



SANGHVI
FORGING & ENGINEERING LTD.

ANNUAL REPORT **2015-16**

**BUILDING A
SUSTAINABLE
FUTURE**

Disclaimer

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward-looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual results may deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above-mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and up-to-date nature of information taken, and declared as being taken, from third parties, as well as for forward-looking statements, irrespective of whether these are derived from third parties or ourselves. Readers should keep 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.

ACROSS THE PAGES

About Us **02**

Message from the Chairman **04**

Financial Highlights 2015-16 **06**

Our Journey **07**

Our Core Competencies **08**

Corporate Information **09**


Management Discussion and Analysis **10**

Board's Report **15**

Corporate Governance Report **37**

Standalone Financial Statements **54**

Consolidated Financial Statements **84**



Our vision yesterday was to create a rock solid today.

Hence, we have worked our way towards an enduring foundation.

We've maximised our know-how, multiplied our capabilities and diversified our expertise. All in the bid to stand on a ground of consistent performance and excellent results.

And now that we are here, our ambitions are striving towards something bigger and a lot more enduring. We are going ahead to meet the demands of the future and create a concrete place for ourselves in that arena. We are striding ahead to bring about a powerful era of economic surge for India.

But most of all, we are moving ahead to build a truly sustainable future for ourselves and the Indian industrial fraternity.

WE ARE **BUILDING**
A SUSTAINABLE FUTURE

ABOUT US

Started in 1989, Sanghvi Forging is among the country's leading manufacturer of forging products for industrial applications. With an installed capacity of 18,600 TPA, across two plants, we can manufacture a single-piece forging of upto 40 MT.

Our plants are certified for ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001:2007. Our products are also certified by TUV, Germany, for Pressure Equipments Directive. Our product basket consists of forgings of diverse nature like tube forgings, forged bars, shafts and rings

Having demonstrated our product capabilities and qualities for domestic clients, we now have a strong presence in the international markets for some of the marquee players. With expanding capacities and growing market presence, we have worked towards achieving high business sustainability.



OUR VISION

To be a pioneer and leading supplier in Forging Industry by providing one-stop 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.

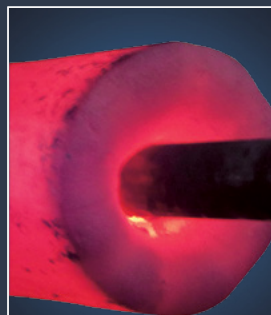
PRODUCTS PORTFOLIO



Forged Flanges



Closed Die Forgings



Heavy Forgings



Machined Components

INDUSTRIES & APPLICATION



POWER SECTOR

- ▶ Shafts ▶ Rings ▶ Rotors ▶ Couplings
- ▶ Polar Wheels ▶ Hydro Shafts ▶ Pelton Runners



DEFENCE

- ▶ Canisters ▶ Gun Barrels ▶ Rocket Shells ▶ Armor Plates
- ▶ Breach Blocks ▶ Forged plates



SHIP BUILDING

- ▶ Flanges ▶ Drive Shafts ▶ Nuts & Bolts
- ▶ Rudder Shafts ▶ Propeller Shafts



OIL & GAS

- ▶ BOPs ▶ Shells ▶ Flanges ▶ Drill Collars
- ▶ Tube Sheets ▶ Valve Bodies ▶ Casing Spools

MESSAGE FROM THE CHAIRMAN




Mr. Babulal S. Sanghvi
Chairman

DEAR SHAREHOLDERS,

The year 2015 was another year marked with volatility and uncertainty in economic growth - both at global and domestic level. Falling crude oil prices, the resurgence of US economy and geopolitical unrest in the Middle East resulted in global economy growing by a modest 3.1%. The emerging economies continued to face challenges on account of investments. With the rebound of crude oil prices, and Brexit issue, we expect the global economy to sustain its growth levels.

India continued to show its strength by clocking the fastest economic growth in the world with a GDP of 7.6% in 2015-16. The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong government reforms, RBI's inflation focus supported by benign global commodity prices. Despite uncertainties in global market, there was visible increased confidence among the foreign direct investment. With a slew of major economic reforms taking shape, it is expected that the economy will further grow in the coming year.

