

Making the choices

Ramkrishna Forgings Limited
Annual Report 2004-05

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried

wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate

assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Contents

Our identity **2** Our performance **4** From the Chairman's desk **6** Managing Director's review **28** Enhancing shareholder value **31** Management's discussion and analysis **32** Risk management **44** Directors' Report **46** Corporate Governance **52** Auditor's Report **57** Financial statements **60**

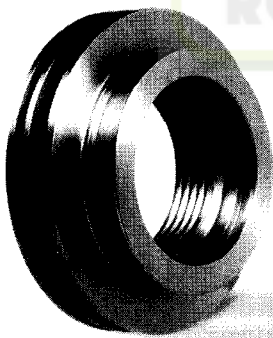
“It is our

that show what
we truly are, not
our abilities.”

— *Albus Dumbledore to Harry Potter*



Report  junction.com



Ramkrishna Forgings Limited (RKFL)

**is among the largest, fastest
growing and most attractive
forging industry players in India**



Who we are

Ramkrishna Forgings Limited (established in 1981 and converted into a limited Company in 1995) was promoted by Mr. Mahabir Prasad Jalan, a technocrat with an academic grounding in Mechanical Engineering from BITS, Pilani. The promoters held 53.76% equity in the Company as on 31st March, 2005.

What we do

RKFL is one of the leading players in the Indian forging industry, enjoying a significant and uninterrupted presence among prestigious customers like the Indian Railways; it also enjoys a growing reputation among automobile and heavy equipment manufacturers like Tata Motors, Hindustan Motors and BEML. The Company also customises the manufacture of dies.

Where you will find us

© Jamshedpur (Jharkhand) and Liluah (West Bengal) where our manufacturing units (capacity of 26,900 TPA) are located, close to a port and with easy access to raw materials

© In India and abroad where our products are sold; exports accounted for 6.64% of our net sales in 2004-05 to brand-enhancing customers

© On the Mumbai and the National stock exchanges, where we enjoyed a market capitalisation of Rs.66.28 cr (as on 31st March, 2005, BSE)

Why we are being taken seriously

RKFL's turnover grew at a CAGR of 51.88% over the last four years leading to 2004-05; profits increased at a CAGR of 69.67%

during the period. In 2004-05, the Company reported a 135.92% increase in turnover and 347.97% increase in profit after tax, resulting in an earning per share of Rs.5.19

How we are protecting our quality

© Through confidence-enhancing certifications like ISO 9001:2000 and QS 9000 from BVQI

© By emerging as one of the few Railway Design and Safety Organisation (RDSO)-approved suppliers for the supply of safety-enhancing products to the Indian Railways

© By being approved by DGQA as a supplier of critical components to India's Defence sector



report  junction.com

How we made 2004-05 a
profitable
year for us

Performance

A year of all-round progress

- ⊙ 139.83% increase in net sales
- ⊙ 131.59% increase in EBIDTA
- ⊙ 347.97% increase in net profit
- ⊙ 198.93% increase in cash profit

Operations

A year of higher efficiencies

- ⊙ 72.55% increase in production over the previous year
- ⊙ 14.29% increase in per person productivity

New products

A year of product development

- ⊙ 26 new products introduced in the automobile components sector

- ⊙ 19 new products introduced in the railway components sector

Project management

A year of capacity expansion

- ⊙ Successful implementation of a Rs.26.29 cr capital investment programme
- ⊙ Capacity expansion to 26,900 TPA
- ⊙ Commissioning of a new CNC plant

Market presence

A year of wider market presence

- ⊙ 176.34% growth in exports earnings
- ⊙ 137.61% increase in net domestic revenue

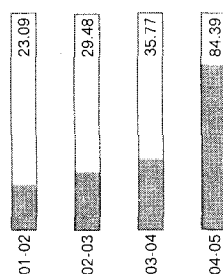
- ⊙ Addition of eight new clients

Board room

A year of business-strengthening decisions

- ⊙ An IPO of 61.25 lac shares at an offer price of Rs.20 per share.
- ⊙ Recommendation of a maiden dividend of Rs.1.00 per share to equity shareholders.

