

**ANNUAL REPORT  
2009-2010**

Engineering Delights ...



**RAMKRISHNA FORGINGS LIMITED**

## **FORWARD LOOKING STATEMENT**

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospect and take informed investment decisions. This Report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

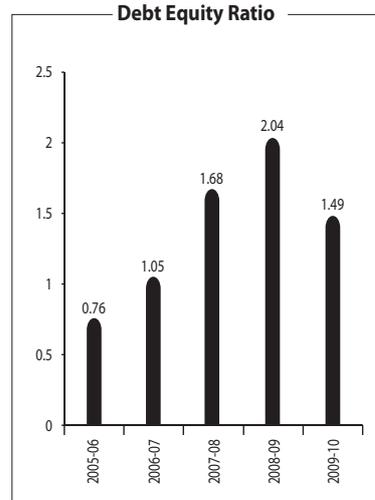
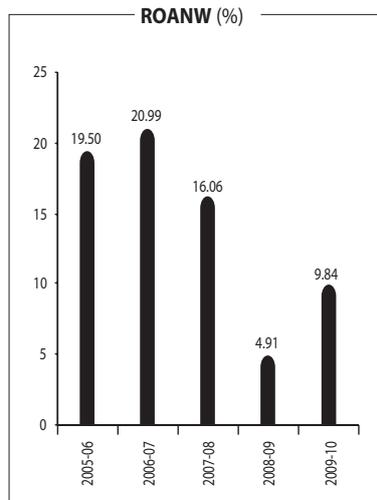
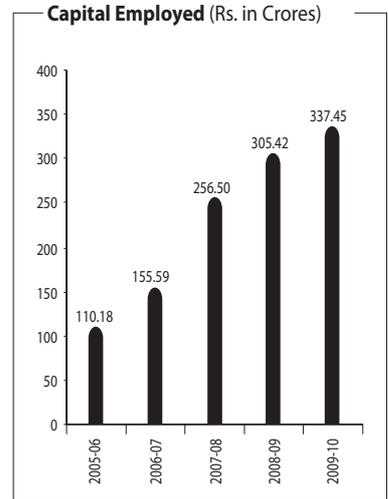
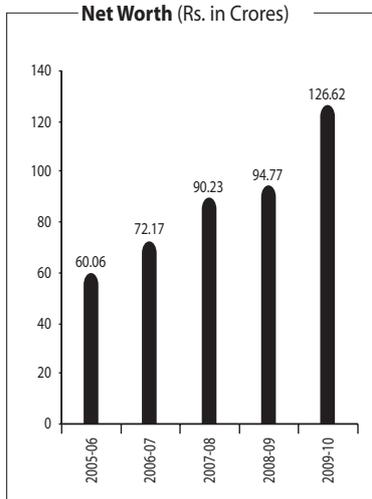
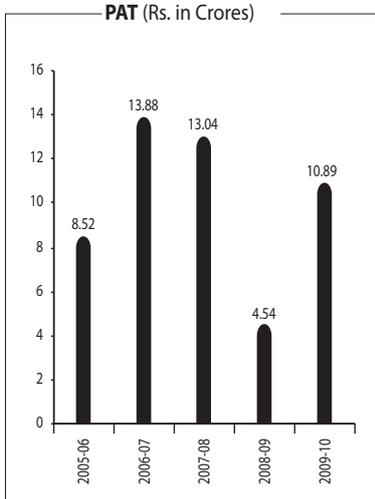
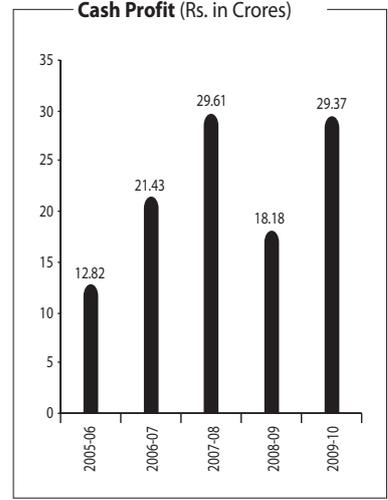
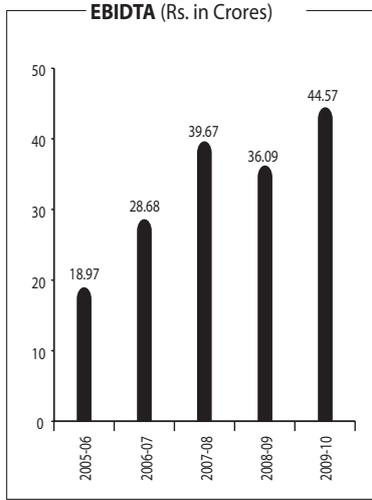
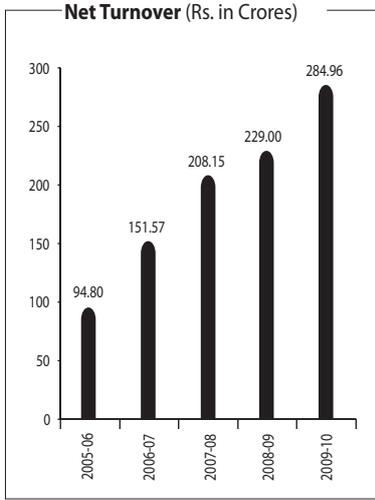
We can not guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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# PERFORMANCE AT A GLANCE



# DIRECTORS' REPORT

*Dear Shareholders,*

Your Directors are pleased to present the 28th Annual Report of your Company along with the Audited Accounts for the financial year ended 31st March 2010.

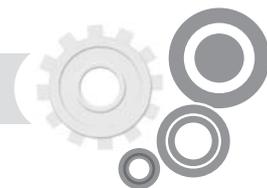
## FINANCIAL HIGHLIGHTS 2009-2010

(Rs. in Lakhs)

Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
Sales and Operating Income	30706.50	25368.91
Other Income	90.94	106.52
<b>Profit before Interest, Depreciation &amp; Tax</b>	<b>4457.38</b>	<b>3608.97</b>
Interest and Finance Charges	1508.71	1775.39
Depreciation	1313.89	1095.65
<b>Profit before Tax</b>	<b>1634.78</b>	<b>737.93</b>
<b>Provision for Taxation :</b>		
- Current Tax	278.00	81.09
- MAT Credit Entitlement	(271.00)	(81.09)
- Deferred Tax	533.60	268.00
- Fringe Benefit Tax	-	12.00
- Income Tax of earlier years	4.79	3.66
<b>Profit after Tax</b>	<b>1089.39</b>	<b>454.27</b>
Add : Surplus Brought Forward	4185.27	3731.00
<b>Surplus available</b>	<b>5,274.66</b>	<b>4,185.27</b>
<b>Appropriations :</b>		
- Transfer to General Reserve	50.00	-
- Dividend	164.29	-
- Tax on Distributed profits	27.92	-
<b>Balance carried to Balance Sheet</b>	<b>5,032.45</b>	<b>4185.27</b>

## FINANCIAL AND PERFORMANCE REVIEW

- 24.44 % increase in Net Turnover from Rs. 229.00 Crores to Rs. 284.96 Crores.
- 23.50 % increase in EBIDTA from Rs. 36.09 Crores to Rs. 44.57 Crores.
- 61.55 % increase in Cash Profit from Rs.18.18 Crores to Rs. 29.37 Crores.
- 139.87 % increase in Profit after Tax from Rs. 4.54 Crores to Rs. 10.89 Crores.



The Accelerated depreciation of 50 percent on CVs, as part of the stimulus package announced by the Centre and the higher purchase of buses under JNNURM has been a major driving force behind the substantial growth in sales of CVs in the previous year.

The overall domestic sales of the commercial vehicles segment registered an increase from 3,84,194 vehicles to 5,31,395 vehicles registering a growth of 38.31 percent during 2009-2010 as compared to the same period last year. The medium & heavy commercial Vehicles (M&HCVs) segment registered growth at 33.55 percent during the year 2009-10 and Light Commercial Vehicles registered a growth of 42.67 percent.

#### **TRANSFER TO RESERVES**

Your Company proposes to transfer Rs. 50.00 Lakhs to General Reserve out of the amount available for appropriation and an amount of Rs. 5032.45 Lakhs is proposed to be carried over to Balance Sheet.

#### **DIVIDEND**

In view of the improved performance of your Company, your Directors are pleased to recommend a Dividend of Rs. 1/- per share for the year 2009-10. The total payout on Dividend (including tax) will be Rs. 192.21 Lakhs during the year under review.

The dividend, if approved, at the forthcoming Annual General Meeting will be paid to those shareholders whose names appear in the register of members as on 7th August, 2010.

