

ANNUAL REPORT
2009-2010

Engineering Delights ...



RAMKRISHNA FORGINGS LIMITED

FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospect 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.

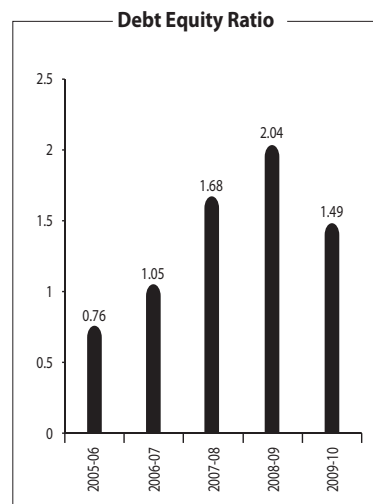
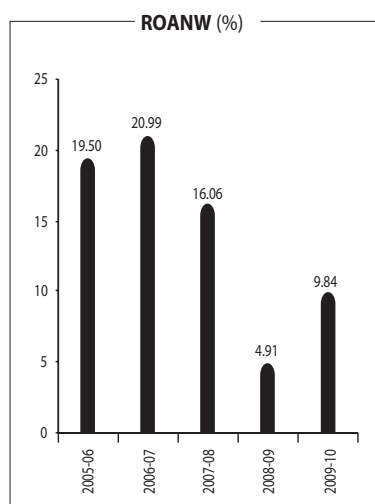
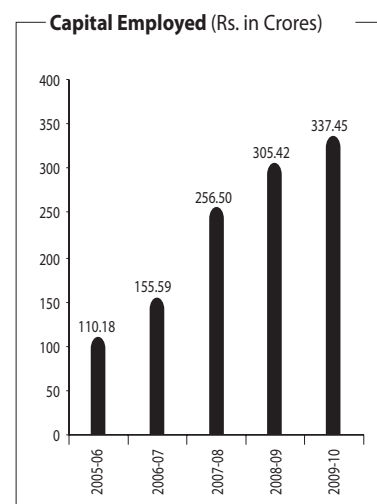
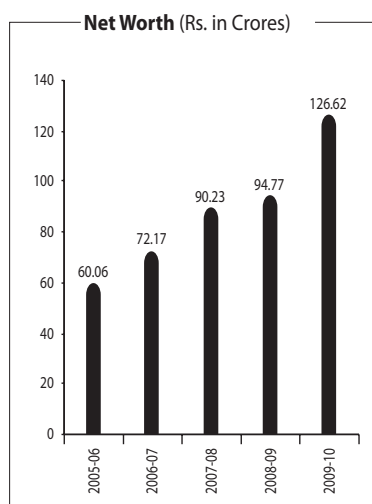
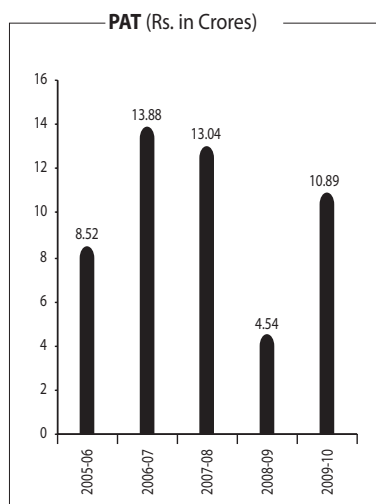
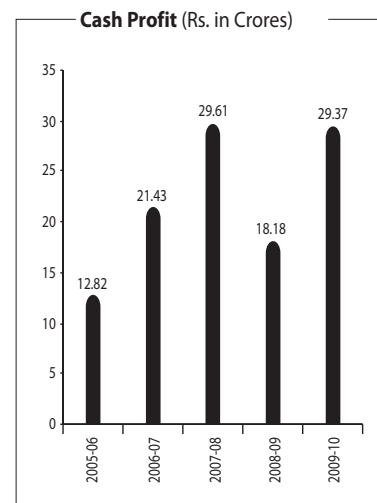
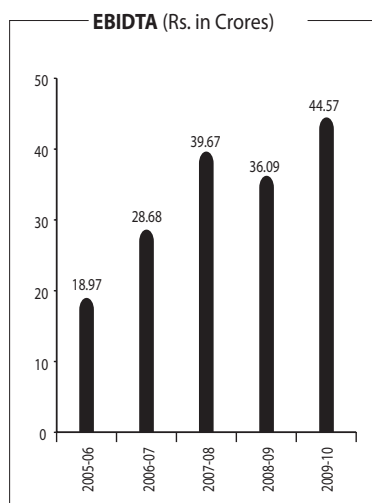
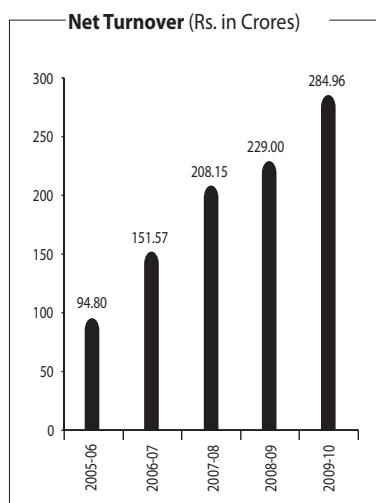
We can not guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying 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