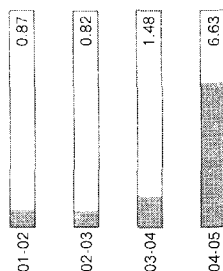
Turnover (Rs./cr)



EBIDTA (Rs./cr)



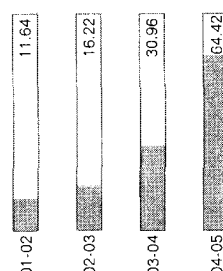
PAT (Rs./cr)

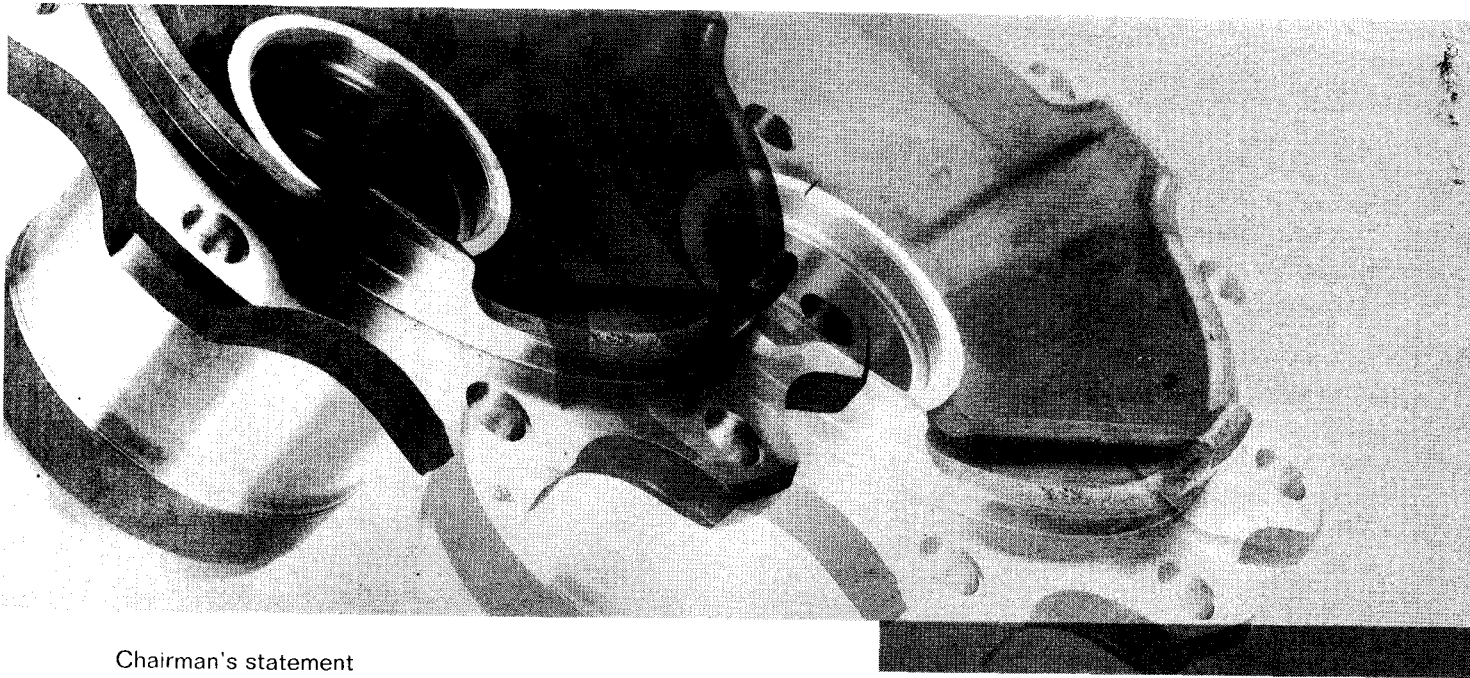


Net worth (Rs./cr)



Capital employed (Rs./cr)





Chairman's statement

Selecting

the right segment of our industry...

To emerge as the leading player in the auto component industry.

That's the unmistakable goal at Ramkrishna Forgings.

This aggressive target is a perfectly achievable aspiration as a result of two phenomenal shifts happening across the world.

One, the migration of forging capacities from Europe to Asia, and

Two, the growing emergence of India as a leading forgings consumer and manufacturing destination.

