

BIG LEAP



SANGHVI
FORGING & ENGINEERING LTD.

ANNUAL REPORT
2011 - 12



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There comes a time in the history of a company when it must leave a safe harbour and move into exciting uncharted territory.

The year 2011-12 was that year for us. We went public; we made the biggest investment in our existence; we readied to quadruple in size to 18,600 TPA.

We readied for the

BIGLEAP

Our time starts now.

1992

Established factory at Vadodara with an installed capacity of 300 MTPA for close die forgings

2005

Enhanced capacity of closed die forging to 1,200 MTPA

2007

Acquired 49,700 sq. mtr. land at Waghodia from GIDC for setting ultra modern open die forging plant

2010

Placed firm order for import of forging press and manipulator for open die forging project

2012

Open die forging plant (which will have installed capacity of 15000 MTPA) to start commercial production. It will increase the total capacity to 18600 MTPA

SANGHVI FORGING & ENGINEERING LIMITED IS RANKED AMONG INDIA'S TOP ENGINEERING AND FORGING COMPANIES

1989

Incorporated

2002

Obtained Canadian Registration Number (CRN) for 13 provinces of Canada

2006

Established new open die forging plant with an installed capacity of 2,400 MTPA increasing total capacity to 3600 MTPA.

2008

Implemented SAP ECC 6.0 in the organisation

2011

Signed MoU with Govt. of Gujarat under their "Vibrant Gujarat" meet. Successfully Completed Initial Public Offering (IPO)

CHAIRMAN’S LETTER TO SHAREHOLDERS

I am very happy to share that your company is perched at an attractive point in its history. The Company stands to leverage its rich industry experience to make the big leap from a relatively small capacity to a quadrupled capacity over the coming months. While normally within our industry, any increase would at best have been incremental, the management at SFEL made a

“THE COMPANY STANDS TO LEVERAGE ITS RICH INDUSTRY EXPERIENCE TO MAKE THE BIG LEAP FROM A RELATIVELY SMALL CAPACITY TO A QUADRUPLED CAPACITY OVER THE COMING MONTHS.”

significant transformation in line with attractively growing prospects. Consider the reality: even as India is a mature industrial economy, growing appetite for non-automotive forging is being increasingly driven by the rapid growth coming out of its power, oil and gas, marine, aerospace and defence sectors. Over the foreseeable future, this gap is expected to widen. As a proactive forgings company, the management of SFEL recognised the importance of incremental capacity increases. The Company expects to commission its expanded capacity by September 2012. This transformation will graduate the Company to become one of the leading suppliers in the forging industry. This expansion was not carried out for expansion’s sake. It was done to strengthen our competitiveness, enhance our profitability and transform

our corporate personality through the following strategies: **One-stop solutions provider:** We intend to position ourselves as a one-stop shop by expanding our machining facilities to offer a wider range of value-added products and increase exports to global OEMs. **Niche:** In the past, the Company manufactured large volumes of standard products (forged flanges) for the oil and gas sector fetching low margins. The Company is now shifting its focus to low-volume-high margin customised products of an international standard for OEMs. **Focus on open die forging segment:** The Company will strengthen its focus for the Core Sector in various grades of steel with a focus on the higher tonnage open-die forging segment. The proposed open die forging method will shrink the lead time in servicing the

needs of major Indian customers, currently importing a majority of their forging requirements. We propose to service our existing client base with new products proposed to be manufactured through our expansion. **Strengthening relationships:** The Company will increasingly evolve one-off transactions into enduring relationships with existing customers as well as

“THE COMPANY EXPECTS TO GENERATE PEAK REVENUES OF ₹ 200 CR OVER THE NEXT TWO YEARS AT MARGINS HIGHER THAN WHAT THE COMPANY HAS ACHIEVED IN THE PAST.”

prospective customers in sectors like oil and gas and ship-building. **Market development:** The Company plans to increase its sub-vendor base, which will enable it to outsource specific products and sharpen its focus on value-added products. In view of these initiatives, the Company expects to generate peak revenues of ₹ 200 cr over the next two years at margins higher than what the Company has achieved in the past. The convergence of increased volume and value are expected to translate into attractive value in the hands of all those who own shares in our Company.

