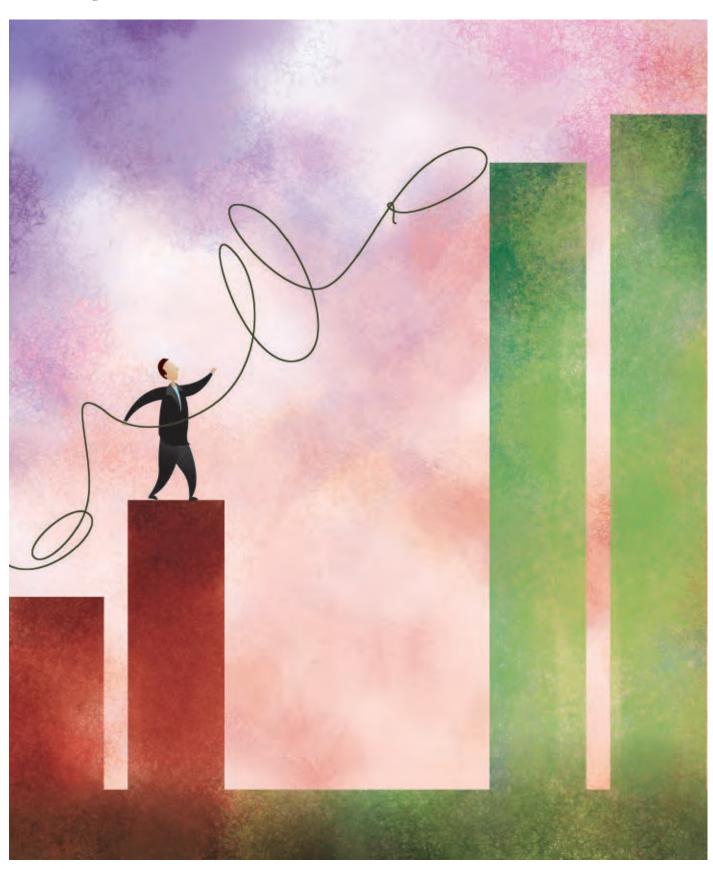


We are forging our way to victory Annual Report 2016»17



Welcome to our 2017 Annual Report

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"I have miles to go before I sleep"

- Robert Frost

We at Sanghvi look our journey through the prism of these beautiful lines.

We at Sanghvi look our journey through the prism of these beautiful lines. We have since our inception strived to become one of India's coveted forging company. We are marching strongly with our expertise which we have built through years of hard work and passion. We have remained steadfast and held on to our mission even in the times of distress, which has honed our capabilities and strengthened our endurance. We believe that the future of forging industry is promising and bright filled with exciting opportunities and growth prospects. We are confident of fulfilling the future demand of the industry with our strong foundation, domain expertise and innovation capabilities.

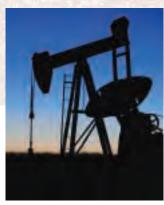
We foresee ourselves as partners in the nation building process by becoming a part of the next wave of economic and industrial growth.

About the Company

Sanghvi Forging & Engineering Ltd is India's promising and fast-growing manufacturers of forging products for industrial applications.

It has come a long way since its inception in 1989 as a small 300 MTPA close die forging company to now being one of India's largest and coveted open-die forging company with an installed capacity of 18600 MTPA.

The Company has over the years developed par excellence forging capabilities by developing critical components.







SECTOR	Oil & Gas Chemical, Fertiliser	Power Hydro, Wind, Thermal, Nuclear	Defence Aerospace, Ordnance
PRODUCTS	Flanges, Valve bodies, Casing spool, BOP, Fluid ends, Nozzles, Drill Collar, Tube sheet, Shell, Reactor Internals	Rotor shaft, Coupling, Thrust block, Pelton runner, Generator shaft, Fly Wheel	Landing gear, Nozzle, Armour plate, Gun barrel, Shaft, Drive shaft, Propeller, Rudder, Pipe Fittings, Canisters etc.
KEY CLIENTS	HP, Bharat Petroleum, ONGC, Indian Oil, Kuwait Refinery, Technimont, Samsung, GSFC, GNFC, Reliance	Voith, Andritz, Weg, NPCIL, IGCAR, TDPS, BHEL, Toshiba	DCNS France, Mazagaon Dock Ltd., DRDO, DMRL, ISRO, TBRL, BARC, Ordnance Factories

We are now a leading forging supplier for core sectors like Oil & Gas, Defence, and Power.

