required by us to undertake the business of our Company. It must be distinctly understood that, in granting these licenses, the Government of India does not take any responsibility for Company's financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

Approvals relating to the Business

(a) Taxation Related Approvals

Description	Division	Reg. No. / Ref. No & Date	Issuing Authority
Service Tax Registration under Section 69 of the Finance Act, 1994 (32 of 1994)	Hosur	Service Tax Code: AAACE1706CST001	Government of India, Ministry of Finance, Revenue Department
	Appur	Service Tax Code: AAACE1706CST003	
Permanent Account Number	Both	PAN No: AAACE1706C	Director of Income Tax, New Delhi
Tax Deduction Account Number under the Income Tax Act, 1961	Both	TAN No: CHEE03161E	Income Tax Department
Tamil Nadu Value Added Tax Act, 2006	Hosur	TIN No: 33090880123	Government of Tamil Nadu, Commercial Tax Department
	Appur		
Central Excise Certification	Hosur	Registration No: AAACE1706CXM005	Government of India, Ministry of Finance, Revenue Department
	Appur	Registration No: AAACE1706CXM007	

(b) Ministry of Corporate Affairs Related Approvals

Description	Reg. No. / Ref. No & Date	Authority	Validity
Commencement of Business	Ref No. 21 of 1934-35	Registrar of Joint Stock Companies	Lifetime
Change of name of our company from The Ellore Electric Supply Corporation Limited to Ellore Engineering Company Limited	Letter No. F. 4/21/M.1263 dated February 20, 1964	Registrar of Companies, Madras	Lifetime
Change of name of our company from Ellore Engineering Company Limited to El Forge Limited	Letter No. 4/21/M.17/79 dated December 15, 1979	Registrar of Companies, Tamil Nadu	Lifetime



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(c) Factory Related Approvals

Description	Division	Reg. No. / Ref. No & Date	Issuing Authority
Factory License	Hosur	License No: 49427	Inspector of Factories, Chennai
	Appur	License No: 44810	
Certificate for Power Supply	Hosur (Two Service Connection numbers available for Hosur Division)	Service Connection No. 57/Approval No. 0744/10 Service Connection No. 11/Approval No. 0540/10	Tamil Nadu Electricity Board
	Appur	Service Connection No. 542/ Approval No. 171736	

(d) Other Approvals

Date	Description	Reg. No. / Ref. No & Date	Issuing Authority
05/07/1999	Certificate of Import Export Code	IEC Code No: 0488009103	Government of India, Ministry of Commerce
25/01/2006	Issue of Shares to Foreign Nationals	FC II: 17(2006)/365 (2005)	Government of India, ministry of Finance FIPB Unit
03/05/2006	Overseas Direct Investment Share SWAP	FE.CO.OID/23170/19.33.01/2005-06	Reserve Bank of India
19/03/2008	Unique Identification Number	FE.CO.OID 22043/19.05.2003/ 2007-08	Reserve Bank of India, Foreign Exchange Department, Overseas Investment Division
13/05/2009	Permission for Export on Consignment Basis	FE.CO Trade (EXD) 29879/05.54.000/ 2008-09	Reserve Bank of India

(e) Pending regulatory and government approvals and renewal of licenses

Description	Facility located	Issuing Authority	Status
Certificate for Air Pollution Control	Hosur	Tamil Nadu Pollution Control Board (TNPCB)	We have, vide our letter dated 23.04.2010 and 09.08.2010, 2010 addressed to the TNPCB, an application for renewal of consent to operate under section 21 of the Air (Prevention and Control of Pollution) Act, 1981, with respect to both of our facilities located at Hosur and Appur, Tamil Nadu.
	Appur		
Certificate for Water Pollution Control	Hosur	Tamil Nadu Pollution Control Board (TNPCB)	We have, vide our letter dated 23.04.2010 and 09.08.2010 2010 addressed to the TNPCB, an application for renewal of consent to operate under sections 25/ 26 of the Water (Prevention and Control of Pollution) Act, 1974 with respect to both of our facilities located at Hosur and Appur, Tamil Nadu
	Appur		



EL FORGE LIMITED

MATERIAL DEVELOPMENTS

There are no material developments after the date of last financial statements disclosed in the Letter of Offer which is likely to materially and adversely affect or is likely to affect the profitability of our company or the value of the assets, or its ability to pay its liabilities.



EL FORGE LIMITED

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Pursuant to the resolution passed by the Board of Directors of our Company at its meeting held on March 16, 2011, it has been decided to make the offer to the Eligible Equity Shareholders of our Company, with a right to renounce. The Shareholders of our Company have, pursuant to special resolution passed at its Annual General Meeting held on August 19, 2010 authorized the Issue.

Prohibition by SEBI

Neither our Company, nor the Promoters, Promoter group, directors or person(s) in control of the promoter, have been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Further neither our Company, nor its Directors Promoters, Group Companies, the relatives (as per Companies Act, 1956) of Promoters have been declared as willful defaulters by RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against them for violation of securities laws. Our Company has been reported as defaulting borrower of ₹ 100.00 Lakhs and above under non-suit filed accounts (doubtful & loss accounts) by the Royal Bank of Scotland. Reference of our Company had been made in the RBI defaulter's list by Union Bank of India (UBI) also. Subsequently, vide their letter dated November 30, 2010 UBI has informed our Company that as on date the account of our Company has been classified as "STANDARD" asset in their books and as regards removal of Company's name from the RBI defaulter's list the same shall be taken up by them shortly.

Securities Related Business

1. None of the Directors/ Group/ Associate company/ entity of our Company, and/ or any company/ entity with which any of the above is associated as promoter/ director/ partner/ proprietor that is/ was associated with securities related business and registered with SEBI. Further, the SEBI has not initiated any action against the aforesaid entities.
2. There are no other entities related to our Company or the Directors with which any of the above are associated as promoter/ director/ partner/ proprietor that is/ was associated with securities related business and registered with SEBI.

Eligibility for the issue

El Forge Limited is an existing listed Company. It is eligible to offer this Rights Issue in terms of Chapter IV of ICDR Regulations 2009.