#### **SHARE CAPITAL**

The Authorised Share Capital of the Company has been increased from Rs. 1800.00 Lakhs to Rs. 2100.00 Lakhs during the year under review. During the year the Company has issued 11,00,000 equity Shares and 39,00,000 warrants with an option to convert into 39,00,000 equity shares to the promoter and non-promoter group at a price of Rs. 107.50 per share. On account of this the issued capital increased to Rs. 2032.85 Lakhs.

The upfront money of Rs. 554.91 Lakhs which was received against the preferential issue of 25,81,000 warrants has been forfeited by the Company during the year.

#### **OPERATIONAL HIGHLIGHTS**

##### **Forgings and Machining facility**

The Company derives the major share of its revenues from the commercial vehicle segment. Your Company produced 26487.23 tons (including Job Work) during the year under review as compared to 18526 tons last year registering an increase of about 42.97%. During the year the Company has also installed a press of 2,000 tons which will further enhance the range of the products made by the Company.

The Company in order to enhance its billet cutting facilities has planned to import fully automatic horizontal bandsaw machine from Amada Machine Tools, Japan.

The Company plans to further augmented its Machining Facilities by procuring 2 nos CNC Gear Hobbing Machines, from Mitsubishi Heavy Industries Limited, Japan and 4 nos CNC Gear Hobbing Machines from Premier Limited which will help the Company to add more value to the components supplied to the OEM and will also help to further balance the capacity utilisation of the Heat Treatment facilities.

The Company has the state-of-art CNC Machining and Gear Cutting Facilities in which it has achieved accuracies of **DIN 8** in the soft stage and **class 8 & 9** in the hard stage in gear manufacturing. During the year the Company has added 45 new products in the turning section and 15 new products in the gear section.

##### **Ring Rolling Line**

Ring rolling is a cost-effective and efficient production process for production of ring-shaped components like crown wheels, bearing rings etc. Though the process encompasses a very large domain of ring sizes required for wind mill applications, RKFL equipment is fully capable of meeting the requirements of the automobile industry, especially that of commercial vehicles (primarily medium and heavy vehicles).

On account of the subdued export market the capacity utilisation of the Ring Rolling Line remained low. The Company has produced 9699.87 tons during the year as compared to 5643.24 tons last year thus registering a growth of 71.88%.

The improvement in the performance of the ring rolling will help the Company to produce the components with better productivity and precision and improved quality of the components.



## DIRECTORS' REPORT

### CREDIT RATING

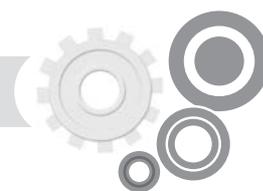
Your Company has the rating of LBBB+ for its fund based facilities and A2+ for its commercial paper/short term debt size of Rs. 60 Crores from ICRA Ltd.

### EMPLOYEES STOCK OPTION SCHEME

Pursuant to the approval accorded by the shareholders on 22nd August, 2009, your Company has formulated the Employee Stock Option Scheme, (ESOS) 2009, for the benefit of the permanent employees including Directors, whether whole time or not but excluding the promoters of the Company. The said scheme is administered by the Remuneration and Compensation Committee of the Board through a trust. Under the said Scheme 4,68,159 stock options was granted at an exercise price of Rs. 20/- per share. The stock options granted to eligible employees are, inter alia, performance linked options and the exercise period would commence from the date of vesting and will expire on completion of 4 years from the date of vesting of options.

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter "SEBI guidelines"), the details in relation to the options granted, vested, exercised, lapsed etc. under ESOS, 2009, as on 31st March, 2010 are given as under :

Description	ESOS 2009
Total Number of options granted	4,68,159
Pricing formula/Exercise price	Rs. 20/-
Number of options vested	Nil
Number of options exercised	Nil
Total No. of Shares arising as a result of exercise of option	Nil
Options Lapsed	43,210
Variation in terms of option	NA
Money realised by exercise of option	NA
Total No. of options in force	4,24,949
Grant to Senior Managerial Personnel	Mr. Alok Kumar Sharda, CFO – 57,581 options Mr. J. P. Mishra, Vice President – 27,307 options Mr. M. T. Shantaveerapa, Vice President – 26,505 options Mr. Vijay Mishra, Vice President – 26,505 options
Grant to Non-Executive Director under the scheme	Nil
Employees who were granted 5 % or more of the total number of options granted during the year	Mr. Alok Kumar Sharda, CFO – 57,581 options Mr. J. P. Mishra, Vice President – 27,307 options Mr. M.T Shantaveerapa, Vice President – 26,505 options Mr. Vijay Mishra, Vice President – 26,505 options
Employees who were granted options equal to exceeding 1% of the issued capital of the Company at the time of grant	Nil
Diluted Earning Per Share pursuant to issue of shares on exercise of option calculated in accordance with AS 20	NA
Difference between the employee compensation cost computed using the intrinsic value of stock options and the employee compensation cost that shall have been recognized had the fair value of options, were used	Fair Value : Rs. 62.40 Lakhs Intrinsic Value : Rs. 57.01 Lakhs Difference : Rs. 5.39 Lakhs



Impact of this difference on profits of the Company	Negative
Impact of this difference on EPS of the Company	The Basis EPS would reduce from 7.05 to 7.02 and Diluted EPS would reduce from 7.01 to 6.97
Weighted average exercise price; Weighted average fair value of options for options whose exercise price either equals or exceeds or is less than the market price of the share	Rs. 20.00 Rs. 76.18
Description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted - average information :	Black Scholes Method
(a) Risk free interest rate,	7.20%
(b) Expected life	5.10
(c) Expected volatility	64.01%
(d) Expected Dividends and	0.34 %
(e) The price of the underlying share in the market at the time of option grant	89.60

The Company has received a certificate from the Auditors of the Company, that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed at the Annual General Meeting held on 22nd August, 2009. The Certificate would be placed at the Annual General Meeting for inspection by Members.

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**

Management's Discussion and Analysis Report for the year under review under clause 49 of the Listing Agreement with the Stock Exchange in India is presented in the separate section forming part of the Annual Report.

#### **POLLUTION CONTROL MEASURES**

Your Company has installed adequate pollution control equipment in all its units as per the legal requirement.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in "**Annexure - A**" to this Report.

#### **FIXED DEPOSITS**

During the year Company has not accepted any Fixed Deposit within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest on account of Fixed Deposits is outstanding, as on the date of Balance Sheet.

#### **STOCK EXCHANGE**

The equity shares of your Company were listed on two stock exchanges :

- National Stock Exchange of India Limited, Exchange Plaza, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051
- Bombay Stock Exchange Limited, Phiroze Jeejeeboy Towers, Dalal Street, Mumbai - 400 001

The annual listing fees for the year 2010-11 are paid to both the stock exchanges where the shares of your Company were listed.

#### **AUDITORS**

M/s Singhi & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a certificate from the proposed Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.



## DIRECTORS' REPORT

With regard to the comments in the Auditor's Report the Notes on Accounts referred to in the Auditors Report are self-explanatory and therefore does not call for any further comments.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and as per the Articles of Association of the Company, Mr. Pawan Kumar Kedia, Mr. Randhir Khandelwal and Mr. Padam Kumar Khaitan, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

None of the Directors of the Company are disqualified for being appointed as Directors, as specified in Section 274 (1)(g) of the Companies Act, 1956.

### CORPORATE GOVERNANCE

Adoption of best ethical business practices in the Company within the regulatory framework is the essence of good Corporate Governance. On one hand good Corporate Governance calls for accountability of the persons who are at the helm of affairs of the Company and on the other hand it also brings benefits to all stakeholders of the Company such as investors, customers, employees and the society at large. Your Company continues to believe in such business practices and gives thrust on providing reliable financial information, maintenance of transparency in all its business transactions and ensuring strict compliance of all applicable laws.

The report of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Statutory Auditors of the Company, confirming the compliance with the conditions of Corporate Governance as stipulated under the aforesaid clause 49, is attached to this Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that :

- i) In the preparation of annual accounts for the year ended 31st March, 2010 applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that 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 2009-2010 and of the profit or loss of the Company for that period;
- iii) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) They have prepared the annual accounts for 2009-2010 on a going concern basis.

### PARTICULARS OF EMPLOYEES

The information as required in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report as "Annexure B".

### APPRECIATION

Your Directors would like to convey their appreciation for all the co-operation and assistance received from the Government authorities, Financial Institutions, Banks, Customers, Vendors and Stakeholders of the Company during the year under review. Your Directors also express their deep sense of appreciation for the committed services by the executives, staff and workers of the Company. We look forward to receiving the continued patronage of all our business partners to become a better and stronger Company.

