



Accelerating Growth

RAMKRISHNA FORGINGS LIMITED

Annual Report 2010-11

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.



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CORPORATE INFORMATION

DIRECTORS

Mr. Mahabir Prasad Jalan
Mr. Naresh Jalan
Mr. Pawan Kumar Kedia
Mr. Ram Prasad Saraf
Mr. Padam Kumar Khaitan
Mr. Satish Kumar Mehta
Mr. Subhasis Majumdar
Mr. Surendra Mohan Lakhotia
Mr. Laxminarayan Jhavar

Chairman
Managing Director
Finance Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Nominee Director
Non-Executive Director
Non-Executive Director

Company Secretary

Mr. Rajesh Mundhra

Chief Financial Officer (CFO)

Mr. Alok Kumar Sharda

Registered and Corporate Office

L & T Chambers, 16, Camac Street
6th Floor, Kolkata - 700 017
Phone : +91 33 3984 0999
Fax : +91 33 3984 0998

Works

- (i) Plot No. M-6, Phase-VI, Gamaria, Jamshedpur - 832 108
- (ii) 7/40, Duffer Street, Liluah, Howrah - 711 204
- (iii) Plot No. M-15, 16 & NS-26, Phase VII
Adityapur Industrial Area, Jamshedpur - 832 109

Statutory Auditors

M/s Singhi & Co.
1B, Old Post Office Street, Kolkata - 700 001

Internal Auditors

M/s Ernst and Young
22, Camac Street, Kolkata - 700 016

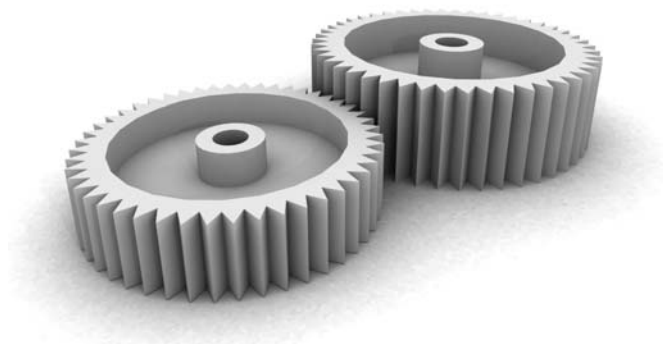
Principal Bankers

DBS Bank
Export Import Bank of India
HSBC Bank
ICICI Bank
IDBI Bank
Indian Overseas Bank
Standard Chartered Bank
State Bank of India

Registrar and Share Transfer Agents

M/s Karvy Computershare (P) Ltd.
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081
Andhra Pradesh, India
Phone : +91 40 2342 0815 - 28
Fax : +91 40 2342 0814
E-mail : mailmanager@karvy.com
Website : www.karvycomputershare.com

DIRECTORS' REPORT



Dear Shareholders,

Your Directors are pleased to present the 29th Annual Report of your Company along with the Audited Accounts for the financial year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS 2010-2011

(₹ in Lakhs)

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Sales and Operating Income	44537.75	30706.50
Other Income	108.58	0.09
Profit before Interest, Depreciation & Tax	7040.78	4457.38
Interest and Finance Charges	1611.46	1508.71
Depreciation	2097.89	1313.89
Profit before Tax	3331.43	1634.78
Provision for Taxation :		
- Current Tax	924.00	278.00
- MAT Credit Entitlement	–	(271.00)
- Deferred Tax	194.00	533.60
- Income Tax of earlier years	7.50	4.79
Profit after Tax	2205.93	1089.39
Add : Surplus Brought Forward	5032.45	4185.27
Surplus available	7238.38	5,274.66
Appropriations :		
- Transfer to General Reserve	170.00	50.00
- Dividend	328.57	164.29
- Tax on Distributed profits	53.30	27.92
Balance carried to Balance Sheet	6686.51	5,032.45

FINANCIAL AND PERFORMANCE REVIEW

- 43.77% increase in Net Turnover from ₹ 28495.76 Lakhs to ₹ 40968.61 Lakhs.
- 57.98% increase in EBIDTA from ₹ 4457.38 Lakhs to ₹ 7040.78 Lakhs
- 62.72% increase in Cash Profit from ₹ 2936.88 Lakhs to ₹ 4779.45 Lakhs.
- 102.57% increase in Profit after Tax from ₹ 1089.39 Lakhs to ₹ 2205.93 Lakhs.

