



**SANGHVI**<sup>®</sup>  
FORGING & ENGINEERING LTD.

# **THE NEXT BIG THING**

ANNUAL REPORT 2012-13








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The year 2012-13 was marked by high capital costs, declining national growth and sluggish international offtake.

In this difficult environment, Sanghvi Forging did something that people really did not expect.

The Company quadrupled its production capacity.

The Company catered to growing Indian and international demand.

The Company serviced large demanding downstream sectors.

The Company climbed the value chain successfully.

Reasons enough to safely claim that Sanghvi Forging is...

**THE NEXT  
BIG THING**



Sanghvi Forging is a respected forging Company in Western India with pan-Indian and global clients.

In 2012-13, the Company commissioned a landmark expansion that was perhaps the largest undertaken by any Company in its sector during that year.

With the objective to build on its established

customer relationships, widen its market presence, strengthen margins and reinforce its competitive advantage.

With the complete impact of its expansion is visible, the Company is expected to emerge as the next big thing in its space and sector resulting in attractive benefits for its stakeholders.

## BACKGROUND

Sanghvi Forging & Engineering Limited (established in 1989) is engaged in the forging and engineering sector, headquartered in Vadodara, Gujarat (India) with two plants in Waghodia (Gujarat).

The Company possessed an installed capacity of 18,600 MTPA at the close of 2012-13, which was commissioned in November, 2012.

## PRESENCE

The Company has emerged as one of the leading manufacturers of forging and machine components with diverse industrial applications.

## LISTING

The shares of the Company are listed in the BSE and NSE. The Company enjoyed a market capitalisation of ₹31.41 crore on March 31, 2013.

## OUR VISION...

- To be a 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 VALUES...

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

- We must work in close coordination with our colleagues across the Company and are honest and straightforward in our interaction with all our stakeholders.

- We hold each and every individual involved in

the organisation while meeting the demands of our customers, 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 propagate change and take advantage of that in the marketplace.

## OUR PRODUCTS

Products	Applications
Open die forgings	EM fabricators and power sector
Forged flanges	Oil and gas, petrochemicals, fertilisers and process plants.
Closed die forgings Instrument forgings, ball forgings, components	Valve manufacturers and OEMs
Machined components	OEMs for instrumentation and valves
Heavy forgings Forged bars, plain shaft, stepped shaft rings, flange discs and hollow cylinders	Oil and gas, power, ship building and defence among others







## MILESTONES

**1992**

Set up the factory at Vadodara with an installed capacity of 300 MTPA for closed die forgings

**1996**

Obtained first major approval from the Technical Development Committee of India

**2002**

Obtained Canadian Registration Number (CRN) applicable for 13 provinces of Canada, enabling the Company to market its products in that country

**2005**

Enhanced its closed die forgings installed capacity to 1,200 MTPA

**2006**

Established a new open die forgings plant with an installed capacity of 2,400 MTPA

**2008**

Implemented SAP ECC 6.0

**2009**

Obtained product approvals from GE, PDIL and EIL

**2010**

Placed a firm order for the import of a forging press and manipulators for capacity expansion

**2011**

Successfully completed Initial Public Offering

**2013**

Commenced production at the new heavy forging division



## CHAIRMAN'S REVIEW

**IN A CAPITAL-INTENSIVE BUSINESS LIKE FORGINGS, SANGHVI FORGING EMBARKED ON A DARING INITIATIVE TO QUADRUPLE ITS CAPACITY IN 2012-13 WITH THE OBJECTIVE TO ACQUIRE SCALE, ECONOMY AND VISIBILITY.**

The nature of the economic slowdown and the significant capacity addition made it imperative for the Company to commission its new plant within schedule and estimated cost. We commenced production at our expanded facility in February 2013 and scaled our expanded facility to the maximum capacity utilisation possible towards the close of the financial year under review. Moreover, we were also able to grow our export sales from about 25% of turnover in 2011-12 to 27% in 2012-13. However, despite weak economic growth and an overall market sluggishness, we were able to contain our topline de-growth to about 10% (to ₹4522.56 lac) in 2012-13, a credible achievement in a challenging operating environment.

The company reported a bottomline of ₹136.63 lac, which was 71.27% lower than the previous year's ₹475.62 lac owing to a significant increase in interest from ₹141.82 lac in 2011-12 to ₹352.23 lac in 2012-13 and an increase in depreciation from ₹71.17 lac in 2011-12 to ₹192.72 lac in 2012-13.

I must take this opportunity to assure our shareholders that the Company did well to commission its capacities during the challenging circumstances of the financial year under review. The decline in performance must be considered



as temporary in view of the relatively un-scaled production on the one hand and the full interest-depreciation impact on the other. This we feel will correct as soon as we can increase production and amortise fixed costs more effectively across a larger throughput.

### ONE-STOP SHOP

Even as the performance of the Company may be perceived as disappointing from a short-term perspective, the long-term prospects of the Company were reinforced following the expansion.

At Sanghvi Forging, we believe that the new 15,000 MTPA open die forging unit is the right capacity expansion at the right time. Globally, the larger customers are selecting to widen purchases from a smaller number of vendors. As a result, these vendors need considerably larger capacities to be able to produce a wider number of products. This makes it possible for large customers to buy a majority of their requirements from fewer vendors, creating the prospect of a single-stop solution.

In view of this, the decision of Sanghvi Forging to quadruple its capacity was a business-strengthening decision that will enable the Company to emerge as a trusted provider of a range of value-added products for global OEMs. The plant possesses cutting-edge technology that will enhance productivity on the one hand and make it possible to deliver products with turnarounds in half the time taken by conventional forging companies.

Despite the prevailing challenges, the Company generated 26.79% of its revenues from exports in 2012-13.

### SOLUTIONS FOCUS

At Sanghvi Forging, we recognise that in

a competitive global environment, mere product delivery is passé. The emerging industry standard gives us the ability to solve problems and graduate to a higher delivery capability. Sanghvi Forging's expansion will make this transition a reality. In the past, the Company focused on the manufacture of large volumes of standard products for the oil and gas sector; the Company will shift to the manufacture of low volume, high margin products customised and benchmarked to demanding international standards making it possible for the Company to cater to the growing needs of OEM customers.

Besides, the Company plans to widen its customer base from traditional sectors to demanding, growing and value-added sectors like oil and gas, shipbuilding and defence.

### OPERATIONAL STREAMLINING

The Company has taken significant steps to streamline the operations of the Company. This becomes especially relevant in context of the fact that the Company's new plant will be manufacturing big forging products. As a means to the aforementioned end, the Company has roped in skilled and experienced personnel, a rare combination in this niche industry space. To ensure the consistent influx of such quality intellectual resources, the Company has tied up with certain educational institutions to provide proper training in this field at the grassroots level.

We understand the importance of approvals to procure new orders and the Company has been putting in concerted efforts towards getting new vendor approvals for our new heavy forging plant. We have so far obtained approvals from such reputed clients like Voith Hydro Pvt Ltd, Samsung

Engineering, BHEL Bhopal, BHEL Trichy, BHEL Hyderabad, BHEL Ranipet, Mazagon Dock Ltd, B.Foures (P) Ltd., Bangalore, Gujarat State Petronet Ltd, Andritz, ISRO, and NPCIL and expects to get more approvals in the near future.

### OUTLOOK, 2013-14

At Sanghvi Forging, we recognised the criticality in getting client approvals for our facilities, processes and capacity as a lead to order booking, production and profits. In view of this, the Company engaged with large international buyers of forging products and was successful in getting some important approvals for 2012-13.

In view of this, the Company's principal 2013-14 objective will be to maximise utilisation of its expanded capacity while enhancing capacity utilisation of its old plant in 2013-14.

Based on the enhanced productivity coming out of the two plants, the Company expects to double its revenue in the coming two years. Correspondingly, the Company expects to enhance operating efficiencies, reinforced with training, process discipline and procurement efficiency, which translated into lower production costs on the expanded modern capacity.

In view of these realities, we expect to generate higher revenues and profits translating into enhanced value in the hands of all those own shares in our Company.



Babulal S Sanghvi  
Chairman

# OUR STRENGTHS

## Quality

In the business of forgings, our products address the demanding requirements of large downstream sectors and clients. The Company's plant is certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Its products are certified by TUV, Germany, for Pressure Equipments Directive. Sanghvi Forging's quality commitment has ensured that its products are well-accepted in India and the world over.

## Scale

Following the expansion to 18,600 MPTA, the Company is one of the largest open die forgings companies in India.

## Technology

The Company invested in cutting-edge technologies from Italy and Germany, resulting in superior quality, lower production costs and higher capacity utilisation.

## Relationships

The Company's superior value proposition is reflected in a growing proportion of revenues derived from long-standing customers. In 2012-13, 75% of the Company's revenues were derived from customers enjoying relationships with the Company for three years or more.

## De-risked

The Company addresses the growing needs of sectors like oil & gas, shipbuilding, defence and power, among others, reducing its dependence on any single sector for revenue.

## Expertise

The Company has established a reputation in providing critical products customised around client needs.

## Wide market

The Company generated around 25% of revenues from exports, reducing its excessive dependence on the Indian geography. Nearly 80% of its international revenues were derived from long-standing clients generating repeat orders. The Company's products were exported to Canada, Germany, The Netherlands, UK, France, Belgium, Italy, Oman, Kuwait, Qatar, Argentina, the US and Australia among others.

## Brand-enhancing customers

Some prominent Indian customers comprised Siemens, AUDCO India Ltd, Indian Oil, HP, BP, BHEL, GNFC, EIL, Essar, Godrej, IFFCO, BHPV, IFCL, MDL, Kirloskar, RIL, BFL, Linde, ISRO, NPCIL and L&T among others.





# DOWNSTREAM CUSTOMERS

## Petrochemical industry

Tube sheets, channel shells, flanges, nozzles, valves, stub-end among others

## Shipbuilding and railway industry

Propeller shafts, intermediate shafts, thrust bearing, components of marine diesel engines, motor shafts, casings among others

## Oil & gas

Tee-connectors, Y-connectors, lateral trees, X-mas tree forgings, casing heads, wellhead forgings flanges, tube sheets, nozzles, valves among others

## Defence

Parts like warship, gun barrels, missiles components among others

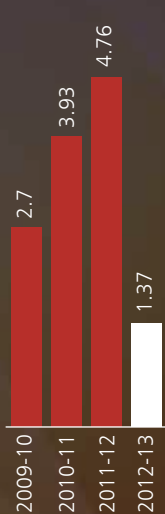
# OUR STORY IN NUMBERS



Revenue from operations  
(₹ crore)



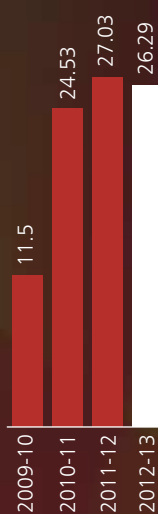
EBITDA  
(₹ crore)



Profit after tax (PAT)  
(₹ crore)



Net worth  
(₹ crore)



ROCE  
(%)



Book value per share  
(₹)



# STATE-OF-THE-ART TECHNOLOGY

	Machineries	Capacity	Supplier	Use
1	Open-die hydraulic forging press	4,500 tonnes	Danieli and C-Breda division, Italy	It is used to exert large enough force to press the metal into required shape.
2	Rail bound manipulator	60 tonnes	Dango & Dienthal, Maschinenbau GMBH, Germany	It is used for holding and rotating the hot ingot while forging. It can hold ingot of 60 MT weight.
3	Furnaces	Five	Schlager Industrieofenbau, GmbH, Germany	Out of the five, two will be used in reheating and three will be used for heat treatment.
4	Lathe machines	Horizontal turning diameter: 1200 MM. Vertical turning diameter: 2000MM. Weight: 40 MT	Fermat CZ S.R.O, Germany. Epsilon Machinetools Limited, Dubai, United Arab Emirates	Proof making of forged products
5	Mechanical tongs	20 MT 40MT 60MT	Ace Heavy Industry Co. Ltd., Changwon, South Korea	Lifting of hot and cold motors





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Shri Babulal S Sanghvi (*Chairman & Wholetime Director*)

Shri Jayanti B Sanghvi (*Managing Director*)

Shri Naresh B Sanghvi (*Wholetime Director*)

Shri Vikram B Sanghvi (*Wholetime Director*)

Shri Shantaram Yarlagadda (*Independent Director*)

Shri Ram C Prasad (*Independent Director*)

Shri Ram S Kaushal (*Independent Director*)

Shri Baba Pai (*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.I.D.C Industrial Estate, Waghodia- 391760, Vadodara

Tel: 91-2668-263020/262201, Fax: 91-2668-263411

## BANKERS

State Bank of India

Bank of Baroda

## COMPANY'S R&T AGENT

Bigshare Services Private Ltd

E-2/3, Ansa Industrial Estate, Sakivihar Road, Mumbai-400072

## CORPORATE OFFICE

A-8, Parvati Chamber, Opposite Apsara Cinema, Pratapnagar

Road, Baroda-390004

## WORKS OFFICE

Unit 1: 244/6-7, G.I.D.C. Industrial Estate, Waghodia, Dist.

Baroda-391760, India

Unit 2: 1401, 1402, 1403, G.I.D.C. Industrial Estate, Waghodia,

Dist. Baroda-391760, India



## DIRECTORS' REPORT

*To the members of the Company,*

Your Directors have the pleasure in presenting the 25th Annual Report of the Company along with the audited financial statements for the year ended March 31, 2013, for your perusal, consideration and adoption.

### FINANCIAL HIGHLIGHTS

The financial performance for the fiscal 2013 is summarised in the following table

(₹ in Lacs)

Particulars	2012-13	2011-12
Income from Operations	4,404.93	4,879.93
Other Operating Income	117.63	193.18
Other Income	86.66	79.28
Total Income	4,609.22	5,152.39
Operating & Administrative Expenses	3,875.17	4,243.76
Operating Profit before Interest, Depreciation and Tax	734.05	908.63
Interest and Financial Charges	352.23	141.82
Depreciation and Amortisation	192.72	71.17
Profit Before Tax	189.10	695.64
Current Tax	11.06	213.00
Deferred Tax	41.41	7.01
Short Provisions for Taxes	-	-
Profit After Tax	136.63	475.63



## FINANCIAL AND OPERATIONAL PERFORMANCE

The last fiscal proved to be a challenging year for the Company. The major challenge for the Company in 2012-13 was to start the production at the new plant, which would quadruple the capacity in one go and would help to establish the Company as one of the major players in the industry. Your Company successfully commissioned the plant during the year. On one hand this meant great achievement for the Company however on the other hand broad sectoral downtrends and huge finance costs and depreciation cost for setting up the new plant impacted the revenue of the Company. Your Company has achieved a turnover of ₹4,522.56 lac and a net profit of ₹136.63 lac for the financial year ended March 31, 2013 as against a turnover of ₹5,073.11 lac and a net profit of ₹475.62 lac respectively during the previous year, representing a decline by 10.85% in turnover y-o-y and a decline in net profit by 71.27% y-o-y.

Depreciation and amortisation charge was increased from ₹71.17 lac to ₹192.72 lac on account of the capitalisation of the new project cost during the financial year 2012-13.

Interest charge was increased from ₹141.82 lac to ₹352.23 lac due to the repayment of loan obtained in relation to the new project.

The raw material consumed in manufacturing declined from ₹3200.54 lac to ₹2465.85 lac, marking a decrease by 22.96.14%. Total sales has witnessed a reduction by 10.54% whereas raw material consumption has witnessed a reduction by 22.96%.