On behalf of the Board

Place : Kolkata  
Dated : The 22nd day of May, 2010

**Mahabir Prasad Jalan**  
Chairman

# ANNEXURE TO THE DIRECTORS' REPORT

## Annexure 'A'

### A. CONSERVATION OF ENERGY

#### (a) Energy conservation measures taken

The company provides high Priority to energy conservation schemes to conserve natural resources and remain competitive. Some of the significant measures adopted are :

- 1) Installation of Continuous Pusher type Fuel Efficient Furnace.
- 2) Installation of Flameless Electrically Heated Furnace.
- 3) Modification of the lining of the furnace to preserve heat in the Furnace.
- 4) Modify the design of the Furnace to improve the load ability of the Furnace on a continuous basis.

#### (b) Additional Investment Proposals, if any, being implemented for reduction of consumption of energy

The Company has taken a Line from JUSCO in the forging plant and the ring rolling plant which will ensure uninterrupted power and thus help in maintaining productivity and quality of the forgings.

#### (c) Impact of the Measures at (a) and (b) above for reduction of the energy consumption and consequent impact on the cost of production of goods

On account of the measures taken and proposed to be taken by the Company it is confident of reducing the cost incurred towards fuel costs. This will in turn help to reduce the cost of production of the goods and will make our products more competitive.

#### (d) Total Energy consumption and energy consumption per unit of production as per Form A of the annexure to the rules

Particulars with respect to Conservation of Energy

Particulars	2009-2010	2008-2009
<b>A. Energy Consumption and Consumption per Unit of Production</b>		
<b>1. Electricity</b>		
a) Purchased		
- Units (KWH)	2,24,21,826	1,55,29,954
- Total Amount (Rs.)	9,65,20,318	6,85,48,814
- Rate/Unit (Rs.)	4.30	4.41
b) Own Generation		
- Units (KWH)	4,56,902	3,40,382
- Ltrs. Consumed	1,86,174	1,20,322
- Cost/Unit (Rs.)	13.57	12.19



## ANNEXURE TO DIRECTORS' REPORT

Particulars	2009-2010	2008-2009
c) Total (A+B)		
- Units (KWH)	2,28,78,728	1,58,70,336
- Total Amount (Rs.)	10,27,19,354	7,26,99,189
- Rate/Unit (Rs.)	4.49	4.58
<b>2. Coal (Hard Coke Used in Smithy)</b>		
- Quantity (in Kgs)	29,091	24,107
- Total Cost (Rs.)	1,92,938	1,51,872
- Average Cost (Rs.)	6.63	6.30
<b>3. Furnace Oil</b>		
- Quantity (in Ltrs.)	45,76,035	30,05,310
- Total Cost (Rs.)	11,15,46,767	7,70,43,739
- Average Cost (Rs.)	24.38	25.64
<b>B. Consumption per unit of Production</b>		
Product : Steel Forging in Tons		
- Electricity (KWH)	632.23	700.06
- Coal (Hard Coke Used in Smithy) (Kgs)	5.33	1.42
- Furnace Oil (Ltrs.)	126.45	176.50

### B. TECHNOLOGY ABSORPTION

The particulars with respect to Technology Absorptions as per Form - B is given below :

#### (a) Research and Development (R & D) -

- 1) *Specific areas in which the R & D carried out by the Company* : The R & D effort in our industry is an ongoing process. Continuous efforts are taken in various areas of the manufacturing activity.
- 2) *Benefits derived as a result of the above R & D* : The Company has been able to reduce the cost of production of certain components through their process engineering.
- 3) *Future Plan Action* : The Company will focus on more areas of reduction of cost and process optimization.
- 4) *Expenditure on R&D* : The Company has not incurred any expenditure on Research and Development.

#### (b) Technology Absorption, Adaptation and Innovation -

- 1) *Efforts, in brief, made towards technology absorption, adaptation and innovation* : Continuous efforts are made on conservation of raw material by improving design and layout of the dies.
- 2) *Benefits derived as a result of above efforts* : Reduction in Raw Material Consumption.
- 3) *Technology imported during the last 5 years* : Nil

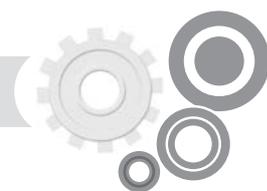
### C. FOREIGN EXCHANGE EARNING AND OUTGO

Activities relating to exports :

The Company has derived Rs. 1603.16 Lakhs from exports which forms 5% of the total turnover.

Initiatives taken to increase exports :  
a development of new export market for products and services and export plans.

The Company has identified exports to be a thrust area. Vigorous efforts are being made to develop new customers. Further fresh orders are received from existing customers for existing & new products developed for them.



The particulars of the Total Foreign Exchange used and earned are given below :

(Rs in Lakhs)

Particulars	2009-2010	2008-2009
<b>Earned</b>		
Exports (FOB)	1605.66	1934.43
Die Design & Preparation Charges	4.48	132.86
Sale of Capital Goods	NIL	NIL
<b>Spent</b>		
Capital Equipments	77.87	1134.63
Components & Spare Parts	19.77	8.56
Travelling	25.32	38.85
Foreign Bank Charges	1.19	8.33
Commission	4.88	0.46
Consultancy Charges	49.32	NIL

On behalf of the Board

Place : Kolkata

Dated : The 22nd day of May, 2010

**Mahabir Prasad Jalan**

Chairman

#### Annexure 'B'

Sl. No.	Name	Age (years)	Designation/ Nature of Duties (Rs.)	Gross Remuneration	Qualification	Total Experience (years)	Date of commencement of employment	Previous Employment
A. Employed throughout the year and in receipt of remuneration aggregating Rs 24,00,000/- or more :								
1	Mr. Mahabir Prasad Jalan	61 years	Chairman cum Wholetime Director	Rs. 1,22,94,000/-	B. Tech	46 years	12.11.1981	NA
2	Mr. Naresh Jalan	35 years	Managing Director	Rs. 96,60,000/-	B Com (H), MBA (Marketing & Finance)	15 years	05.11.2001	NA
3	Mr. Alok Kumar Sharda	42 years	Chief Financial Officer	27,46,765/-	B Com (H), FCA	18 years	12.09.2008	Adhunik Metaliks Ltd, CFO
B. Employed for a part of the financial year and in receipt of remuneration aggregating Rs. 2,00,000/- or more per month :								
1	Mr. Rajat Subhra Datta	45 years	Vice President	3,91,960/-/-	M.Sc, Physics IIT-Kharagpur	22 years	01.02.2010	Adhunik Metaliks Ltd, Chief Information Officer

#### Notes :

- Gross Remuneration includes Basic Pay, Allowances, monetary value of Perquisites and Company's contribution to the Provident Fund.
- Mr. Mahabir Prasad Jalan, Chairman cum Wholetime Director and Mr. Naresh Jalan, Managing Director are related to each other.
- Mr. Alok Kumar Sharda and Mr. Rajat Subhra Datta are not a relative of any of the Directors of the Company.
- The nature and terms of the employment are as per resolution/appointment letter.

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## INDUSTRY STRUCTURE AND DEVELOPMENTS

Forging has unique value among manufacturing processes. The industry is a key link between critical manufacturing segments-metal suppliers and end user industries. Forgings are intermediate products used widely by original equipment manufacturers (OEMs). They range in size from less than an ounce to more than 150 tons and are found in the machines, vehicles and equipment used to generate our industrial economy.

It is a cost-effective way to produce net-shape or near-net-shape components. In some materials, it is the only way. Virtually all metals can be forged, making an extensive range of physical and mechanical properties available in products with the highest structural integrity.



Forging imparts advantages that few processes can duplicate. The following are features of forging that make the process and industry so important to designers and users (specifiers) of components :

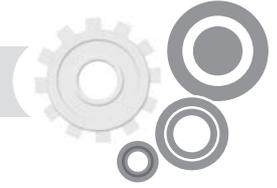
- Forgings can be manufactured from readily available bar stock.
- Almost all metals and alloys can be forged.
- There are few restrictions on part size.
- Forgings can produce high tolerance features.
- The products are fully recyclable.
- Forgings impart high strength and reliability to components.
- Forgings typically have relatively low life cycle costs.

Briefly, the composition of the Indian forging industry can be categorized into four sectors - large, medium, small and tiny. The organized sector accounts for about 65-70% of the total forging production in the country, while unorganized players (who are mainly small and tiny units) cater mainly to job work and the replacement market or tier 3 or tier 4 component manufacturers.

Forging industry is a basic industry and such industries tend to grow in a country in relation to the rate of growth of its GDP. As far as India is concerned, we expect our GDP to continue to grow and therefore, the basic industries will grow and so will the industry.

While the automotive industry is the main customer for forgings, the industry's continuous efforts in upgrading technologies and diversifying product range have enabled it to expand its base of customers to foreign markets. The Indian forging industry is increasingly addressing opportunities arising out of the growing trend among global automotive OEMs to outsource components from manufacturers in low-cost countries. As a result, Indian forging industry has been making significant contributions to country's growing exports.