The year 2010-2011 was a good year for the Industry as there was a huge demand for the vehicles and also there was an increase in production trends during the year as compared to the last year.

The cumulative production of commercial vehicles increased from 567,556 in 2009-10 to 752,735 in 2010-11 registering a growth of 27.45 percent over same period last year.

In 2010-2011, production of passenger vehicles segment, commercial vehicles segment, three wheelers segment and two wheelers segment grew by 26.72 percent, 32.63 percent, 29.13 percent and 27.24 percent respectively.



The overall domestic sales of the commercial vehicles segment registered increase from 5,31,395 vehicles to 6,76,408 vehicles registering a growth of 27.29 percent during 2010-2011 as compared to the same period last year. The Medium & Heavy Commercial Vehicles (M&HCVs) registered growth of 31.78 percent and the Light Commercial Vehicles grew at 22.88 percent.

TRANSFER TO RESERVES

Your Company proposes to transfer ₹ 170.00 Lakhs to General Reserve out of the amount available for appropriation and an amount of ₹ 6686.51 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 ₹ 2 per share for the year 2010-11. The total payout on dividend (including tax) will be ₹ 381.87 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 22nd June, 2011.

SHARE CAPITAL

During the year, out of 29,00,000 warrants issued on preferential basis as per the **SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009**, to M/s Eastern Credit Capital Limited, Promoter group the Company has received ₹ 765.94 Lakhs for conversion of 9,50,000 warrants into equity shares of the Company. The amount paid represents the balance 75% of the issue price for 9,50,000 warrants.

The company in its Board Meeting held on 4th April, 2011 has allotted 9,50,000 equity shares to M/s. Eastern Credit Capital Limited, Promoter group, by conversion of 9,50,000 warrants into equity shares of the Company and accordingly the paid-up capital has increased .

During the year under review, there has been no change in the share capital of the Company.

OPERATIONAL HIGHLIGHTS

Forgings and Machining facility

The Company derives the major share of its revenues from the commercial vehicle segment. Your Company produced 31234.46 tons (including Job Work) during the year under review as compared to 26487.23 tons last year, registering an increase of about 17.92%. During the year, the installed capacity of the forgings section increased by 3,600 tons from 34,100 tons to 37,700 tons. The Company has been able to utilise 89.24% of the production capacity for the year as compared to 77.70% last year.

The Company has increased its billet cutting facilities by importing fully automatic horizontal bandsaw machine from Amada Machine Tools, Japan. The Company further intends to shore up its raw material cutting facilities to facilitate smooth flow of production and reduce its cost of operations.

The Company had augmented its Machining Facilities by procuring CNC Gear Hobbing Machines from Mitsubishi Heavy Industries Limited, Japan and Premier Limited, High performance CNC Turning Centers and CNC Vertical Machining Centers from Doosan, Korea which will help the Company to provide more value added products to OEM and to broad base the spectrum of products supplied to OEMS's. It will also 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 Class 6 as per **DIN 3962** in the soft stage and Class 8 as per **DIN 3962** in the hard stage in gear manufacturing. During the year the Company has added 50 new products in the Turning section, 22 new products in the Gear section and 12 new products in the HMC/VMC 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. The equipment is fully capable of meeting the requirements of the automobile industry, especially that of commercial vehicles (primarily medium and heavy vehicles).

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The Company has produced 16438 tons during the year as compared to 9699.87 tons last year thus registering a growth of about 69.50%. The Company has achieved a capacity utilisation of 68.50% during the year as compared to around 40.40% last year on account of improved export performance of the Company. The improvement in the performance of the ring rolling facilities will help the Company to report better topline and improved margins.

