

23rd ANNUAL REPORT (2010-2011)



SANGHVI
FORGING & ENGINEERING LTD.
Unique • Innovative • Precision



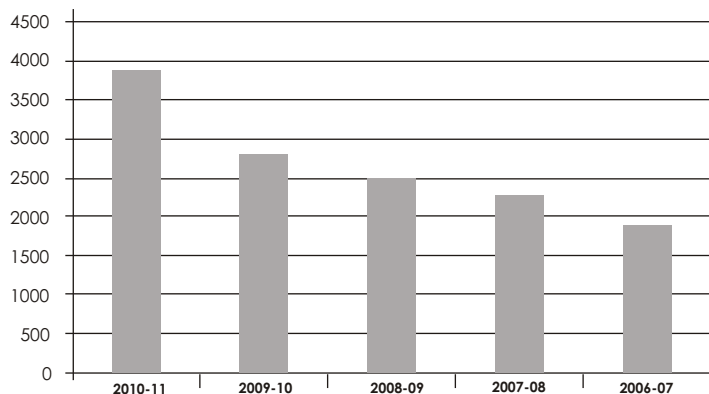


FINANCIAL HIGHLIGHTS FOR LAST FIVE YEARS

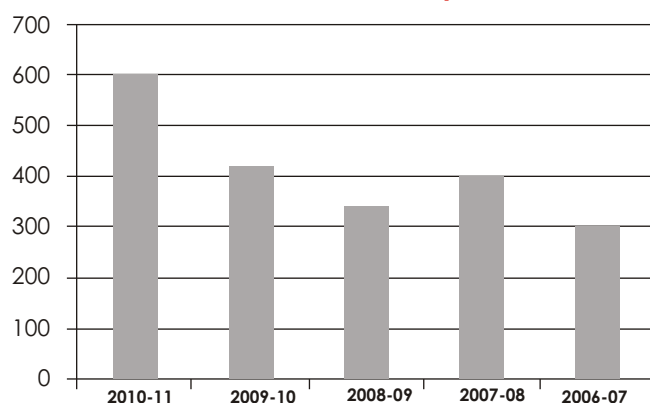
(₹ / in Lacs except mentioned)

FINANCIAL YEAR	2010-11	2009-10	2008-09	2007-08	2006-07
Sales	3858.93	2792.03	2515.22	2249.09	1892.04
Profit Before Interest, Depreciation & Tax	606.34	415.81	340.09	401.66	298.08
Net Profit After Tax	393.49	270.13	250.05	217.61	200.22
Fixed Asset	2306.42	1100.39	1059.2	941.06	608.29
Net Worth	1867.81	1201.35	879.87	628.84	415.12
Earning Per Share (₹)	5.14	3.61	3.68	3.20	3.02
Balance Sheet					
Fixed Assets	2306.42	1100.39	1059.2	941.06	608.29
Ordinary Share Capital	799.02	478.19	393.19	393.19	98.03
Reserve & Surplus	1068.61	723.16	489.59	239.54	316.82
Secured Term Loans	1157.37	965.85	987.07	853.68	582.44

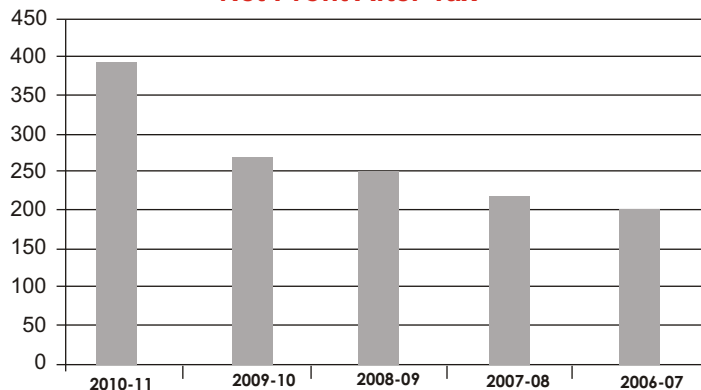
Sales



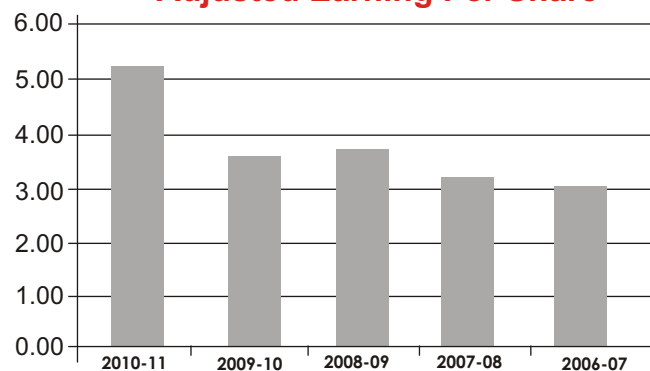
Profit Before Interest, Depreciation & Tax