The industry was previously more labour intensive (it is estimated that this industry provides direct employment to about 38000 people), but now with increasing globalization it is becoming more capital intensive. The total investment in the large and medium sectors is estimated to be around US\$600 million. The small scale units too are increasing their capital investment to keep pace with the increasing demand especially in the global markets as also to broaden the areas of demand for forgings. Many of them are now suppliers to Original Equipment Manufacturers (OEMs) in the automobile sector also, which speaks volumes about efforts at technology and quality up gradation.



### Performance Scenario

The year 2009-2010 was a good year for the Industry as there was a huge demand for the vehicles and also there was an increase in production trends during the year as compared to the last year.

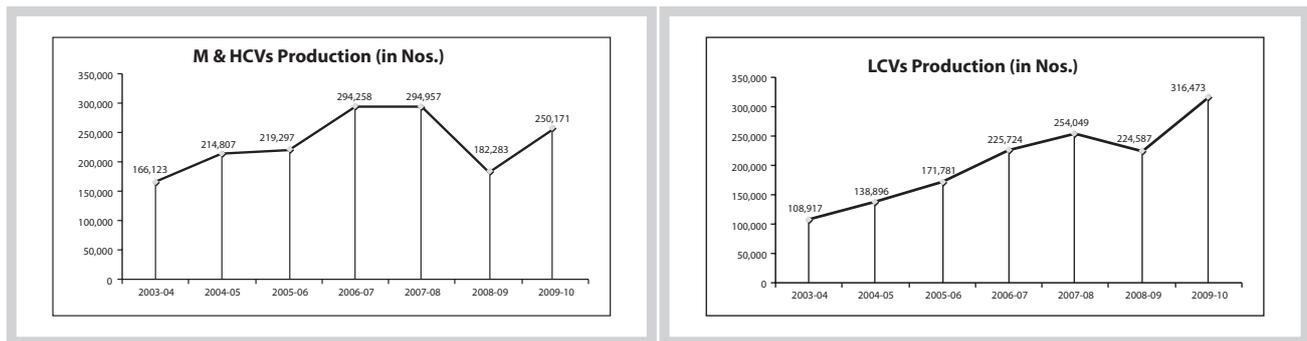
The cumulative automobile production data for April 2009 - March 2010 showed a growth of 25.76 percent over April 2008 - March 2009.

The accelerated depreciation of 50 percent on CVs, as part of the stimulus package announced by the Centre last year, has boosted their demand. Even the higher purchase of buses under JNNURM has been a major driving force behind the substantial growth in sales of CVs in the previous year.

In 2009-2010, production of passenger vehicles segment, commercial vehicles segment, three wheelers segment and two wheelers segment grew by 27.88 percent, 35.92 percent, 24.56 percent and 24.86 percent respectively.

(Number of Vehicles)

Automobile Production Trends							
Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Commercial Vehicles	275,040	353,703	391,083	519,982	549,006	416,870	566,608

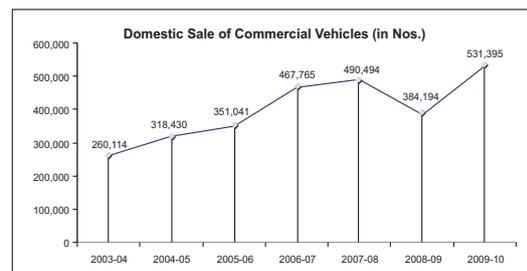
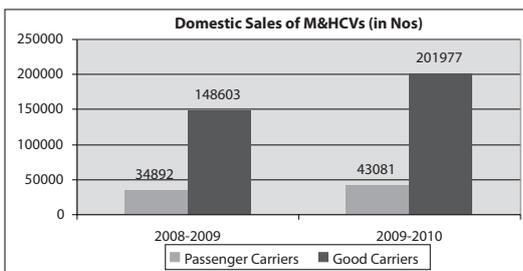


### Domestic Sales

Passenger Vehicles segment registered a growth of 25.57 percent during 2009-2010 as compared to the last year. In 2009-2010 sales of Passenger Cars, Multi Purpose Vehicles and Utility Vehicles grew by 25.10 percent, 40.94 percent and 20.88 percent respectively.

The overall domestic sales of the commercial vehicles segment registered increase from 3,84,194 vehicles to 5,31,395 vehicles registering a growth of 38.31 percent during 2009-2010 as compared to the same period last year. The medium & heavy commercial vehicles (M&HCVs) segment registered growth at 33.55 percent during the year 2009-10 and light commercial vehicles registered a growth of 42.67 percent.

Three wheelers sales recorded a growth of 25.92 percent in 2009-2010 and Two wheelers sales registered a growth of 26.00 percent during 2009-2010. Mopeds, Scooters and Motorcycles grew by 30.93 percent, 27.40 percent and 25.88 percent respectively.



(Source : SIAM)

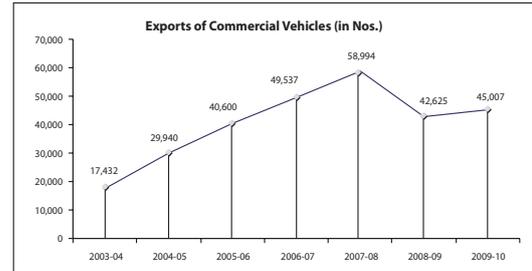
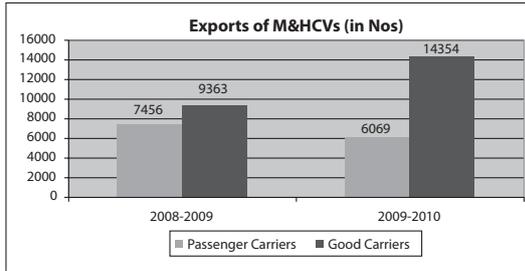


## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Exports

During the year 2009-2010 overall automobile exports registered a positive growth of 17.90 percent.

During this period Passenger Vehicle, Commercial Vehicles, Three Wheelers and Two Wheelers segment grew by 32.89 percent, 5.59 percent, 17.03 percent and 13.54 percent respectively.



(Source : SIAM)

### OPPORTUNITIES AND THREATS

#### A) Opportunities

On the canvas of the Indian economy, automotive industry occupies a prominent place. Due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and is capable of being the driver of economic growth. A sound transportation system plays a pivotal role in the country's rapid economic and industrial development. India holds huge potential in the automobile sector including the automobile components sector owing to its technological, cost and manpower advantage. The well-developed Indian automotive industry ably fulfills this catalytic role by producing a wide variety of vehicles : passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles such as jeeps, scooters, motorcycles, mopeds, three wheelers, tractors etc.

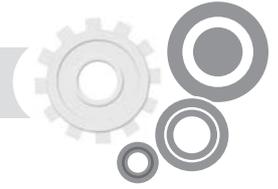
Automotive Industry comprises of automobile and auto component sectors and is one of the key drivers of the national economy as it provides large-scale employment, having a strong multiplier effect. Being one of the largest industries in India, this industry has been witnessing impressive growth during the last two decades. It has been able to restructure itself, absorb newer technology, align itself to the global developments and realize its potential.

In tandem with the industry trends, the Indian component sector has shown great advances in recent years in terms of growth, spread, absorption of new technologies and flexibility. The cost pressure on global auto makers and suppliers are driving them to outsource from low cost countries like India. Indian auto component industry has seen major growth with the arrival of world vehicle manufacturers from Japan, Korea, US and Europe. Today, India is emerging as one of the key auto components center in Asia and is expected to play a significant role in the global automotive supply chain in the near future. The auto component industry is also expected to drive the growth of the engineering sector in view of its strong downstream and upstream linkages with many other segments of the engineering sector like raw materials, capital goods, intermediate products etc. Auto component industry supports industries like automobiles, machine tools, steel, aluminum, rubber, plastics, electrical, electronics, forgings and machining. India has also emerged as an outsourcing hub for auto parts for international companies such as Ford, General Motors, Daimler Chrysler, Fiat, VolksWagon and Toyota.

The Automotive Mission Plan 2016 (AMP 2016) aims to make India a global automotive hub.

#### Growth Drivers of Indian Automobile Market :-

- Rising industrial and agricultural output.
- Rising per capital income.
- Favourable demographic distribution with rising working population and middle class urbanisation.
- Increasing disposable incomes in rural agri-sector.
- Availability of a variety of vehicle models meeting diverse needs and preferences.
- Greater affordability of vehicles.
- Easy finance schemes.
- Favourable government policies.
- Robust production.