Employee benefit expenses have increased from ₹218.88 lac to ₹290.95 lac, marking an increase of 32.93%. It signifies that the Company has boosted its human resources and invested in bringing experienced professionals in the organisation.

The decline in performance of the Company during the fiscal 2012-13 was not in line with the broad sectoral trends; which only indicates that the extent of our decline will be less than the sectoral decline and the rebound will be sharper than the sectoral revival in the years to come.

## OUTLOOK

With the commencement of the commercial production in the new plant, your Company expects to grow and improve the volumes and margins in the coming years. With the current capacity utilisation of both the plants the Company expects to

double its revenue in 2013-14. But once the new plant becomes operational at its full capacity, we expect the revenue to go up by 100% over the long-term. The end-use markets for the Company's products are growing and we expect reasonable growth in the near future.

## DIVIDEND

The Directors of your Company express their inability to recommend any dividend for the financial year 2012-13 due to the current financial situation of the Company. However your Company is harbouring a positive outlook for the next fiscal with the commencement of commercial production and good returns in terms of revenue and profitability.

## COMMENCEMENT OF COMMERCIAL PRODUCTION AT THE NEW PLANT

Your Company commissioned its new plant in November 2012 and commenced commercial production in February 2013. The total installed capacity of the new plant has now increased to 18,600 MTPA. With this upgradation, the Company is among the few in its industry to be able to manufacture a single-piece forging up to 40MT. The Company's new production facility is equipped with state-of-the-art technology from renowned suppliers which has resulted into enhanced superior quality of the products, reduced dependency on human labour, lower production costs and higher capacity utilisation which gives the Company a much needed competitive advantage over the other players.

## CAPITAL INVESTMENT

During the year under review the Company invested capital worth ₹142 crore towards the new project. The Company has already capitalised its assets invested in the new plant by more than 95%.

## WARRANTS

The Board of Directors of your Company has in its meeting held on March 2, 2013, *inter alia* has decided to issue 12,00,000 (twelve lac only) convertible equity warrants of ₹37.50 each which are convertible into one Equity Share of the Company of ₹10 each per equity warrants at a price of ₹37.50 per Equity Share( i.e. premium of ₹27.50 per Equity Share) to the promoters and the promoter group on preferential allotment basis. Subsequently in the Extraordinary General Meeting of the Company held on April 2, 2013, the shareholders approved, subject to the approval from the BSE Ltd. and the

National Stock Exchange of India Ltd., where the Company's Equity Shares are listed, with an option to convert the same into Equity Shares of the Company in one or more tranches, in one or more financial years. The Company has obtained the in-principle approval from NSE and BSE on May 3, 2014 and May 14, 2013 respectively. Subsequently The Board of Director in its meeting held on May 28, 2013 has allotted 12,00,000 convertible equity warrants.

### **CREDIT RATING**

The credit rating of the Company has been revised from CARE BBB to CARE BB for its long-term bank facilities and CARE A3+ to CARE A4 for its short-term bank facilities. The revision in the credit rating arises due to time and cost overruns in the new project. With the stabilised production in the existing as well as in the new plant the Company has started getting healthy orders for new and existing plant, the Company expects to improve its ratings in the fiscal 2013-14.

### **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, 2013. A confirmation to this effect has been obtained from the Company's Registrar and Share Transfer Agent and authentication of the same can be verified from the SCORES website at <http://scores.gov.in>. 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**

The Company has taken several steps towards conserving energy through its 'Sustainability' initiatives, disclosed separately in the Annual Report. The information on Conservation of Energy as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is provided in 'Annexure A' of this Annual Report.

The Company have continuously exercised effective safety, health and environment policies. Water and air pollution control measures are successfully operated and industrial trade effluents are used for gardening. The tree plantation at the factory site is maintained properly and the same shall be duly taken care of at 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's Discussion & Analysis.

### **REPORT ON CORPORATE GOVERNANCE**

A separate Section on Corporate Governance is included in the Annual Report and the Certificate from M/s Samdani Kabra and Associates, Company Secretaries, Vadodara, 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 Ram C Prasad and Shri Shantaram Yarlagaadda will retire by rotation and being eligible; offer themselves for re- appointment 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 re-appointment 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, 2013; 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

The comments of the Auditors in their report and the notes forming parts of the accounts are self explanatory and need no comments.

M/s Shah & Bhandari, Chartered Accountants, 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 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 Ministry of Corporate Finance has issued Cost Audit Order No. 52/26/CAB-2010 dated November 6, 2012 under Section 233(B) of the Companies Act, 1956 to appoint a Cost Auditor to audit the cost records maintained by the Company in respect of the product of the Company. Accordingly, The Board of the Directors after reviewed by the Audit Committee has appointed M/s Diwanji & Associates, Cost Accountants as Cost Auditors for the financial year 2012-13 for carrying out the cost audit of the product of the Company.

### INTERNAL AUDITOR

Your Company has appointed M/s Jain & Hindocha, Vadodara, Chartered Accountants as Internal Auditors of the Company for the financial year 2012-13. The Audit Committee of the Company periodically reviews the reports of the Internal Auditors.

### CORPORATE SOCIAL RESPONSIBILITY

The call of fulfilling our Corporate Social Responsibility (CSR) has sincerely been taken by us with sincerity and we accord as much significance to CSR as any business project and the results are there for everyone to see. Dedicated need-based interventions have been 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 its carbon footprint as much as possible. Through financial contributions and active participation of employees, your Company provides support to non-profit organisation that address community sustainability. Your Company contributed through donations, and sponsorship and by participating in various activities.

### 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 across 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 challenges 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 strikes, lock outs among others.

### DISCLOSURE BY SENIOR MANAGEMENT PERSONNEL i.e. ONE LEVEL BELOW THE BOARD INCLUDING ALL HODs

None of the senior management personnel have undertaken 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 Company during the year under review.

On the behalf of the Board of Directors

Vadodara  
August 10, 2013

Babulal S Sanghvi  
Chairman

# ANNEXURE 'A' TO THE DIRECTORS' REPORT

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

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 31/03/2013.

## 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 measures 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 in place and industrial trade effluents are used for gardening after adjusting the PH. The 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	Amount 2012-13	Amount 2011-12
F.O.B. value of export	820.56	1,302.44
<b>TOTAL</b>	<b>820.56</b>	<b>1,302.44</b>

- Expenditure in foreign currency (on payment basis)

(₹ in Lacs)

Particulars	Amount 2012-13	Amount 2011-12
CIF value of import	5,396.95	2,804.44
Other miscellaneous	87.65	33.65
<b>TOTAL</b>	<b>5,484.60</b>	<b>2,838.09</b>

# ANNEXURE

## FORM – A

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

Sr No.	Particulars	Units	2012-13	2011-12
<b>A</b>	<b>Power and Fuel Consumption</b>			
1	Electricity			
(a)	Purchased Units	KWH	7,68,957.00	6,77,645.00
	Total Cost (₹) #		49,80,907.69	36,94,105.00
	Total Cost / Unit (₹) #	KWH	6.48	5.45
(b)	Own Generation			
	Through Wind Mill Turbine Units	KWH	4,61,578.00	4,48,977.00
2	Coal			
	Quantity	MT	542.91	619.07
	Total Cost (₹)		37,72,117.30	44,59,441.00
	Average Rate	MT	6,947.96	7,203.45
3	Furnace Oil			
	Quantity	Kilo Litres	339.88	428.90
	Total Cost (₹)		1,32,18,225.01	1,53,97,027.00
	Average rate per Kl.	Kilo Litres	38,890.86	35,898.87
4	Fire Wood			
	Quantity	MT	214.63	125.52
	Total Cost (₹)		11,65,598.10	6,24,328.24
	Average rate	MT	5,430.86	4,974.13
5	LPG			
	Quantity	KG	69,790.00	–
	Total Cost (₹)		57,44,480.00	–
	Average rate	KG	82.31	–
<b>B</b>	<b>Consumption per Unit of Production</b>			
	Product (MT)	MT	1,888.36	2,639.73
	Electricity	KWH/MT	407.21	256.71
	Coal	MT/MT	0.29	0.23
	Furnace Oil	Kilo Litres/MT	0.18	0.16
	Fire Wood	MT/MT	0.11	0.05
	LPG	KG/MT	0.20	–

# Excluding Demand Charges

On the behalf of the Board of Directors

Vadodara  
August 10, 2013

**Babulal S Sanghvi**  
Chairman

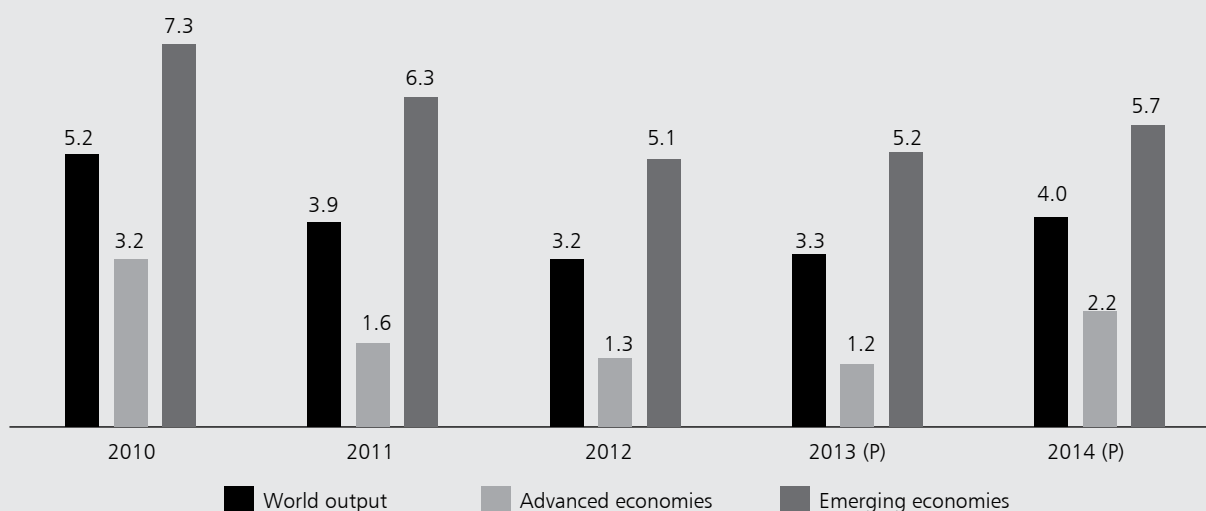


# MANAGEMENT DISCUSSION AND ANALYSIS

## Global economy

The growth of the world economy weakened to 3.2% in 2012, lower than 3.9% in 2011, on account of the eurozone crisis, inflation and market volatility. The United States, the largest economy, posted better numbers (2.3% in 2012 against 1.8% in 2011) while the eurozone reported a negative growth of 0.4% and China's growth declined from 9.3% to 7.8%. The global economy is expected to grow at 3.3% in 2013 and 4 % in 2014; emerging economies are expected to drive global growth in 2013 (5.25 % in 2013 and 5.75 % in 2014).

## World output (%)



[Source: IMF, World Economic Outlook, April 2013]

## Indian economy

Growth of the Indian economy hovered around 5% in 2012-13, the lowest in a decade, on account of poor performances in manufacturing, agriculture and services sectors. Moderation in growth was primarily attributed to weaknesses in the industry (mining and quarrying, manufacturing, electricity, gas and water supply and construction) at 3.1% while the manufacturing sector grew only by 1.9%. Growth of the services sector was at a low of 6.6% in 2012-13 against 8.2% in 2011-12.

The country's industrial output declined, led mainly by a contraction in the manufacturing, mining and capital goods

sectors (proxy for investment activity). The dampened industrial sentiment was largely due to high inflation, high interest rate, currency fluctuations and policy logjam.

## Global forgings industry

The global forging industry is expected to grow at a CAGR of 9.42 % over 2012-2016. One of the key factors of growth in this sector is the increasing demand from the automotive industry and international forgings being outsourced from Asia and Africa. The global forging industry has grown by 32.1% in dealer's market worldwide and 40.2% in value during 2013, thus ensuring the profitability of the industry, globally. The deal value which the forging industry achieved in 2012 was 203%

higher than 2009 thereby widening the market. Asia dominated production in the realm of forging steel manufacture. In the overall business there was a decline in the American and the European markets. (Source: *Global forging industry outlook, 2012-2016*)

### Indian forgings industry

The Indian forgings industry is pegged at ₹21,000 crore and is poised to grow at a rate of 25 % annually and expected to report investments worth about \$3 billion (about ₹15,000 crore) by 2015 according to the Association of Indian Forging Industry. This industry can be categorised into four sectors (large, medium, small and tiny). The Indian industry has a sizeable presence of organised Small and Medium Enterprises (SMEs) of which only about 5% comprises large players (in terms of numbers) and a major portion is dominated by the unorganised players. The forgings industry is projected to produce 4 million tonnes by 2014.

The Indian forgings industry is largely dependent on the automotive sector as the steel forgings form an integral part of the auto industry. The automotive industry provides the forgings industry nearly 70% of its volumes while the rest is sourced from other sectors like power, petrochemicals, defence, ship building and oil & gas. Around 20% of the total production is exported and the rest of the production is utilised to meet domestic demand; organised players account for nearly 65% of the total output of the industry. The Indian forgings industry is slowly evolving from labour-intensive to capital-intensive one largely owing to the rapid globalisation and massive technological upgradation initiatives being undertaken to match global standards. Even as the growth of the automotive sector was 25% in 2011-12 and declined to about 8% in 2012-13, there is a large pent-up potential for the country's automotive market to grow from 3 million p.a. to 10 million p.a.

### Key growth drivers

- **Raw material availability:** Indian forgings manufacturers consume Carbon, Stainless Steel, Aluminium, Titanium, Brass, Copper, Cobalt, Nickel, Molybdenum and other key alloys. Raw material costs comprise approximately 60% of the total cost; easy raw material availability in India is expected to catalyse sectoral growth.
- **Huge market potential:** Indian manufacturers and suppliers are largely unorganised (40% market share) which provides organised players a large scope due to stronger environmental compliances.
- **Downstream growth for automobile industry:** The automobile industry consumes around 60% of the total products manufactured by the forgings industry. The Indian automobile industry is expected to rebound to its erstwhile aggressive growth rate as interest rates decline and the economy rebounds.
- **Downstream growth for power sector:** The power sector is one of the biggest users of non-automobile forging products. The long-term average power demand growth rate is expected to hover around 7-8% per annum and is expected to accelerate in the future, thereby strengthening growth of the Indian forgings industry.
- **Abundant labour supply:** India enjoys the advantage of abundant, technically qualified and affordable labour.

### Company's overview and outlook

The Company has been manufacturing various forging and machined components for procedural and heavy industrial application. The Company has gone past several milestones, since its commencement in 1989 and is one of the leading forging suppliers for the core sector in various grades of steel. The Company has carved itself a niche amongst its customers and inspection agencies for its quality products. The Company has always utilised state-of-the-art technology for delivering better products year after year. Superior industry experience, commitment to quality and strong management vision are the key tenets of the Company philosophy.

One of the major focal points for the Company in the near future would be to achieve maximum capacity utilisation for the new plant and improve its existing capacity utilisation. With the current capacity utilisation of both plants the Company expects to earn revenue worth ₹70 crore in 2013-14 but once the new plant becomes operational at its full capacity we expect the revenues to go up by 100%. The Company expects to increase orders and simultaneously the profit in the next year.

