

EL FORGE LIMITED

ANNEXURE C TO THE DIRECTORS' REPORT

Management Discussion and Analysis

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013, guidelines issued by the Securities and Exchange Board of India (SEBI) and has adopted IN-DAS for the first time in preparing the accounts for the year ended 31st March,2020. Our Management accepts responsibility for the integrity and objectivity of these financial statements as well as for the various estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

Global Economy

The Global economy experienced a very slow growth in the calendar year 2019. There was a slide in the growth in the United States of America from 2.9% in 2018 to 2.3% in 2019. Again due to the exit of Britain from the European union European economic growth fell to 1.3% in2019 compared to 1.9% in 2018. (Source: IMF World economic Outlook June 2020)

Besides these factors increasing trade barriers and slowdown in manufacturing activities around the globe dampened the global economic growth.

Indian Economy

The Indian economy had a challenging year 2019-20. There was a sharp decline in the GDP from 6.1% to 4.2 % during the year. The global slowdown also impacted the growth in Indian economy. The crises in the NBFC sector during the year led to a decline in the credit growth which impacted various sectors. The pandemic during the closure of the financial year added to the already declining trend.

Indian Auto Industry

The financial year 2019-2020 was a difficult year to pass for the Indian automotive industry. It was affected by global slowdown, technological changes in the auto industry due to the move in favour of electric vehicles, BS-VI implementation and internal factors like liquidity crunch due to the crises in the NBFC sector. The lockdown due to the pandemic has added to the woes of the industry

Opportunities & Threats

The state- of- the- Art shop is well equipped and quality certifications are also in place. This is a positive factor and has attracted major global auto manufacturers and Tier one giants. The order book continues to be encouraging and the factory being in the Auto belt in Chennai has a locational advantage in its potential for new business.

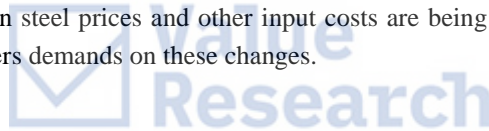
Fluctuating steel prices, rising fuel and power costs and increase in virtually every input costs are a threat to the business.

Risk Management

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

Commodity Price Risk

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



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Financial Review

Summary of Statement of Profit and Loss Account is given below

Particulars	2019-20	2018-19	Increase / (Decrease) in%
Income	Rs. in Lacs		
Revenue from operations (incl.excise duty upto 30.06.17)	3280.33	4976.56	(34.08)
Other income	5.37	8.19	(34.92)
Total	3285.70	4984.75	(34.08)
Expenditure			
Cost of materials and services consumed	1778.06	3000.00	(40.73)
Changes in inventories of finished goods, stock-in-trade and work-in-progress	83.87	(24.09)	(5.58)
Total	1861.93	2975.91	(67.69)
Employee benefits expense	744.00	787.95	(0.40)
Finance costs	19.87	61.49	(21.57)
Depreciation and amortisation expense	658.50	661.13	(25.74)
Other expenses	889.73	1134.43	39.64
Total	4174.03	5620.90	(25.74)
Profit/ (Loss) before exchange gain/ (loss) on swap contracts, exceptional items and tax	(888.33)	(636.16)	39.64
Exchange gain/ (loss) on swap contracts	0.00	0.00	0.00
Profit/ (Loss) before exceptional items and tax	(888.33)	(636.16)	39.64
Exceptional Items [Income / (Expenses)]	949.37	2962.12	(67.95)
Profit/ (Loss) before extraordinary items and tax	61.04	2325.97	(97.38)
Extraordinary Items	0.00	0.00	---
Profit/ (Loss) before tax	61.04	2325.97	97.38)
Tax expense:			
(a) Current tax expense	0.00	0.00	
(b) (Less): MAT credit	0.00	0.00	
(c) Short / (Excess) provision for tax relating to prior years	0.00	0.00	
(d) Net current tax expense	0.00	0.00	
(e) Deferred Tax	0.00	0.00	
Tax expense	0.00	0.00	
Profit for the year from continuing operations	61.04	2325.97	(97.38)
Basic Earning per Share	0.30	11.44	
Diluted Earning per share			
Face Value (Rs.).	10	10	

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Revenues

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

Costs

Material Costs : The material cost for the year was 56.76 % of the sale value compared to 59.80% in the previous period. This is due to the product mix during the year.