## B) Threats & Challenges

The forging industry of today looks forward with an awareness of the business and technical challenges that will shape its future. The major forces shaping the business community of the future are :

- Increasing globalization of markets.
- Demand for a greater return on investment and increased capital productivity.
- Customer expectations for increasingly higher levels of quality at a lower price.
- Availability of trained man power at shop floor and managerial level.
- Volatile international and domestic prices of forging quality steel affecting cost competitiveness.
- Inadequate overseas marketing support facilities.
- Volatile foreign exchange rates.

In order to meet the competitive challenges of the future and achieve its vision, the forging industry must fortify itself in several critical areas : technology development and application, energy and the environment, co-operative efforts, competitiveness, education, markets and human resources.

To achieve the industry's vision of the future, forgers must pursue dramatic forging process breakthroughs looking at the end product and radically changing the existing process to produce parts that satisfy the customer, while providing a reasonable level of profitability for all parties in the supply chain.

## OUTLOOK

The low penetration levels and huge investments in the upcoming infrastructure projects can lead to double-digit growth in CVs even next year, if finance continues to be available and at affordable interest rates.

The fortunes of the forging industry are on a rise-it has consistently recorded a notable increase in production, capacity utilization and exports. Among the various segments of the forging business, it is the auto, mobile-related segment that is being talked about the most these days. The forging sectors fortunes are closely linked to that of the automotive industry, which at the moment, is doing extremely well in the country. The other significant driver for this sector is outsourcing and it is an indication that the industry's potential is being recognized world over. Global automotive giants are looking at India as a competent supply base and are shopping for their components here and Indian companies have even been acquiring companies abroad. In addition to the big players, the industry offers enough opportunities to small and medium size enterprises as well they form a large part of this Industry.

Considering the confidence of foreign automotive majors, auto component manufacturers and original equipment manufacturers, who are outsourcing their operations to India, it is quite likely that the forging industry will be foremost among the segments that will steer manufacturing growth here.

While the current performance of the industry is indeed flattering, what is more gratifying is the fact that players in the sector firmly believe it will scale greater heights in the coming years. The indications are all there - it's just a matter of time before the industry achieves its exceptional potential.

“ The low penetration levels and huge investments in the upcoming infrastructure projects can lead to double-digit growth in CVs even next year ”





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Estimated demand for the Forging Industry by 2015

Size of Global Auto Component Industry	US\$ 1.2 trillion
Current global purchases of components by international vehicle manufacturers	US\$ 45 billion
Estimated export of Auto components from low cost countries (including India) in the next 10 years	US\$ 225 billion
Estimated share of exports from the Indian auto component industry out of (3)above	10%
Targeted exports of auto component industry in absolute terms by 2015	US\$ 25 billion
Current exports of Indian auto component industry	US\$ 1.8 billion
Current Estimated exports of Indian forging industry	US\$ 360 million
Projected exports of Forging industry by 2015 (15% of auto component exports)	US\$ 3.75 billion

(Source : AIFI)

### The Vision 2020 of Railways

"Indian Railways shall provide efficient, affordable, customer-focussed and environmentally sustainable integrated transportation solutions. It shall be a vehicle of inclusive growth, connecting regions, communities, ports and centre of industry, commerce, tourism and pilgrimage across the country. The reach and access of its services will be continuously expanded and improved by its integrated team of committed, empowered and satisfied employees and by use of cutting-edge technology."

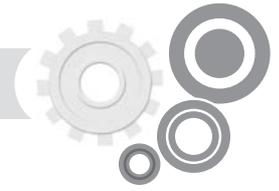
The Railway sector has also unveiled a good opportunities for the sector and the Company. It plans to procure 18,000 new wagons during the year. It has also unveiled some important measures as outlined below :

1. To modernize and augment the capacity of the Citaranjan Locomotive works from the present capacity of 200 locomotives to 275 locomotives.
2. To develop special type of coaches for the physically challenged and senior citizens.
3. To set up coach factories at Rae Bareilly, Kancharapara and Palakkad.
4. To set up Diesel multiple unit (DMU) factory in JV/PPP mode at Sankrial.
5. To modernize and expand the Integral Coach Factory, Chennai by installation of a second unit.
6. To set up a new Rail axle factory at New Jalpaiguri through PPP/JV mode.
7. To set up 5 state of art wagon factories at PPP/JV mode at Secunderabad, Barddhaman, Bhubaneshwar/Kalahandi, Guwahati and Haldia.
8. To make extension of the Kolkata metro from Dumdum to Baranagar.



### Did you know ?

The art of forging dates to at least 4000 BC and probably earlier. Metals such as bronze and iron were forged by early man to produce hand tools and weapons of war



## SWOT Analysis

### Strengths :

1. The Company has an integrated forging facility with a very specialized hi- tech product portfolio.
2. New product development, customer retention, repeat clients.
3. A fully automatic ring rolling facility for producing components in a more efficient manner. Product mix, comprising of niche critical and safety equipment.
4. Efficient manpower management.

### Weakness :

1. Fragmented and unorganized Industry.
2. Inadequate technical competence compared to global Companies.
3. Relatively weak R & D facilities.

### Opportunities :

1. Enhanced program for the wagons and coaches from the Railway sector.
2. Better outsourcing opportunities in India.
3. Proposed huge infrastructure spending to propel growth and demand.

### Threats :

1. Volatile Raw material prices.
2. Volatile foreign exchange rates.
3. Shrinkage in demand in the export market.
4. Increase in global competition.



### Awards

The Company during the year 2009-10 has received the under mentioned awards from Tata Motors :

- ✓ For Best Supplier
- ✓ For Long Association
- ✓ For New Product Development
- ✓ For DIN 8 Initiative
- ✓ For Exceptional Delivery



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT



### PERSONNEL MANAGEMENT

The Company considers human resources as its most important asset. It provides greater emphasis on training and development of employees at all levels.

It regularly provides training to its employees which amongst other includes technical training, on the job training, soft skill training and awareness training.

It has a regular appraisal programme and performance linked incentives for the proper motivation of the employees.

The Company has also implemented an ESOP Scheme for its permanent employees of the Company above a certain category to allow its employees to partner the success of the Company.

The Company has around 758 employees (excluding contract workmen) which includes a rich pool of graduate engineers, diploma holders and technicians. It is their invaluable contribution that has primarily resulted in your company's position of strength in the industry.

#### Number of Graduate Engineers, Diploma Holders, Technicians

Year	2007-08	2008-09	2009-10
Graduate Engineers	20	23	26
Diploma Holders	93	94	112
Technicians	97	102	119
<b>Total</b>	<b>210</b>	<b>219</b>	<b>257</b>

In order to protect health of employees and to ensure healthy working environment, your Company has taken Group Health (Floater) Insurance policy and Group Personal Accident Insurance policy from ICICI Lombard General Insurance Company Limited.

### FINANCIAL OVERVIEW

#### Highlights

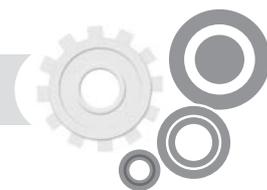
- Net Sales increased 24.44 percent from Rs. 229.00 Crores in 2008-09 to Rs. 284.96 Crores in 2009-10.
- EBIDTA increased 23.50 percent from Rs. 36.09 Crores in 2008-09 to Rs. 44.57 Crores in 2009-10.
- PBT increased 121.54 percent from Rs. 7.38 Crores in 2008-09 to Rs. 16.35 Crores in 2009-10.
- PAT increased 139.87 percent from Rs. 4.54 Crores in 2008-09 to Rs.10.89 Crores in 2009-10.
- Cash Profit increased by 61.55 percent from Rs. 18.18 Crores in 2008-09 to Rs. 29.37 Crores in 2009-10.
- Basic EPS increased from Rs. 2.96 in 2008-09 to Rs. 7.05 in 2009-10.



#### Balance Sheet Analysis

##### Capital Employed

The Company's capital employed increased 10.49 percent from Rs. 305.42 Crores in 2008-09 to Rs. 337.45 Crores in 2009-10. Capital works in progress constituted 7.70 percent of the capital employed as on March 31, 2010. The Company's return on capital employed increased from 8.94 percent in 2008-09 to 9.78 percent in 2009-10.



#### *Own Funds*

The Company's net worth increased 33.61 percent from Rs. 94.77 Crores in 2008-09 to Rs. 126.62 Crores in 2009-10 due to the re-investment of earnings and issue of the shares and warrants on a preferential basis. The Company's return on net worth (RONW) increased from 4.91 percent in 2008-09 to 9.84 percent in 2009-10 due to the increase in profits.

#### *External Funds*

The Company's debt decreased from Rs. 193.49 Crores in 2008-09 to Rs. 188.34 Crores in 2009-10 on account of repayments of the term loan and better working capital management. The Company's debt-equity ratio decreased from 2.04 to 1.49.