The promoters, their relatives, Our Company, Group companies are not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Our Company is in compliance as prescribed under Regulation 57(2) (b) of Part E of Schedule VIII of the ICDR Regulations. It satisfies the following conditions

- a. Our Company has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing this letter of offer with the Designated Stock Exchange.
- b. The reports, statements and information referred to sub-clause (a) above are available on the website of Bombay Stock Exchange Limited (BSE) one of the recognized stock exchange with nationwide trading terminals
- c. Our Company has investor grievance-handling mechanism which includes meeting of the Shareholder's or Investor's Grievance Committee at frequent intervals, appropriate delegation of



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power by the board of directors of our Company as regards share transfer and have clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

The Company has also complied with the following provisions:

- a. Provisions of the Listing Agreement with respect to reporting and compliance under Clauses 35, 40A, 41 and 49,
- b. Provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, with respect to reporting in terms of Regulation 8 (3) pertaining to disclosure of pledged shares
- c. Provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992, with respect to reporting in terms of Regulation 13.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 04, 2011 WHICH READS AS FOLLOWS :

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
 - a) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - b) ALL THE LEGAL REQUIREMENTS TO THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - c) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND**



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DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE AS THE ISSUE IS NOT UNDERWRITTEN.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT LETTER OF OFFER WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT LETTER OF OFFER. – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUES OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE "MAIN OBJECTS" LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FORM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURHTER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN THE ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.



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12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:

- a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**
- b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**

13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO THE ADVERTISEMENT IN TERMS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.

14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS' EXPERIENCE, ETC.

15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATIONWISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME; WITH THE LEAD MANAGER ANY IRRREGULARITIES OR LAPSES IN OFFER DOCUMENT”.

Disclaimer from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and our Company shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports *etc.* after filing of the Letter of Offer with SEBI.

Investors who invest in the issue will be deemed to have been represented by our Company and Lead Manager and the respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire equity shares of our Company, and are relying on independent advice / evaluation as to their ability and quantum of investment in this issue.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations there under. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Chennai, Tamil Nadu, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be the BSE.



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Disclaimer Clause of the BSE

Bombay Stock Exchange Limited (BSE) ("the Exchange") has given vide its letter no. DCS/PREF/PR/IP-RT/187/11-12 dated May 19, 2011, permission to the Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- I. warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- II. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- III. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever".

Disclaimer Clause of the MSE

"Madras Stock Exchange Limited (MSE), has, vide their letter no. MSE/LD/PSK/738/189/11 dated May 09, 2011 given permission to the Issuer to use the Exchange's name in this offer document as one of the stock exchanges on which this Company's securities are proposed to be listed.

"Madras Stock Exchange Limited" does not in any manner-

- a. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document, or
- b. Warrant that this Company's securities will be listed or will continue to be listed on the Madras Stock Exchange, or
- c. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of the Company;

It should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Madras Stock Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the ASE

"Ahmedabad Stock Exchange Limited (ASE), has given vide its letter No. ASEL/2011/258 dated May 12, 2011 to this Company to use the Exchange's name in this letter of offer as one of the stock exchanges on which this Company's securities are proposed to be listed.

'It is to be distinctly understood that the permission given by the Ahmedabad Stock Exchange Limited should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by Ahmedabad Stock Exchange Limited nor does it certify the correctness or completeness of any of the contents of the Letter of Offer. The investors are advised to refer to the Letter of Offer for the full text of the Disclaimer clause of Ahmedabad Stock Exchange Limited'.

Filing



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A copy of this Letter of Offer has been filed with **SEBI** at Primary Market and Issue Management Division, D' Monte Building, 3rd Floor, 32 D' Monte Colony, TTK Road, Alwarpet, Chennai : 600018., **Bombay Stock Exchange Limited (BSE, the Designated Stock Exchange)** at Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai., with **Madras Stock Exchange Limited (MSE)** at Exchange Building, 30, Second Line Beach, Chennai-600 001, Tamil Nadu, India and with **Ahmedabad Stock Exchange Limited (ASE)** Kamdhenu Complex, Opp. Sahajanand College, Panjrapole, Ahmedabad-380015, Gujarat, India

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of subsection (1) of section 68A of the Companies Act which is reproduced below:

"Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years"

Expert Opinion, if any

Except in the sections titled **"Financial Information"** and **"Statement of Tax Benefits"** beginning on page nos. 61 and 29 of this Letter of Offer, respectively, no expert opinion has been obtained by our Company in relation to this Letter of Offer.

Issue related expenses

The Issue related expenses include, among others, fees to intermediaries such as lead manager, registrar to the issue, registrar and depository fees and listing fees etc, fees to SEBI and Stock Exchanges, printing and distribution expenses, statutory advertisement expenses, legal fees.

Particulars	Expense (₹ in Lakhs)	Expense (% of the total expenses)	Expense (% of the Issue size)
Fees payable to Lead Manager	12.00	24.00	0.48
Fees payable to Registrar	10.00	20.00	0.40
Fees payable to SEBI and Stock Exchanges	3.00	6.00	0.12
Printing & Distribution	11.00	22.00	0.44
Statutory Advertising and Marketing	7.00	14.00	0.28
Legal Fees	5.00	10.00	0.20
Miscellaneous Expenses	2.00	4.00	0.08
Total Issue Expenses	50.00	100.00	2.00

Investor Grievances and Redressal System

Our Company has adequate arrangements for redressal of Investor complaints as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by the Registrar and Share Transfer Agent, Integrated Enterprises (India) Limited. Letters are filed category wise after being attended to. The Redressal norm for response time for all correspondence including shareholders complaints is within 7 (seven) days.

The Shareholders/Investors Grievances Committee consists of 3 (three) directors comprising of Mr V. Srikanth, as Chairman of the committee, Mr. P. L. Reddy and Mr. K. J. Ramaswamy as members of the said committee. All investor grievances received by our Company has been handled by the Registrar and Share Transfer agent in consultation with the Compliance Officer



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Status of Complaints

a.	The number of investor complaints received during the three years preceding the filing Offer Document with the Board and the number of complaints disposed off during that period.	Received: 32 Nos Resolved: 32 Nos
b.	The number of investor complaints pending on the date of filing Offer Document with the Board	Nil
c.	The time normally taken for disposal of various types of investor grievances.	10-15 days

Investor Grievances arising out of this Issue

The investor grievances arising out of the Issue will be handled by Mrs. R. Sowmithri, Company Secretary & Compliance Officer, and Integrated Enterprises (India) Limited, the Registrars to the Issue. The Registrar to the Issue will have a separate team of personnel handling only the post-Issue correspondence.

The agreement between our Company and the Registrar to the Issue will provide for retention of records with the Registrars for a period of at least one year from the last date of dispatch of letter of allotment/ share certificates / warrant/ refund order to enable the Registrars to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first Investors, number and type of shares applied for, application form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the details of the Renouncees should be furnished.