Shri Babulal Sanghvi
Chairman



“FOOTPRINTS ON THE SANDS OF TIME ARE NOT MADE BY SITTING DOWN”

GROWTH IN OUR NUMBERS, 2011-12

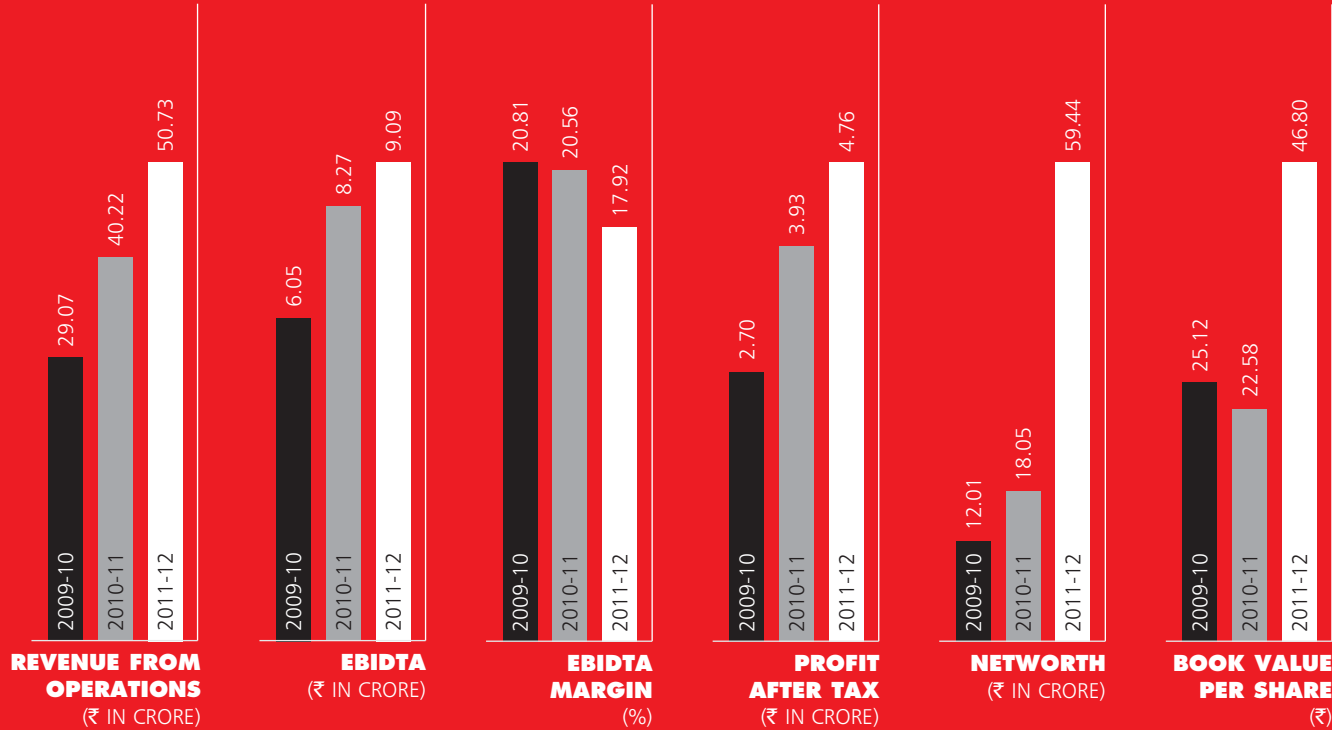
REVENUES GREW 26.13% FROM ₹ 40.22 CRORE IN 2010-11 TO ₹ 50.73 CRORE

GROSS BLOCK INCREASED FROM ₹ 23.06 CRORE AS ON MARCH 31, 2011 TO ₹ 66.71 CRORE

PROFIT AFTER TAX GREW BY 21.12% FROM ₹ 3.93 CRORE IN 2010-11 TO ₹ 4.76 CRORE

PROFIT BEFORE TAX (PBT) GREW BY 14.69% FROM ₹ 6.06 CRORE IN 2010-11 TO ₹ 6.95 CRORE

KEY FINANCIAL HIGHLIGHTS





VISION

To be pioneer and leading supplier in Forging Industry by providing one-stop solution for forged product where we can be a preferred product development partner with our customer.