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 ₹ 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 wholtime 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 were initially granted at an exercise price of ₹ 20/- per share. The stock options granted to eligible employees are, inter-alia, 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, 2011 are given as under :

Description	ESOS 2009
Total number of options granted	4,68,159 options
Pricing formula/Exercise price	₹ 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	64,045
Variation in terms of Option	NA
Money realised by exercise of option	NA
Total no. of Options in force	404114
Grant to Senior Managerial Personnel	No options were granted during the year
Grant to Non-Executive Director under the scheme	No options were granted during the year
Employees who were granted 5% or more of the total number of options granted during the year	No options were granted during the year
Employees who were granted options equal to exceeding 1% of the issued capital of the Company at the time of grant	No options were granted during the year
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 : ₹ 104.31 Lakhs Intrinsic Value : ₹ 95.29 Lakhs Difference : ₹ 9.02 Lakhs



Impact of this difference on profits of the Company	The Profits would reduce by ₹ 9.02 Lakhs
Impact of this difference on EPS of the Company	The Basis EPS would reduce from ₹ 13.43 to ₹ 13.37 and Diluted EPS would reduce from ₹ 13.06 to ₹ 13.01
Weighted average exercise price	NIL
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	NIL
Description of the method and significant assumptions used during the year to estimate the fair value of Options granted during the year	No options were granted during the year

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 as per resolution passed at the Annual General Meeting held on 7th August, 2010. The Certificate will 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 2011-12 are paid to both the stock exchanges where the shares of your Company are 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.

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

GROUP

Pursuant to intimation received from the Promoter(s) and in accordance with Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997("SEBI Regulations") regarding identification of persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) are disclosed in this Annual Report as separate disclosure.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and as per the Articles of Association of the Company Mr. Mahabir Prasad Jalan, Mr. Satish Kumar Mehta and Mr. Surendra Mohan Lakhotia, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

During the year Mr. Randhir Khandelwal resigned from the Board of Directors. Your Directors place on record the appreciation of the valuable services rendered by him to the company during his association with the Company.

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, 2011, 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 2010-2011 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 2010-2011 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**".



CORPORATE SOCIAL RESPONSIBILITY

The responsibility of the Company is to make a positive impact on the communities in which the Company does business through its support of select programs, outreach efforts and initiatives that improve and enhance the quality of life. Our goal is to make things better for the planet, better for people, better for business, better now, better for the future.

Your Company believes in the principle of symbiotic relationship with the local communities, recognizing that business ultimately has a purpose - to serve human needs. Close and continuous interaction with the people and communities in and around the manufacturing divisions has been the key focus while striving to bring around qualitative changes and supporting the underprivileged

The Company has helped to organise free camps for treatment of diabetes and will ensure that more steps are taken in this regard.

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 12th day of May, 2011

Mahabir Prasad Jalan
(Chairman)

ANNEXURE - A TO THE DIRECTORS' REPORT

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) Modify the design of the furnace to improve the loadability of the furnace on a continuous basis.
- (2) Installation of Flameless Electrically Heated Furnace.
- (3) Modification of the Lining of the furnace to preserve heat in the furnace.

(b) Additional investment proposals, if any, being implemented for reduction of consumption of energy

The Company plans to convert the existing oil fired furnace into induction furnaces.

(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 and will reduce the raw material cost. 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	2010-11	2009-10
(A) Energy Consumption and Consumption per Unit of Production		
1. Electricity		
a) Purchased		
- Units (KWH)	3,65,17,370	2,79,76,176
- Total Amount (₹)	16,25,48,504	11,83,72,601
- Rate/Unit (₹)	4.45	4.23
b) Own Generation		
- Units (KWH)	2,26,679	4,56,902
- Ltrs. Consumed	75,980	1,86,174
- Cost/Unit (₹)	12.88	13.57
c) Total (A+B)		
- Units (KWH)	3,67,44,049	2,84,33,076
- Total Amount (₹)	16,54,67,483	12,45,71,637
- Rate/Unit (₹)	4.50	4.38
2. Coal (Hard Coke Used in Smithy)		
- Quantity (in Kgs.)	21,788	29,091
- Total Cost (₹)	1,49,305	1,92,938
- Average Cost per Kg. (₹)	6.85	6.63