The average time taken by the Registrar to the Issue for redressal of routine grievances will be seven days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavor of the Registrar to the Issue to attend to them as expeditiously as possible. Our Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the Compliance Officer / Registrar to the Issue in case of any pre-Issue/ post - Issue related problems such as non-receipt of letters of allotment/share certificates/demat credit/refund orders etc. There contact details are as follows:

Mrs. R. Sowmitri
Company Secretary & Compliance Officer
 El Forge Limited
 338, Ambujammal Street,
 Alwarpet, Chennai 600 018
Tel: +91-44- 42007800
Fax: +91-44- 42014708
Email: edf@elforge.com

The contact details of the Registrar and Share Transfer agent to our Company are as follows:

Integrated Enterprises (India) Limited
 II Floor, "Kences Towers", No.1, Ramakrishna Street,
 North Usman Road, T Nagar,
 Chennai - 600 017
Tel: +91-44-28140801-03
Fax: +91-44-28142479
Website: www.iepindia.com
E-mail: corpserve@iepindia.com
Contact Person: Mr. Sriram S
SEBI Registration Number: INR000000544

**SECTION VIII – OFFERING INFORMATION****TERMS OF THE ISSUE**

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Letter of Offer, the enclosed Composite Application Form (“CAF”), the Memorandum and Articles of Association of our Company, the provisions of the Companies Act, approvals from the RBI, guidelines or regulations issued by SEBI, approvals from the Stock Exchanges where Equity Shares of our Company are listed, FEMA, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate, the provisions of the Depositories Act, to the extent applicable and any other legislative enactments and rules as may be applicable and introduced from time to time.

Authority for the Issue

The shareholders of our Company, vide a special resolution passed at its Annual General Meeting of August 19, 2010 have authorized this Issue. Thereafter the Board of Directors of our Company at meeting held on March 16, 2011 approved the issue.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum of Association and Articles of Association. The Equity Shares allotted pursuant to this Issue shall rank pari passu with the existing Equity Shares in all respects including dividend.

Mode of Payment of Dividend

Our Company shall pay dividend to the shareholders as per the provisions of the Companies Act.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in electronic form and on the Register of Members of our Company in respect of the Equity Shares held in the physical form at the close of business hours on the Record Date i.e. June 30, 2011, fixed in consultation with the Designated Stock Exchange.

Fractional Entitlement

Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same to be adjusted from one of the promoter’s entitlement.

Offer to Non-Resident Equity Shareholders/Applicants

Applications received from NRIs for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment/share certificates, payment of interest, dividends, etc. The Equity Shares purchased by NRIs shall be subject to the same conditions including restrictions in regard to the reparability as are applicable to the original shares against which Equity Shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. The circular stipulates that an OCB shall not be eligible to purchase equity or preference shares or convertible debentures offered on right basis by an Indian company, and no Indian company shall offer equity or preference shares or convertible debentures on right basis to an OCB. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however



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clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of RBI if the investment is through Automatic Route on case by case basis. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Bank at its registered office, the OCB shall receive this Letter of Offer and the CAF.

Applications received from the NRIs for the allotment of Equity Shares shall, among other things, be subject to conditions as may be imposed, from time to time, by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/ certificates/ payment of dividends etc.

Option to Subscribe

Allotment of securities to applicants of the Equity Shares of the Company issued through this Rights Issue shall be made in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Integrated Enterprises (India) Limited and with Central Depository Services (India) Limited (CDSL) and Integrated Enterprises (India) Limited which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates. The ISIN number assigned to the Company is INE158F01017.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in electronic form or appears in the Register of Members as an Equity Shareholder on the Record Date, you are entitled to the number of Equity Shares shown in Block I of Part A of the enclosed CAF.

The Eligible Equity Shareholders are entitled to three Equity Share for every two Equity Shares held on the Record Date.

Principal Terms of the Equity Shares

Face value

Each Equity Share shall have a face value of ₹ 10.

Issue Price

Each Equity Share is being offered at a price of ₹ 10 /- per Equity Share).

Payment terms

All Investors shall have to make the full payment of the Issue Price of ₹ 10/- per Equity Share at the time of making an Application.

For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer section titled "Procedure for Application through the Applications Supported by Blocked Amounts ("ASBA") Process beginning on page no. 134 of this Letter of Offer.

Rights of the Equity Shareholders

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll in person or by proxy;
- Right to receive offers for shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;



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- Right to free transferability of shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association.

Arrangements for Disposal of Odd Lots

Our Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 (One) share.

Restrictions on transfer and transmission of shares and on their consolidation/splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.

General terms of the Issue

Market Lot

The Equity Shares of our Company are tradable only in dematerialized form. The market lot for Equity Shares in dematerialized mode is 1 Equity Share. In case of holding of Equity Shares in physical form, our Company would issue to the allottees 1 (one) certificate for the Equity Shares allotted to each folio ("Consolidated Certificate"). In respect of consolidated certificates, our Company will upon receipt of a request from the respective holder of Equity Shares, split such consolidated certificates into smaller denominations within three weeks time from the receipt of the request in respect thereof.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles.

Nomination

In accordance with Section 109A of the Companies Act, only individuals applying as sole applicants/ joint applicants can nominate, non-individuals including society, trust, body corporate, partnership firm, holder of power of attorney cannot nominate. In accordance with Section 109A of the Companies Act, the sole or first holder, along with other joint holders, may nominate any one person in whom, in the event of the death of sole holder or in case of joint holders, death of all the holders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Company's Registered Office or to our Company's Registrar and Transfer Agents. The Applicant can make the nomination by filling in the relevant portion of the CAF. In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, 1956, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or



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other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with our Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with the respective Depository Participant ("DP") of the Investor would prevail. Any Investor desirous of changing the existing nomination is requested to inform its respective DP.



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Notices

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one Tamil daily newspaper in Chennai with wide circulation and / or, will be sent by ordinary post / registered post / speed post to the registered holders of the Equity Shares from time to time.

Listing and trading of the Equity Shares proposed to be issued

Our Company's existing Equity Shares are currently listed on the BSE, ASE and MSE under the ISIN INE158F01017. The fully paid up Equity Shares proposed to be issued shall be listed and admitted for trading on the BSE, ASE and MSE under the existing ISIN for fully paid up Equity Shares of our Company.