#### *Reserves and Surplus*

The Company's Reserves and Surplus increased 34.17 percent from Rs. 73.89 Crores in 2008-09 to Rs. 99.14 Crores in 2009-10 primarily due to the premium received from the issue of warrants and equity shares, increase of profits and forfeiture of the warrant allotment money.

#### *Gross Block*

The Company's gross block including capital work in progress increased 11.43 percent from Rs. 224.66 Crores in 2008-09 to Rs. 250.34 Crores on account of increase in capital expenditure. Depreciation increased from Rs. 10.95 Crores in 2008-09 to Rs. 13.13 Crores in 2009-10 due to better utilisation of the plant.

#### *Inventories*

The Company's inventories increased 19.91 percent from Rs. 83.02 Crores in 2008-09 to Rs. 99.55 Crores in 2009-10. The increase in inventories was primarily on account of the increase in raw material stock and the work in progress on account of increase of the product portfolio of the Company.

#### *Loans, Advances and Deposits*

Loans, Advances and Deposits comprised 11.50 percent of current assets and increased from Rs. 17.17 Crores in 2008-09 to Rs. 18.89 Crores in 2009-10. The Company has also advanced Rs. 7.92 Crores to Ramkrishna Forgings Employee Welfare Trust for the acquisition of the equity shares from the open market for the administration of the ESOP Scheme of the Company.

### **Profit & Loss Statement Analysis**

#### *Revenues*

The Company's Net Sales increased 24.44 percent from Rs. 229.00 Crores in 2008-09 to Rs. 284.96 Crores in 2009-10. This performance was primarily driven by the increased productivity of the forgings section and pick up of the ring rolling section. Further, production in this section increased from 17,027 tonnes in 2008-09 to 23,865 tonnes (without Job work) in 2009-10. The segment-wise revenue earned is as follows :

Particulars	(in percentage)	
	2009-10	2008-09
Automobiles	74.00	66.00
Railways	9.00	10.00
Mining	4.00	5.00
Exports	5.00	8.00
Others ( including Scrap)	8.00	11.00

#### *Foreign Exchange*

The Company's exports decreased from Rs. 20.37 Crores in 2008-09 to Rs. 16.03 Crores in 2009-10, representing a 21.31 percent decrease. The slowdown in the exports from the second half of the last year also continued till the first half of the current year which resulted in the lower exports for the year. The Company has tied up with some of the biggest names in Latin America. As a result the Company expects to ramp up exports in the coming year with a focus on Latin America and USA.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Interest

Interest outflow in 2009-10 was Rs. 15.08 Crores decreasing from Rs. 17.75 Crores in 2008-09 and constituting 5.29 percent of net turnover. The decrease in the interest cost is on account of better working capital management and interest rates. As a result, interest cover of the Company increased from 2.03 in 2008-09 to 2.96 in 2009-10 indicating the Company comfort in servicing debt.

### Costs

Total costs (excluding interest & depreciation) increased 14.46 percent from Rs. 214.80 Crores in 2008-09 to Rs. 245.87 Crores in 2009-10 constituting 84.65 percent of total income.

Particulars	(Rs. in Crores)	
	2009-10	2008-09
Raw Material	165.83	145.18
Power and Fuel	26.64	21.43
Employee Cost	16.39	13.05

Raw Material costs : Contributing 60.50 percent to total costs, raw materials costs increased from Rs. 145.18 Crores in 2008-09 to Rs. 165.83 Crores in 2009-10.

Power and fuel costs : Contributing 9.72 percent to total costs, power and fuel costs increased from Rs. 21.43 Crores in 2008-09 to Rs. 26.64 Crores in 2009-10.

Employee costs : Contributing 5.98 percent to total costs, employee costs increased from Rs. 13.05 Crores in 2008-09 to Rs. 16.39 Crores in 2009-10.

### MANAGING OUR RISKS

Risks are in fact opportunities that can be most profitably leveraged if identified, assessed and managed efficiently. A healthy balance between risk and reward can bring the Company steady realizations, boost profitability.

At Ramkrishna Forgings, all key aspects of risk management are incorporated in a comprehensive risk warning system, which enables the Company to manage risks at the individual, management and Board levels. Expert management of risk is consistent with creation of increased shareholder value.

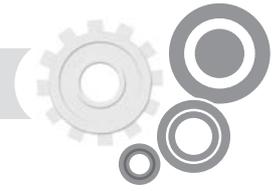
The Company has identified the key areas to concentrate on, which it believes to be critical for the achievement of organizational goals. A well defined structure has been laid down to assess, monitor and mitigate risks associated with these areas, briefly enumerated below :

#### 1 Client Concentration Risks

The overall domestic sales of the commercial vehicles segment registered increase from 3,84,194 vehicles to 5,31,395 vehicles registering a growth of 38.31 percent during 2009-2010 as compared to the same period last year. However an increase in the cost of fuel and increase of vehicle financing cost may slow down the growth.

#### Risk Mitigation

- (i) The Company has taken steps to increase its presence in the export market. It has received enlistment from some international reputed clients and has also identified new geographical location for export.
- (ii) The Company has taken steps to de-risk its sales mix by increasing its focus on the mining sector and making inroads in the farm equipment business.
- (iii) The Company has identified new areas and products by which it can reduce its dependence on the commercial vehicle segment.
- (iv) The Company has taken steps to diversify the customer base through aggressive marketing and participating in the fairs.



## 2 Technology Risk

The forging industry must lead the drive for technological advances that benefit many facets of the forging process and continue to enhance the industry's competitiveness and profitability. The industry needs to develop and put in place programs and systems to help find the strategically significant technologies and find ways to deploy those technologies to the industry.

### Risk Mitigation

- (i) The Company has the state-of-art of CNC Machining and Gear Cutting Facilities in which it has achieved accuracies of DIN 8 in the soft stage and Class 8 & 9 in the hard stage in gear manufacturing.
- (ii) The installation of the ring rolling line has helped the company to produce components with better input output ratio, higher strength on account of better grain flow and with fewer secondary operations.
- (iii) It has purchased most of the equipments from renowned vendors in India and abroad.
- (iv) It has a world class quality assurances laboratory with the best in practice equipments.

## 3 Competition Risk

With the number of organized players increasing competition has intensified in the forging industry. Moreover, low cost Asian countries like China and Thailand could pose stiff global competition.

### Risk Mitigation

- (i) The Company has made 45 new product development during the year which has helped to enhance the product basket and add new clients.
- (ii) The prime focus of the Company is to identify the customer need and attain customer satisfaction.
- (iii) The Company has installed more machining centers from Japan in the ring rolling facility which will help the Company to produce the components with more value addition.
- (iv) The business segments-forgings, machining and heat treatment and ring rolling helps to enhance Company's competitiveness edge through significant value addition at each leg, makes it capable to produce ready to use components and become a one stop shop for the OEM's.

## 4 Human Risk

Human resources are among the most important keys to the future success of forging enterprises as it a labour intensive process requiring skilled manpower.

### Risk Mitigation

- (i) The Company has implemented an ESOP scheme for its permanent employees of the Company which will help them to share the growth of the Company.
- (ii) It has a performance driven reward system and an incentive system linked to productivity to recognize the performance of its employees.
- (iii) The existence of renowned engineering colleges in the eastern regions helps the Company to have a rich pool of talented professionals. The Company has a regular training module for its operators/engineers which help them to update their knowledge and skill for achieving the organization goals.
- (iv) This has helped the Company to operate without losing any man day during the year under review.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT



### Did you know ?

Over 18,000 forgings components are contained in a Boeing 747 aeroplane

### INTERNAL AUDIT AND CONTROLS

The Company has in place adequate systems of internal controls and documented procedures covering all financial and operating function. These has been designed to provide reasonable assurance with regard to maintaining proper accounting control, monitoring economy and efficiency of the Company, protecting assets from unauthorised use or losses and ensuring reliability of financial and operational information.

The internal controls are designed to ensure that financial and other records are reliable for preparing financial statements and collating other data and for maintaining accountability of assets.

### CAUTIONARY STATEMENT

*Statements in this Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.*

# REPORT ON CORPORATE GOVERNANCE

The Company's shares are listed on The National Stock Exchange of India Limited and Bombay Stock Exchange Limited. Accordingly, the Corporate Governance Report for the year 2009-2010, which has been prepared pursuant to the provisions of Clause 49 of the Listing Agreements, contains details relating to previous year.

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company adheres good corporate practices and is constantly striving to better them and adopt the best practices. Your company believes that sustainable and long term growth of every shareholder depends upon the judicious and effective use of available resources and consistent endeavour to achieve excellence in business along with active participation in the growth of the society, building of the environmental balance and significant contribution in economic growth. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a truly forging Company, while upholding the core value of transparency, integrity, honesty and accountability, which are fundamental.