Net Profit After Tax



Adjusted Earning Per Share





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BOARD OF DIRECTORS

Mr. Babulal Sanghvi
(Chairman and Whole Time Director)

Mr. Jayanti Sanghvi
(Managing Director)

Mr. Naresh Sanghvi
(Whole Time Director)

Mr. Vikram Sanghvi
(Whole Time Director)

Mr. Shantaram Yarlagadda
(Independent Director)

Mr. Baba Pai
(Independent Director)

Mr. R.C. Prasad
(Independent Director)

Mr. R.S.Kaushal
(Independent Director)

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Kiran Mohanty

OUR 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.

To be focused on high quality through quest for perfection and innovative approach which shall help us in maintaining leadership position in business.

OUR CORE VALUES

We at Sanghvi Forging & Engineering Ltd. believe in the following principles.

1. We must constantly strive to achieve the highest possible standards in day-to-day work and in the quality of goods we provide.
2. We must work cohesively with our colleagues across the company and are honest and straightforward to all stakeholders.
3. We accept personal accountability to meet our business needs, improve our systems and help others improve their effectiveness.
4. We believe that people work best when there is a foundation of trust.
5. We have a compelling desire to lead the change and win in the marketplace.

STATUTORY AUDITORS

M/s Shah & Bhandari
Chartered Accountants

BANKERS

State Bank of India
Bank of Baroda
Axis Bank

LEGAL ADVISORS

M/s. P. H Bathiya & Associates
Advocates

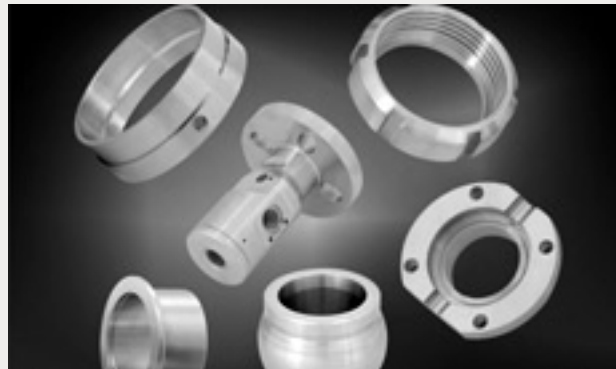


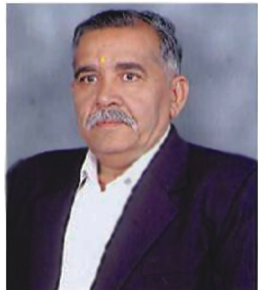
REGISTERED OFFICE

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

Our product profile includes Forged Flanges, Closed Die Forgings, Open Die Forgings and Machined Components as given below:-

Sr. No	Product Category	End-Use Industries
1.	Forged Flanges	Oil and gas, petrochemicals, fertilizers and process plants
2.	Closed Die Forgings	Valve manufacturers and OEMs
3.	Open Die Forgings	OEM fabricaters and power sector
4.	Machined Components	OEMs for instrumentation and valves





On behalf of the Board and Shareholders, I am delighted to welcome you to our Annual Report 2010-11 which sets out our goals, strategy and analysis of our performance and achievement. Let me begin with an overview of the Indian Forging Industry. The Indian Forging industry has now emerged as a major contributor to the manufacturing sector of the Indian Economy. Forging Industry is a basic industry and such industries tend to grow in a country in relation to the rate of growth of its GDP. Alongwith the automotive sector, non-automotive sectors also have shown positive growth rate during past 2 years. Exports are huge in the Forging industry. An increasing number of companies from all over the world are coming to India to procure components and products. Hence there is an optimism that the forging industry will continue to grow and do well in the immediate future. Considering the above, the demand for forgings is expected to grow in near future. Hence, the future looks rosy for the forging industry in terms of the expected surge in both global and domestic demand.

Your company has made a conscious decision to focus on non-automotive sector as our major business strategy. Your company manufactures products for non-automotive sectors with the belief that positive outlook of different user sectors will drive the growth of forging industry for non-automotive sectors and also the growth of your company. I am very happy to inform you that your company is one of the key players in the non-automotive sector.

The key factor in our business is the vendor/consultant approval, given the critical end use of the product. We have, in the last few years, been successful in obtaining various such approvals in both the domestic and international markets. We also share a good client relationship worldwide; hence, majority of our business is received from repeated clients.