Your Company has prepared the foundation to achieve the next-level of growth. Since our new capacities that have been completed since 2013 and enhanced operational efficiencies, we expect to capitalise on the next-wave of growth opportunities. The economic reforms are expected to bring in benefits to the core sectors with significant investments. Our transition from a small forging player to heavy forgings products augurs well for us to capitalise on the future growth opportunities. It was our proactive approach to pump in investments during slowdown, which we expect to reap benefits as the economy slowly bounces back. With our growing presence and acceptance of our



India continued to show its strength by clocking the fastest economic growth in the world with a GDP of 7.6% in 2015-16.

₹69.30 cr

Total revenue in 2015-16

29.33%

Y-o-Y increase in share of exports from total revenue

14.62%

Y-o-Y increase in EBITDA

products among multiple sectors, we are fast gaining foothold in domestic as well international forging markets.

The year 2015-16 saw commercialisation of our new capacities and execution of the order book, we reported a positive PBDT during the year. On a standalone basis, total revenue stood at ₹69.30 crore, supported by a 29.33% growth in exports. EBITDA margins grew by 14.62%. The market demand continued to be weak, with low capacity utilisation levels. With expected reforms and new investments across country's core infrastructure sectors, we expect our order book to further strengthen and improve our profitability levels.

During the year under review, we further strengthened our global presence. Understanding the importance of quality, our products continued to be certified and trusted by some of the leading global vendors. Regular audits and intense quality checks have allowed us to ensure uncompromised quality levels for our products.

The 'Make in India' momentum continues to gain traction in the eyes of global investors and manufacturers. India was ranked the highest globally in terms of consumer confidence during October-December quarter of 2015, continuing its earlier trend of being ranked the highest during first three quarters of 2015, as per the global consumer confidence index created by Nielsen. This validates the country's growing prominence as a preferred destination for future investments for various products and services.

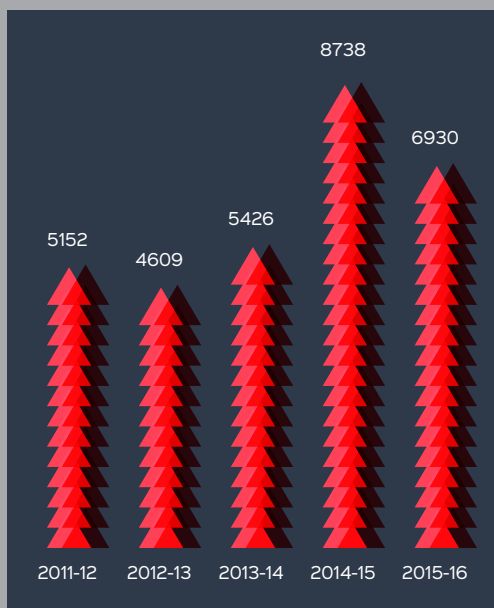
This change in attitude comes at an right time. With China now slowly transitioning towards a consumer-driven economy, the world looks upon India as the next cost-efficient and qualitative manufacturing base.

Since our inception we have always believed in sustainability. Even during downside of the economy, we knew our investments in capacity expansion was the need of the hour. We believed in our capabilities and core competencies to take the Company to

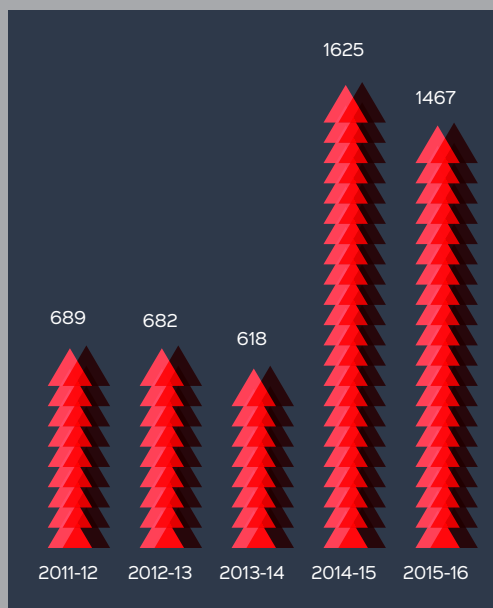
greater heights of success. Our state-of-the-art technologies, new product development and growing market presence will only help us reinstate our leadership.

Driven by our passionate team of managers and employees, we believe we stand at a threshold of exciting times ahead. On behalf of the entire team at Sanghvi, we thank the investors and shareholders for the continued support. We reiterate our conviction that the very reason for our existence is to create economic, social, and environmental value for our stakeholders—including our employees, our consumers, our shareholders, our bankers and the enterprises and institutions within our society—now and into the future.