Our Vision

To be a pioneer and leading supplier in Forging Industry by providing onestop solution for forged products and be the preferred product development partner with our customers.

To be focused on high quality through quest for perfection and innovative approach to maintain leadership position in business.

Our Values

We must constantly strive to achieve the highest possible standards in day-to-day work and in the quality of goods we provide.

We must work cohesively with our colleagues across the company and are honest and straight forward to all stakeholders.

We accept personal accountability to meet our business needs, improve our systems and help others improve their effectiveness.

We believe that people work best when there is a foundation of trust.

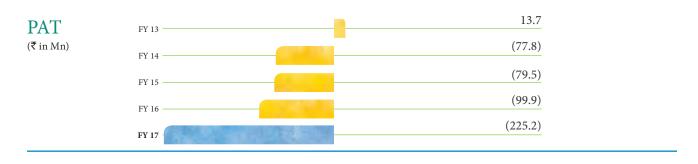
We have a compelling desire to lead the change and win in the market place.

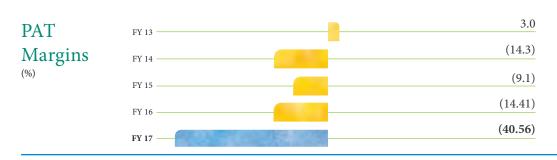
Financial Highlights Standalone

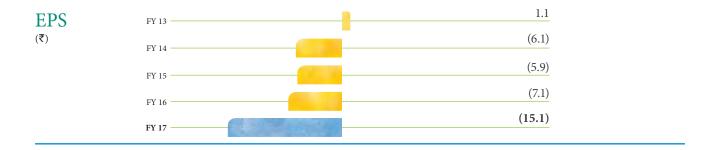


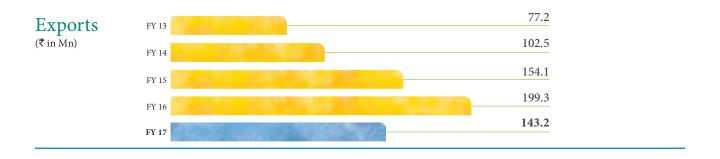
















Chairman's Message

Dear Shareholders,

The year gone by was a melange of various propitious domestic reforms initiated by the Government along with a few tough policy decisions.

Two major events dominated India's economic landscape namely the passing of long impending Goods and Services Tax (GST) bill and the demonetisation of high currency notes. The GST will help create common Indian market, improve tax compliance & governance and boost investment & growth. It is also a bold new experiment in the governance of India's cooperative federalism. Demonetisation has had short-term costs but it holds the potential for long term benefits.

Global economic activity is picking up with a long awaited cyclical recovery in investment, manufacturing and trade. World growth is expected to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018 according to World Economic Outlook forecast by IMF. Stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply have helped commodity prices recover from their troughs in early 2016.

Opportunities and Threats

The pace of economic recovery continued to be stable with the Government's renewed thrust on manufacturing sector through Make in India and Skill India initiatives. These have managed to create a positive business environment whereby many Global OEMs and Tier 1 players are planning to set up purchasing offices in India and looking at procuring high standard quality products. With business sentiments having improved in India, we expect to see improved business activity which will push the domestic demand for forging products as well as exports in the coming years.

The Indian forging industry is gearing up to expand its operational spectrum by evolving and innovating itself to move beyond conventional forging to high–end customised forging solutions like providing finished and ready to assemble parts, rather than supply of finished forgings.

One of the key challenges faced by Indian forging industry is the price disparity of raw materials as compared with Chinese and European markets. Prices of major input materials like steel scrap, coke and iron ore have dropped by more than 30% globally while Indian steel prices have not been reduced to that extent. This had made manufacturing and export of forging products to global destinations unviable for Indian companies. Overall, the industry is expected to maintain a modest growth rate this year, but we foresee positive indications in the long-term, which will put the industry back on the growth track.