STRENGTHS

QUALITY

The Company's plant is certified for ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001:2007. Its products are also certified by TUV, Germany, for Pressure Equipments Directive.

SCALE

The Company will complete its ongoing expansion from 3,600 MTPA to 18,600 MTPA by September 2012, making it one of the largest open die forgings company in India.

DIVERSIFIED ORDER BOOK

The Company is not increasingly dependent on offtake by any single sector. It supplies forgings to various sectors like oil & gas, ship building, defence and power among others.

NEW ADVANCE TECHNOLOGY

The Company's new production capacity comprises state-of-the-art equipment from renowned suppliers, resulting in superior quality and lower production costs and a distinctive competitive edge from others.

EXPERTISE

The Company develops critical customised products in line with customer's need by converting their ideas into products.

WIDE MARKET

The Company's products are marketed across India and abroad. Exports account for more than 20% of revenues.

CLIENT BASE

The Company derives more than 75% of its revenues from India, servicing clients like Mazgaon Dock Ltd. Samsung Engineering. IOCL among others and 25% of its revenues from overseas. We export our products to Germany, France, Canada, the UK and Middle East among others.

THE COMPANY MANUFACTURES FOLLOWING PRODUCT TYPES

Products	Applications
Forged flanges	Oil and gas, petrochemicals, fertilisers and process plants
Closed die forgings	Valve manufacturers and OEMs
Open forgings	OEM fabricators and power sector
Machined components	OEMs for instrumentation and valves



OVERVIEW

The Company is a major manufacturer of forging products for industrial applications. The Company possesses an installed capacity of 3,600 MTPA with the ability to manufacture a single-piece forging up to 4MT.

EXPANSION

The four-fold capacity expansion (3,600 MTPA to 18,600 MTPA) will extend the Company's product portfolio, enable to cater to the forging needs of power generation projects, wind turbine manufacturers, sugar mill shafts, gear blanks, marine shafts and heavy engineering products. The expansion is expected to go on stream by September 2012.

The benefits arising from this expansion are expected to be

significant. For instance, the Company is among few in its industry to manufacture a single-piece forging of up to 4 MT. The expanded capacity will make it possible for the Company to manufacture a single-piece forging of up to 40 MT with corresponding value-addition. The Company is already an approved vendor for various leading companies like IOC, L&T, HPCL, BPCL, GE and KNPC, among others. Following the expansion, the Company will extend its existing capabilities to manufacture of large components for existing customers.

The Company received various certifications/approvals from international agencies, customers (domestic and international) and engineering consultants. The extension into the sophisticated industry segment (in terms of single-piece forging) will enable the Company to enhance margins.

CORPORATE INFORMATION

Board of Directors

Shri Babulal S. Sanghvi
(Chairman cum Executive)

Shri Jayanti B. Sanghvi
(Managing Director)

Shri Naresh B.Sanghvi
(Executive Director)

Shri Vikram B. Sanghvi
(Executive Director)

Shri Shantaram Yarlagadda
(Independent Director)

Shri Baba Pai
(Independent Director)

Shri R.C. Prasad
(Independent Director)

Shri R.S.Kaushal
(Independent Director)

Company Secretary

Shri Kiran Mohanty

Statutory Auditors

M/s Shah & Bhandari,
Chartered Accountants

Cost Auditor

M/s Diwanji & Associates,
Cost Accountants

Internal Auditor

M/s Jain & Hindocha,
Chartered Accountants

Registered Office

244/6-7, G.ID.C Industrial Estate,
Waghodia- 391760, Vadodara
Tel: 91-2668-263020/262201
Fax:91-2668-263411
Email: ho@sanghiviforge.com

Bankers

State Bank of India
Bank of Baroda
Axis Bank

DIRECTOR’S REPORT

To the members

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the Audited Financial Statements of the Company for the year ended on March 31, 2012 for your perusal, consideration and adoption.