With the new plant, the Company expects to increase its export revenues because of its high quality, customised products benchmarked with the international standards. The Company also expects to consolidate and maximise efficiencies through training. In line with this, the Company recruited technically qualified graduates and their induction has already started translating into enhanced efficiencies with a corresponding reduction in production costs. On the whole, the Company expects a 55% increase in the total capacity utilisation in the

year 2013-14 and also expects to earn revenue worth ₹70 crore during the same period, resulting in enhanced value for the Company's stakeholder.

### Major development for the Company

The major achievement for the Company was commissioning of the new 15,000 MTPA open die forging unit, this big leap will help the Company to position itself as a one-stop solutions provider. Its wide range of valued-added products will ably cater to the increasing demand of the global OMEs. The commencement of the plant was delayed due to various economical and internal factors, but our rich industry experience and consistent efforts on the part of the management has helped to nullify this disadvantage. The Company commissioned its new plant in November 2012 and is equipped with state-of-the-art technology acquired from renowned suppliers. This has resulted in superior quality products, lowered production costs and higher capacity utilisation lending a competitive edge to SFEL over the other players.

### Performance of the Company

The major challenge for the Company in 2012-13 was to start the production at the new plant, which would quadruple the Company's overall capacity and would help the Company to establish itself as one of the major players in the industry. The Company has been successful in achieving this feat thereby creating a history of sorts. On one hand this meant glad tidings for the Company but on the other hand broad sectoral downtrends and huge finance costs for setting up the new plant impacted the revenue, resulting in a decrease by 10.85% from last year.

This indicates that the decline in revenues was not in line with the broad sectoral trends, which only indicates that the extent of the decline will be less than the sectoral decline and rebounds will be sharper than the sectoral revival, in the years to come.

In this challenging environment the Company was able to achieve a turnover of ₹4,522.56 lac and a net profit of ₹136.63 lac in financial year 2012-13.

EBITDA declined by 19.21% from ₹908.62 lac in 2011-12 to

₹734.05 lac in 2012-13 but profit after tax was declined by 71.27% from ₹475.62 lac in 2011-12 to ₹136.63 lac in 2012-13, a declination which was much higher percentage than the EBITDA due to the enormous increase in finance cost and depreciation on account of the capitalisation of new project cost during the financial year 2012-13.

### Internal control and systems and their adequacy

The Company has appropriate internal control systems and procedures in place with regard to effective utilisation of resources, efficiency in operation, financial reporting and compliance with various rules and regulations. Our Company has implemented SAP ECC 6.00 in 2008 for bringing better control over various business and processes. It is designed in such a way that it ensures that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets and further supplemented by extensive audits conducted by the Statutory Auditors. Key processes including production, planning and accounting are done routinely through globally benchmarked SAP initiatives. Regular audits are conducted to review the adequacy and effectiveness of the internal controls and suggest improvement, if any, for strengthening the existing system.

### Environment and safety

The Company lays a lot of importance on safety and environmental management. The Company strives to provide a safe and healthy workplace for its employees (including contract workmen). Periodic and adequate training is provided to all the employees and contract workmen with the objective to minimise risks. The Company adopted a framework of standards aligned to ISO 14001:2004 and OHSAS 8001:2007, resulting in lower emissions.

### Industrial relations and human resource management

The Company recruited talented professionals (employee strength 163 as on 31st March, 2013) with an emphasis on training and development. Investments were made to upgrade the facilities available to employees. This has resulted in the maintenance of harmonious relations with its employees.



## Annexure III to the Directors' Report

# CORPORATE GOVERNANCE REPORT

Corporate Governance is the application of best management practices, compliance of law and adherence to law and ethical standards to achieve the Company's objective of enhancing value for shareholders and the discharge of corporate social responsibility initiatives. The Corporate Governance structure in the Company assigns responsibilities and entrusts authority among different participants in the organisation viz., the Board of Directors, the senior management, employees, among others.

## I. Company's Philosophy and Corporate Governance

The Company is fully committed to and continues to practice good Corporate Governance. In addition to the basic governance issues, the Company lays significant emphasis on the principles of trusteeship, transparency, empowerment, accountability and integrity.

### Management's Perspective On Corporate Governance

The Company aims at achieving transparency, accountability and equity across all facets of operation and in all interactions with stakeholders, while fulfilling the role of a responsible corporate representative committed to sound corporate practices. The Company has adopted the following corporate principles. They have been formally established to shape the Company's thinking and conduct.

- We strengthen our customers - to keep them competitive in their own segmental spaces
- Our success depends on the success of our customers. We provide our customers with our comprehensive solutions so that they can achieve their objectives faster and more effectively.
- We work to grow - to open up new opportunities
- We generate profitable growth to ensure sustainable

success. We leverage our balanced business portfolio, our business excellence and synergies across all segments and regions.

- We value our people- to achieve world-class performance

Our employees are the key to our success. We work together as a global network of knowledge and learning. Our corporate culture is defined by diversity, is based on open dialogue and mutual respect, and governed by clear goals and decisive leadership.

## II. Board of Directors ('Board')

### {A} Composition of the Board

- (i) The management of your Company is entrusted to the Managing Director, who is assisted by a core management team and senior executives having rich experience and expertise in their respective fields.
- (ii) None of the Directors on the Board is a member of more than 10 committees or a chairman of more than five committees (as stipulated in Clause 49 of the Listing Agreement), across all the Indian Public Companies, in which he is a Director. The necessary disclosure regarding the committee position has been made by the Directors.
- (iii) The names and categories of the Directors of the Board, their attendance at Board Meetings held during the year and the number of directorships and committee chairmanship/ membership held by them in Indian Public Companies are given herein below. Directorships do not include alternate directorship, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. For reckoning the maximum number of chairmanships/memberships, only two committees viz, Audit Committee and Shareholders'/Investors' Grievance Committee of the Board are considered.

Name of the Directors	Status	No. of directorship in other public limited company	Number of committee positions held in other public limited company		No. of Board Meetings		The last AGM attended : 'Yes' or 'No'
			Member	Chairman	Held	Attended	
Shri Babulal S Sanghvi, Chairman	Executive and Non-Independent	Nil	Nil	Nil	5	5	Yes
Shri Jayanti B Sanghvi, Managing Director	Executive and Non-Independent	Nil	Nil	Nil	5	5	Yes
Shri Naresh B Sanghvi, Wholetime Director	Executive and Non-Independent	Nil	Nil	Nil	5	4*	No
Shri Vikram B Sanghvi, Wholetime Director	Executive and Non-Independent	Nil	Nil	Nil	5	5	Yes
Shri Shantaram Yarlagadda, Director	Non- Executive and Independent	Nil	Nil	Nil	5	4*	No
Shri Ram C Prasad, Director	Non- Executive and Independent	Nil	Nil	Nil	5	5	Yes
Shri Baba Pai, Director	Non- Executive and Independent	Nil	Nil	Nil	5	5	No
Shri Ram S Kaushal, Director	Non- Executive and Independent	Nil	Nil	Nil	5	5	Yes

(\*) Shri Shantaram Yarlagadda was absent in the Meeting of the Board held on August 13, 2012

(#) Shri Naresh B Sanghvi was absent in the Meeting of the Board held on March 02, 2013

The Company did not have any material pecuniary relationship or transactions with the Independent Non-Executives Directors during the year 2012-13

There were five Board meetings held during the financial year April 1, 2012 to March 31, 2013. These were on May 29, 2012, August 13, 2012, November 9, 2012, February 13, 2013 and March 2, 2013.

#### Details of the Directors being appointed/reappointed

As per the provisions of the Companies Act, 1956, two-third of the Directors should be retiring Directors. One third of these retiring Directors are required to retire every year and upon being eligible they qualify for reappointment.

Directors seeking reappointment at the ensuing Annual General Meeting.

Shri Shantaram Yarlagadda and Shri Ram C Prasad retires at the ensuing AGM as they are retiring by rotation and being eligible has offered themselves for reappointment.

The resolutions for their reappointment/appointment have been appropriately included in the notice of AGM forming part of this Annual Report.

The brief profile of each of the Directors who retire by rotation and who are being eligible has offered himself for reappointment is given below

#### Shri Shantaram Yarlagadda

Shri Shantaram Yarlagadda is an Independent Director of the Company. He holds a degree in mathematics and mechanical engineering. He has worked as a scientific officer at the Department of Atomic Energy, Government of India. He has worked in various capacities at the Rajasthan Atomic Power Project, Madras Atomic Power Project, Kakrapar Atomic Power Project, Kaiga Atomic Power Project and Tarapur Atomic Power Project. During his service he has visited countries like Germany, Russia, France among other. He finally retired as a Director after 40 years of service in the Department of Atomic Energy, Government of India. He is also a member emeritus of the

India Nuclear Society.

Other directorships	NIL
Committee memberships	NIL

#### Shri Ram C Prasad

Shri Ram C Prasad is an Independent Director of the Company. He holds a doctorate in metallurgical engineering from the Indian Institute of Science, Bangalore. He has worked as assistant professor at the National Institute of Foundry and Forge Technology, Ranchi. Since 1986 he is a professor at the Indian Institute of Technology, Bombay. He has honoured with the Distinguish Alumnus Award at BIT Sindri in the year 2002. He was chairman of IIM Mumbai chapter during the period from 1999 and 2000.

Other directorships	NIL
Committee memberships	NIL

#### Board Procedure

The annual calendar of meeting is agreed upon at the beginning of each year. Board Meetings are held once in every quarter. In addition to this, Board Meetings are convened to transact

special businesses, as and when necessary. The meetings are governed by a detailed agenda. All major issues included in the agenda are backed up by comprehensive background information to enable the Board to take informed decisions.

The agenda papers, containing detailed notes on various agenda items and other information, which would enable the Board to discharge its responsibilities effectively, are circulated in advance to the Directors. The Board is briefed on all the matters of the Company at its meeting.

### III. Committees of Board of Directors

The Company has formed an Audit Committee, a Shareholder Grievance Committee, an IPO Committee, Share Transfer Committee and a Remuneration Committee. The details of these committee meetings are mentioned here in below:

#### A. Audit Committee

Audit Committee comprises of experts specialised in accounting/ financial management. The Chairman of the Audit Committee is a Non-Executive and Independent Director. Details of the meetings of the Audit Committee held during the financial year 2012-13 are as under:

Name	Designation	Category	Attendance			
			May 29, 2012	August 13, 2012	November 9, 2012	February 13, 2013
Shri Ram S Kaushal	Chairman	Non-Executive and Independent	Yes	Yes	Yes	Yes
Shri Baba Pai	Member	Non-Executive and Independent	Yes	Yes	Yes	Yes
Shri Vikram B Sanghvi	Member	Executive and Non-Independent	Yes	Yes	Yes	Yes
Shri Shantaram Yarlagadda	Member	Non-Executive and Independent	Yes	No	Yes	Yes

The Company Secretary acts as the Secretary to the Committee. The Managing Director, Wholtime Director, Company Secretary and the Statutory Auditors are permanent invitees to the Meetings. The terms of reference of the Audit Committee is in accordance with the Section 292A of the Companies Act, 1956 and Clause 49 II C, D and E of the Listing Agreement.

The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance

with legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the appointment, independence, performance and remuneration of the statutory auditors including the Cost auditors, the performance of internal auditors and the Company's risk management policies. The Chairman of the Audit Committee was present at the Annual General Meeting to answer the shareholders queries



Terms of reference: The terms of reference of the Audit Committee are as under:

#### **A. Power of Audit Committee**

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### **B. The role of Audit Committee includes**

1. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and if required the replacement or removal of Statutory Auditors including Cost Auditors and fixation of audit fees.
3. Approval of payment to Statutory Auditors including Cost Auditors for any other services rendered by them.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of Sub-section (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by the management.
  - Significant adjustment made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of related party transactions.
  - Qualification in draft Audit Report.
5. Reviewing with the management, the quarterly financial statement before submission to the Board for approval.
6. Reviewing with the management, the statement of uses/ application of funds raised through an issue (public issue, right issue, preferential issue, among others) the statement of funds utilised for purpose other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or right issue and making appropriate recommendation to the Board to take up steps in this matter.
7. Reviewing with the management, the performance of statutory auditor including Cost Auditors and Internal Auditors, adequacy of internal control systems.
8. Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
9. Discussion with Internal Auditor any significant findings and follow up thereon.
10. Reviewing the finding of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
11. Discussion with Statutory Auditors including Cost Auditors before the audit commences about nature and the scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults, if any in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
13. To review the functioning of the whistle blower mechanism.
14. Approval of appointment of CFO after assessing the qualification, experience and background, among others, of the candidate.
15. Carrying out such other functions as may be specifically referred to the Committee by the Board of Directors and/or other Committee of Directors of the Company.
16. To review the following information:
  - The management discussion and analysis of the financial condition and the results of the operations;

- Statement of significant related party transactions submitted by management;
- Management letter of internal control weakness issued by the Statutory Auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of Internal Auditors

17. Reviewing the financial statement and in particular the investment made by the unlisted subsidiaries of the Company.

#### B. Remuneration Committee

The Remuneration Committee has been constituted to recommend the remuneration package of the Managing Director and Wholtime Directors based on the performance and defined criteria.

#### Terms Of Reference

Terms of reference of the Remuneration Committee are as under:

- 1) To determine on behalf of the Board of Directors and

on behalf of the shareholders of the Company with unanimously agreed terms of reference, the Company policy on specific remuneration packages for Executives Directors including pension rights and any compensation payments.

- 2) To approve of remuneration payable to managerial personnel in terms of Schedule XIII of the Companies Act, 1956 in the event of the Company not having profits or its profits being inadequate in any financial year.
- 3) While approving of managerial remuneration payable on the event of the Company not having profits or its profit being inadequate in any financial year, the Committee shall-
  - i) Take into account financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, among others.
  - ii) Be in a position to bring about objectivity in determining the remuneration packages while striking a balance between the interest of the Company and its shareholders.

Meeting of the Remuneration Committee held during the financial year 2012-13 are as under:

Name	Designation	Category	Attendance in the meeting held on May 29, 2012
Shri Baba Pai	Chairman	Non-Executive and Independent	Yes
Shri Ram C Prasad	Member	Non-Executive and Independent	Yes
Shri Shantaram Yarlagadda	Member	Non-Executive and Independent	Yes

Shri Kiran Mohanty, Company Secretary of the Company is the Secretary of the Committee.

#### Remuneration To Directors

##### a. Non-Executive and Independent Directors

The Non-Executive and Independent Directors do not draw remuneration other than sitting fees. The Company pays the sitting fees to all the Non-Executive Directors at the rate of ₹15,000 for attending each Meeting of the Board. The sitting fees paid to Non-Executive cum Independent Directors for attending Board and Committee Meetings during the financial

year 2012-13 is as follows:

Directors	Sittings fees (₹ in Lac)
Shri Ram C Prasad	0.60
Shri Yarlagadda Shantaram	0.45
Shri Ram S Kaushal	0.60
Shri Baba Pai	0.60

##### b. Executive Directors

The remuneration payable to the Managing Director, Wholtime Directors as recommended by the Remuneration

Committee and was approved by the Board of Directors in its Meeting when all the Directors were present. The salary paid during the year to the Managing Director is within the ceiling prescribed by Section 198, 309 and the provisions of Schedule XIII of the Companies Act, 1956

The following remuneration paid to the Directors during the year ended March 31 2013.