Corporate Governance at Ramkrishna Forgings Ltd. (RKFL) has been a continuous journey and the business goals of the Company are aimed at the overall well being and welfare of all the constituents of the system. The Company has laid a strong foundation for making Corporate Governance a way of life by constituting a Board with a balanced mix of experts of eminence and integrity, forming a core group of top level executives, inducting competent professionals across the organisation and putting in place the best system, process and technology. The Company combines leading edge technology and innovation with superior application and customer service skills.

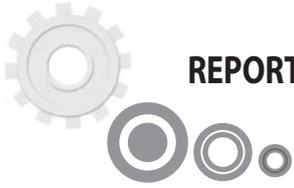
The Company is committed to pursue growth by adhering to the highest standards of Corporate Governance. The Company aims to maximise shareholder value through achieving business excellence. The Company is driven by the demands of its customers and it cares to meet their needs. It is committed to maintain the international quality standards, efficient delivery schedule and competitive prices. The Company is also committed to its social initiatives. The corporate philosophy of the Company has helped in adding value to the interest of its stakeholders viz, customers, employees and owners in a socially responsible way.

## 2. BOARD OF DIRECTORS

The Company understands that good and quality governance is a powerful competitive differentiator and critical to economic and social progress. The Board of the Company is independent in making its decisions and also capable and committed to address conflicts of interests and impress upon the functionaries of the Company to focus on transparency, accountability, integrity and responsibility.

The Company's Board presently consists of ten Directors out of which seven are non-executive Directors. The Company has an executive chairman and six non-executive independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreements entered into with the Stock Exchanges.

None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Public Companies in which he is a Director. Necessary disclosures regarding Committee positions in other Public Companies as on 31st March, 2010 have been made by the Directors.



## REPORT ON CORPORATE GOVERNANCE

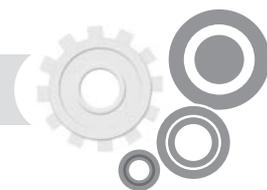
The Board meets regularly to review the strategic, operational and financial matters of the Company. The Board has also delegated its powers to the committees. The Agenda of the meeting is circulated to all the Directors in advance and all material information is provided to facilitate meaningful and focussed discussion at the meeting. The Board reviews the compliance of the applicable laws in the Board Meeting. The Board is given presentation covering the financial and other aspects of the Company before taking on record the quarterly/annual financial results of the Company. The requisite information as required is provided to the Board.

### **The information required to be placed before the Board includes :**

- General notices of interest of Directors.
- Appointment, Remuneration and Resignation of Directors.
- Formation/Reconstitution of Board Committees.
- Terms of reference of Board Committees.
- Minutes of the meetings of Audit Committee and other Committees of the Board.
- Appointment/Resignation of Chief Financial Officer and Company Secretary.
- Annual operating plans of businesses, capital budgets and any updates.
- Quarterly results of the Company.
- Dividend declaration.
- Sale of material nature, investments and assets, which is not in the normal course of the business.
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Internal Audit Findings and External Audit Reports (through the Audit Committee).
- Proposals for investments, mergers and acquisitions.
- Details of any joint venture, acquisitions of companies or collaboration agreement.
- Making of loans and investment of surplus funds.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer (if any), etc.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Any fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implication on the Company.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like implementation of Voluntary Retirement Scheme etc.

### **Meetings, Attendance, Directorships/Chairmanships**

During the year 5 (five) board meetings held on 28.05.2009, 25.07.2009, 24.10.2009, 22.01.2010 and 20.02.2010, the details of the composition of the board, attendance of each Director at the Board meeting, last Annual General Meeting and the number of Directorship and Chairmanship/Membership of Committee of each Director in other Public Companies are as follows :



Name of Director	Category	Attendance particulars		No. of Directorship and other Committee Membership/ Chairmanship		
		Board Meetings	Last AGM	Directorship	Committee Membership	Committee Chairmanship
Mr. Mahabir Prasad Jalan (Chairman)	Executive	4	No	1	Nil	Nil
Mr. Naresh Jalan (Managing Director)	Executive	5	Yes	1	Nil	Nil
Mr. Pawan Kumar Kedia (Finance Director)	Executive	5	Yes	Nil	Nil	Nil
Mr. Ram Prasad Saraf	Non-Executive	5	No	Nil	Nil	Nil
Mr. Randhir Khandelwal	Non-Executive	Nil	No	Nil	Nil	Nil
Mr. Padam Kumar Khaitan	Non-Executive	3	No	10	2	2
Mr. Satish Kumar Mehta	Non-Executive	4	No	Nil	Nil	Nil
Mr. Subhasis Majumder	Non-Executive, Nominee	2	No	Nil	Nil	Nil
Mr. Surendra Mohan Lakhota	Non-Executive	3	Yes	1	1	Nil
Mr. Laxminarayan Jhavar	Non-Executive	2	No	Nil	Nil	Nil

**Notes :**

- Number of Directorship excludes Directorship in Foreign Companies, Alternate Directorship, Companies registered under Section 25 of the Companies Act, 1956 and Private Ltd. Companies.
- Committees include Audit Committee and Shareholders/Investor Grievance Committee of only other Public Limited Companies.
- None of the Directors except Mr. Mahabir Prasad Jalan and Mr. Naresh Jalan are related to any other Director.
- None of the Directors has any business relationship with the Company.
- None of the Directors received any loans and advances from the Company during the year.
- None of the Directors holds Directorship in more than 15 Indian Public Limited Companies.
- All the Directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956, do not apply to them.

**Role of Independent Directors**

The Independent Directors play an important role in deliberations and decision making at the Board meeting and bring to the Company wide experiences in their respective fields. They also contribute in significant measure to Board Committees. Their Independent role vis-à-vis the Company means that they have a special contribution to make in situations where they add a broader perspective by ensuring that the interests of all stakeholders are kept in acceptable balance and in providing an objective view in instances where a (potential) conflicts of interest may arise between stakeholders.

**Board Meetings**

During the Financial Year 2009-2010 the Company has held five Board meetings. The gap between two meetings did not exceed four months. The details of the Board meetings are as follows :

Sl. No.	Dates	Strength	Presence of Directors
1	28.05.2009	10	6
2	25.07.2009	10	6
3	24.10.2009	10	8
4	22.01.2010	10	8
5	20.02.2010	10	5



## REPORT ON CORPORATE GOVERNANCE

### 3. COMMITTEES OF THE BOARD

At present, there are four Board Committees viz. the Audit Committee, the Remuneration and Compensation Committee, Management and Finance Committee and the Shareholders/Investors' Grievance Committee. The terms of reference of the Board Committees are determined by the Board from time to time. The meetings of each Board Committee are convened by the respective Committee Chairman. The signed minutes of Board Committee meetings are placed for the information of the Board. The role and composition of these Committees, including the number of meetings held during the financial year and the related attendance are provided below :

#### A) Audit Committee

As a measure of good corporate governance and to provide assistance to the Board of Directors in fulfilling the responsibilities of the Board, an Audit Committee has been constituted as a sub committee of the Board in accordance with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee helps to enhance the shareholders' confidence by promoting accountability and also acts as a catalyst for effective financial and auditing practices.

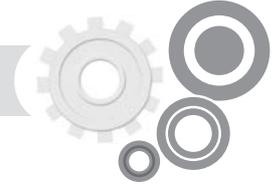
##### Composition

Presently the Audit Committee consist of four Non-Executive Directors out of which three are Independent Directors. The Audit Committee meetings are also attended by the Finance Director, Chief Financial Officer (CFO), Statutory Auditors and the Internal Auditors. The Company Secretary is the Secretary of the Committee.

##### Terms of Reference

The terms of reference of the Audit Committee as stipulated by the Board are as follows :

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position, sufficient and credible.
- b) Recommending to the Board the appointment, reappointment and, if required, replacement or removal of the Statutory Auditor and the fixation of audit fees.
- c) Approval of the payment to Statutory Auditors for any other service rendered by the Statutory Auditor.
- d) Reviewing with the management the annual financial statement before submission to the Board focusing primarily on:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - Change in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on exercise of judgement by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statement.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
  - The going concern assumption.
- e) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- f) Reviewing with the management, performance of Statutory and Internal Auditors and adequacy of internal control systems.
- g) Reviewing the adequacy of the Internal Audit function, coverage and frequency of the internal audit.
- h) Discussion with the Internal Auditors about any significant findings and follow-up thereon.
- i) Reviewing the findings of the internal investigations by the internal auditors into the matters where there is a suspected fraud or irregularity or the failure of internal control systems of a material nature and reporting the matter to the Board.
- j) Discussion with the Statutory Auditor before the audit commences, nature and the scope of the audit as well as post-audit discussions to ascertain any area of concern.