Financial Highlights

A summarised statement of the standalone financial results of the current year and that of the previous is given below:

	(₹ in Lacs)	
Particulars	2011-12	2010-11
Income from Operations	4,204.76	3,426.13
Other Operating Income	868.36	595.43
Other Income	52.06	27.38
Total Income	5,125.18	4,048.94
Operating & Administrative Expenses	4,216.55	3,222.00
Operating Profit before Interest, Depreciation and Tax	908.63	826.94
Interest and Financial Charges	141.82	155.72
Depreciation and Amortisation	71.17	64.88
Profit Before Tax	695.64	606.34
Current Tax	213.00	207.19
Deferred tax	7.01	5.66
Profit After Tax	475.63	393.49
Excess/(Short) Provision of taxation and tax payments	–	0.21
Surplus Brought Forward from Previous Year	790.07	683.28
Balance available for Appropriation	1,265.71	1076.77
Appropriation		
Issue of Bonus Shares	–	286.92
Carried Forward	1,265.71	790.07

Financial and Operational Performance

Your Company has achieved a turnover of ₹ 5,073.12 lacs and a net profit of ₹ 475.63 lacs for the financial year ended March 31, 2012 as against a turnover of ₹ 4,021.56 lacs and net profit of ₹ 393.49 lacs respectively during the previous year, representing an increase in turnover y-o-y of 26.15% and an increased net profit y-o-y by 20.87%. Your Company had performed at par with the expectations of directors during the fiscal year 2011-12, considering the overall forging industry performances in India. We hope that the Company will do the same in future as well since the Company has having good orders pipeline for the next year from both the domestic as well as overseas markets. Further it is a constant endeavor to obtain additional orders and emerge as a leading supplier in the forging industry.

Operational Progress of the New Expansion Project

The Company has been constantly expanding its operations, keeping in sight the demands of the forging industry, market receptiveness and other economic factors and evaluations. The Company is expanding its business by setting up a new plant at Waghodia, Vadodara. Currently, the project is progressing as planned and is on full swing. All the requisite plant and machineries have been received at the site and erection work is in full swing. As of now, 80% of the work has been completed. Your Company has faced a few challenges like shortage of funds due to the change in suppliers which increased the total project cost to ₹ 132 crores. The Company has changed supplier of furnaces for the project in order to improve fuel efficiency. The furnaces which were earlier proposed to be purchased from the Korean supplier have been now purchased from German supplier which has increased the project cost by ₹ 13 crores. To meet the requirements of a fund shortage, the Company had to take a fresh term loan to the tune of ₹ 8 crores aggregating ₹ 80 crores. There are other various challenges which the Company will have to face in the near future, but we believe that we will overcome these bottlenecks and will commission the project soon.

Dividend

In order to conserve the resources for meeting the Company’s expansion plans, the Directors of your Company express their inability to recommend any dividend for the Financial Year 2010-2011.

Credit Rating

Your Company continues to have credit rating of CARE BBB for its long-term bank facilities and CARE A3+ for its short-term bank facilities.

Investors’ Relations and Grievances

All the shareholders’/investors’ complaints/grievances received during the financial year have been resolved and there were no investor grievances pending as on March 31, 2012. A confirmation to this effect has been obtained from the Company’s Registrar and Share Transfer Agent. The details regarding investor complaints received and resolved during the year are mentioned in the report on Corporate Governance annexed to this report.

Conservation of Energy

Energy saving in terms of electricity consumption is our prime concern. The Company utilises several means to conserve energy. Well-planned preventive maintenance measures improved our operational efficiency. The details relating to the same is annexed in “Annexure A” to the report.

Water and air pollution control measures are optimum and industrial trade effluents are used for gardening. Tree plantation at the factory site is maintained properly and the same shall be duly taken care in our new plant.

Management Discussion and Analysis Report:

A detailed review of operations, performance and future outlook of the Company is covered under a separate annexure to this report as Management discussion and analysis.

Report on Corporate Governance

A separate Section on Corporate Governance is included in the Annual Report and the Certificate from M/s S. Samdani & Associates, Company Secretaries, Vadodara, and the Company’s Secretarial Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed thereto.

Fixed Deposits

Your Directors report that the Company has not accepted any deposits during the current financial year.