The Equity Shares allotted pursuant to this Issue will be listed as soon as practicable but in no case later than 7 working days from the date of finalization of basis of allotment. Our Company had made an application for "in-principle" approval for listing of the Equity Shares in accordance with clause 24(a) of the Listing Agreement to the BSE, ASE and MSE and has received such approval from the BSE, ASE and MSE vide their letters no. DCS/PREF/PR/IP-RT/187/11-12, ASEL/2011/258 and MSE/LD/PSK/738/189/11 dated May 19, 2011, May 12, 2011 and May 09, 2011. The distribution of the Letter of Offer and the Issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions.

Our Company is making this Issue of Equity Shares on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall forthwith refund the entire subscription amount received within 15 days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to repay it, (i.e. 15 days after the Issue Closing Date or the date of the refusal by the Stock Exchange(s), whichever is earlier) our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under sub-section (2) and (2A) of Section 73 of the Companies Act, 1956.

Utilization of Issue Proceeds

The funds received against this Issue will be kept in a separate bank account and our Company shall utilize the funds collected in the Rights Issue only after the basis of allotment is finalized.

Undertakings by our Company

Our Company undertakes that:

1. the complaints received in respect of the Issue shall be attended to expeditiously and satisfactorily.
2. all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.
3. the funds required for making dispatch of refund orders/allotment letters/certificates as per the mode(s) disclosed shall be made available to the Registrar to the issue.
4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, as the case may be, giving details of



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the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

5. Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to Non-ASBA applications while finalizing the basis of allotment
6. that the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
7. that no further issue of securities affecting equity capital of our Company shall be made till the securities issued/offered through the Letter of Offer Issue are listed or till the application money are refunded on account of non-listing, under-subscription etc.
8. Our Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
9. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
10. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Procedure for Application

For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer section titled "Procedure for Application through the Applications Supported By Blocked Amount ("ASBA") Process beginning on page no. 134 of this Letter of Offer.

In case the original CAF is not received by the Investor or is misplaced by the Investor, the Investor may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address.

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares and for applying for additional Equity Shares;
- Part B: Form for renunciation;
- Part C: Form for application for renunciation;
- Part D: Form for request for split Application forms.

Application by Mutual Funds

In case of a mutual fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such application in respect of more than one scheme of the mutual fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made. Applications made by AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which the application is being made.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAF and submit the same along with the application money payable to the Bankers to the Issue or any of the collection branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of our Company in this regard. Investors at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn at par on a local bank at Chennai /



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demand draft payable at Chennai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Options available to the Eligible Equity Shareholders

The CAF will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his Rights Entitlement of Equity Shares in part;
- Apply for his Rights Entitlement of Equity Shares in part and renounce the other part of the Equity Shares;
- Apply for his Rights Entitlement of Equity Shares in full;
- Apply for his Rights Entitlement in full and apply for additional Equity Shares;
- Renounce his Rights Entitlement in full.

Renunciation

This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favor of any other person or persons. Your attention is drawn to the fact that our Company shall not allot and/or register the Equity Shares in favor of more than 3 persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares).

Any renunciation from Resident Indian Shareholder(s) to Non-resident Indian(s) or from Non-resident Indian Shareholder(s) to Resident Indian(s) or from Non-resident Indian shareholder(s) to other Nonresident Indian(s) is subject to the Renouncer(s) / Renouncee(s) obtaining the necessary approvals including the permission of the RBI under the FEMA and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003. Accordingly, the Eligible Equity Shareholders of our Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Part 'A' of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Bankers to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for our Company of the person(s) applying for Equity Shares of the CAF to receive allotment of such Equity Shares. The Renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Equity Shares in favour of any other person.

The right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for Allotment to Renouncee(s) without assigning any reason thereof.

Procedure of renunciation

To renounce all the Equity Shares offered to an Eligible Equity Shareholder in favour of one Renouncee

If you wish to renounce the offer indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF. The person in whose favour



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renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renouncees, the CAF must be first split into the requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms, July 29, 2011. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in the paragraph above shall have to be followed.

In case the signature of the Eligible Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with our Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Bankers to the Issue on or before the Issue Closing Date along with the application money in full. The Renouncee cannot further renounce.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is / are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for allotment from the Renouncee(s) without assigning any reason thereof.

Instructions for options

Please note that:

- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders to whom the Letter of Offer has been addressed. If used, this will render the application invalid.
- A request for split forms should be made for a minimum of 1 (one) Equity Shares or, in multiples thereof and one split form for the balance Equity Shares, if any.
- A request by the Investor for the split Application form should reach our Company on or before July 29, 2011
- Only the Eligible Equity Shareholders to whom the Letter of Offer has been addressed shall be entitled to renounce and to apply for split application forms. Forms once split cannot be split further.
- Split form(s) will be sent to the Investor(s) by post at the Investors' risk.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation, if necessary, with the Designated Stock Exchange and in the manner prescribed in the paragraph titled "Basis of Allotment" beginning on page no. 139 of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place



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provided for additional Equity Shares in Part A of the CAF. The Renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Sr. No.	Options Available	Action Required
1.	Accept the whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign</i>).
2.	Accept your Rights Entitlement in full and apply for additional Equity Shares.	Fill in and sign Part A including Block III relating to the acceptance of Rights Entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>).
3.	Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>).
4.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s). OR Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee.	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Application Forms. Splitting will be permitted only once. On receipt of the Split Application Form take action as indicated below. For the Equity Shares you wish to accept, if any, fill in and sign Part A. For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.
5.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

Investors must provide information in the CAF as to their savings bank / current account number and the name of the bank with whom such account is held, to enable the Registrar to print the said details in the refund orders after the names of the payee(s). Failure to comply with this may lead to rejection of the application. Bank account details furnished by the Depositories will be printed on the refund warrant in case of Equity Shares held in electronic form.

Investors must write their CAF Number at the back of the cheque/demand draft.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number /



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DP and Client ID number and his / her full name and address to the Registrar to the Issue. Please note that the request for a duplicate CAF should reach the Registrar to the Issue within 7 (seven) days from the Issue Opening Date. Please note that those who are making the application in the duplicate CAF should not utilize the original CAF for any purpose including renunciation, even if it is received / found subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the CAFs.

Application on Plain Paper

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with a demand draft, net of bank and postal charges payable at Chennai which should be drawn in favor of **“El Forge Limited – Rights Issue”** and the Eligible Equity Shareholders should send the same by registered post directly to the Registrar to the Issue.

If any shareholder makes an application on application form as well as on plain paper, both his applications shall be liable to be rejected at the option of the issuer.