Staff Cost : There is a marginal increase in the staff costs in order to maintain and retain talent with the company.

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

Depreciation :

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

Summary of Balance Sheet is given below :

Particulars	As At 31/03/2020	As at 31/03/2019	Inc/(Dec) %
Source of Funds	(Rs. in Lakhs)		
Share holders Funds	(5224.60)	(5285.65)	1.15
Non current Liabilities	1211.12	2614.55	(53.68)
Current Liabilities	10161.34	11036.88	(7.93)
Total	6147.86	8365.78	(26.51)
Application of Funds			
Fixed Assets	3764.58	4404.21	(14.52)
Investments	373.84	373.84	(0.00)
Loans & other Non Current Assets	99.81	99.34	0.47
Current Assets	1909.63	3488.4	(45.26)
Total	6147.63	8365.79	(26.51)

EL FORGE LIMITED**Summary of Cash Flow Sheet is given below :**

Particulars	2019-20	2018-19
Profit / Loss (-) for the year	61.94	2325.96
Operating profit before working capital changes	(209.99)	86.23
Cash generated from operations	2102.71	2970.44
Income tax paid	0.00	0.00
Net cash flow from operating activities [A]	2103.71	3631.43
Net cash flow from investing activities [B]	21.28	(103.28)
Net cash flow (used in) financing activities [C]	2100.03	(2852.70)
Net cash Inflow [A+B+C]	18.60	14.46
Opening cash and cash equivalents	37.08	22.62
Closing cash and cash equivalents*	18.49	37.08

Human Resources

El Forge has always been a people driven Company and its employees remain its most valuable asset. Our employees have always extended full cooperation and support in good as well as difficult times, and have unstintingly helped to deliver on all our commitments. The Human Resources practices at your Company empowers the employees through greater knowledge, opportunity, responsibility, accountability and reward. Emphasis is laid on identifying & nurturing talent. Continuous improvement techniques are followed for betterment of the skills in the organisation by implementing TQM & other training programs and there exists an excellent system of assessment of the employees based on the sound HR practices.

During the year under review, there were 163 employees on the rolls of the company. **Foreign Exchange Risk**

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

Outlook

As the pandemic situation is continuing, the government is rolling out measures to hold the economic activities. We need to understand the effects of Covid-19 on the economy and the auto industry in particular and to our company to contain losses and improve the activity levels.

Internal control systems and their adequacy

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

EL FORGE LIMITED

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

Cautionary Statement

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

**ANNEXURE D TO THE DIRECTORS' REPORT
CERTIFICATE BY CHIEF FINANCIAL OFFICER OF THE COMPANY**

We hereby certify that for the year ended 31st March, 2019 on the basis of the review of the financial statements and the cash flow statements and the best of our knowledge and belief.

1. These statements do not contain any materially untrue statement or omit to state a material fact or contain statement that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards applicable laws and regulations.
3. These are to the best of our knowledge and belief, no transactions entered into by the Company during year 2018-19 which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of the internal control systems of the Company
5. We further certify that
 - a) There has been no significant changes in internal control over financial reporting during the year.
 - b) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system over financial reporting and
 - c) There has not been any significant change in Accounting policies during the year requiring disclosure in notes to the financial statements.

Place: Chennai
Date: 29/07/2020

K V RAMACHANDRAN
VICE CHAIRMAN &
MANGING DIRECTOR

V SRINIVASAN
CHIEF FINANCIAL OFFICER