Performance at a Glance	01	Directors' Report	02	Management Discussion and Analysis Report	10
Corporate Governance Report	21	Auditors' Report	37	Financial Section	40

PERFORMANCE AT A GLANCE



DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 28th Annual Report of your Company along with the Audited Accounts for the financial year ended 31st March 2010.

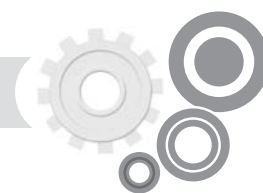
FINANCIAL HIGHLIGHTS 2009-2010

(Rs. in Lakhs)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
Sales and Operating Income	30706.50	25368.91
Other Income	90.94	106.52
Profit before Interest, Depreciation & Tax	4457.38	3608.97
Interest and Finance Charges	1508.71	1775.39
Depreciation	1313.89	1095.65
Profit before Tax	1634.78	737.93
Provision for Taxation :		
- Current Tax	278.00	81.09
- MAT Credit Entitlement	(271.00)	(81.09)
- Deferred Tax	533.60	268.00
- Fringe Benefit Tax	–	12.00
- Income Tax of earlier years	4.79	3.66
Profit after Tax	1089.39	454.27
Add : Surplus Brought Forward	4185.27	3731.00
Surplus available	5,274.66	4,185.27
Appropriations :		
- Transfer to General Reserve	50.00	–
- Dividend	164.29	–
- Tax on Distributed profits	27.92	–
Balance carried to Balance Sheet	5,032.45	4185.27

FINANCIAL AND PERFORMANCE REVIEW

- 24.44 % increase in Net Turnover from Rs. 229.00 Crores to Rs. 284.96 Crores.
- 23.50 % increase in EBITDA from Rs. 36.09 Crores to Rs. 44.57 Crores.
- 61.55 % increase in Cash Profit from Rs.18.18 Crores to Rs. 29.37 Crores.
- 139.87 % increase in Profit after Tax from Rs. 4.54 Crores to Rs. 10.89 Crores.



The Accelerated depreciation of 50 percent on CVs, as part of the stimulus package announced by the Centre and the higher purchase of buses under JNNURM has been a major driving force behind the substantial growth in sales of CVs in the previous year.

The overall domestic sales of the commercial vehicles segment registered an increase from 3,84,194 vehicles to 5,31,395 vehicles registering a growth of 38.31 percent during 2009-2010 as compared to the same period last year. The medium & heavy commercial Vehicles (M&HCVs) segment registered growth at 33.55 percent during the year 2009-10 and Light Commercial Vehicles registered a growth of 42.67 percent.

TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 50.00 Lakhs to General Reserve out of the amount available for appropriation and an amount of Rs. 5032.45 Lakhs is proposed to be carried over to Balance Sheet.

DIVIDEND

In view of the improved performance of your Company, your Directors are pleased to recommend a Dividend of Rs. 1/- per share for the year 2009-10. The total payout on Dividend (including tax) will be Rs. 192.21 Lakhs during the year under review.

The dividend, if approved, at the forthcoming Annual General Meeting will be paid to those shareholders whose names appear in the register of members as on 7th August, 2010.