The envelope should be super scribed **“El Forge Limited – Rights Issue”** and should be postmarked in India. The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Issuer, being El Forge Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number / DP and Client ID no.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ 10/- per Equity Share ;
- Separate cheques / DDs are to be attached for amounts to be paid for Equity Shares;
- Particulars of cheque / demand draft / Savings / Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order;
- PAN of the Investor, and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company.

Please note that those who are making an application otherwise than on an original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates any of these requirements, he / she shall face the risk of rejection of both the applications. Separate cheque / DDs are to be attached for amounts to be paid for Equity Shares. Our Company shall refund such application amount to the Investor without any interest thereon.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (“ASBA”) PROCESS

SEBI, by its circular dated August 20, 2009, introduced in rights issue - application supported by blocked amount wherein the application money remains in the ASBA Account until allotment. Mode of payment through ASBA in Rights Issue became effective on August 20, 2009. Since this is a new mode of payment in Rights Issues, set forth below is the procedure for applying under the ASBA procedure, for the benefit of the shareholders.

This section is only to facilitate better understanding of aspects of the procedure which is specific to ASBA Investors. ASBA Investors should nonetheless read this document in entirety. Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and



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ensure that the number of Equity Shares applied for by such Shareholder do not exceed the applicable limits under laws or regulations

Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Equity Shareholders does not exceed the applicable limits under laws or regulations. The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSBs collecting the CAF, please refer the above mentioned link.

ASBA Process

An ASBA Investor can submit his application through CAF/plain paper, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Investor or bank account utilized by the ASBA Investor is maintained. The SCSB shall block an amount equal to the application amount in the ASBA Account specified in the CAF, physical or electronic, on the basis of an authorization to this effect given by the account holder at the time of submitting the CAF. The application data shall thereafter be uploaded by the SCSB in the web enabled interface of the Stock Exchanges as prescribed under circular issued by SEBI -SEBI/CFD/DIL/DIP/38/2009/08/20 dated August 20, 2009 or in such manner as may be decided in consultation with the Stock Exchanges. The amount payable on application shall remain blocked in the ASBA Account until finalization of the Basis of Allotment and consequent transfer of the amount against the allocated Equity Shares to the separate account opened by our Company for Rights Issue or until failure of the Issue or until rejection of the ASBA application, as the case may be. Once the basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Investors to the separate account opened by our Company for Rights Issue. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

The Lead Manager, our Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Equity Shareholders who are eligible to apply under the ASBA Process:

The option of applying for Equity Shares in the Issue through the ASBA Process is available to all Equity Shareholders of our Company on the Record Date.

CAF

The Registrar will dispatch the CAF to all Equity Shareholders as per their entitlement on the Record Date for the Issue. Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF/plain paper application to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. The Equity Shareholder shall submit the CAF to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the.



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Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the CAF sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

Mode of payment

ASBA is mandatory for all QIBs and for all applicants who apply for shares for an amount exceeding ₹ 2.00 Lacs. The Shareholder applying under the ASBA Process agrees to block the entire amount payable on application (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB. After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar.

Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the Shareholders applying under the ASBA Process from bank account with the SCSB mentioned by the Shareholder in the CAF. This amount will be transferred in terms of the SEBI ICDR Regulations into the separate bank account maintained by our Company as per the provisions of section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalization of the basis of allotment shall be either unblocked by the SCSBs or refunded to the investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on technical grounds.

Options available to the Shareholder applying under the ASBA Process

The summary of options available to the Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF received from Registrar:

Sr. No.	Option Available	Action Required
1.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (All joint holders must sign)
2.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
3.	Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>).

The Shareholder applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required details as mentioned therein. However, in cases where this option is not selected,



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but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Shareholder has selected to apply through the ASBA process option.

Additional Equity Shares

The Equity Shareholder is eligible to apply for additional Equity Shares over and above the number of Equity Shares that he is entitled too, provided that he have applied for all the shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “**Basis of Allotment**” on page no. 139 of this Letter of Offer.

If you desire to apply for additional shares, please indicate your requirement in the place provided for additional Securities in Part A of the CAF.

Renunciation under the ASBA Process

Renouncees can participate in the ASBA Process.

Last date of Application

The last date for submission of the duly filled in CAF is August 06, 2011. The Issue will be kept open for a minimum of 15 (fifteen) days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date i.e. July 21, 2011. If the CAF together with the amount payable is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under “**Basis of Allotment**” on page no. 139 of this Letter of Offer.

Option to receive Securities in Dematerialized Form

SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE BEING HELD ON RECORD DATE.

Issuance of Intimation Letters

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the separate account opened by our Company for Rights Issue, for each successful ASBA;
- The date by which the funds referred to in para above, shall be transferred to separate account opened by our Company for Rights Issue; and
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

General instructions for Shareholders applying under the ASBA Process

- (a) Please read the instructions printed on the CAF carefully.
- (b) Application should be made on the printed CAF / plain paper and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The CAF / plain paper application must be filled in English.
- (c) The CAF / plain paper application in the ASBA Process should be submitted at a Designated



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- Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue.
- (d) All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. CAFs / plain paper application without PAN will be considered incomplete and are liable to be rejected.
 - (e) All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
 - (f) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Thumb impression and Signatures other than in English or Hindi must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF /plain paper application as per the specimen signature recorded with our Company/Depositories.
 - (g) In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper application in the same order and as per the specimen signature(s) recorded with our Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
 - (h) All communication in connection with application for the Securities, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Shareholder, folio numbers and CAF number.

Do's:

- (a) Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the application can be made on plain paper with all necessary details as required under the para "Application on plain paper" appearing under the procedure for application under ASBA.
- (b) Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- (c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- (d) Ensure that the CAF / plain paper application is submitted at the SCSBs whose details of bank account have been provided in the CAF / plain paper application.
- (e) Ensure that you have mentioned the correct bank account number in the CAF / plain paper application.
- (f) Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price per Equity Shares as the case may be}] available in the bank account maintained with the SCSB mentioned in the CAF /plain paper application before submitting the CAF to the respective Designated Branch of the SCSB.
- (g) Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF / plain paper application, in the bank account maintained with the respective SCSB, of which details are provided in the CAF / plain paper application and have signed the same.
- (h) Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF / plain paper application in physical form.
- (i) Each applicant should mention their Permanent Account Number ("PAN") allotted under the Income Tax Act.
- (j) Ensure that the name(s) given in the CAF / plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF / plain paper application.