Insurance

Your Directors confirm that all the properties and insurable interests of the Company, including buildings, plant and machinery and stocks have been adequately insured.

Directors

At the forthcoming Annual General Meeting, Shri Babulal Sanghvi and Shri Vikram Sanghvi will retire by rotation and being eligible; offer themselves for reappointment in terms of the Articles of Association of the Company. A brief resume/particulars relating to them are given separately under the report on Corporate Governance. Your Directors recommend their reappointment at the forthcoming Annual General Meeting.

Directors’ Responsibility Statement

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors’ Responsibility Statement, your Directors confirm that:

- (i) In the preparation of the accounts for the financial year ended March 31, 2012; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any
- (ii) The accounting policies selected have been applied consistently and judgments and estimates made 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 and of the profit or loss of the Company for the year under review
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (iv) The annual accounts have been prepared on a going concern basis

Auditors and Their Report

Except of the following, comments of the auditors in their report and the notes forming part of the accounts are self-explanatory and needs no comments:

Auditors have qualified their report regarding ‘classification of certain liabilities into current and non-current’ which is a different view. In light of the revised schedule VI of Companies Act; this being the first year of implementation of revised Schedule VI due to lack of clarification and management

perception, there was a difference of opinion on current vs. non-current classification only which would be resolved in current financial year, as such the classification does not have any material impact on the financials of the Company, which auditors have also pointed out in their report.

M/s Shah Bhandari and Associates, the Company’s Statutory Auditors who retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Company has received a certificate from the auditors to the effect that their reappointment if made, would be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

The Directors recommend the reappointment of M/s Shah Bhandari & Associates and shall seek the approval of the members at the Annual General Meeting to authorise the Board to Directors to fix their remuneration.

Cost Auditor

The Central Government vide its order dated June 30, 2011 directed that audit of cost accounts maintained by the Company relating to the steel product for the year ended March 31, 2012 be conducted by the Auditors having qualification as prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly the Board had appointed M/s Diwanji & Associates as Cost Auditor for carrying out the cost audit for the FY 2011-12.

Corporate Social Responsibility

The call of fulfilling our Corporate Social Responsibility (CSR) has sincerely been taken by us and we accord as much significance as any business project for CSR and the results are there for everyone to see. Dedicated need-based interventions are initiated in areas where we operate. Enabling local people by fostering self-reliance is the motive behind our community development efforts. Therefore, our interventions are structured around promoting education, generating livelihood, empowering women and overall, social mobility.

Your Company is also constantly making efforts to maintain a greener planet and reduce the carbon footprint as much as possible. Through financial contribution and active participation of employees, Your Company provides support to programmes and non-profit organisations that address community sustainability. Your Company contributed towards Corporate Social Responsibility through donations, financial contribution, and sponsorship and by participating in various

such activities. Details of the some of these activities undertaken by the Company during the year are as under:

1. Donation to Vadodara GramyaJilla Traffic Education Trust
Vadodara GramyaJilla Traffic Education Trust, Vadodara has organised a short film festival to increase the awareness about the traffic rules which has been sponsored by the Vadodara Trafic Police. Your company has made contribution to said trust by way of donation. Your Company has always making efforts to participate such programs for awareness of the public and reduce road accidents.

2. Donation to Hari Om Seva Trust for medical help to the underprivileged
Your company is always trying to support the socially and economically weaker section of the society. As a part of the endeavor for continuously supporting such noble works, the Company has donated a contribution to Hari Om Seva Trust for medical help to the underprivileged which is an NGO & registered Charitable Trust rendering immaculate human services for the needy patients. The Trust provides the financial help in the form of their medical expenses and guiding patients to their doctors and wards. All funds collected by the trust are fully utilised for poor patients. They mainly providing their services at SSG Hospital, Vadodara which comprise of guiding poor illiterate patients to different department of the hospital like OPDs, Wards, Laboratory, RMO office, Emergency wards etc. Supplies of medicines to needy poor patients who are not capable to buy etc. They have made arrangement with other local Charitable Medical store for medicines and same is given at subsidised rates as compared to market rates.