SHARE CAPITAL

The Authorised Share Capital of the Company has been increased from Rs. 1800.00 Lakhs to Rs. 2100.00 Lakhs during the year under review. During the year the Company has issued 11,00,000 equity Shares and 39,00,000 warrants with an option to convert into 39,00,000 equity shares to the promoter and non-promoter group at a price of Rs. 107.50 per share. On account of this the issued capital increased to Rs. 2032.85 Lakhs.

The upfront money of Rs. 554.91 Lakhs which was received against the preferential issue of 25,81,000 warrants has been forfeited by the Company during the year.

OPERATIONAL HIGHLIGHTS

Forgings and Machining facility

The Company derives the major share of its revenues from the commercial vehicle segment. Your Company produced 26487.23 tons (including Job Work) during the year under review as compared to 18526 tons last year registering an increase of about 42.97%. During the year the Company has also installed a press of 2,000 tons which will further enhance the range of the products made by the Company.

The Company in order to enhance its billet cutting facilities has planned to import fully automatic horizontal bandsaw machine from Amada Machine Tools, Japan.

The Company plans to further augmented its Machining Facilities by procuring 2 nos CNC Gear Hobbing Machines, from Mitsubishi Heavy Industries Limited, Japan and 4 nos CNC Gear Hobbing Machines from Premier Limited which will help the Company to add more value to the components supplied to the OEM and will also help to further balance the capacity utilisation of the Heat Treatment facilities.

The Company has the state-of-art CNC Machining and Gear Cutting Facilities in which it has achieved accuracies of **DIN 8** in the soft stage and **class 8 & 9** in the hard stage in gear manufacturing. During the year the Company has added 45 new products in the turning section and 15 new products in the gear section.

Ring Rolling Line

Ring rolling is a cost-effective and efficient production process for production of ring-shaped components like crown wheels, bearing rings etc. Though the process encompasses a very large domain of ring sizes required for wind mill applications, RKFL equipment is fully capable of meeting the requirements of the automobile industry, especially that of commercial vehicles (primarily medium and heavy vehicles).

On account of the subdued export market the capacity utilisation of the Ring Rolling Line remained low. The Company has produced 9699.87 tons during the year as compared to 5643.24 tons last year thus registering a growth of 71.88%.

The improvement in the performance of the ring rolling will help the Company to produce the components with better productivity and precision and improved quality of the components.



DIRECTORS' REPORT

CREDIT RATING

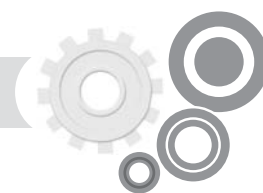
Your Company has the rating of LBBB+ for its fund based facilities and A2+ for its commercial paper/short term debt size of Rs. 60 Crores from ICRA Ltd.

EMPLOYEES STOCK OPTION SCHEME

Pursuant to the approval accorded by the shareholders on 22nd August, 2009, your Company has formulated the Employee Stock Option Scheme, (ESOS) 2009, for the benefit of the permanent employees including Directors, whether whole time or not but excluding the promoters of the Company. The said scheme is administered by the Remuneration and Compensation Committee of the Board through a trust. Under the said Scheme 4,68,159 stock options was granted at an exercise price of Rs. 20/- per share. The stock options granted to eligible employees are, interalia, performance linked options and the exercise period would commence from the date of vesting and will expire on completion of 4 years from the date of vesting of options.

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter "SEBI guidelines"), the details in relation to the options granted, vested, exercised, lapsed etc. under ESOS, 2009, as on 31st March, 2010 are given as under :

Description	ESOS 2009
Total Number of options granted	4,68,159
Pricing formula/Exercise price	Rs. 20/-
Number of options vested	Nil
Number of options exercised	Nil
Total No. of Shares arising as a result of exercise of option	Nil
Options Lapsed	43,210
Variation in terms of option	NA
Money realised by exercise of option	NA
Total No. of options in force	4,24,949
Grant to Senior Managerial Personnel	Mr. Alok Kumar Sharda, <i>CFO</i> – 57,581 options Mr. J. P. Mishra, <i>Vice President</i> – 27,307 options Mr. M. T. Shantaveerapa, <i>Vice President</i> – 26,505 options Mr. Vijay Mishra, <i>Vice President</i> – 26,505 options
Grant to Non-Executive Director under the scheme	Nil
Employees who were granted 5 % or more of the total number of options granted during the year	Mr. Alok Kumar Sharda, <i>CFO</i> – 57,581 options Mr. J. P. Mishra, <i>Vice President</i> – 27,307 options Mr. M.T Shantaveerapa, <i>Vice President</i> – 26,505 options Mr. Vijay Mishra, <i>Vice President</i> – 26,505 options
Employees who were granted options equal to exceeding 1% of the issued capital of the Company at the time of grant	Nil
Diluted Earning Per Share pursuant to issue of shares on exercise of option calculated in accordance with AS 20	NA
Difference between the employee compensation cost computed using the intrinsic value of stock options and the employee compensation cost that shall have been recognized had the fair value of options, were used	Fair Value : Rs. 62.40 Lakhs Intrinsic Value : Rs. 57.01 Lakhs Difference : Rs. 5.39 Lakhs