(₹ in Lacs)

Name of Director	Designation	Relationship with other Directors	Salary and perquisites#	Service contracts
Shri Babulal S Sanghvi	Chairman	Relative of Shri Jayanti B Sanghvi, Shri Naresh B Sanghvi and Shri Vikram B Sanghvi	20.94	Service contract May 18, 2010 to May 17, 2015
Shri Jayanti B Sanghvi	Managing Director	Relative of Shri Babulal B Sanghvi, Shri Naresh B Sanghvi and Shri Vikram B Sanghvi	17.25	Service contract May 18, 2010 to May 17, 2015
Shri Naresh B Sanghvi	Wholetime Director	Relative of Shri Babulal S Sanghvi, Shri Jayanti B Sanghvi and Shri Vikram B Sanghvi	17.25	Service contract May 18, 2010 to May 17, 2015
Shri Vikram B Sanghvi	Wholetime Director	Relative of Shri Babulal S Sanghvi, Shri Jayanti B Sanghvi and Shri Naresh B Sanghvi	17.25	Service contract May 18, 2010 to May 17, 2015

#Board in its Meeting dated May 29, 2012 has approved to increase remuneration of the Director with retrospective effect from April 1, 2012 subject to shareholder approval. Subsequently shareholder approval has been obtained in the Annual General Meeting held on September 22, 2012.

### C.) Shareholders'/Investors' Grievance Committee

The Shareholder'/Investors' Grievance Committee shall look into redressal of shareholders'/investors' complaints related to transfer of shares, non-receipt of annual reports, non-receipt of declared dividend among others The Committee oversees performance of the Registrar & Share Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance with the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Meeting of the Shareholders'/Investors' Grievance Committee held during the financial year 2012-13 are as under:

Name	Designation	Category	Attendance in the meeting held on		
			May 29, 2012	November 9, 2012	February 13, 2013
Shri Ram S Kaushal	Chairman	Non-Executive and Independent	Yes	Yes	Yes
Shri Ram C Prasad	Member	Non-Executive and Independent	Yes	Yes	Yes
Shri Baba Pai	Member	Non-Executive and Independent	Yes	Yes	Yes

Shri Kiran Mohanty, Company Secretary appointed as a compliance officer of the Company is also the Secretary of this Committee.

Report on Communication received from the Investors during the year 2012-13

Nature of queries/ complaint	Total number of complaints received	Resolved	Pending	Remark
Non-receipt of refund order (IPO)	1	1	Nil	Complaints received from All Gujarat Investor Protection Trust routed through Ministry of Corporate Affairs, Ahmedabad



In addition to the above committees, the Board has constituted the following committees:

- IPO Committee
- Share Transfer Committee

#### IPO Committee

There were three meetings of the IPO Committee held during the financial year. These were May 29, 2012, August 13, 2012 and November 9, 2012. Details of which are given as under:

Name	Designation	No. of Meetings held	Attendance in all three meetings?
Shri Jayanti B Sanghvi	Chairman	3	Yes
Shri Naresh B Sanghvi	Member	3	Yes
Shri Vikram B Sanghvi	Member	3	Yes

The Company has utilised the unutilised portion of the IPO proceeds during the October-December 2012 quarter. Since the purpose for which the IPO Committee formed was accomplished, therefore the Board in its meeting dated February 13, 2013 dissolved the IPO Committee.

During the year, unutilised portion of the IPO proceed has been utilised.

#### Share Transfer Committee

Share Transfer Committee comprises of the following

Name	Designation
Shri Jayanti B Sanghvi	Chairman
Shri Vikram B Sanghvi	Member
Shri Kiran Mohanty	Member

#### IV. Disclosures on Materially significant related party transactions.

The whole disclosure of related party transactions as per the Accounting Standard-18 issued by the Institute of Chartered Accountants of India, is given elsewhere in the Annual Report.

#### V. Code of Conduct

##### i) For prevention of Insider Trading

The Company has a comprehensive Code of Conduct bid down

for its employees and Directors for the prevention of insider trading. The Code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and cautioning them on the consequence of non-compliances. The Company Secretary has been appointed as a Compliance Officer and is responsible for adherence to Code for Prevention of Insider Trading.

##### ii) For Board of Directors and Employees

The Board of Directors of the Company has laid down a Code of Conduct for all Board Members and employees of the Company. The Code of Conduct is posted on the website of the Company, [www.sanghiviforge.com](http://www.sanghiviforge.com). The Board members and employees have affirmed compliance with the 'Code of Conduct' for the year ended March 31, 2013.

#### VI. Website

In terms of Clause 54 of the Listing Agreement with Stock Exchange, the basic information about the Company is contained on the Company's website i.e [www.sanghiviforge.com](http://www.sanghiviforge.com) in a separate dedicated section titled Investor Relations and is updated regularly.

## VII. Shareholder Information

### A. Annual General Meeting

Day and date of AGM : Monday, September 23, 2013

Venue : 244/6-7, G.I.D.C. Industrial Estate, Waghodia-391760

Time : 3 p.m.

B. Registered office : 244/6-7, G.I.D.C. Industrial Estate, Waghodia-391760, Dist. Vadodara

C. Financial calendar : April 1 to March 31

D. Book closure date : September 20, 2013 to September 23, 2013

E. Listing of Equity Shares : 1) National Stock Exchange of India

2) Bombay Stock Exchange Limited

F. ISIN of NSDL and CDSL : INE263L01013

G. Share transfer agent : Bigshare Services Private Ltd.  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Mumbai-400072  
Phone No: +91 22 28470652  
Fax: +91 22 28475207  
Email: info@bigshareonline.co

### H. Dematerialisation of shares

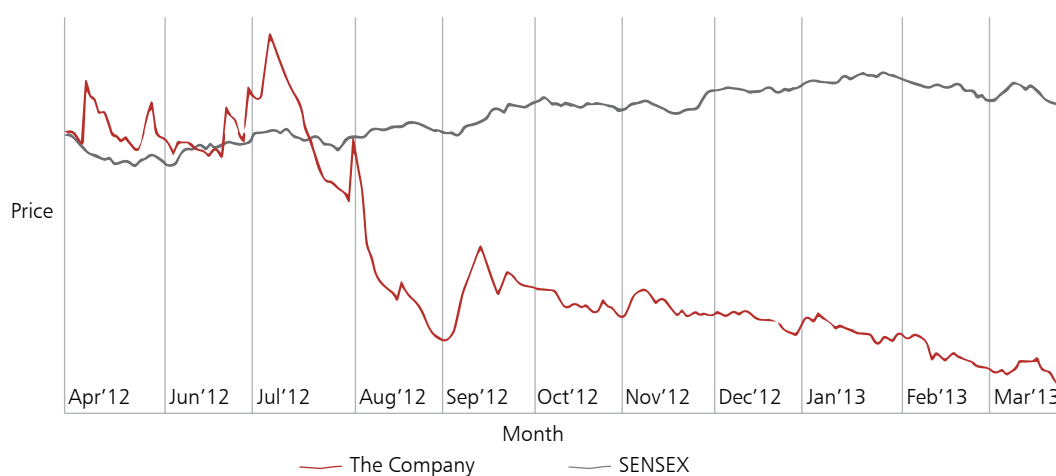
As on March 31, 2013, 1,19,92,283 shares were in dematerialised form representing 94.49% of total shares. The Company's shares are traded on the BSE Limited and the National Stock Exchange of India, Mumbai

### I. Performance of equity shares during the financial year 2012-13

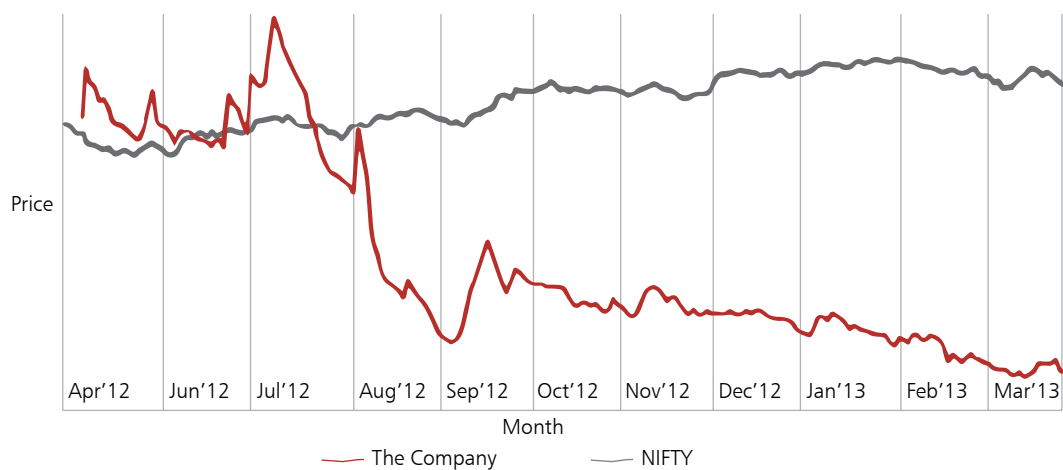
Monthly share price movement during the financial year 2012-13 at BSE and NSE

Month	BSE			NSE		
	High price (₹)	Low price (₹)	Close price (₹)	High price (₹)	Low price (₹)	Close price (₹)
12-Apr	77.35	49.00	71.20	77.00	48.50	71.20
12-May	84.90	67.70	70.20	84.90	65.05	70.15
12-Jun	82.00	65.05	77.90	82.50	65.10	78.15
12-Jul	100.85	57.85	58.35	100.80	58.10	58.40
12-Aug	74.20	32.00	32.85	74.60	31.80	32.20
12-Sep	52.90	31.10	42.70	53.20	31.75	42.35
12-Oct	43.70	36.60	37.10	44.00	36.55	36.90
12-Nov	43.25	36.20	37.55	43.45	35.05	37.60
12-Dec	39.75	33.15	33.65	39.80	33.25	33.40
13-Jan	38.95	31.15	33.85	40.30	30.05	33.25
13-Feb	34.50	27.00	27.80	36.00	26.25	27.75
13-Mar	30.00	24.40	24.75	30.80	24.20	24.80

### Company vs SENSEX



### Company vs NIFTY

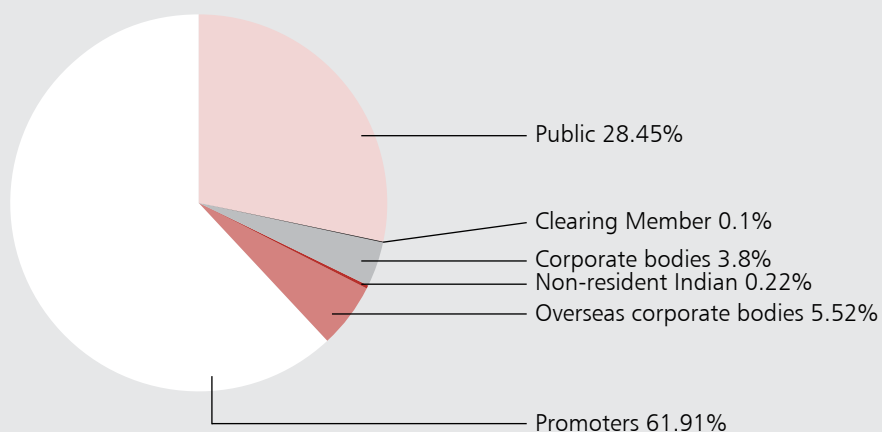




#### J. Shareholding pattern as on March 31, 2013

Category	No. of shareholders		No. of shares	
	Total shareholders	% of shareholder	Total shares	%
Clearing member	41	0.60	12,710	0.10
Corporate bodies	246	3.62	4,82,751	3.80
Non-Resident Indians	46	0.68	27,638	0.22
Overseas corporate bodies	2	0.03	6,99,981	5.52
Promoters	30	0.44	78,58,148	61.91
Public	6,436	94.63	36,11,039	28.45
<b>Total</b>	<b>6,801</b>		<b>1,26,92,267</b>	<b>100.00</b>

#### Shareholding Pattern as on March 31, 2013



#### K. Distribution of Shareholding as on March 31, 2013

Category		No. of shareholders	Percentage	No. of shares	Percentage
1	500	5,737	84.35	7,97,436	6.28
501	1,000	516	7.59	4,15,150	3.27
1,001	2,000	252	3.70	3,91,808	3.09
2,001	3,000	93	1.37	2,37,008	1.87
3,001	4,000	27	0.40	1,00,230	0.79
4,001	5,000	40	0.59	1,89,238	1.49
5,001	10,000	60	0.88	4,06,586	3.20
10,001 & above		76	1.12	1,01,54,811	80.01
<b>Total</b>		<b>6,801</b>		<b>1,26,92,267</b>	<b>100</b>

**L. Plant location**

Plant#1

244/6-7, G.I.D.C. Industrial Estate, Waghodia, Dist: Baroda-391760

Plant#2

1401, 1402, 1403, G.I.D.C. Industrial Estate, Waghodia, Dist: Baroda-391760

**M. General Body Meeting**

The details of the last three Annual General Meeting of the Company:

Year	Location	Date	Time
2011-2012	244/6, G.I.D.C Ind. Estate, Waghodia-391760	September 22, 2012	3 p.m.
2010-2011	244/6, G.I.D.C Ind. Estate, Waghodia-391760	September 9, 2011	3 p.m.
2009-2010	244/6, G.I.D.C Ind. Estate, Waghodia-391760	August 25, 2010	11 a.m.

**N. Address for correspondence:**

The shareholders may address their communications/ suggestions/grievance/queries to:

Shri Kiran Mohanty

Company Secretary and Compliance Officer

Sanghvi Forging and Engineering Limited

244/6-7, G.I.D.C. Industrial Estate,

Waghodia, Vadodara-391760

Email: [cs@sanghiviforge.com](mailto:cs@sanghiviforge.com)

Phone: 91-2668-263020/262201

Fax: 91-2668-263411

existing accounting standards, applicable laws and regulations.

**VIII. CEO and CFO Certification**

We Jayanti B Sanghvi, Managing Director and Vikram B Sanghvi, Executive Director, responsible for the finance function, certify that:

- a) We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2013 and that to the best of our knowledge and belief:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with

- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2013, which was fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and that we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of which such internal controls, if any, of which we are aware, and the steps we have taken or proposed to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee-
  - (i) Significant changes in internal control over the financial reporting during the year ended March 31, 2013;
  - (ii) Significant changes in accounting policies during the year ended March 31, 2013 and that the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become

aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

For Sanghvi Forging and Engineering Limited.

Vadodara                      Jayanti B Sanghvi      Vikram B Sanghvi  
August 10, 2013      Managing Director      Executive Director

## IX. Disclosures

- The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the management, their subsidiaries or relatives, among others that may have a potential conflict with the interests of the Company at large.
- Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a personal interest. However, none of these

transactions have potential conflict with the interests of the Company at large.

- The Company has complied with all mandatory requirement laid down by Clause 49 of the Listing Agreement.
- Some of the non-mandatory requirements are as under.

### (i) Remuneration of Directors

A remuneration committee comprising of all Non-Executive Directors and the details of which are mentioned elsewhere in this Report.

### (ii) Shareholders Right to Receive Financial Results

The Financial results of the Company for every quarter are extensively published in the newspapers and also put on the Company's website [www.sanghiviforge.com](http://www.sanghiviforge.com).

On the behalf of the Board of Directors

Vadodara  
August 10, 2013

**Babulal S Sanghvi**  
Chairman

## DECLARATION ON COMPLIANCE WITH THE CODE OF CONDUCT

I, Babulal S Sanghvi, Chairman of Sanghvi Forging & Engineering Ltd hereby declare that all the Board members and senior managerial personnel have affirmed for the year ended March 31, 2013 compliance with the Code of Conduct laid down for them.