Let me move to the financial performance in 2010-2011. As compared to previous year, the performance of your Company has witnessed a marked improvement and earned a net profit after tax of ₹ 393.49 lacs as compared to Rs. 270.24 lacs in the corresponding previous year. The Gross Income of the company has increased significantly from ₹ 2922.12 lacs to ₹ 4012.43 lacs, posting an increase of 37.31%. Earning before interest, depreciation and tax for the year has also depicted an increase of over ₹ 220 lacs as compared to previous year. Fresh order inflow and Quantum of orders has always determined your company's ability to thrive and grow. The results on both these counts have been significant in the current financial year.

I am very pleased with overall performance of the company but still there is plenty of space for improvement. Let me inform you that there are some major opportunities for non-automotive forgings in the industries like Oil and Gas, Power-Thermal, Hydro and Nuclear, Ship Building and Aerospace & Defence.

You will glad to know that your company is one of the key players for supplying forging to these industries but there still lies plenty of opportunities in these industries, which we need to cater. To become successful and in order to grow, we need to grab these opportunities. To meet customer needs in the future and to build a strong relationship with them both the Board and management agree that we must be prepared to make significant investments by way of expansion of business and renewing the network and equipment. Keeping this focus in mind, your Company is setting up a 15000 MTPA Open Die Forging unit (with single piece forging up to 40 MT) to manufacture products open die forging products like stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, shells, disks etc which are generally imported, at G.I.D.C., Industrial Estate (at plot no. 1401, 1402 & 1403) Waghodia District: Vadodara. The Company has already acquired the said land and also placed firm order for key machinery amounting to ₹ 4500.00 lacs from the leading suppliers. These machineries have a high lead delivery time. The project is appraised by State Bank of India, Industrial Finance Branch Baroda and it is proposed to be part-financed by term loan of ₹ 7200 lacs from the banks. State Bank of India has sanctioned term loan of ₹ 5000 lacs and Bank of Baroda has sanctioned term loan of ₹ 2200 lacs.

I am very happy to inform you that the Company has successfully made an Initial Public Offer of 4341195 equity shares of ₹10/- at a price of ₹ 85/- aggregating to ₹ 3690.02 lacs during the month of May 2011 to part finance the said project. The shares of the Company were listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited on May 23, 2011.

Your Company intends to move up in supply chain of forging products and remove the intermediaries between final vendors and us. The success of the same depends on our ability to manage the expansion and inducing demands for the new product line in coming years. Your Company's knowledge of forging industry and demand analysis done by us in various industries concludes that there is a strong demand for our products. Your Company strongly believes that we will be able to meet the expectation and increase the profitability of our organization.

Finally I take this opportunity to thank all our employees, customers, vendors and bankers for their continued support who have played a catalytic role in ensuring success for overall development of the company.

Yours Sincerely

Babulal Sanghvi
Chairman

**To the Members,
SANGHVI FORGING AND ENGINEERING LIMITED**

Dear Members,

Your Directors have pleasure in presenting the 23rd Annual Report of the Company together with the Audited Accounts for the Period ended on 31 March 2011, for your perusal, consideration and adoption.

FINANCIAL RESULTS

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

(₹ in Lacs)

Particulars	2010-11	2009-10
Income from Operation	3987.82	2907.19
Other Income	24.61	14.93
Total Income	4012.43	2922.12
Operating & Administrative Expenses	3185.71	2317.37
Operating Profit before Interest, Depreciation and Tax	826.72	604.75
Interest and Financial Charges	155.50	124.01
Depreciation and Amortisation	64.88	64.93
Profit Before Tax	606.34	415.81
Provision for Tax		
Current Tax	207.19	135.25
Fringe Benefit Tax		
Deferred Tax	5.66	10.32
Profit After Tax	393.49	270.24
Excess/(Short) Provision for taxation and tax payments	.21	(3.96)
Transfer to Gratuity Payable Account from Opening Balance of P/L	-	(4.84)
Surplus Brought Forward from Previous Year	683.28	479.72
Balance available for Appropriation	1076.98	741.16
Appropriation		
Proposed Dividend	-	23.91
Tax on Proposed Dividend	-	3.97
Transfer to General Reserve		30.00
Issue of Bonus Shares	286.92	-
Carried Forward	790.06	683.28

OPERATIONAL PERFORMANCE

As compared to previous year, the performance of your Company has witnessed a marked improvement and earned a net profit after tax of ₹ 393.49 lacs as compared to ₹ 270.24 lacs in the corresponding previous year. The Gross Income of the company has increased significantly from ₹ 2922.12 lacs to ₹ 4012.43 lacs, posting an increase of 37.31%. The earnings before other income, interest and depreciation (EBIDTA) for the year has also depicted an increase of over ₹ 220 lacs as compared to previous year. Fresh order inflow and Quantum of orders has always determined your company's ability to thrive and grow. The results on both these counts have been significant in the current financial year.