The right moves

This transition is presenting an unprecedented opportunity and a future-focused manufacturer like Ramkrishna Forgings expects to capture a proportionally large share of this paradigm transition through the following means:

1. Sectoral switch: India has emerged as the fastest-growing automobile market in the world (for countries

with a minimum offtake of a million vehicles per annum) requiring a growing quantum of forging products; Ramkrishna Forgings is altering its sectoral attention from railways to automobiles (75% of turnover, 2008-09)

2. Capacity increase: The growing migration of installed capacity from Europe to Asia is creating an urgent need among forging companies to enhance their capacities faster than the historic rate of capacity accretion; Ramkrishna Forgings has responded to this need by increasing its installed capacity to 26900 tons per annum in 2004-05, enabling it to address growing industry needs competently

3. Value-addition: With volumes emerging, the business is likely to become increasingly competitive; Ramkrishna Forgings is restructuring its product profile to increase the value-added component of its production to about 30% in 2005-06. The realization from this value-added

segment is expected to be at least 30% higher than the prevailing average

4. People productivity: With low costs representing the biggest passport for Indian forging companies, there is a growing urgency to improve productivity and strengthen competitiveness; Ramkrishna Forgings is investing in technology upgradation to enhance productivity from 2.8 tons per person per month in 2003-04 to 3.2 tons per person per month in 2004-05 and expects to raise it to about 4.5 tons per person by 2006-07, one of the highest global productivity standards given the nature of the Company's equipment and automation

5. Material productivity: With companies worldwide re-engineering their processes to rationalise their consumption of inputs, there is an increasing priority on material efficiency than ever before; Ramkrishna Forgings is investing in

Far better to dare mighty things, to win glorious triumphs, even though checkered by failure, than to take rank with those poor spirits who neither enjoy much nor suffer much, because they live in the gray twilight that knows not victory, nor defeat.

- Theodore Roosevelt

machines and research to rationalise the input ~ output ratio from 1.25 kgs per kg of output to about 1.15 kgs

Selective investment

As a future-focused manufacturer, Ramkrishna Forgings is addressing this industry with a selective capital investment of the following kind to enhance its competitive edge.

© Presslines (to be commissioned by September, 2006): To enhance capacity by about 6000 tons per annum; the enhanced automation will gradually enhance productivity to 4.5 tons per person per month, one of the highest standards in India.

© High-tech machining / heat treatment: To enhance operational flexibility; to strengthen capability to manufacture connecting rods and crankshafts in a finished condition; to reinforce product quality in line with the most demanding standards in the world; to enhance value addition by nearly 40% per ton over the existing level.

Competitive strengths

More importantly, the Company is leveraging the following competitive strengths:

Corporatisation: In a largely

unorganised business, Ramkrishna Forgings is one of the few large companies to have corporatised, providing the basis for scaleable and profitable growth

Partnership-Centric business model: In a transaction-driven industry, Ramkrishna Forgings is one of the few forging companies to have extended a partnership centric-approach to its customers, resulting in its inclusion by customers in brainstorming from the product planning stage onwards; with the Company in 2004-05 deriving maximum business from existing customers; a valued customer like Tata Motors placed increasing orders every successive month in 2004-05.

Research-led approach: In a knowledge-based business, Ramkrishna Forgings is one of the few forging companies in India to have created an organisation comprising a pool of engineers and invested in specialised research-centric assets and equipment.

Looking forward

Looking ahead, I am optimistic the upturn in the Company's fortunes will accelerate through the following

changes over the foreseeable future:

© Transition from the QS certification to the TS:16949

© Increasing focus on the value-added automobile industry

© Growing transition from HCVs within the automobile industry to the value-added segment of passenger cars

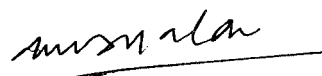
© Transition from a manufacturing-centric into a marketing-focused organisation

© Increased induction of specialised professionals

© Entry into new international markets

© Direct sales to International Purchasing Organisation

As a result, we are optimistic that Ramkrishna Forgings will not just emerge as an attractive volume-value play over the coming years; it will emerge as the next big industry proxy over the foreseeable future.



Mahabir Prasad Jalan
Chairman



The right choice
Industry