**Babulal S Sanghvi**  
Chairman



**CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of SANGHVI FORGING AND ENGINEERING LIMITED

We have examined the compliance of the conditions of Corporate Governance by SANGHVI FORGING AND ENGINEERING LIMITED for the year ended March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management; our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of governance. It is neither an audit nor an expression of an opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievance received during the year ended March 31 2013, no investor grievances are pending against the Company, as per the records maintained by the Company and presented to the investors/Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**Suresh Kumar Kabra**

*Company Secretary*

*Partner*

**Samdani Kabra and Asso.**

*Company Secretaries*

ACS/CP NO. 9711/9927

August 10, 2013

Vadodara

# FINANCIAL SECTION

# INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
SANGHVI FORGING & ENGINEERING LIMITED

## Report on the Financial Statements

We have audited the accompanying financial statements of SANGHVI FORGING & ENGINEERING LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
  - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For SHAH & BHANDARI  
Chartered Accountants  
FRN: 118852W

(YOGESH BHANDARI)  
PARTNER

Place : VADODARA  
DATE : May 28, 2013

Membership No. 046255

## ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- 1 (a) The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets .The fixed asset register is updated.
- (b) As explained to us, fixed assets are physically verified by the management at the year-end, which in our opinion, is reasonable, looking to the size of the company and its nature of business, and no material discrepancies were noticed on such verification.
- (c) The company has not disposed off any substantial part of its fixed assets during the year, which can affect the going concern.
- 2 (a) As explained to us, Inventories has been physically verified during the year and at the year-end.
- (b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The company is maintaining proper records of inventory. As informed to us the discrepancies noticed on physical verification of stocks as compared to book records were not Material, however, the same have been properly dealt with in the books of account.
- 3 (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of he Act. Hence, Clause (03)(a) to (d) of the Order are not applicable.
- (b) The company has taken unsecured loans from 12 parties (P.Y.14 parties) covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance is ₹303.46Lacs (P.Y. ₹347.20 Lacs) and year-end balance is ₹303.46Lacs (P.Y. ₹91.51 Lacs.)
- (c) In our opinion and information given to us the rate of interest and other terms and conditions of loans taken by the company, secured or unsecured, are not prima facie prejudicial to the interest of the company.
- (d) As per information given and explanation given to us, the payment of interest is regular and there is no stipulation as regards to repayment of principal.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and service. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value in ₹5 Lacs with the parties during the year have been made at process which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits during the year from the public, within the meaning of the provisions of Section 58A & 58AA of the Companies Act, 1956 and rules made there under. Hence, clause (vi) of the order is not applicable.
7. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima-facie, the prescribed cost records have been maintained and are being made up. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, custom duty, excise duty and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, there are no disputed amounts payable in respect of income tax, sales tax, customs duty, excise duty, as at 31.03.2013 for a period of more than six months from the date they became payable, except Income Tax, Service Tax and Excise Duty dues:



Name of Statute	Nature of Dues	Amount (₹'000)	Period to which it relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	856.49	A.Y. 2008-09	CIT (A)
Income Tax Act, 1961	Income Tax	969.13	A.Y. 2009-10	CIT (A)
Income Tax Act, 1961	Income Tax	848.01	A.Y. 2010-11	CIT (A)
Central Excise Act, 1944	Excise Duty	776.34	F.Y. 2007-08 & F.Y. 2008-09	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Service Tax	915.36	F.Y. 2007-08, F.Y. 2008-09 & F.Y. 2010-11	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Service Tax	346.14	F.Y. 2007-08, F.Y. 2008-09, F.Y. 2009-10 & F.Y. 2010-11	Asst. Commissioner of Central Excise
Central Sales Tax Act, 1956	Sales Tax	807.10	F.Y. 2008-09	Asst. CCT (Appeal)

10. The company does not have accumulated losses at the end of the financial year and has not incurred any cash losses in the current year as well as in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of its dues to the banks.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities of similar nature and hence maintenance of documents and records relating to such items are not applicable.
13. The clause (xiii) of the order is not applicable to the company, as the company is not a chit fund company or nidhi / mutual benefit fund/society.
14. The clause (xiv) of the order is not applicable to the company as the company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956. Hence clause (xviii) of the order is not applicable.
19. The company has not issued any debentures hence clause (xix) of the order is not applicable.
20. The company has not raised any money by means of public issue during the year hence clause (xx) of the Order is not applicable to the company.
21. To the best of our knowledge and belief and according to information and explanation given to us no fraud on or by the company has been noticed or reported during the year under report.

For SHAH & BHANDARI  
Chartered Accountants  
FRN: 118852W

(YOGESH BHANDARI)  
PARTNER  
Membership No. 046255

Place : VADODARA  
DATE : May 28, 2013

## Balance Sheet as at March 31, 2013

		(₹ in '000)	
Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
<b>I. EQUITY AND LIABILITIES</b>			
1. Shareholders' Funds :			
(a) Share Capital	2.1	126,922.67	126,922.67
(b) Reserves and Surplus	2.2	481,189.26	467,525.94
2. Non-Current Liabilities:			
(a) Long-Term Borrowings	2.3	250,931.33	228,289.24
(b) Deferred Tax Liability (Net)	2.4	21,845.81	17,705.29
(c) Other Non-Current Liabilities	2.5	367,564.07	(213.95)
3. Current Liabilities:			
(a) Short - Term Borrowings	2.6	330,648.69	80,690.13
(b) Trade Payables	2.7	38,389.00	18,536.27
(c) Other Current Liabilities	2.8	272,297.02	390,193.39
(d) Short - Term Provisions	2.9	4,165.96	10,478.74
<b>TOTAL</b>		<b>1,893,953.81</b>	<b>1,340,127.72</b>
<b>II. ASSETS</b>			
1. Non - Current Assets:			
(a) Fixed Assets	2.10		
i. Tangible Assets		1,454,271.56	123,199.14
ii. Intangible Assets		3,776.68	2,418.88
iii. Capital Work-in-Progress		74,424.19	541,499.44
(b) Long Term Loans and Advances	2.11	21,920.73	69,359.35
2. Current Assets:			
(a) Inventories	2.12	147,321.91	110,200.35
(b) Trade Receivables	2.13	105,612.43	91,644.97
(c) Cash and Bank Balance	2.14	26,888.30	211,071.76
(d) Short - Term Loan and Advances	2.15	59,738.01	190,733.83
<b>TOTAL</b>		<b>1,893,953.81</b>	<b>1,340,127.72</b>
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES TO ACCOUNTS	2		

The Notes referred to above form an integral part of the Financial Statements

As per our report of even date attached

For Shah & Bhandari

Chartered Accountants

Yogesh Bhandari

Partner

Membership No - 046255

Vadodara, Dated May 28, 2013

For and Behalf of the Board of Directors

Babulal Sanghvi

Chairman

Jayanti Sanghvi

Managing Director

Kiran Mohanty

(Company Secretary)

**Profit & Loss Account** for the year ended March 31, 2013

(₹ in '000)

Particulars	Note No.	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>I. INCOME</b>			
(a) Revenue from Operations	2.16	478,835.73	536,446.38
Less : Excise Duty		(26,580.05)	(29,133.79)
(b) Other Income	2.17	8,665.90	7,927.82
		<b>460,921.58</b>	<b>515,240.41</b>
<b>II. EXPENDITURE :</b>			
(a) Cost of Material Consumed	2.18	246,585.11	320,053.58
(b) Changes in Stock of Scrap and Work in Progress	2.19	(2,904.27)	(25,973.38)
(c) Employees Benefit Expense	2.20	29,095.28	21,887.80
(d) Finance Cost	2.21	35,222.61	14,181.53
(e) Depreciation and Amortization Expense	2.10	19,271.56	7,117.27
(f) Other Expense	2.22	114,740.59	108,408.45
		<b>442,010.88</b>	<b>445,675.25</b>
<b>III. PROFIT BEFORE TAX</b>		<b>18,910.70</b>	<b>69,565.16</b>
PROVISION FOR TAX			
- Current Tax		1,106.31	21,300.00
- Deferred Tax		4,141.05	701.22
		<b>5,247.36</b>	<b>22,001.22</b>
<b>IV. PROFIT AFTER TAX</b>		<b>13,663.34</b>	<b>47,563.94</b>
Basic and Diluted Earning Per Share		1.08	3.99
(Face Value of ₹10 Per Share)			
[Refer to Note No. 2.23 (9)]			
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	1		
<b>NOTES TO ACCOUNTS</b>	2		

The Notes referred to above form an integral part of the Financial Statements

As per our report of even date attached

For Shah & Bhandari

Chartered Accountants

Yogesh Bhandari

Partner

Membership No - 046255

Vadodara, Dated May 28, 2013

For and Behalf of the Board of Directors

Babulal Sanghvi

Chairman

Jayanti Sanghvi

Managing Director

Kiran Mohanty

(Company Secretary)

## Cash Flow Statement for the year ended March 31, 2013

(₹ in '000)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>A. Cash Flow From Operating Activities:</b>		
Net Profit Before Tax and Extra ordinary Items	18,910.70	69,565.16
Adjustment for:		
Depreciation /Amortization /Impairment	19,271.56	7,117.27
Interest Expense / Finance Cost	35,222.61	14,181.53
Interest Income	(3,875.64)	(4,100.22)
Dividend Income	-	(1,158.07)
Loss on Sale of Subsidiary	-	1,446.30
Loss/ Profit on sale of Fixed Assets	877.83	83.89
<b>Operating Profit Before Working Capital Changes</b>	<b>70,407.06</b>	<b>87,135.87</b>
Adjustment for (increase)/decrease in Operating assets:		
Inventories	(37,121.56)	(30,770.30)
Trade Receivables	(13,967.46)	18,777.65
Short Term Loan & Advances	130,995.83	(186,006.16)
Long Term Loan & Advances	47,438.62	38,866.52
	<b>127,345.43</b>	<b>(159,132.29)</b>
Adjustment for (increase)/decrease in Operating liabilities:		
Trade Payable	19,852.73	(148,407.05)
Non-Current Liabilities	371,918.53	487.27
Other Current Liabilities	(117,896.37)	387,364.17
Short Term Provisions	(6,312.78)	(6,640.44)
	<b>267,562.11</b>	<b>232,803.95</b>
<b>Cash Generated From Operation</b>	<b>465,314.60</b>	<b>160,807.52</b>
Income Tax Expense	5,247.36	22,001.22
<b>Net Cash Generated From Operating Activities</b>	<b>460,067.24</b>	<b>138,806.30</b>
<b>B. Cash Flow From Investing Activities</b>		
Acquisition of Fixed Assets	(885,878.62)	(443,820.02)
Proceed from Sale of Fixed Assets	374.25	143.33
Change in Bank Margin Money / FD Originally Matured in more than three months	(15,641.86)	(5,383.34)
Interest Received	3,875.64	4,100.22
Dividend Received	-	1,158.07
<b>Net Cash Used in Investing Activities</b>	<b>(897,270.59)</b>	<b>(443,801.74)</b>



## Cash Flow Statement for the year ended March 31, 2013

(₹ in '000)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>C. Cash Flow From Financing Activities</b>		
Increase in Share Capital	-	47,002.24
Security Premium (Net of Share Issue Expense)	-	319,393.05
Long Term Loan from Bank	22,642.09	179,367.14
(Repayments)/ Short Term Borrowing from Bank	249,958.55	(26,940.30)
Finance Cost (Interest & Bank Charges)	(35,222.61)	(14,181.53)
<b>Net Cash used in Financing Activities</b>	<b>237,378.03</b>	<b>504,640.60</b>
<b>Net Increase /(Decrease) in Cash and Bank Balance (A+B+C)</b>	<b>(199,825.32)</b>	<b>199,645.16</b>
<b>Opening Balance of Cash &amp; Cash Equivalent</b>	<b>200,179.29</b>	<b>534.13</b>
<b>Closing Balance Cash &amp; Cash Equivalent #</b>	<b>353.97</b>	<b>200,179.29</b>
# Comprises of,		
Cash on Hand	220.96	2,139.83
Balance with Bank -Current Accounts	133.01	198,039.46
	<b>353.97</b>	<b>200,179.29</b>

As per our report of even date attached

**For Shah & Bhandari**

*Chartered Accountants*

**Yogesh Bhandari**

*Partner*

**Membership No - 046255**

**Vadodara, Dated May 28, 2013**

**For and Behalf of the Board of Directors**

**Babulal Sanghvi**

*Chairman*

**Jayanti Sanghvi**

*Managing Director*

**Kiran Mohanty**

*(Company Secretary)*

# NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

## NOTE 1

### Corporate Information:

Sanghvi Forging & Engineering Limited (SFEL) is the manufacturer of various forging and machined components for Process & Heavy Industrial application.

The Company has set up additional 15000 MTPA Heavy Forging Division (with single piece forging up to 40 MT) to manufacture proof machined products viz. stepped shafts, bars & hollows, blocks, flanged shafts, gear blanks, shells, tube sheets, forging items etc at GIDC Industrial Estate(at plot no. 1401, 1402 & 1403), Waghodia Dist: Vadodara.

### 1. SIGNIFICANT ACCOUNTING POLICIES TO FINANCIAL STATEMENTS

#### I. Basis of Accounting

These Financial statements are prepared under historical cost conventions on accrual basis in accordance with the Generally Accepted Accounting principles in India and Accounting Standard (AS) as notified under Companies (Accounting Standard) Rules, 2006 (as amended).

#### II. Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the year. Difference between the actual result and estimates are recognised in the period in which reason are known / materialized.

#### III. Fixed Assets and Depreciation /Amortization

##### A. Tangible Assets

Tangible Fixed Assets are stated at historical cost including expenditure directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction or manufacturing of qualifying assets are capitalized as part of the cost less accumulated depreciation there on and impairment losses if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV the Companies Act, 1956 except Residential building, which is depreciated at 5% of Straight Line Basis. Leasehold land having lease of 99 years or more are treated as free hold land only and other leases are amortized over the period of lease.

##### B. Intangible Assets

Intangible assets are stated at the consideration paid for the acquisition less accumulated amortization. The same are amortised at rate of 16.25% of Straight Line Basis.

##### C. Capital Work in Progress

Cost of fixed assets not ready for use before the balance sheet date is disclosed as capital work in progress. Advances paid towards the acquisition of fixed assets outstanding as of each balance sheet date is disclosed as capital advance.

#### IV. Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on straight line basis over the lease period.

#### V. Inventories

Cost of Inventories have been computed to include all cost of Purchases, Cost of Conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are valued at lower of cost or net realizable value using the First in First out (FIFO) basis.

#### VI. Revenue Recognition

Sales of products and services are recognised when risk and rewards of ownership at of the products are passed on to the customers, which is generally on dispatch of goods. Sales are inclusive of Excise Duty but excluding sales tax / Value Added Tax and export incentives. Export incentives are accounted on accrual basis. Revenue from job charges is recognised on dispatch of material and in accordance with terms of job work. Interest incomes are recognised on time proportion basis.

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

### NOTE 1 (Contd.)

#### VII. Foreign Currency Transactions

- (a) Transactions denominated in foreign currencies are recorded at the rate prevailing on date of transaction
- (b) In respect of monetary items denominated in foreign currency at the year-end are translated at the year-end rates.
- (c) Any income or expenses on account of exchange differences either on settlement or on transactions are recognised in the Profit and Loss Account.
- (d) Exchange difference relating to long term foreign currency monetary item to the extent they are used for financing the acquisition of fixed assets are added to or subtracted from the cost of such fixed assets.