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(k) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

- (a) Do not apply on duplicate CAF after you have submitted a CAF / plain paper application to a Designated Branch of the SCSB.
- (b) Do not pay the amount payable on application in cash, money order or by postal order.
- (c) Do not send your physical CAFs / plain paper application to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- (d) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- (e) Do not instruct their respective banks to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection for ASBA Process:

In addition to the grounds listed under “**Grounds for Technical Rejection**” beginning on page no. 145 of this Letter of Offer, applications under ASBA Process may be rejected on following additional grounds:

- (a) Application for entitlements or additional shares in physical form.
- (b) DP ID and Client ID mentioned in CAF / plain paper application not matching with the DP ID and Client ID records available with the Registrar.
- (c) Sending CAF / plain paper application to the Lead Manager / Issuer / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- (d) Insufficient funds are available with the SCSB for blocking the amount.
- (e) Funds in the bank account with the SCSB whose details are mentioned in the CAF / plain paper application having been frozen pursuant to regulatory orders.
- (f) Account holder not signing the CAF / plain paper application or declaration mentioned therein.
- (g) Application on split form.

Depository account and bank details for Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF / PLAIN PAPER APPLICATION. SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF / PLAIN PAPER APPLICATION IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF / PLAIN PAPER APPLICATION IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF / PLAIN PAPER APPLICATION.

Shareholders applying under the ASBA Process should note that on the basis of name of these Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF / plain paper application, the Registrar to the Issue will obtain from the Depository demographic details of these Shareholders such as address, bank account details for printing on refund orders / advice and occupation (“Demographic Details”). Hence, Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF / plain paper application.

These Demographic Details would be used for all correspondence with such Shareholders including mailing of the letters intimating unblock of bank account of the respective Shareholder. The Demographic Details given by Shareholders in the CAF / plain paper application would not be used for any other purposes by the Registrar. Hence, Shareholders are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAF / plain paper application, the Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories



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to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating allotment and unblocking or refund (if any) would be mailed at the address of the Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF and not the bank account linked to the DP ID. Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Shareholder in the CAF / plain paper application would be used only to ensure dispatch of letters intimating unblocking of bank account.

Note that any such delay shall be at the sole risk of the Shareholders applying under the ASBA Process and none of the SCSBs, Company or the Lead Manager shall be liable to compensate the Shareholder applying under the ASBA Process for any losses caused to such Shareholder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

Disposal of Investor Grievances

All grievances relating to the ASBA may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked on application, account number of the ASBA Bank Account and the Designated Branch or the collection centre of the SCSB where the CAF / plain paper application was submitted by the ASBA Investors.

Last date of Application

The last date for submission of the duly filled in CAF is August 06, 2011. The Issue will be kept open for 15 days and the Board will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Bankers to the Issue / Registrar to the Issue on or before the closure of banking hours on the aforesaid last date or such date as may be extended by the Board, the offer contained in the Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose off the Equity Shares hereby offered, as provided in the paragraph titled “**Basis of Allotment**” on page no. 139 of this Letter of Offer.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has / have applied for Rights Equity Shares renounced in their favour, in full or in part.
- (b) Allotment to the Eligible Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such



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additional Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.

- (c) Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full allotment under (a), (b) and (c) above. The allotment of such Equity Shares will be on a proportionate basis at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.
- (d) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full allotment under (a), (b), (c) and (d) above.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b) of the Takeover Code which would be available for allocation under (c), (d) and (e) above.

After considering the above Allotment, any additional Equity Shares shall be disposed off by the Board, in such manner as they think most beneficial to our Company and the decision of the Board in this regard shall be final and binding. In the event of oversubscription, Allotment will be made within the overall size of the Issue.

Our Company expects to complete the allotment of Equity Shares within a period of 15 days from the date of closure of the Issue in accordance with the listing agreement with the BSE and NSE. In case of delay in allotment our Company shall, as stipulated under Section 73(2A) of the Act, be required to pay interest on the same at a rate of 15 per cent p.a.

Allotment / Refund

Our Company will issue and dispatch letter of allotment / share certificates / demat credit and / or letters of regret along with refund orders or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of fifteen (15) days from the Issue Closing Date. If such money is not repaid within eight days from the day our Company becomes liable to pay it, our Company shall pay that money with interest as stipulated under Section 73 of the Companies Act.

Investors residing in the 68 cities specified by SEBI pursuant to its circular dated February 1, 2008, will get refunds through ECS (Electronic Clearing Service) only except where Investors are otherwise disclosed as applicable / eligible to get refunds through direct credit and RTGS provided the MICR details are recorded with the Depositories or our Company.

In case of those Investors who have opted to receive the Equity Shares in dematerialized form using electronic credit under the depository system, an advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through certificate of posting intimating them about the mode of credit of refund within a period of fifteen (15) days from the Issue Closing Date.

In case of those Investors who have opted to receive the Equity Shares in physical form, our Company will issue the corresponding share certificates under Section 113 of the Companies Act or other applicable provisions, if any.

In case of ASBA Investors, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to the extent of the refund to be made within 15 days of the Issue Closing Date.

Any refund order exceeding ₹ 1,500 would be sent by registered post / speed post to the sole / first Investor's registered address. Refund orders up to the value of ₹ 1,500 would be sent under certificate of posting. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole / first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.



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Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. **ECS/NECS** – Payment of refund would be done through ECS/NECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for Investors having a bank account at the centers where ECS/NECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through ECS/NECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.html>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

2. **NEFT (National Electronic Fund Transfer)** – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method. Our Company in consultation with the Lead Manager may decide to use NEFT as a mode of making refunds. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed herein.
3. **Direct Credit** – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.
4. **RTGS (Real Time Gross Settlement)** – Investors having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds ₹ 1 lakh, have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investors' bank receiving the credit would be borne by the Investor.
5. For all other Investors, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to ₹ 1,500 and through speed post / registered post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole / first Investor and payable at par.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.



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Allotment advice / Share Certificates / Demat Credit

Allotment advice / share certificates / demat credit will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 (fifteen) days, from the Issue Closing Date.

Option to receive the Equity Shares in Dematerialized Form

The Investors have an option to get the Equity Shares in physical or demat form.

Our Company has signed a tripartite agreement dated October 10, 2002 with NSDL and the Registrar to our Company and a tripartite agreement dated December 02, 2003 with CDSL and the Registrar to our Company, which enables the Equity Shareholders to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In this Issue, the allottees who have opted for the Equity Shares in dematerialized form will receive the Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. The CAF shall contain a space for indicating the number of Equity Shares applied for in demat and physical form or both. Investors will have to give the relevant particulars for this purpose appropriately in the CAF. Applications, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate applications for Equity Shares in physical and / or dematerialized form should be made. If such applications are made, the application for physical Equity Shares will be liable to be rejected.