3. Sponsored the CEP Course on Heat Treatment and Failure Analysis of Gears
Your company has sponsored the CEP Course on Heat Treatment and Failure Analysis of Gears organised by IIT, Bombay. The objective behind to sponsor these type of course is not only to identify those failure but also to determine and correct those failure which can lead to many potentially disastrous consequences, including poor product quality, necessary repair or component or equipment replacement, production downtime losses, environment impact and even loss of life. The course also dealt with many other aspects like steel failures arising during thermal processing, such as forging casting, heat treatment, welding and other and provided detailing potential failure that may occur during thermal processing and the identification of their root cause, even if it is not specifically the thermal process being considered. This course not only discuss various causes of a failure and its identification but also integrates this discussion with the

metallurgy of the process by providing one comprehensive resources.

Human Resources

The Company’s strength lies in its team of competent and motivated personnel. This made it possible for your Company to make significant improvements and progress in all areas of its working. The employees have from time to time taken up the challenge to improve the performance of plants through efficiency, productivity and economy. Your Directors are happy to place on record their sincere appreciation for the unstinted efforts and contribution put in by the employees of the Company.

The Company has also continued its endeavour to impart appropriate and relevant training to its employees at various levels with a view to equip them to take up the challenges ahead and to enhance their performance in the overall interest of the Company.

During the year, the Company maintained harmonious and cordial industrial relations. No man-days were lost due to strike, lock out among others.

Disclosure by Senior Management Personnel i.e. one level below the board including all HODS
None of the Senior Management personnel has financial and commercial transactions with the Company, where they have personal interest that would have a potential conflict with the interest of the Company at large.

Particulars of Employees Under Section 217
There were no employees coming within the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Acknowledgement

Your Directors express their sincere appreciation for the wholehearted and continued support assistance and cooperation extended by the, shareholders banks, suppliers, customers, employees, and all concerned towards the during the year under report.

On the behalf of the Board of Directors

Sd/-
Vadodara Babulal S. Sanghvi
August 13, 2012 Chairman

ANNEXURE ‘A’ TO THE DIRECTORS’ REPORT

(Additional information given in terms of notification issued by the Ministry of Corporate Affair)

Information as per section 217(1) (e) of the Companies Act. 1956 read with Company’s (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31/03/2012.

A. Conservation of Energy

- ▶ Energy saving in terms of electricity consumption is our prime concern. The Company utilises several systems to conserve energy. Well planned preventive maintenance improved our operational efficiency. Total energy consumption and energy consumption per unit of production is as per prescribed FORM A as per attached annexure.
- ▶ Water and air pollution control measures are optimum and industrial trade effluents are used for gardening after adjusting ph Tree plantation at the factory site is maintained properly.

B. Technology Absorption

- ▶ Main areas of emphasis include:

A. Acquisition of new improved equipment to further assure quality

B. Continuous emphasis on significant upgrading of manufacturing facility to improve product quality

- ▶ The Company has undertaken no R & D activities

C. Foreign Exchange Earnings and Outgo:

- ▶ Earnings in Foreign Currency (On Receipt Basis)

(₹ in Lacs)		
Particulars	2011-12	2010-11
F.O.B. Value of Export	1302.44	543.22
Total	1302.44	543.22

- ▶ Expenditure in Foreign Currency (On Payment Basis)

(₹ in Lacs)		
Particulars	2011-12	2010-11
ClF Value of import	2804.44	15.64
Other misc	648.16	29.66
Total	3452.6	45.30

ANNEXURE

FORM – A

Form of disclosure of particulars with respect to conservation of energy.