#### VIII. Taxes on Income

Provision for taxation comprises of Current Tax and Deferred Tax. Current tax has provision has been made after considering reliefs and deduction available under Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognised and carried forward only to the extent the assets can be realized in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each Balance sheet date.

Minimum Alternate Tax (MAT) Credit: MAT credit is recognised, as an Asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

#### IX. Employee Benefits

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year on accrual basis.
- (b) Short term compensated absences are provided based on past experience.
- (c) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer. Actuarial gain/loss is charged to Profit and Loss Account.

#### X. Borrowing Costs

- (a) Borrowing Cost attributable to acquisition and construction of qualifying assets are capitalized as part of the cost of such assets up to the date when such assets are ready for intended use. The borrowing cost eligible for capitalization is being netted off against any income arising on the temporary investment of those borrowings.
- (b) Other borrowing cost is charged to Profit and Loss Account.

#### XI. Provisions, Contingent Liabilities and Contingent Assets

Provision is recognised only when there is a present obligation as a result of past events and when reliable estimates of the amount of the obligation can be made. Contingent liability is disclosed for:-

- (a) Possible Obligations which will be confirmed only by future events not wholly within the control of the company or
- (b) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or reliable estimates of the amount of the obligation cannot be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realized.

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

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**NOTE 1**

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**XII. Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**XIII Application of Securities Premium Account**

Share issue expenses are charged first against available balance in Securities Premium Account.

**XIV Project Development Expense Pending Adjustment**

Expenditure incurred during developmental and preliminary stages of the Company's new project are charged to Capital Work in progress. Advance paid for the Project development are charged to Capital Advances.

**XV Earning Per Share**

The Company reports basic and diluted earnings per share in accordance with the Accounting Standard – 20-' Earning per Share' prescribed by the Companies (Accounting Standard) Rules 2006. Basic Earning per Share is computed by dividing the net profit or loss for the year by the weighted average number of Equity Share outstanding during the year. Diluted earning per share is computed by dividing the net profit or loss for the year by the weighted number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity share.

**XVI Cash flow statement**

Cash flows are reported using the indirect method whereby profit before tax is adjusted for the effects of the transactions of a non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating; financing and investing activities of the company are segregated.



## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

### NOTE 2 : NOTES TO ACCOUNTS

Note	2.1	Share Capital	(₹ in '000)	
Sr. No	Particulars	As at March 31, 2013	As at March 31, 2012	
(a)	<b>AUTHORISED :</b> 20,000,000 No. of Equity Shares Of ₹10 each	200,000.00	200,000.00	
(b)	<b>Issued , Subscribed &amp; Paid up Share Capital :</b> 12,692,267 No. of Equity Shares of ₹10 Each	126,922.67	126,922.67	
	<b>Total</b>	<b>126,922.67</b>	<b>126,922.67</b>	

(a) Right to vote , dividend and restriction attached to each class of issued capital to be disclosed.

All the Shareholders whose name is entered in the Registered of Members of the Company shall enjoy the same voting rights and be subject to the same liabilities as all other shareholder of the same class.

(b) Reconciliation of shares outstanding at the beginning and at the end of the year.

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number of shares	(₹ in 000)	Nos.	(₹ in 000)
<b>Equity Shares</b>				
At the beginning of the year	12,692,267	126,922.67	799,2043	79,920.43
<b>Issued during the year</b>				
(a) Public Issue	-	-	4,700,224	47,002.24
<b>Outstanding at the end of the year</b>	<b>12,692,267</b>	<b>126,922.67</b>	<b>12,692,267</b>	<b>126,922.67</b>

(c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the company (Equity Shares of ₹10 each fully paid)

Sr.	Name of the Shareholders	As at March 31, 2013		As at March 31, 2012	
		Number of shares	% holding	Number of shares	% holding
1	Shri Jayanti B Sanghvi	1,367,591	10.77	1,356,706	10.70
2	Shri Babulal S Sanghvi	1,164,283	9.17	1,164,283	9.17
3	Shri Naresh B Sanghvi	1,282,931	10.11	1,266,931	9.98
4	Shri Vikram B Sanghvi	955,682	7.53	955,682	7.53
5	Smt Bhamridevi B Sanghvi	682,451	5.38	682,451	5.38
6	Amrapali Fincap Pvt.Ltd.	-	-	788,801	6.21
	<b>TOTAL</b>	<b>5,452,938</b>	<b>42.96</b>	<b>6,214,854</b>	<b>48.97</b>

(d) Details of aggregate number and class of shares allotted other than cash during the period of five years immediately preceding the reporting date

Particulars / Nos.	As on 31.03.2012	As on 31.03.2011	As on 31.03.2010	As on 31.03.2009	As on 31.03.2008
Bonus Issue	NIL	2,869,159	NIL	NIL	2,948,949
Conversion of Unsecured Loan	NIL	NIL	850,000	NIL	NIL

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	As at March 31, 2013	As at March 31, 2012
<b>Note 2.2</b>	<b>Reserves &amp; surplus</b>		
(a)	General Reserve (At Commencement & At End)	3,987.14	3,987.14
(b)	Securities Premium		
	Opening Balance	336,967.97	374,588.29
	Less : Share Issue Expense	-	37,620.32
	Closing Balance	336,967.97	336,967.97
(c)	Profit & Loss Account		
	Opening Balance	126,570.81	79,006.88
	Add : Profit for the Year	13,663.34	47,563.94
	Closing Balance	140,234.15	126,570.83
	<b>Total</b>	<b>481,189.26</b>	<b>467,525.94</b>
<b>Note 2.3</b>	<b>Long term borrowings</b>		
(a)	Secured Loans		
	(i) Term Loan	213,585.60	212,138.51
	-Secured against all fixed assets (existing & proposed) and Equitable Mortgage over Leasehold Land.		
	-Personal Guarantees of Directors including pledge of their shares [Refer Note 2.23(14)]		
(b)	Unsecured Loans		
	(i) from Directors & their Relatives	30,345.73	9,150.73
	(ii) Inter Corporate Deposits [Refer Note 2.23(15)]	7,000.00	7,000.00
	<b>Total</b>	<b>250,931.33</b>	<b>228,289.24</b>
<b>Note 2.4</b>	<b>Deferred tax liability (net)</b>		
(a)	Deferred Tax Liability :		
	On account of timing difference of		
	- Depreciation	43,040.64	17,836.04
(b)	Deferred Tax Assets :		
	On account of timing difference of		
	-Unabsorbed Depreciation	(20,485.39)	-
	-On account of Expenses Allowable on Payment Basis	(709.44)	(130.75)
	<b>Total</b>	<b>21,845.81</b>	<b>17,705.29</b>
<b>Note 2.5</b>	<b>Other non-current liabilities</b>		
(a)	For Gratuity	(167.78)	(213.95)
(b)	Payable - For Capital Goods	367,731.85	-
	<b>Total</b>	<b>367,564.07</b>	<b>(213.95)</b>
<b>Note 2.6</b>	<b>Short Term Borrowings</b>		
(a)	Secured Loans		
	i. Working Capital Loan from Bank	330,648.69	80,690.13
	(Against Hypothecation of Entire Current Assets - Stock of Raw Material, Work-in-Progress, Finished Goods, Stores & Spares, Trade Receivable, etc.)		
	(Interest on Working Capital is 4% above Base Rate.)		
	<b>Total</b>	<b>330,648.69</b>	<b>80,690.13</b>

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	As at March 31, 2013	As at March 31, 2012
<b>Note 2.7</b>	<b>Trade Payables</b>		
(a)	Trade Payable - For Goods & Services	36,022.47	18,274.80
(b)	Trade Payable - For Micro, Small & Medium Enterprises	2,366.53	261.47
	<b>Total</b>	<b>38,389.00</b>	<b>18,536.27</b>
<b>Note 2.8</b>	<b>Other Current Liabilities</b>		
(a)	Current Maturity of long term Loan -Secured against all fixed assets (existing & proposed) and Equitable Mortgage over Leasehold Land. -Personal Guarantees of Directors including pledge of their shares [Terms of Loan : Refer Notes 2.23 (14)]	33,200.00	82,487.19
(b)	Duties & Taxes Payable	11,633.71	1,104.74
(c)	Payable - For Capital Goods	223,851.92	305,710.98
(d)	Other Outstanding Liabilities	3,392.06	515.33
(e)	Advance from Customers	219.33	375.15
	<b>Total</b>	<b>272,297.02</b>	<b>390,193.39</b>
<b>Note 2.9</b>	<b>Short Term Provisions</b>		
(a)	For Taxation (Net Of Advance Tax)	648.85	8,592.67
(b)	For Employee Benefit Expenses	3,517.11	1,886.07
	<b>Total</b>	<b>4,165.96</b>	<b>10,478.74</b>

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

Note 2.10 Fixed Assets		(₹ in '000)									
PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK				
	As at 01.04.2012	Additions	Sales/ Transfers	As at 31.03.2013	As at 01.04.2012	For The Year	Sales/ Transfers	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012	As at 31.03.2012
Free hold land #	9,629.22	14,279.31	-	23,908.54	-	-	-	-	23,908.54	9,629.22	9,629.22
P.Y.	9,572.09	57.13	-	9,629.22	-	-	-	-	9,629.22	9,572.09	9,572.09
Leasehold land*	300.00	-	-	300.00	70.03	15.00	-	85.03	214.97	229.97	229.97
P.Y.	300.00	-	-	300.00	55.03	15.00	-	70.03	229.97	244.97	244.97
Buildings-Factory	25,879.73	219,816.58	-	245,696.30	4,551.79	2,032.53	-	6,584.32	239,111.98	21,327.94	21,327.94
P.Y.	25,116.63	1,771.41	1,008.32	25,879.73	3,706.42	980.23	134.86	4,551.79	21,327.94	21,410.21	21,410.21
Buildings-Residential	311.77	-	-	311.77	68.31	15.59	-	83.90	227.87	243.46	243.46
P.Y.	311.77	-	-	311.77	52.72	15.59	-	68.31	243.46	259.05	259.05
Plant and Machinery	101,781.47	1,042,098.88	1,825.95	1,142,054.41	23,682.48	13,613.93	640.71	36,655.70	1,105,398.71	78,099.00	78,099.00
P.Y.	89,357.59	14,860.21	2,436.33	101,781.47	19,432.62	4,249.86	-	23,682.48	78,099.00	69,924.97	69,924.97
Electrical Installation	3,222.33	71,226.78	13.75	74,435.37	1,020.29	705.65	10.12	1,715.82	72,719.55	2,202.05	2,202.05
P.Y.	3,180.43	41.90	-	3,222.33	867.64	152.65	-	1,020.29	2,202.05	2,312.79	2,312.79
Office Equipment	1,115.98	795.15	73.59	1,837.53	156.36	82.00	12.07	226.29	1,611.24	959.63	959.63
P.Y.	971.32	144.66	-	1,115.98	106.34	50.02	-	156.36	959.63	864.98	864.98
Computers	4,263.05	694.00	107.42	4,849.64	1,433.45	704.06	105.71	2,031.80	2,817.84	2,829.61	2,829.61
P.Y.	2,655.64	1,827.03	219.62	4,263.05	1,270.48	229.41	66.44	1,433.45	2,829.61	1,385.16	1,385.16
Furniture and Fixtures	2,526.31	149.36	-	2,675.67	598.45	164.09	-	762.54	1,913.13	1,927.86	1,927.86
P.Y.	2,317.45	252.73	43.87	2,526.31	446.04	152.41	-	598.45	1,927.86	1,871.41	1,871.41
Vehicles	7,197.21	1,424.02	-	8,621.23	1,446.79	826.72	-	2,273.51	6,347.72	5,750.42	5,750.42
P.Y.	4,777.90	3,013.80	594.49	7,197.21	1,205.55	554.22	312.98	1,446.79	5,750.42	3,572.35	3,572.35
<b>Total Tangible Asset</b>	<b>156,227.07</b>	<b>1,350,484.08</b>	<b>2,020.70</b>	<b>1,504,690.45</b>	<b>33,027.94</b>	<b>18,159.57</b>	<b>768.62</b>	<b>50,418.90</b>	<b>1,454,271.55</b>	<b>123,199.14</b>	<b>123,199.14</b>
P.Y.	138,560.82	21,968.88	4,302.63	156,227.07	27,142.84	6,399.39	514.28	33,027.94	123,199.14	111,417.98	111,417.98
<b>Intangible Assets:</b>											
Software & Licenses	4,798.09	2,469.79	-	7,267.88	2,379.21	1,111.99	-	3,491.21	3,776.68	2,418.88	2,418.88
P.Y.	3,277.00	1,521.08	-	4,798.08	1,661.32	717.89	-	2,379.21	2,418.88	1,615.68	1,615.68
<b>Total Intangible Asset</b>	<b>4,798.09</b>	<b>2,469.79</b>	<b>-</b>	<b>7,267.88</b>	<b>2,379.21</b>	<b>1,111.99</b>	<b>-</b>	<b>3,491.21</b>	<b>3,776.68</b>	<b>2,418.88</b>	<b>2,418.88</b>
P.Y.	3,277.00	1,521.08	-	4,798.08	1,661.32	717.89	-	2,379.21	2,418.88	1,615.68	1,615.68
<b>Total Asset</b>	<b>161,025.16</b>	<b>1,352,953.88</b>	<b>2,020.70</b>	<b>1,511,958.33</b>	<b>35,407.16</b>	<b>19,271.56</b>	<b>768.62</b>	<b>53,910.10</b>	<b>1,458,048.23</b>	<b>125,618.01</b>	<b>125,618.01</b>
P.Y.	141,837.82	23,489.96	4,302.63	161,025.15	28,804.16	7,117.28	514.28	35,407.16	125,618.01	113,033.66	113,033.66
Capital Work-in-Progress	541,499.44	1,157,488.98	1,624,564.23	74,424.19	-	-	-	-	74,424.19	541,499.44	541,499.44
P.Y.	10,449.32	1,022,415.72	491,365.60	541,499.44	-	-	-	-	541,499.44	10,449.32	10,449.32
<b>Total Fixed Assets</b>									<b>1,532,472.42</b>	<b>667,117.45</b>	<b>667,117.45</b>

# 99 year lease hold land treated as a Freehold land.

\* Leasehold Land amortized over lease period i.e. 20 years.