Impact of this difference on profits of the Company	Negative
Impact of this difference on EPS of the Company	The Basis EPS would reduce from 7.05 to 7.02 and Diluted EPS would reduce from 7.01 to 6.97
Weighted average exercise price; Weighted average fair value of options for options whose exercise price either equals or exceeds or is less than the market price of the share	Rs. 20.00 Rs. 76.18
Description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted - average information : (a) Risk free interest rate, (b) Expected life (c) Expected volatility (d) Expected Dividends and (e) The price of the underlying share in the market at the time of option grant	Black Scholes Method 7.20% 5.10 64.01% 0.34 % 89.60

The Company has received a certificate from the Auditors of the Company, that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed at the Annual General Meeting held on 22nd August, 2009. The Certificate would be placed at the Annual General Meeting for inspection by Members.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review under clause 49 of the Listing Agreement with the Stock Exchange in India is presented in the separate section forming part of the Annual Report.

POLLUTION CONTROL MEASURES

Your Company has installed adequate pollution control equipment in all its units as per the legal requirement.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in "Annexure - A" to this Report.

FIXED DEPOSITS

During the year Company has not accepted any Fixed Deposit within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest on account of Fixed Deposits is outstanding, as on the date of Balance Sheet.

STOCK EXCHANGE

The equity shares of your Company were listed on two stock exchanges :

- National Stock Exchange of India Limited, Exchange Plaza, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051
- Bombay Stock Exchange Limited, Phiroze Jeejeeboy Towers, Dalal Street, Mumbai - 400 001

The annual listing fees for the year 2010-11 are paid to both the stock exchanges where the shares of your Company were listed.

AUDITORS

M/s Singhi & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a certificate from the proposed Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.



DIRECTORS' REPORT

With regard to the comments in the Auditor's Report the Notes on Accounts referred to in the Auditors Report are self-explanatory and therefore does not call for any further comments.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and as per the Articles of Association of the Company, Mr. Pawan Kumar Kedia, Mr. Randhir Khandelwal and Mr. Padam Kumar Khaitan, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

None of the Directors of the Company are disqualified for being appointed as Directors, as specified in Section 274 (1)(g) of the Companies Act, 1956.

CORPORATE GOVERNANCE

Adoption of best ethical business practices in the Company within the regulatory framework is the essence of good Corporate Governance. On one hand good Corporate Governance calls for accountability of the persons who are at the helm of affairs of the Company and on the other hand it also brings benefits to all stakeholders of the Company such as investors, customers, employees and the society at large. Your Company continues to believe in such business practices and gives thrust on providing reliable financial information, maintenance of transparency in all its business transactions and ensuring strict compliance of all applicable laws.

The report of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Statutory Auditors of the Company, confirming the compliance with the conditions of Corporate Governance as stipulated under the aforesaid clause 49, is attached to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that :

- i) In the preparation of annual accounts for the year ended 31st March, 2010 applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2009-2010 and of the profit or loss of the Company for that period;
- iii) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) They have prepared the annual accounts for 2009-2010 on a going concern basis.

PARTICULARS OF EMPLOYEES

The information as required in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report as "Annexure B".

APPRECIATION

Your Directors would like to convey their appreciation for all the co-operation and assistance received from the Government authorities, Financial Institutions, Banks, Customers, Vendors and Stakeholders of the Company during the year under review. Your Directors also express their deep sense of appreciation for the committed services by the executives, staff and workers of the Company. We look forward to receiving the continued patronage of all our business partners to become a better and stronger Company.