Financial Review

Our Company reported annual turnover of ₹555.3 mn in FY 2017, which was down by 19.8% as compared to ₹692.2 mn in FY 2016 on a standalone basis. EBITDA stood at ₹30.6 mn in FY 2017 as compared to ₹146.6 mn in FY 2016. The Company has reported a net loss of ₹225.2 mn in FY 2017 as compared to a net loss of ₹99.9 mn in FY 2016. Export income stood at ₹143.2 mn in FY 2017 as compared to ₹199.3 mn in FY 2016.

Due to non-availability of raw material, the Company was not able to process the orders in hand leading to a decline in revenues. Lower capacity utilisation (below 25%), higher fixed costs and interest burden were the main reasons for the net loss, resulting in acute cash deficit. This led to default in servicing various interest, installments and LC commitments. The Company faced liquidity constraints rendering its account as NPA in November 2016.

Our Company has also initiated a process of financial restructuring with its banks, which is subject to approval. This will help ease our interest costs, improve our working capital gap and help in achieving higher operational efficiencies in the coming years.

Business Strategy

We have come a long way in our journey which started as a closed-die forging company. We have slowly and steadily paved our way into the league of value-add and customised, heavy open-die forging in non-automotive segment. Our diversified product portfolio in critical sectors like oil & gas, defence and power has helped us build a kitty of marquee clients both in the domestic and international markets.

The Indian forging industry is gearing up to expand its operational spectrum by evolving and innovating itself to move beyond the conventional forging to the high–end customised forging solutions.

Our diversified product portfolio in critical sectors like oil & gas, defence and power has helped us build a kitty of marquee clients both in the domestic and international markets.

Our singular focus has been on fostering innovation in our capabilities and competencies, which we believe is the only way to build a sustainable business. We have over the years become a preferred choice among our clients who are looking for high quality and specialised forgings from a minimum of 1 kg. to a maximum of 40 MT – a range which gives us a distinct competitive advantage over our peers. Our competitive advantage is a result of years of relentless effort and dedication by our passionate team, whose collective capabilities have helped us sail through times of uncertainty and firmed up our presence as a trusted name in the forging sector.

We are constantly striving to strengthen and grow our business keeping in mind the market scenario and client needs. Forging is a highly specialised area which requires constant innovation. We have gradually augmented our capacities and invested resources in scale, quality and technology.

Scale

New capacities to the tune of 15,000 MTPA added in the open die segment, taking the total capacity to 18,600 MTPA.

Quality

Our plants and manufacturing sites have received international quality approvals and certifications

Technology

We have invested more than ₹150 crores in the last five years in state-of-the-art technology with machineries from Germany and Italy.

Outlook

We are continuously working towards building a long term sustainable business to attain leadership position in the fast-growing non-auto segment. With our diversification in highly lucrative sectors like Défence and Power along with some major approvals from large customers, we foresee immense revenue potential for next three to five years. Higher capacity utilisations in our new plant along with export focus will help us boost our margins in the coming years.

I would like the end the note with this thought by Ralph h. Blum "Nothing is predestined. The obstacles of your past

We have gradually augmented our capacities and invested resources in scale, quality and technology.

can become the gateways that lead to new beginnings", which reflects the ethos of our philosophy and work culture.

On behalf of my colleagues on the Board of Directors, I take pleasure in applauding the untiring effort of the entire team of Sanghvi Forging for their performance in the last financial year. I would also like to express our gratitude to the regulators, bankers, our shareholders and customers for their continued support in enabling us to build one of India's leading forging companies.

Yours truly,

Mr. Babulal S. Sanghvi



We are Proud

We have achieved many milestones in the highly competitive and ever changing forging market.

Slowly and steadily we have expanded our capabilities, acquired new technologies and diversified into new sectors.







Strong Foundation

We obtained our first major approval in 1996 from the Technical Development Committee of India, which was followed by two small expansions in 2005 and 2006 with further augmentation of closed die forging installed capacity up to 1,200 MTPA and establishment of new open die forging plant with an installed capacity of 2,400 MTPA respectively.