Previous year figures in Italics

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	As at March 31, 2013	As at March 31, 2012
<b>Note 2.11</b>	<b>Long Term Loans &amp; Advnaces</b>		
	(Unsecured Considered Good)		
(a)	Capital Advance	13,932.32	67,009.22
(b)	Deposits	1,703.87	1,376.22
(c)	Balance with Revenue Authorities	6,146.96	836.33
(d)	Other Loans & Advances	137.58	137.58
	<b>Total</b>	<b>21,920.73</b>	<b>69,359.35</b>
<b>Note 2.12</b>	<b>Inventories</b>		
(a)	Raw Material	60,899.47	26,113.42
(b)	Work-in-Progress	81,071.09	74,381.84
(c)	Stores & Spares Parts	3,024.05	3,624.23
(d)	Packing Material	345.26	313.84
(e)	Scrap	1,982.04	5,767.02
	<b>Total</b>	<b>147,321.91</b>	<b>110,200.35</b>
<b>Note 2.13</b>	<b>Trade Receivable</b>		
(a)	Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
	(i) Unsecured, considered good	15,210.70	20,543.93
	(ii) Doubtful	1,791.96	-
	Less : Provision for doubtful debts	(1,791.96)	-
		<b>15,210.70</b>	<b>20,543.93</b>
(b)	Trade receivables outstanding for a period less than six months from the date they are due for payment		
	(i) Unsecured, considered good	90,401.73	71,101.04
	<b>Total</b>	<b>105,612.43</b>	<b>91,644.97</b>
<b>Note 2.14</b>	<b>Cash &amp; Bank Balance</b>		
	<b>CASH &amp; CASH EQUIVALENT</b>		
(a)	Cash on Hand	220.96	2,139.83
(b)	Balance with Banks :		
	i. In Current Accounts	133.01	198,039.46
	<b>OTHERE BANK BALANCE</b>		
(a)	Other Balance with Bank - Margin Money / FD	26,534.33	10,892.47
	(Balance with banks to the extent held as Margin Money)		
	<b>Total</b>	<b>26,888.30</b>	<b>211,071.76</b>



## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	As at March 31, 2013	As at March 31, 2012
<b>Note 2.15</b>	<b>Short Term Loan &amp; Advance</b>		
	Unsecured Considered Good		
(a)	Balance with other Revenue Authorities	50,641.99	14,711.74
(b)	Pre - Paid Expense	3,021.10	1,077.52
(c)	Advance to Suppliers	5,231.59	174,396.03
(d)	Accrued Interest on Deposits	843.33	548.54
	<b>Total</b>	<b>59,738.01</b>	<b>190,733.83</b>

(₹ in '000)

Sr. No	Particulars	2012-13	2011-12
<b>Note 2.16</b>	<b>Revenue From Operations</b>		
(a)	<b>Sale of Flanges, Fittings &amp; Forged Bars</b>		
	Sales - Domestic	294,303.29	317,537.30
	Sales - Export	77,195.22	103,487.65
	Sales -Deemed Export	43,942.91	26,223.41
	Sales - Scrap	51,631.56	69,878.87
		<b>467,072.98</b>	<b>517,127.23</b>
(b)	<b>Other Operating Revenues</b>		
	Duty Draw Back & Other Export Incentive	2,439.97	5,092.41
	Other Operating Revenues	9,322.78	14,226.74
	Sub Total	11,762.75	19,319.15
	<b>GROSS REVENUE FROM OPERATIONS</b>	<b>478,835.73</b>	<b>536,446.38</b>
	Less : Excise Duty	26,580.05	29,133.79
	<b>NET REVENUE FROM OPERATIONS</b>	<b>452,255.68</b>	<b>507,312.59</b>

<b>Note 2.17</b>	<b>Other Income</b>		
	Interest From Bank & Other	3,875.64	4,100.22
	Exchange Fluctuation gain/(loss)	4,382.21	2,423.77
	Misc. Income	408.05	1,403.83
	<b>Total</b>	<b>8,665.90</b>	<b>7,927.82</b>

<b>Note 2.18</b>	<b>Cost Of Material Consumed</b>		
	<b>Steel Consumed</b>		
	Opening Balance	26,113.41	23,858.50
	Add : Purchase	281,371.17	322,308.49
		<b>307,484.58</b>	<b>346,166.99</b>
	Less : Closing Stock	60,899.47	26,113.41
	<b>Raw Material Consumed</b>	<b>246,585.11</b>	<b>320,053.58</b>
	<b>Consumption of Imported &amp; Indigenous Materials</b>		
	Imported Items	1,072.28	2,019.47
		0.43%	0.63%
	Indigenous Items	245,512.83	318,034.11
		99.57%	99.37%
	<b>Total</b>		

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	2012-13	2011-12
<b>Note 2.19</b>	<b>Changes In Stock Of Scrap And Work In Progress</b>		
	(Increase) / Decrease in Closing Stock		
	- Work-in-Progress	81,071.09	74,381.83
	- Scrap	1,982.03	5,767.02
		<b>83,053.12</b>	<b>80,148.85</b>
	Opening Stock		
	- Work-in-Progress	74,381.84	49,998.21
	- Scrap	5,767.02	4,177.26
		<b>80,148.85</b>	<b>54,175.47</b>
	(Increase) / Decrease in Stock	<b>(2,904.27)</b>	<b>(25,973.38)</b>
<b>Note 2.20</b>	<b>Employees Benefit Expense</b>		
	Salary & Wages & Bonus	26,593.74	19,872.56
	Contribution to Provident & Other Funds	1,384.77	1,224.26
	Staff Welfare Expense	1,116.77	790.99
	<b>Total</b>	<b>29,095.28</b>	<b>21,887.80</b>
<b>Note 2.21</b>	<b>Finance Cost</b>		
	Interest Expense	25,079.88	6,898.60
	Bank Charges	10,142.73	7,282.93
	<b>Total</b>	<b>35,222.61</b>	<b>14,181.53</b>
<b>Note 2.22</b>	<b>Other Expenses</b>		
(a)	<b>Manufacturing Expense :</b>		
	Power & Fuel	6,805.28	4,189.29
	Stores Consumed	35,835.99	28,214.58
	Job Work / Processing Charges	4,009.64	13,238.41
	Wages-Direct Labour Contract	7,063.58	6,157.54
	Repairs and Maintenance - Buildings	144.58	281.07
	Repairs and Maintenance - Plant & Machinery	3,327.43	1,888.70
(b)	<b>Administrative &amp; Other Expense :</b>		
	Advertisement & Corporate Expense	1,923.32	1,863.74
	Audit Fees	230.00	225.00
	Director Sitting Fees	289.50	385.50
	Insurance Expense	448.69	445.71
	Late Delivery Charges	4,207.39	7,049.46
	Professional Fees	7,336.54	5,113.41
	Rates & Taxes	7,595.02	5,663.70
	Rent Expense	492.09	217.01
	Repairs and maintenance - Others	1,408.76	2,035.75
	Travelling Expenses	4,347.07	2,984.38
	Loss on Subsidiary	-	1,446.30
	Loss on sale of fixed assets	877.93	85.66
	Donations and Contributions	92.00	59.00
	Sales Promotional Expenses	4,446.38	131.70
	Freight Outwards-Domestic	3,122.32	5,291.46
	Packing expenses	3,122.84	4,615.19
	Bad Debt	1,791.96	(12.14)
	Miscellaneous Expense	15,822.28	16,838.03
	<b>Total</b>	<b>114,740.59</b>	<b>108,408.45</b>

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	2012-13	2011-12
Note 2.23	Notes Forming Part Of Financial Statements		
1.	<b>Contingent Liabilities</b>		
	Guarantee Given By Bankers on Behalf of Company		
	- Bank Guarantee	74,859.60	70,776.19
	<b>Disputed Liabilities</b>		
	-Income Tax on Accounts of Disallowance	2,673.63	1,825.62
	-Excise Duty on Account of Cenvat Credit	776.34	776.34
	-Service Tax on Account of Cenvat Credit	1,261.50	1,261.50
	-Central Sales Tax Demand on Account of 'C' Form	807.10	-
2.	<b>Estimated value of contract</b>		
	Estimated Amount of Contracts remaining to be executed on Capital Accounts and not provided for, net of advances	21,809.82	676,447.67
3.	<b>Remuneration to Auditors</b>		
	As Auditor	150.00	150.00
	Taxation & Other Matters	80.00	75.00
	<b>Total</b>	<b>230.00</b>	<b>225.00</b>
4.	<b>C.I.F. value of Imports</b>		
	Capital Goods	491,081.72	274,491.50
	Raw Material	48,613.23	5,952.59
5.	<b>(a) Expenditure in Foreign Currency</b>		
	Foreign Travel Expenses	2,412.66	1,277.91
	Commission on Export Sales	995.27	1,313.54
	Exhibitions & Sales Promotion	4,209.38	307.64
	Export Expense	1,147.88	465.62
	<b>(b) Earnings in Foreign Currency</b>		
	F.O.B. value of exports	82,056.37	130,244.07
6.	<b>Exchange difference Gain/(Loss) on account of fluctuations in foreign currency rates</b>		
	1.Relating to Exports during the year as part of Sales	2,455.92	(P.Y. 2,057.54)
	2.Recognised in Profit and Loss Account		
	On settlement / revaluation of current assets	647.18	624.39
	On settlement / revaluation of current liabilities	1,279.11	(258.17)
7.	<b>Details of amount Capitalised during the year to Fixed Assets</b>		
	Interest & Other Finance Charges	33,689.84	1,1451.91
	Other Preliminary & Preoperative Expenses	31,944.89	12,636.33
	Foreign Exchange (Gain) / Loss (Net)	10,676.06	-
	<b>Total</b>	<b>76,310.80</b>	<b>24,088.24</b>

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

(₹ in '000)

Sr. No	Particulars	2012-13	2011-12
<b>Note 2.23</b>	<b>Notes Forming Part Of Financial Statements (Contd.)</b>		
8.	The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at March 31, 2013. The disclosure pursuant to the said Act is as under		
	Principal Amount due to suppliers under MSMED Act, 2006,	2,366.53	261.47
	Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day	8,298.93	234.38
	Interest accrued and due to suppliers under MSMED Act, on the above amount	74.91	0.49
	Interest paid to suppliers under MSMED Act (Section 16)	0.49	0.36
	Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	74.91	0.49
9	<b>Computation of Earnings per Share</b>	<b>2012-13</b>	<b>2011-12</b>
	Profit used as Numerator for calculating Earnings per Share (₹ in '000)	13,663.36	47,563.93
	Weighted Average Number of Share used in computing Basic and diluted Earnings Per Share	12,692,267	11,918,864
	Nominal Value per Share (In ₹)	10	10
	Basic and Diluted Earnings per Share (In ₹)	1.08	3.99

### 10. Related Party Details

#### (a) Related Party Disclosure

Subsidiary Company	Sanghvi Middle East (FZE)
Key Management Personnel	Shri Babulal S Sanghvi Shri Jayanti B Sanghvi Shri Naresh B Sanghvi Shri Vikram B Shanghai
Relative of Key Management Personnel	Smt Bhamri Devi B Sanghvi ( Wife of Director & Mother of Directors) Smt Meena J Sanghvi ( Wife of Director) Smt Kiran N Sanghvi ( Wife of Director) Shri Mahesh B Sanghvi (Son of Director & Brother of Directors)
Enterprises under Significant Influence of Key Management Personnel or their Relatives	Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Vikram Sanghvi (HUF) Gautam Pipeline Product ( Prop: Babulal Sanghvi (HUF)) Kanak Engineering Works (Prop: Meena J Sanghvi) Gautam Stainless Pvt. Ltd.

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

Note **2.23** Notes Forming Part Of Financial Statements (Contd.)

### (b) Related Party Transaction

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprises under Significant Influence of Key management Personnel or their Relatives		TOTAL	
	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012
Purchase of Goods/DEPB	-	-	-	-	-	-	2,304.34	50.60	2,304.34	50.60
Gautam Pipeline Product (Proprietor - Babulal Sanghvi-HUF)	-	-	-	-	-	-	2304.34	50.60	2,304.34	50.60
Receiving of Services	-	-	-	-	-	-	-	29.80	-	29.80
Kanak Engineering Works	-	-	-	-	-	-	-	29.80	-	29.80
Sale of Goods/ DEPB	-	(1,123.08)	-	-	-	-	60.29	-	60.29	(1,123.08)
Sanghvi Middle East (FZE)	-	(1,123.08)	-	-	-	-	-	-	-	(1,123.08)
Gautam Stainless Pvt. Ltd.	-	-	-	-	-	-	60.29	-	60.29	-
Loans given /Repaid	-	-	50.00	3,282.00	-	21,602.80	-	-	50.00	24,884.80
Babulal S Sanghvi	-	-	-	1,500.00	-	-	-	-	-	1,500.00
Jayanti B Sanghvi	-	-	50.00	577.00	-	-	-	-	50.00	577.00
Naresh B Sanghvi	-	-	-	600.00	-	-	-	-	-	600.00
Vikram B Sanghvi	-	-	-	-	-	-	-	-	-	-
BhamriDevi B Sanghvi	-	-	-	605.00	-	-	-	-	-	605.00
Meena J Sanghvi	-	-	-	-	-	3,500.00	-	-	-	3,500.00
Kiran N Sanghvi	-	-	-	-	-	1,000.00	-	-	-	1,000.00
Babulal Sanghvi (HUF)	-	-	-	-	-	15,802.80	-	-	-	15,802.80
Jayanti Sanghvi (HUF)	-	-	-	-	-	500.00	-	-	-	500.00
Naresh Sanghvi (HUF)	-	-	-	-	-	800.00	-	-	-	800.00
Loans Received Back/Taken	-	-	18,475.00	207.00	-	202.80	2,770.00	-	21,245.00	409.80
Jayanti B Sanghvi	-	-	6,000.00	27.00	-	-	-	-	6,000.00	27.00
Babulal Sanghvi	-	-	3,400.00	-	-	-	-	-	3,400.00	-
Naresh B Sanghvi	-	-	5,275.00	-	-	-	-	-	5,275.00	-
Vikram B Sanghvi	-	-	3,800.00	-	-	-	-	-	3,800.00	-
BhamriDevi B Sanghvi	-	-	-	180.00	-	-	-	-	-	180.00
Meena J Sanghvi	-	-	-	-	-	-	-	-	-	-
Kiran N Sanghvi	-	-	-	-	-	-	-	-	-	-
Sheetal V Sanghvi	-	-	-	-	-	-	-	-	-	-
Babulal Sanghvi (HUF)	-	-	-	-	-	202.80	-	-	-	202.80
Jayanti Sanghvi (HUF)	-	-	-	-	-	-	1,320.00	-	1,320.00	-
Naresh Sanghvi (HUF)	-	-	-	-	-	-	1,000.00	-	1,000.00	-
Vikram Sanghvi (HUF)	-	-	-	-	-	-	450.00	-	450.00	-
Investment	-	(1,446.00)	-	-	-	-	-	-	-	(1,446.00)
Sanghvi Middle East (FZE)	-	(1,446.00)	-	-	-	-	-	-	-	(1,446.00)
Interest Expenses	-	-	-	9.00	-	85.92	-	202.80	-	297.72
Jayanti B Sanghvi	-	-	-	9.00	-	-	-	-	-	9.00
Babulal Sanghvi	-	-	-	-	-	-	-	-	-	-
Naresh B Sanghvi	-	-	-	-	-	-	-	-	-	-
Vikram B Sanghvi	-	-	-	-	-	-	-	-	-	-
BhamriDevi B Sanghvi	-	-	-	-	-	-	-	-	-	-
Meena J Sanghvi	-	-	-	-	-	-	-	-	-	-
Kiran N Sanghvi	-	-	-	-	-	-	-	-	-	-
Sheetal V Sanghvi	-	-	-	-	-	85.92	-	-	-	85.92
Babulal Sanghvi (HUF)	-	-	-	-	-	-	-	-	-	-
Jayanti Sanghvi (HUF)	-	-	-	-	-	-	-	202.80	-	202.80



## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

Note **2.23** Notes Forming Part Of Financial Statements (Contd.)