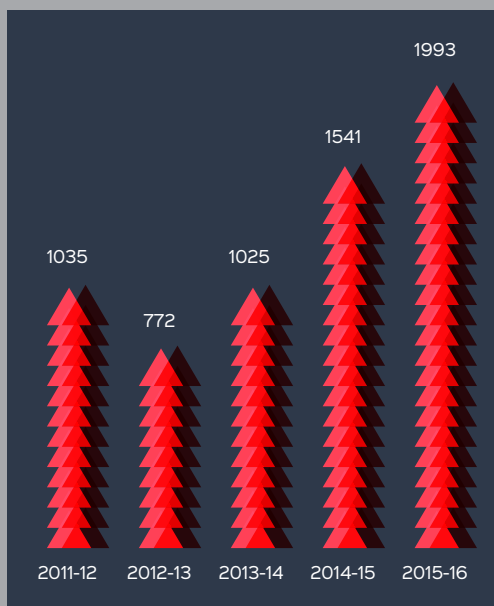
FINANCIAL HIGHLIGHTS, 2015-16



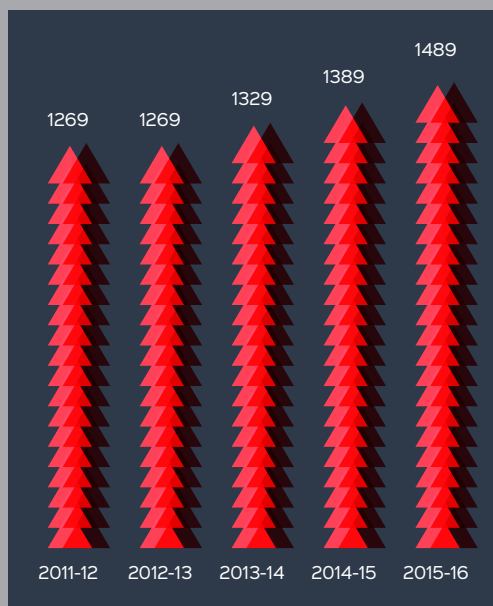
REVENUE (₹ in Lacs)



EBITDA (₹ in Lacs)



EXPORTS (₹ in Lacs)



EQUITY SHARE CAPITAL (₹ in Lacs)

OUR JOURNEY



1989

Set-up factory at Vadodara with an installed capacity of 300 MTPA for close die forgings



1996

Obtained first major approval from the Technical Development Committee of India



2005

Enhancement of closed die forging installed capacity upto 1,200 MTPA



2006

Establishment of new open die forging plant with an installed capacity of 2,400 MTPA



2008

Implementation of SAP-Enterprise resource planning



2009

Obtained approval from GE , PDIL and EIL



2011

IPO and listing on BSE and NSE



2013

Commencement of new heavy forging division with the total installed capacity of 18600 MTPA



2015

Commissioned India's largest capacity: Polymer Quenching Tank



2016

Developed critical forgings for strategic applications.

OUR CORE COMPETENCIES



SCALE

We are one of the largest open die forging companies in India with a total capacity of 18,600 MTPA



TECHNOLOGY

The Company has invested more than ₹150 crore in last five years in state-of-the-art technology, with machineries from Germany and Italy.



MARQUEE CLIENTS

With products of high-quality our client profile includes Siemens, GE, VOITH, HP, BP, BHEL, GNFC, EIL, Essar, Godrej, IFFCO, BHPV, IOCL, MDL, Kirloskar, Reliance, Linde, ISRO, NPCIL and L&T among others.



GLOBAL PRESENCE

We generate around 30% of revenues from exports, reducing our dependence on the Indian geography. Today, we are present in more than 20 countries across the globe.



GREEN ENERGY

We have a captive green power generation of 0.350 MW. This has not only helped us sustain our energy requirements, but also helps us contribute to keeping a clean-green environment. We have installed a Root/Reed based STP plant for waste water treatment in our New Plant.



SECTORAL EXPANSION

Expanded market from Oil & Gas and Petrochemical sectors into Power Generation, Defence and Ship Building.



MAKE IN INDIA

Our focus on Import substitution for strategic sectors and export of high value forgings made in India.



CERTIFICATIONS AND APPROVALS

Successful in receiving major domestic and international certifications from reputed clients, this reflects our commitments and expertise in the industry.