The Equity Shares will be listed on the BSE, MSE and ASE.

The procedure for availing of the facility for allotment of the Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any Depository Participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Investors who have already opened such beneficiary account (s) need not adhere to this step.*
- For the Eligible Equity Shareholders already holding Equity Shares of our Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of our Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of our Company.
- Responsibility for correctness of information (including Investor's age and other details) filled in the CAF *vis-à-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in the CAF should be the same as registered with the Investor's Depository Participant.
- Equity Share allotted to an Applicant in the electronic account form will be credited directly to the Applicant's respective beneficiary account(s) with depository participant.
- Applicants should ensure that the names of the Applicants and the order in which they appear in the CAF should be the same as registered with the Applicant's depository participant.
- Non-transferable allotment advice/refund orders will be directly sent to the Applicant by the Registrar to this Issue.



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- If incomplete / incorrect beneficiary account details are given in the CAF the Investor will get the Equity Shares in physical form.
- The Equity Shares pursuant to this Issue allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Securities to the Investor's depository account.
- Renouncees will also have to provide the necessary details about their beneficiary account for allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
- It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.
- Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

General instructions for Investors

- (a) Please read the instructions printed on the enclosed CAF carefully.
- (b) Applications should be made on the printed CAF, provided by our Company and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father's / husband's name must be filled in block letters.
- (c) The CAF together with the cheque / demand draft should be sent to the Bankers to the Issue / Collecting Banks or to the Registrar to the Issue and not to our Company or the Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting applications, will have to make payment by Demand Draft payable at Chennai of an amount net of bank and postal charges and send their application forms to the Registrar to the Issue by Registered Post. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.
- (d) Applications for any value made by the Investor, or in the case of joint names, each of the joint Investors, should mention his / her Permanent Account Number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**
- (e) Investors are advised that it is mandatory to provide information as to their savings / current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected. For Eligible Equity Shareholders holding Equity Shares in dematerialized form, such bank details will be drawn from the demographic details of the Eligible Equity Shareholder in the records of the Depository.
- (f) All payments should be made by cheque / DD only. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- (g) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her



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official seal. The Eligible Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company or the Depositories.

- (h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the memorandum and articles of association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference to the serial number of the CAF and folio numbers / DP ID and Client ID Number. In case the above referred documents are already registered with our Company, the same need not be furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint applicants, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
- (j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of equity shares, subsequent issue and allotment of equity shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (k) All communications in connection with applications for the Equity Shares, including any change in addresses of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of the Eligible Equity Shareholders, after the date of allotment, should be sent to the Registrar to the Issue, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.
- (l) Split forms cannot be re-split.
- (m) Only the person or persons to whom the Equity Shares have been offered and not Renouncee(s) shall be entitled to obtain split forms.
- (n) Investors must write their CAF number at the back of the cheque / demand draft.
- (o) Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.
- (p) A separate cheque / demand draft must accompany each CAF. Outstation cheques / demand drafts or postdated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)
- (q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank / Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.



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Grounds for Technical Rejections

Investors are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar (in the case of physical holdings);
- Age of first Investor not given while completing Part C of the CAFs;
- PAN not mentioned for application of any value;
- In case of application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder on the CAF does not match with the records available with our Company and/or the Depositories and in case of application by Renouncees, if the signature of the Renouncees do not match with the records available with their Depositories;
- Application forms are not submitted by the Investors within the time prescribed as per the application form and the Letter of Offer;
- Applications not duly signed by the sole / joint Investors;
- Applications by OCBs unless accompanied by specific approval from RBI permitting the OCBs to participate in the Issue.
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications that do not include the certification set out in the CAFs to the effect that the subscriber is not a US person, and does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Securities in compliance with all applicable laws and regulations;
- Applications which have evidence of being dispatched from the US;
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where a registered address in India has not been provided;
- Applications where our Company believes that the CAF is incomplete or acceptance of such CAFs may infringe applicable legal or regulatory requirements;
- Multiple applications
- Applications by renouncees who are persons not competent to contract under the Indian Contract Act, 1872, including minors; and
- Duplicate Applications, including cases where an Investor submits CAFs along with a plain paper application.

Mode of payment for Resident Eligible Equity Shareholders / Investors

- All cheques / demand drafts accompanying the CAFs should be crossed '**A/c Payee only**' and drawn in favour of "**El Forge Limited - Rights Issue**".
- Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their applications together with Demand Draft for the full application amount, net of bank and postal charges crossed '**A/c Payee only**' and drawn in favour of "**El Forge Limited - Rights Issue**" payable at Chennai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Eligible Equity Shareholders / Investors

Our Company is making this Issue of Equity Shares on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch the Letter of Offer / Abridged Letter of Offer and the CAF to the Eligible Equity Shareholders who have provided an Indian address. Further, please refer to the paragraphs titled 'Availability of duplicate CAF' and 'Application on Plain Paper'.



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As regards the application by non-resident Eligible Equity Shareholders / Investors, the following conditions shall apply:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft / cheque payable at Chennai or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Chennai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / demand draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Chennai; or
- By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable in Chennai; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- All cheques / demand drafts submitted by non-residents applying on repatriable basis should be drawn in favour of **"El Forge Limited - Rights Issue – NR"** payable at Chennai and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of non-residents who remit their application money from funds held in FCNR / NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the Investor's Bankers.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Chennai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Chennai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques / demand drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of **"El Forge Limited - Rights Issue"** payable at Chennai and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat accounts shall be opened for Eligible Equity Shareholders who have had a change in status from resident Indian to NRI.



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Note:

- In cases where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Our Company is not responsible for any postal delay / loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mail should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Company or the Lead Manager or the Registrar except stated otherwise. The Investors are requested to strictly adhere to these instructions.

Renouncees who are NRIs / FIIs / Non Residents should submit their respective applications either by hand delivery or by registered post with acknowledgement due to the Registrar to the Issue only at the below mentioned address alongwith the cheque / demand draft payable at Chennai so that the same are received on or before the closure of the Issue.

Investment by FIIs

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares under this Issue to a single FII should not exceed 10% of the post-Issue paid up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid-up capital of our Company or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with foreign investment limits applicable to our Company, the total FII investment cannot exceed 24% of the total paid-up capital of our Company. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. As of date, the FII investment in our Company is limited to 24% of the total paid-up capital of our Company.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulations 5 and 6 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

Disposal of application and application money

The Board reserves the right to reject applications in case the application concerned is not made in terms of this Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 15 days from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after our Company becomes liable to pay (i.e. forty-two days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.



