

**EL FORGE LIMITED**  
**CHAIRMAN'S SPEECH**  
**TO THE MEMBERS OF THE COMPANY AT THE 83rd ANNUAL GENERAL MEETING ON**  
**THURSDAY THE 25th SEPTEMBER, 2019.**

Ladies and Gentlemen,

Introduction

I welcome all of you to your Company's 83rd Annual General Meeting. I thank you all for having spared your valuable time to attend this meeting.

The Annual Report containing the Directors' Report and the Audited Accounts for the year ended 31st March, 2019 has been with you for some time and I am sure, you have had the opportunity to peruse the same.

Economic environment

If we look at the global economic situation, it is affected by an escalating cycle of trade restrictions and retaliations by major economies USA and China. This has affected the growth in economic activity.

Factors including concern over trade wars, weak financial market sentiments and disruption in Germany's auto sector over the new vehicle fuel emission standards have weighed down the outlook.

In India, the economic scenario improved during 2018 and early 2019, on the back of strong household spending and corporate fundamentals. Sustained spending on infrastructure and defence supported by the "Make in India" movement kept the economy buoyant, besides unlocking a virtuous cycle of investment opportunities. However, this trend reversed and the auto industry in India is now badly affected with an unprecedented fall in demand and idle capacity. Most of the auto manufacturers have laid off the workforce which has led to uncertainty in the industry.

Automotive Sector in India

The auto industry in India is facing one of its worst crisis.

The downturn in the Indian automobile sector is visible and felt with the major carmakers reporting negative sales numbers in August 2019. Companies like Maruti Suzuki India, Hyundai Motor India, Honda Cars India, Tata Motors and Mahindra & Mahindra have witnessed their sales going down during the month, with all the hopes now pinned on the upcoming festive season to bring any kind of cheer in the market.

The total [domestic passenger vehicle sales](#) of the country's largest carmaker Maruti Suzuki India fell 36.1 per cent to 93,173 units in August 2019. In August 2018, the figure stood at 1,45,895

units. [Hyundai Motor India's domestic sales](#) dropped 16.58 per cent to 38,205 units in August 2019 from 45,801 units in August 2018.

Honda Cars India saw its [monthly domestic sales plunging](#) 51.3 per cent to 8,291 units in August 2019. The company had sold 17,020 units in the same month last year. The domestic passenger vehicle sales of Tata Motors have declined a massive 58 per cent to 7,316 units in August 2019 from 17,351 units in the same month last year.

Mahindra & Mahindra's total passenger vehicle sales touched a total of 13,507 units in the domestic market in August 2019. This was 32 per cent lower than 19,758 units disposed of by the company in August 2018.

Poor consumer sentiments coupled with pressures coming from financial stress at the banking sector are key reasons of buyers keeping away from showrooms in the current scenario, Besides that, there is a lot of confusion amongst the buyers due to emission shift, electric vehicles and so on.

Besides, the carmakers will also be hoping that the recent measures announced by the government will spur the growth of the automobile sector. The government has said that BSIV vehicles purchased till March 31, 2020, will remain in operation for the entire period of registration. The implementation of the one-time registration fee has been deferred until June 2020. The vehicles acquired till March 31, 2020, will have 30 per cent depreciation. The ban on the purchase of new vehicles by the various government departments has been removed. Also, the government will consider a scrappage policy.

"The recent government measures are steps in the right direction, but it may not provide immediate relief to the ailing sales numbers. The industry is currently caught in a storm of poor customer sentiment, delayed purchases due to upcoming regulatory transition and expectation of heavy discounts, low availability of liquidity in the market and the negative momentum which has crept in the last 8-9 months. But if govt is willing to prolong the measures, then it will definitely have an impact in the longer term,"

#### Financial Performance

There has been an increase in the operation during the year which has resulted in improvement in Turnover from Rs.45crores in 2017-18 to Rs.49.84crores in 2018-19. There is a reduction in the losses also during the year 2018-19. We hope that the auto industry picks up and we will be able to better our performance in the year 2019-20. In spite of the financial strain, the company maintains its quality and continues to be a preferred supplier to the customers.

#### Looking Ahead

During the year the company has been able to settle the liabilities of the Axis Bank and IDBI Bank. A substantial portion of the dues to ARCIL and Edelweiss Assets Reconstruction company limited has also been settled. We expect that during the current year the settlement

would be completed to all banks / institutions and the company can obtain fresh working capital and scale up the operations to profitable levels.

The Management is taking steps to address the revival of the Company. The Company has taken all measures to minimize the cost of operations and is trying all possible options for revival. We all hope the current financial year will be a turnaround year.

#### Acknowledgement

I thank our valued customers, shareholders, suppliers, Government agencies and all our executives and staff in our company to have worked as one team, even in the midst of trying times.