PRE-IPO PLACEMENT

Company through the resolutions of its Board of Directors dated December 29, 2010 and April 13, 2011 has made Pre-IPO placement of 699981 equity shares of ₹ 10/- each fully paid up at premium of ₹ 70/- aggregating to ₹ 559.98 lacs to Dango & Dienenthal GmbH KG, Germany.

INITIAL PUBLIC OFFERING

The Company made an Initial Public Offer of 4341195 Equity shares of ₹ 10/- at a price of ₹ 85/- aggregating to ₹ 3690.02 lacs during the month of May, 2011 to part finance the cost of setting up 15000 MTPA Open Die Forging Unit (with single piece forging upto 40 MT). The said issue, which was made after receiving clearance from the Securities and Exchange Board of India and from the Registrar of Companies, Ahmedabad, opened on 4th May, 2011 and closed on 9th May 2011. Consequent upon the allotment of 4341195 Equity Shares in the IPO, the paid up capital of the Company has increased to ₹ 126922670/- divided into 12692267 Equity Shares of ₹ 10 each. The shares of the Company were listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited on May 23, 2011.

NEW PROJECT

The Company is setting up 15000 MTPA Open Die Forging Unit (with single piece forging upto 40 MT) to manufacture products viz. stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, forging items etc at GIDC Industrial Estate (at Plot no. 1401, 1402 & 1403), Waghodia Dist: Vadodara. The project is scheduled to be commissioned by May 2012.

INVESTORS' RELATIONS AND GRIEVANCES

The Company has a Shareholders' and Investors' Grievance Committee which addresses the issues relating to investors. There were no investor grievances pending as on 31st March, 2011. A confirmation to this effect has been obtained from the Company's Registrar and Share Transfer Agent. The details regarding the investor complaints received and resolved during the year, are mentioned in the Report on Corporate Governance annexed to this report.

CONSERVATION OF ENERGY

Saving of energy in terms of Electricity Consumption is our prime concern for that Company utilizes several systems to conserve the energy. Well planned Preventive Maintenance has 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A detailed analysis of the Company's performance is mentioned in the Management Discussion and Analysis Report, which form part of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

As your Company is become listed w.e.f 23rd May 2011, your company is now committed to follow the best of the corporate governance practice and follows the same while conducting affairs of the Company. A Report on Corporate Governance along with a certificate from the Practicing Company Secretary of the Company regarding the compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement forms part of the Annual Report.

INSURANCE

All the properties and insurable interests of the Company, including buildings, plant & machinery and stocks have been adequately insured. Also, as required under the Public Liability Insurance Act, 1991, your Company has taken all the necessary insurance cover.

FIXED DEPOSITS

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

DIRECTORS

The board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning. Your directors place on record their appreciation for their valuable services rendered by them in the capacity of director of the company.

Your Company has appointed Mr. Shantaram Yarlagadda , Mr. R.C Prasad, Mr. Baba Pai and Mr. R.S. Kaushal as Independent Directors, w.e.f. 01st June, 2010 and 15th July 2010 respectively, to broaden the base the Board of Directors and to comply with the requirements of Clause 49 of the Listing Agreement.

Mr. Babulal Sanghvi, the Whole-time Chairman, Mr. Naresh Sanghvi and Mr. Vikram Sanghvi, the Whole-time Director were appointed as an executive director for a period of five years w.e.f. 20/04/2010.

Mr. Jayanti Sanghvi, was appointed as a Managing Director w.e.f. 20/04/2010 for a period of five years whose tenure shall expire on 19/04/2015. The same was approved by the members in the Extra-ordinary General Meeting held on 15/05/2010.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement 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, 2011; 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 and;

(iv) The annual accounts have been prepared on a going concern basis.

AUDITORS AND THEIR REPORT:

Comments of the auditors in their report and the notes forming part of the accounts are self explanatory and need no comments.

M/s Shah Bhandari and Associates, the Company's auditors will 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 re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956.

The directors recommend the re-appointment of M/s Shah Bhandari & Associates and shall seek the approval of the members at the Annual General Meeting to authorize the Board to Directors to fix their remuneration.

HUMAN RESOURCES

The strength of your Company lies in its team of its competent and motivated personnel. This has made 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 endeavor 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.

The industrial relations remained cordial during the year.



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.

FORWARD LOOKING STATEMENT

In the report we have provided forward looking information to comprehend our prospects. It presents anticipated results based on business plan and certain assumptions; achievement of results is subjected to market risks and uncertainties. Though we cannot guarantee realization of the results, we assure that the statements are based on prudent assumptions. Actual results may differ materially from those either expressed or implied.

ACKNOWLEDGEMENT

Your Directors express their grateful appreciation for the assistance and cooperation received from the Banks, employees, shareholders and all concerned towards performance of the Company during the year under review.

Vadodara
10th August 2011

On the behalf of the Board of Directors

BABULAL SANGHVI
CHAIRMAN