Sr. No.	Particulars	Units	Current Year 2011-12	Previous Year 2010-11
A	Power and Fuel Consumption			
1	Electricity			
	a. Purchased			
	Units	KWH	6,77,645	7,10,220
	Total Amount (₹)	-	40,61,525	41,16,008
	Rate / Unit (₹)	KWH	5.99	5.8
	b. Own Generation			
	Through wind farm project units	KWH	4,48,977	4,24,437
2	a. Coal			
	Quantity	MT	619.07	801
	Total Cost (₹)	-	44,59,441	47,26,727
	Average Rate (₹)	MT	7,203	5,903
3	a. Furnace Oil quantity in Kl.			
	Quantity	Kilo Liters	428.9	474
	Total Cost (₹)	-	1,53,97,027	1,27,25,076
	Average rate (₹)	Kilo Liters	35,899	26825
4	a. Fire Wood			
	Quantity	MT	125.52	71.025
	Total Cost (₹)	-	6,24,328	275890.7
	Average rate (₹)		4,974	3884
B	Consumption per Unit of Production			
	Product (MT)	MT	2,639.73	2,591.18
	Electricity	KWH/MT	256.71	274.09
	Furnace Oil	Kilo Liters/MT	0.16	0.18
	Coal	MT/MT	0.23	0.31
	Fire Wood	MT/MT	0.05	0.03

On the behalf of the Board of Directors

Vadodara
August 13, 2012

Sd/-
Babulal S. Sanghvi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Global economic overview

The developments over the last year in major economies of the world have not been encouraging. There is an apprehension that the process of global economic recovery that began after the financial crisis of 2008 is beginning to stall and the sovereign debt crisis in the eurozone area may persist for a while. The global economy slowed in 2011, reporting a 3.8% growth that was lower than 5.2% in 2010 and is expected to grow by 3.3% in 2012. The emerging economies grew 6.2% in 2011 (7.3% in 2010) and are expected to grow at 5.4% in 2012, while advanced economies grew 1.6% in 2011 (3.2% in 2010) and are expected to grow at 1.2% in 2012. (Source: Economic survey 2011-12)

Indian economic overview

India's economic growth declined to 6.5% in 2011-12. The growth was the lowest in nine years including the global financial crisis period of 2008-09 when it was 6.7%. The fiscal deficit is likely to come down to 5.76%, below the 5.9% of GDP budgeted by the government. The industrial growth slowed down sharply during 2011-12. (Source: Economic times)

Industry overview

The Indian forging industry emerged as a major contributor to the manufacturing sector of the Indian economy.

The Indian forging industry is broadly classified into four sectors -- large, medium, small and tiny. As is the case globally, a major portion of this industry comprises small and medium units/enterprises (SMEs). Only about 5% comprises large enterprises in terms of numbers. (Source: Association of Indian Forging Industry)

A major portion of this industry constitutes small and medium units/enterprises (SMEs). The industry comprises 200 organised and 1000 unorganised forging units in the country which are mainly spread across Pune, Chennai, Delhi and Ludhiana. Reports suggest that about 85% of the production meets domestic demand while the balance gets exported. Steel forgings form a vital part of the auto industry. The forging industry depends heavily on the automobile industry which accounts for roughly 70% of the total forging production while the balance is sold to non-auto companies like valves, power

sector, earth moving, mining and oil field equipment, engineering, capital goods, among others. Steel forms a major part of input of the forging industry. (Source: Money control)

Company overview and outlook

The Company is one of the major manufacturer and exporters of forging products for industrial applications. The Company is in business since year of incorporation i.e. 1989. The largest size of the Forgings offered by the Existing Facility is 4.0 Tons. Company is now expanding its business by setting up 15000 MTPA Open Die Forging Unit at Waghodia (near to the existing unit) which is quadruple in size in comparison to existing unit and is very near to completion. In new plant Company will be able to make the forging upto 40 MT.

Despite overall weak macro economics fundamentals & poor performance of overall manufacturing sector, the Company has been able to registered impressive performance during the fiscal year 2011-12. The raw material costs have increased substantially but it has not affected to that extent to your Company because of the receiving of the good amount of the sales orders during the year. The Company has bagged good amount of orders during the year from both the domestic as well as overseas markets, which shows our strength and trust of our customers in the Company which they have reposed over years. The Company is already having good order bookings and in the coming years we believe to get more such orders and will emerge as a leading supplier in the Forging Industry. In addition to our current capabilities, commissioning of new plant will help us to achieve our vision to become dominant supplier in the forging industry. But at the same time, there are so many challenges like timely completion of project, supply of skilled workers, and working capital at the initial stage of the Project. Our immediate goal is to commission the project as per the scheduled time and to start the production. We are very confident that we will overcome all these hurdles and strongly believe that we will be able to meet the expectation and increase the profitability of our organisation and will become a leading supplier in Forging Industry by providing one-stop solution for forged product where we can be a preferred product development partner with our customer.