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The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

No acknowledgment will be issued for the application monies received by our Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under "Grounds for Technical Rejections" on page no. 145 of this Letter of Offer and subject to valid application, acknowledgement of receipt of application money given by the collection agent shall be valid and binding on issuer and other persons connected with the Issue.

Letters of allotment or refund orders

Company shall ensure dispatch of refund orders, if any, by under the Certificate of Posting or registered post or speed post or through modes as mentioned in section, Terms of the Issue clause "Mode of Payment" as stated below, as applicable, only at the sole or First Applicant's sole risk within 15 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

For Non-Resident Applicants, refunds, if any, will be made as under:

- ☞ Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Chennai, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and our Company shall not bear any part of the risk.
- ☞ Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

Mode of Payment of Refund

Applicants should note that on the basis of name of the applicant, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the depositories the applicant's bank account details including nine digit MICR code. Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to applicant at the applicant's sole risk and neither the Lead Manager nor our Company shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, shall be undertaken in any of the following manners:

1. **NEFT:** Payment of refund shall be undertaken through National Electronic Fund Transfer (NEFT) wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the Demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.



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2. **ECS/NECS:** Payment of refund would be done through ECS/NECS for applicants having an account at any of the centres where such facility is made available. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through ECS/NECS is mandatory for applicants having a bank account at any of the centres, except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS.
3. **Direct Credit:** Applicants having bank accounts with the Banker(s) to the Issue / Refund Banker(s), as appointed by our Company, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by the Issuer.
4. **RTGS:** Applicants having a bank account at any of the abovementioned fifteen centers and whose refund amount exceeds ₹ 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Banker(s) to the Issue / Refund Banker(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under Certificate of Posting for value up to ₹ 1,500 and through Speed Post/ Registered Post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the refund banker as appointed by our Company, and payable at par.

Interest in case of delay in allotment /despatch

If there is delay in the refund of subscription by more than 8 days after our Company becomes liable to pay the subscription amount (i.e. fifteen days) after closure of the issue, our Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

Undertaking

Our Company undertakes that:

- A) The complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- B) All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalization of basis of allotment.
- C) Funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- D) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant after closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- E) Adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.
- F) At any given time there shall be only one denomination for the shares of our Company
- G) It shall comply with such disclosure and accounting norms specified by SEBI from time to time.



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The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed **"El Forge Limited - Rights Issue"** on the envelope) to the Registrar to the Issue at the following address:

Integrated Enterprises (India) Limited

II Floor, "Kences Towers", No.1, Ramakrishna Street,
North Usman Road, T Nagar,
Chennai - 600 017

Tel: +91-44-28140801-03

Fax: +91-44-28142479

Website: www.iepindia.com

E-mail: corpserv@iepindia.com

Contact Person: Mr. Sriram S

SEBI Registration Number: INR000000544

- It is to be specifically noted that this Issue of Equity Shares is subject to the section titled **"Risk Factors"** beginning on page vii of this Letter of Offer.
- The Issue will remain open for at least 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

**SECTION IX – STATUTORY AND OTHER INFORMATION****MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The Contracts referred to in para (A) below (not being contracts entered into in the ordinary course of the business carried on by our Company which are or may be deemed material, have been entered into by our Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer may be inspected at the Registered Office of our Company between 11.00 a.m. - 4.00 p.m. on any working day from the date of this Letter of Offer until the closing of the subscription list.

Material contracts and documents for inspection

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years prior to the date of this Letter of Offer) which are or may be deemed material have been entered into by our Company or are to be entered into by our Company. Copies of these contracts, together with the copies of the documents referred to below, may be inspected at the Registered Office of our Company situated at No. 338, Ambujammal Street, Alwarpet, Chennai-600 018 from 10.00 A.M. to 3.00 P.M. on any working days, from the date of this Letter of Offer until the Issue Closing Date.

A. Material Contracts

1. Copy of Memorandum of Understanding between our Company and the Lead Manager to the Issue dated May 02, 2011.
2. Copy of Memorandum of Understanding between our Company and Integrated Enterprises (India) Limited dated April 28, 2011.

B. Documents

1. Memorandum and Articles of Association of our Company;
2. Certified true copy of the Board resolution dated July 15, 2010 and March 16, 2011 authorizing this Issue;
3. Certified true copy of Shareholders' resolution passed at the AGM held on August 19, 2010 approving this Issue;
4. Consents of the Directors, the Auditor, the Lead Manager, the Legal Advisor to the Issue, the Registrar to the Issue, our Company Secretary & Compliance Officer and Bankers to the Issue, as referred to, in their respective capacities;
5. Certified true copy of the letter from CDR Cell dated June 16, 2009 in relation to the CDR Scheme of our Company.
6. Letter dated April 14, 2011 from the Auditor of our Company confirming the Statement of Tax Benefit as disclosed in this Letter of Offer;
7. The Report of the Auditors dated April 15, 2011 as set out herein in relation to the audited financials of our Company for the FY 2010;
8. Auditors Report dated June 22, 2011 as set out herein in relation to the financials of our Company for the twelve months period ended March 31, 2011;
9. Due Diligence Certificate dated May 04, 2011 from the Lead Manager;



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10. Tripartite agreement with CDSL dated December 02, 2003 and with NSDL dated October 10, 2002;
11. Letter of Offer of 25/11/1994 for the right issue of equity Shares of face value of ₹ 10/- each of our Company (being the last Issue);
12. In-principle listing approval dated May 19, 2011, May 12, 2011 and May 09, 2011 received from BSE, ASE and MSE respectively.
13. SEBI Observation Letter dated June 14, 2011 issued by SEBI, Chennai for the Issue.



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DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Letter of Offer is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Letter of Offer are true and correct.

By the Board of Directors of El Forge Limited

Sd/-
V. Shrikanth
Chairman

Sd/-
K. V. Ramachandran
Vice Chairman & Managing Director

Sd/-
P. L. Reddy
Director

Sd/-
V. Ramachandran
Director

Sd/-
K. J. Ramaswamy
Director

Sd/-
Balraj Vasudevan
Director

Sd/-
Samuel Joseph Jebaraj
Director

Sd/-
R. Sowmithri
Executive Director – Finance & Company Secretary

Place: Chennai
Date: July 04, 2011