On behalf of the Board

Place : Kolkata
Dated : The 22nd day of May, 2010

Mahabir Prasad Jalan
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Annexure 'A'

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

The company provides high Priority to energy conservation schemes to conserve natural resources and remain competitive. Some of the significant measures adopted are :

- 1) Installation of Continuous Pusher type Fuel Efficient Furnace.
- 2) Installation of Flameless Electrically Heated Furnace.
- 3) Modification of the lining of the furnace to preserve heat in the Furnace.
- 4) Modify the design of the Furnace to improve the load ability of the Furnace on a continuous basis.

(b) Additional Investment Proposals, if any, being implemented for reduction of consumption of energy

The Company has taken a Line from JUSCO in the forging plant and the ring rolling plant which will ensure uninterrupted power and thus help in maintaining productivity and quality of the forgings.

(c) Impact of the Measures at (a) and (b) above for reduction of the energy consumption and consequent impact on the cost of production of goods

On account of the measures taken and proposed to be taken by the Company it is confident of reducing the cost incurred towards fuel costs. This will in turn help to reduce the cost of production of the goods and will make our products more competitive.

(d) Total Energy consumption and energy consumption per unit of production as per Form A of the annexure to the rules

Particulars with respect to Conservation of Energy

Particulars	2009-2010	2008-2009
A. Energy Consumption and Consumption per Unit of Production		
1. Electricity		
a) Purchased		
- Units (KWH)	2,24,21,826	1,55,29,954
- Total Amount (Rs.)	9,65,20,318	6,85,48,814
- Rate/Unit (Rs.)	4.30	4.41
b) Own Generation		
- Units (KWH)	4,56,902	3,40,382
- Ltrs. Consumed	1,86,174	1,20,322
- Cost/Unit (Rs.)	13.57	12.19



ANNEXURE TO DIRECTORS' REPORT

Particulars	2009-2010	2008-2009
c) Total (A+B)		
- Units (KWH)	2,28,78,728	1,58,70,336
- Total Amount (Rs.)	10,27,19,354	7,26,99,189
- Rate/Unit (Rs.)	4.49	4.58
2. Coal (Hard Coke Used in Smithy)		
- Quantity (in Kgs)	29,091	24,107
- Total Cost (Rs.)	1,92,938	1,51,872
- Average Cost (Rs.)	6.63	6.30
3. Furnace Oil		
- Quantity (in Ltrs.)	45,76,035	30,05,310
- Total Cost (Rs.)	11,15,46,767	7,70,43,739
- Average Cost (Rs.)	24.38	25.64
B. Consumption per unit of Production		
Product : Steel Forging in Tons		
- Electricity (KWH)	632.23	700.06
- Coal (Hard Coke Used in Smithy) (Kgs)	5.33	1.42
- Furnace Oil (Ltrs.)	126.45	176.50

B. TECHNOLOGY ABSORPTION

The particulars with respect to Technology Absorptions as per Form - B is given below :

(a) Research and Development (R & D) -

- 1) *Specific areas in which the R & D carried out by the Company* : The R & D effort in our industry is an ongoing process. Continuous efforts are taken in various areas of the manufacturing activity.
- 2) *Benefits derived as a result of the above R & D* : The Company has been able to reduce the cost of production of certain components through their process engineering.
- 3) *Future Plan Action* : The Company will focus on more areas of reduction of cost and process optimization.
- 4) *Expenditure on R&D* : The Company has not incurred any expenditure on Research and Development.

(b) Technology Absorption, Adaptation and Innovation -

- 1) *Efforts, in brief, made towards technology absorption, adaptation and innovation* : Continuous efforts are made on conservation of raw material by improving design and layout of the dies.
- 2) *Benefits derived as a result of above efforts* : Reduction in Raw Material Consumption.
- 3) *Technology imported during the last 5 years* : Nil

C. FOREIGN EXCHANGE EARNING AND OUTGO

Activities relating to exports :

The Company has derived Rs. 1603.16 Lakhs from exports which forms 5% of the total turnover.

Initiatives taken to increase exports :
a development of new export market for products and services and export plans.

The Company has identified exports to be a thrust area. Vigorous efforts are being made to develop new customers. Further fresh orders are received from existing customers for existing & new products developed for them.