### (b) Related Party Transaction

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprises under Significant Influence of Key management Personnel or their Relatives		TOTAL	
	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012	March, 31 2013	March, 31 2012
Naresh Sanghvi (HUF)										-
Vikram Sanghvi (HUF)										-
Rental Paid	-	-	36.00	36.00	180.00	180.00	-	-	216.00	216.00
BhamriDevi B Sanghvi	-	-	-	-	180.00	180.00	-	-	180.00	180.00
Jayanti B Sanghvi	-	-	36.00	36.00	-	-	-	-	36.00	36.00
Director's Remuneration	-	-	7,138.81	3,728.18	-	-	-	-	7,138.81	3,728.18
Outstanding (Receivables)/Payables (Net)	-	-	21,378.21	2,953.21	4,027.12	4,027.12	4,698.98	2,058.91	30,104.30	9,039.23
Babulal S Sanghvi	-	-	4,164.60	764.60	-	-	-	-	4,164.60	764.60
Jayanti B Sanghvi	-	-	6,739.82	789.82	-	-	-	-	6,739.82	789.82
Naresh B Sanghvi	-	-	5,523.59	248.59	-	-	-	-	5,523.59	248.59
Vikram B Sanghvi	-	-	4,950.20	1,150.20	-	-	-	-	4,950.20	1,150.20
BhamriDevi B Sanghvi	-	-	-	-	2,122.30	2,122.30	-	-	2,122.30	2,122.30
Meena J Sanghvi	-	-	-	-	63.94	63.94	-	-	63.94	63.94
Kiran N Sanghvi	-	-	-	-	24.74	24.74	-	-	24.74	24.74
Sheetal V Sanghvi	-	-	-	-	1,816.14	1,816.14	-	-	1,816.14	1,816.14
Gautam Pipeline Product	-	-	-	-	-	-	31.54	46.95	31.54	46.95
Kanak Engineering Works	-	-	-	-	-	-	-	114.52	-	114.52
Jayanti Sanghvi (HUF)	-	-	-	-	-	-	1,872.51	552.51	1,872.51	552.51
Naresh Sanghvi (HUF)	-	-	-	-	-	-	1,281.77	281.77	1,281.77	281.77
Vikram Sanghvi (HUF)	-	-	-	-	-	-	1,513.16	1,063.16	1,513.16	1,063.16

Personal Guarantee Given to Bank against Working capital & Term loan outstanding Amount.

11. Contributions are made to Recognised Provident Fund/ Government Provident Fund which covers all employees. While both the employees and the Company make predetermined contributions to the Provident Fund. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to ₹1265.54 Thousands (Previous Year ₹903.16 Thousands). (₹ in '000)

Particulars	2012-13	2011-12
Contribution to Provident Fund	1265.54	903.16

In respect of Gratuity, Contributions are made to LIC's Recognised Group Gratuity Fund Scheme based on amount demanded by LIC of India. Provision for Gratuity is based on actuarial valuation done by independent actuary as at the year end. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. After the issuance of the Accounting Standard 15 on 'Employee Benefits', commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

Note **2.23** Notes Forming Part Of Financial Statements

11. (Contd.)

Category of Plan Assets : The Company's Plan Assets in respect of Gratuity are funded through the Group Scheme of the LIC of India

(₹ in '000)

IN RESPECT OF GRATUITY (FUNDED):	2012-13	2011-12
<b>Reconciliation of liability recognised in the Balance Sheet</b>		
Present value of commitments (as per Actuarial Valuation)	434.78	373.04
Fair value of plan assets	(594.56)	(575.60)
<b>Net (liability) / asset in the Balance sheet</b>	<b>(159.78)</b>	<b>(202.56)</b>
<b>Movement in net liability recognised in the Balance sheet</b>		
Net liability as at the beginning of the year	202.56	(297.68)
Net expense recognised in the Profit and Loss account	(48.93)	437.93
Contribution during the year	6.15	62.31
<b>Net (liability) / asset in the Balance sheet</b>	<b>159.78</b>	<b>202.56</b>
<b>Expense recognised in the Profit and Loss account</b>		
Current Service cost	136.03	119.71
Interest cost	30.78	67.82
Expected return on plan assets	(50.39)	(46.47)
Actuarial (gains)/ losses	(67.50)	(579.01)
<b>Expense charged to the Profit and Loss account</b>	<b>48.92</b>	<b>(437.93)</b>
<b>Return on plan assets</b>		
Expected return on plan assets	50.39	46.47
Actuarial gains/ (losses)	0.08	(3.21)
<b>Actual return on plan assets</b>	<b>50.47</b>	<b>43.26</b>
<b>Reconciliation of defined-benefit commitments</b>		
Commitments as at the beginning of the year	373.04	797.91
Current service cost	136.03	119.71
Interest cost	30.78	67.82
Paid benefits	(37.66)	(30.19)
Actuarial (gains)/ losses	(67.41)	(582.21)
<b>Commitments as at the year end</b>	<b>434.78</b>	<b>373.04</b>
<b>Reconciliation of plan assets</b>		
Plan assets as at the beginning of the year	575.59	500.22
Expected return on plan assets	50.39	46.47
Contributions during the year	6.15	62.31
Paid benefits	(37.66)	(30.19)
Actuarial gains/ (losses)	0.08	(3.21)
<b>Plan assets as at the year end</b>	<b>594.55</b>	<b>575.60</b>

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense

Discount rate	8.25%	8.50%
Expected return on plan Assets	9.00%	9.00%
Expected rate of salary increase	7.00%	6.50%

## NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS ON MARCH 31, 2013

Note **2.23** Notes Forming Part Of Financial Statements (Contd.)

12. The Company has entered into agreements in the nature of lease / leave and license agreement with different lessors / licensors for the purpose of establishment of office premises/Residential Accommodations. These are generally in nature of operating lease / leave and license, disclosure required as per Accounting Standard 19 with regard to the above is as under

(₹ in '000)

Sr. No	Particulars	2012-13	2011-12
i	Payment under operating lease/leave and license for period		
	(a) Not later than one year	891.69	493.01
	(b) Later than one year but not later than five years		-
ii	Payments recognized in the Profit and Loss Account (Includes Rent Paid for Directors' Accommodation)	672.09	397.01

iii There are no transactions in the nature of sub-lease.

iv Period of agreement is generally for one year and renewable at the option of the Lessee.

13. Segment disclosures:

(a) Business Segment:

The company has only one reportable business segment of Forging & Fitting as the primary reportable Business segment for disclosure. The business segments are business of Forging & Fitting and wind energy business.

(b) Geographical Segment:

The company has exported during the year and it does require disclosure as a separate reportable segment of Domestic Sales and Export Sale.

(₹ in '000)

Particulars	Domestic	Export	Total
Segment Revenue (Net) For the Year ended March 31,2013	363297.71	77195.22	440492.93
Segment Revenue (Net) For the Year ended March 31,2012	384505.79	103487.65	487993.44

14. Terms and Conditions of Loans From Bank:- [Refer Notes 2.3 (a)(i) ]

Sr.	Particulars	Rate of Interest	Repayable in Quarterly Installments
i	Term Loan – I	12.60%	20 quarterly installments from April 2008
ii	Term Loan – II	12.70%	26 quarterly installments from August 2012
iii	Term Loan – III	12.70%	29 quarterly installments from August 2012
iv	Term Loan – IV	3.98% (LIBOR + 0.74)	26 quarterly installments from August 2012

15. Terms and Conditions of Unsecured Loan:

(a) Repayable after 3 years

(b) Interest Charged at the rate of 0 to 12%.

16. Previous financial year's figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our report of even date attached

For Shah & Bhandari

Chartered Accountants

Yogesh Bhandari

Partner

Membership No - 046255

Vadodara, Dated May 28, 2013

For and Behalf of the Board of Directors

Babulal Sanghvi

Chairman

Jayanti Sanghvi

Managing Director

Kiran Mohanty

(Company Secretary)

# NOTICE

NOTICE is hereby given that the Twenty-Fifth Annual General Meeting of the Members of the SANGHVI FORGING AND ENGINEERING LIMITED will be held at the Registered Office of the Company at 244/6 & 7, GIDC Industrial Estate, Waghodia, Dist. Vadodara 391 760 at 3.00 p.m. on September 23, 2013 to transact the following business :

## Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at March 31, 2013, Profit & Loss Account for the year ended on that date & the reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Shantaram Yarlagadda who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Ram C Prasad who retires by rotation and being eligible offers himself for re-appointment.
4. To pass the following resolution, with or without modification, as an Ordinary Resolution relating to appointment of the Auditors of the Company:

"RESOLVED THAT M/s Shah & Bhandari, Chartered Accountants, the retiring Auditors, (bearing firm registration number 118852W) be and they are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration (plus reimbursement of pocket expenses at actual) as may be mutually agreed upon between the Auditors and the Chairman of the Company".

## Special Business

5. To pass the following resolution, with or without modification, as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors of the Company for borrowing from time-to-time from any one or more of the Company's bankers and/or from any one or more other persons, firms, bodies corporate, or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties, whether movable or stock-in-trade (including raw materials, stores, spare parts and components-in-stock or in transit) and work-in-progress and all or any of the undertakings of the Company, notwithstanding that the moneys to be borrowed together with moneys already borrowed by Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, however, that the total

amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of ₹400 crore (Rupee Four Hundred Crores only) exclusive of interest, and the Directors are hereby further authorised to execute such deeds of debentures and debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit."

6. To pass the following resolution, with or without modification, as an Ordinary Resolution:

"RESOLVED THAT in supersession to the earlier resolutions, pursuant to section 293(1)(a) of the Companies Act, 1956 and all other applicable provisions, if any, the consent of the Company be and is hereby accorded to creation by the Board of Directors of the Company of such mortgage, charges and hypothecation in addition to existing mortgage, charges and hypothecation by the company as may be necessary on such of the assets of the company both present and future in such a manner as may be Board direct together with power to take over of the management of the company in certain events, to or in favour of the financial institutions, investment institution and their subsidiaries, banks, mutual funds, trust, and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/Trustees for the holders of debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and/or other instruments of an equivalent aggregate value not exceeding ₹400 crore (Rupee Four Hundred Crores Only) together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreement/Loan Agreement/ Debentures Trust Deeds to be entered into by the Company in respect of the said borrowings.

"RESOLVED FURTHER that the Board of Directors of the Company or Committee thereof be and is hereby authorized to finalize with the Lending Agencies/Trustees the documents for creating the aforesaid mortgages, charges and/or hypothecation and to accept any modification to, or to modify, alter or vary the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above resolution."

*By Order of the Board of Directors*  
For Sanghvi Forging & Engineering Ltd.

Kiran Mohanty  
Company Secretary

Vadodara, August 10, 2013

Registered Office :

244/6 & 7, GIDC Industrial Estate,  
Waghodia, Dist. Vadodara 391 760

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. In accordance with the provisions of Section 173 of the companies Act, 1956 and the Listing Agreement an Explanatory Statement in respect of item nos. 5 and 6 being items of special business is annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, September 20, 2013 to Monday, September 23, 2013(both days inclusive).
4. Members/ Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
5. Members holding shares in physical form are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses. Members holding shares in demat form are requested to notify their respective Depository Participant of any change in their addresses.
6. Members desiring any information as regards the Accounts are requested to write to the Company Secretary at an early date so as to enable the Management to reply at the Meeting.
7. Members are requested to kindly bring their copies of the Annual Report to the Meeting.
8. The Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies through electronic mode, vide its Circular Nos. 17/2011 & 18/2011 dated April 21, 2011 and April 29, 2011, respectively. The amendment to the Listing Agreement with Stock Exchanges permits Companies to send soft copies of the Annual Report to all those shareholders who have registered their email address for the said purpose. Members are requested to support this Green Initiative by registering/ updating their e-mail address for receiving electronic communication.

## Explanatory statement under section 173(2) of the companies act, 1956

The following Explanatory Statements relating to Special Business of the accompanying Notice set out all material facts as required under Section 173 of the Companies Act, 1956 :

### Item No. 05

Under section 293(1)(d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the shareholders in general meeting, borrow moneys apart from temporary loans obtained from the Company's bankers in the ordinary course of business in excess of the aggregate of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose.

In view of the growing operations the company requires additional funds as Working Capital. It is therefore recommended to increase the borrowing powers of the Board of Directors by enhancing its borrowing limit from ₹200 crore (Rupee Two Hundred Crores) (the resolution for which has been passed in the Annual General Meeting held on September 30, 2009) to ₹400 crore (Rupees Four Hundred Crores). Hence the Board

recommends the Ordinary Resolution as proposed in the accompanying notice for your approval.

None of the Directors of the Company is interested or concerned in the said resolution.

### Item No. 06

The Company proposes to borrow upto ₹400 crore from Banks, Financial Institutions, corporations and public etc. As per the prevalent practice such institutions may insist for creation of charge on the undertaking of the Company. The Company proposes to pass resolution under section 293(1)(a) of the Companies Act, 1956 giving permission for creation of mortgage/ charge on the undertaking of the Company. Hence, this ordinary resolution is recommended for the consideration and approval of shareholders.

None of the Directors of the Company is interested or concerned in the said resolution.

*By Order of the Board of Directors*  
For Sanghvi Forging & Engineering Ltd.

Kiran Mohanty  
Company Secretary

Vadodara, August 10, 2013

### Registered Office :

244/6 & 7, GIDC Industrial Estate,  
Waghodia, Dist. Vadodara 391 760







Registered Office: 244/6-7, G.I.D.C Industrial Estate, Waghodia- 391760

## ATTENDANCE SLIP

25th Annual General Meeting

September 23, 2013

Members Folio \_\_\_\_\_

No. of Shares Held \_\_\_\_\_

Mr./Mrs/Miss \_\_\_\_\_  
(Member's Name in Block Letters)

*D.P Id	
*Client Id	

I Certify that I am a Registered Member/ Proxy for the Registered Member of the Company. I hereby record my presence at the 25th Annual General Meeting of the Company to be held at the Registered Office of the Company.

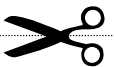
\_\_\_\_\_  
If signed by proxy, his/her name

\_\_\_\_\_  
Member's/Proxy Signature

### IMPORTANT NOTE :

Members/Proxy holders are requested to bring the Attendance Slip with them when they come to the meeting and hand it over at the gate after affixing their signature on it.

\* Applicable for investors holding shares in electronic form



Registered Office: 244/6-7, G.I.D.C Industrial Estate, Waghodia- 391760

## PROXY

25th Annual General Meeting

September 23, 2013

Members Folio/DP ID No. \_\_\_\_\_

No. of Shares \_\_\_\_\_

I/We \_\_\_\_\_

Of \_\_\_\_\_

\_\_\_\_\_ being a Member/Members of Sanghvi Forging and

Engineering Limited hereby appoint Mr./Mrs. \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ or /failing him \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ as my/our proxy attend and vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held on September 23, 2013, at the Registered Office at 244/6-7 , G.I.D.C Industrial Estate, Waghodia- 391760 and at any adjournment thereof.

*D.P Id	
*Client Id	

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

(Signature)

Please Affix  
Re.1  
Revenue  
Stamp

Note: The proxy form in order to be effective should be duly stamped, completed and signed and must reach the Registered Office of the Company, not later than 48 hours before the time of commencement of the Meeting. The Proxy need not be a member of the Company

\* Applicable for investors holding shares in electronic form



## Disclaimer

The disclosures of forward-looking information contained in this annual report are made to enable investors to comprehend the prospects and make informed investment decisions. This report and other statements – written or oral – may contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. Maximum effort has been made to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance. However, the entire realization of these forward-looking statements cannot be guaranteed, although the assumptions have been prudent enough to rely upon. The achievement of results is subject to risks, uncertainties and unforeseen events. 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. The management does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future event or otherwise.



**SANGHVI<sup>®</sup>**  
**FORGING & ENGINEERING LTD.**

Registered Office

244/6-7, G.ID.C Industrial Estate,  
Waghodia- 391760, Vadodara

[www.sanghiviforge.com](http://www.sanghiviforge.com)