Major Developments during the year

1. Successful completion of the IPO:

The Company came out with an IPO in May 2011, during that time the market condition was not so favorable though we successfully completed the IPO and listed our equity shares with BSE and NSE in May 2011.

2. New Project:

As part of its strategy, the Company is expanding its business by setting up 15000 MTPA Open Die Forging Unit after understanding the demands of the forging industry and taking into consideration market feedback and economic factors and evaluation. Presently, the project is progressing as planned and all the erecting activities are on full swing. All the requisites plant and machineries have been received at the site and erection work has already started. As of now, 80% of the work has been completed. Your Company has faced a few challenges like shortage of funds due to the change in suppliers which increased the total project cost to ₹ 132 crores. The Company has changed supplier of furnaces for the project in order to improve fuel efficiency. The furnaces which were earlier proposed to be purchased from the Korean supplier have been now purchased from German supplier which has been increased the project cost by ₹ 13 crores. To meet the requirements of a fund shortage, the Company had to take a fresh term loan to the tune of ₹ 8 crores aggregating ₹ 80 crores. There are other various challenges which the Company will have to face in the near future, but we believe that we will overcome these bottlenecks and will commission on schedule. We believe once the project gets in streamlined. We believe that once the New Project is commissioned and production gets streamlined, we will be able to meet the targets and increase the profitability of our organisation and will become the leading supplier in the Forging Industry.

Performance Highlights

Growth in our numbers, 2011-12

- ▶ Revenues grew 26.13% from ₹ 40.22 crore in 2010-11 to ₹ 50.73 crore in 2011-12
- ▶ Profit before tax (PBT) grew by 14.69% from ₹ 6.06 crore in 2010-11 to ₹ 6.95 crore in 2011-12
- ▶ Profit after tax grew by 21.12% from ₹ 3.93 crore in 2010-11 to ₹ 4.76 crore in 2011-12
- ▶ Gross block increased from ₹ 23.06 crore as on March 31, 2011 to ₹ 66.71 crore as on March 31, 2012

Strengths

Diversified Order Book: The Company is not depending on any particular sector. This will give competitive edge. We are supplying forging to various sectors like Oil & Gas, Ship Building, Defence, Power & among others.

Scale: The Company will complete its ongoing expansion from 3,600 MTPA to 18,600 MTPA by September in 2012-13, making it India's one of the largest open die forgings company.

Quality: The Company's plant is certified for ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001:2007. It products also Certified by TUV, Germany for Pressure Equipments Directive.

Client base: The Company derives more than 75% of its revenues from India by servicing the clients like Mazgaon Dock Ltd., Samsung Eng., IOCL, among others. We export our products to the countries like German, France, Canada, UK etc. & Middle East.

New Advance Technology: The Company's new production capacity comprises state-of-the-art equipment from Italy and Germany resulting in superior quality and lower production costs will give us competitive edge from others. In our New Plant we will able to deliver the product to customer in a very short period of span between 4 to 5 month with the help of advance technology which in presently domestic customers are depending on the import from other countries which in normal course of time takes 8 to 9 months for delivery of product.

The Company has installed the following plant & machineries in the New Plant

- ▶ One state of the art 4000 Tons Open-die Hydraulic Forging Press which has been supplied by Danieli and C-Breda division, Italy. It is used to exert large enough force to press the metal into required shape.
- ▶ One 60 Tons Rail Bound Manipulator which has been supplied by Dango & Dienenthal, Maschinenbau GMBH, Germany. It is used for holding and rotating the hot ingot while forging. It can hold ingot of 60 MT weight.
- ▶ Five furnace has been supplied by Schlager Industrieofenbau GmbH, Germany. Out of this two will be used in reheating and three will be used for heat treatment.

Wide market: The Company's products are marketed across India and abroad. Exports account for more than 20% of revenues.

Expertise: The Company develops critical products with systemised solution as per the customer's requirement, marked by low competition.