- k) To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
- l) Reviewing the functioning of the Whistle Blower Mechanism, in case the same is existing.
- m) Reviewing with the Management the statement of uses/application of funds raised through issue (Public, Rights, Preferential etc), the statement of funds utilized for purposes 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 rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- n) Approval of appointment of CFO (i.e., the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

The Audit Committee inter-alia reviewed the following information :

1. Management Discussion and Analysis of financial conditions and results of operations.
2. Statement of the related party transactions submitted by the management.
3. Management letter/letter of internal control weakness issued by the Statutory Auditors.
4. Discussion on the internal audit report and the appointment, removal and terms of remuneration of the internal auditor.

The Chairman of the Audit Committee briefs the Board about the significant discussions of Audit Committee meeting.

#### Meetings and Attendance

During the year 2009-2010 the Committee has met four times.

1. The details of the Audit Committee meetings held during the Financial Year 2009-2010 are as follows :

Sl. No.	Dates	Strength	Presence of Directors
1	28.05.2009	3	3
2	25.07.2009	4	2
3	24.10.2009	4	3
4	22.01.2010	4	4

2. Attendance record at the Audit Committee meeting :

Name	Category	No. of Meetings held held during the year	No. of Meeting Attended
Mr. Surendra Mohan Lakhotia *	Chairman, Independent	3	2
Mr. Ram Prasad Saraf	Independent	4	4
Mr. Satish Kumar Mehta	Independent	4	4
Mr. Subhasis Majumder	Non-Independent	4	2

\* Mr. Surendra Mohan Lakhotia was appointed as the member and chairman of the Audit Committee w.e.f. 28.05.2009.

The necessary quorum was presented at all the meetings.

#### B) Remuneration and Compensation Committee

##### Composition

The Remuneration Committee of the Board comprises of three Non-Executive Directors/Independent Directors namely :

- 1) Mr. Satish Kumar Mehta            Chairman
- 2) Mr. Ram Prasad Saraf            Member
- 3) Mr. Surendra Mohan Lakhotia    Member

Mr. Shailesh Ramanlal Parekh is not associated with committee w. e. f 28.05.2009 and Mr. Ram Prasad Saraf joined the committee on 28.05.2009.



## REPORT ON CORPORATE GOVERNANCE

### Terms of Reference

Terms of reference of Remuneration and Compensation Committee broadly includes the roles, powers and duties as vested under Schedule XIII to the Companies Act, 1956 and Clause 49 of the Listing Agreement with Stock Exchanges and for the implementation, administration and superintendence of the ESOP Scheme(s) of the Company through a trust. It also comprises decision for remuneration payable to managerial personnel from time to time, deciding remuneration policy of the Company.

The Committee is responsible to :

- i) Determine the policy on the remuneration package for Executive Directors.
- ii) Determine the remuneration package of the Executive Directors.
- iii) Such other matters as may be required to be considered as per the provisions of the Companies Act, 1956, Listing Agreement and other applicable statutes.
- iv) Issue necessary guidelines to the ESOP Trust for the accomplishment of the ESOP Scheme(s).
- v) Determine the quantum of options to be granted under any ESOP Scheme(s) per employee and in aggregate.
- vi) Determine the conditions under which options vested in employees may lapse in case of termination of employment for misconduct.
- vii) Determine the exercise period within which the employee should exercise the option and that the option would lapse on failure to exercise the option within the exercise period.
- viii) Determine the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- ix) Determine the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- x) Determine the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.
- xi) Determine the grant, vest and exercise of option in case of employees who are on long leave;

### Meeting and Attendance

During the Financial year 2009-2010, the Committee has met once on 12th September, 2009. The details of attendance are as follows.

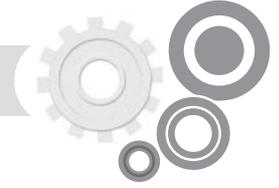
Sl. No.	Name	Category	Meeting details of FY 2009-10	
			Held during FY 2009-10	Attendance
1	Mr. Satish Kumar Mehta	Independent Chairman	1	Yes
2	Mr. Ram Prasad Saraf	Independent	1	Yes
3	Mr. Surendra Mohan Lakhota	Independent	1	Yes

### Details of Remuneration to Managing/Wholtime Directors

The details of the remuneration paid to the Managing/Wholtime Directors for the year 2009-2010 are as follows :

(Rs. in Lakhs)

Sl. No.	Name of Director	Salary	Others	Total
1	Mr. Mahabir Prasad Jalan	81.96	40.98	122.94
2	Mr. Naresh Jalan	69.00	27.60	96.60
3	Mr. Pawan Kumar Kedia	4.80	4.65	9.45
	<b>Total</b>			<b>228.99</b>



**Note :**

Salary represents Basic Salary and Dearness Allowance. Others include House Rent Allowance and Other Allowances, Medical Re-imburement, LTA and Contribution to Provident Fund but exclude Leave Encashment and Gratuity which is based on actuarial valuation provided on overall basis in the books of accounts.

The Company has Stock Option Scheme only for its permanent employee and a director whether a whole time director or not but does not include the promoters of the Company.

In response to an application made by the Company to the Central Government for approval of payment of increased remuneration to Chairman cum Wholetime Director and Managing Director from 1st April, 2008 onwards the Central Government, has vide its letter dated 18th March, 2010 assented to payment of remuneration on the basis of the permissible limit as specified under Schedule XIII of the Companies Act, 1956 or remuneration last drawn by the said Managerial Personnel which ever is higher.

The Company has paid the remuneration of Rs. 122.94 Lakhs and Rs. 96.60 Lakhs to Chairman cum Wholetime Director and Managing Director respectively during the year 2009-10 which is an excess of the limit laid down in the Section 309 (3) read with schedule XIII of the Companies Act, 1956 by Rs. 52.48 Lakhs for FY 2009-10.

The Company has made a representation to the Central Government for reconsideration of its application and accord its approval to the Company for payment of remuneration as proposed in the said application. The said representation is pending for consideration of the Central Government.

**Details of Sitting Fees to Non-Executive Directors**

The details of the Sitting fees paid to the Non-Executive Directors for the year 2009-2010 are as follows :

(Rs. in Lakhs)

Sl. No.	Name of the Director	Sittings Fees
1	Mr. Ram Prasad Saraf	0.95
2	Mr. Padam Kumar Khaitan	0.30
3	Mr. Satish Kumar Mehta	0.85
4	Mr. Subhasis Majumder	0.40
5	Mr. Surendra Mohan Lakhota	0.55
6	Mr. Laxmi Narayan Jhavar	0.20
	<b>Total</b>	<b>3.25</b>

**Details of Shareholding in the Company by Directors**

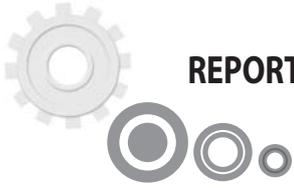
Details of shares of the Company held by the Directors as on 31st March, 2010 are as below :

Sl. No.	Name of Director	No. of shares held	% of Total Holding
1	Mr. Mahabir Prasad Jalan	4,51,000	2.75
2	Mr. Naresh Jalan	2,85,750	1.74
3	Mr. Pawan Kumar Kedia	35,250	0.21

All other Directors do not hold any shares in the Company. The Non-Executive Directors does not hold any Convertible Instruments.

**Service Contracts, Severance Fees & Notice Period**

The appointment of Executive Directors is governed, in general, by resolution passed by the Board & Shareholders of the Company which covers the terms and conditions of such appointment. No separate Service Contract is being/has been entered with the Company. There are no specific provisions prevailing regarding severance fee in the resolution for the appointment. The Notice period is governed by the applicable provisions and guidelines.



## REPORT ON CORPORATE GOVERNANCE

### C) Management and Finance Committee

The Board of Directors at its meeting held on 28th May, 2009 constituted a committee called Management and Finance Committee.

#### Composition

The Management and Finance Committee of the Board comprises of three Directors namely :

- 1) Mr. Mahabir Prasad Jalan
- 2) Mr. Naresh Jalan and
- 3) Mr. Ram Prasad Saraf

The Committee meetings are attended by the Chief Financial Officer (CFO). The Company Secretary is the Secretary of the Committee

#### Terms of Reference

The committee will act in accordance with the provisions of the Companies Act, Listing Agreement and any other applicable laws and also monitoring and reviewing day-to-day financial and legal matters of the Company.

The terms of reference of the Management and Finance Committee include the followings :

1. To review the banking arrangements and arrangements with the statutory authorities.
2. To borrow monies within the limits as approved by the Board.
3. To institute or withdraw any suit or other legal proceedings, to refer to arbitration any dispute or difference and to prosecute or defend any bankruptcy or insolvency proceedings.
4. To carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modifications as may be applicable.
5. To delegate authorities from time to time to the Executives/Authorised persons to implement the decisions of the Committee.

#### Meetings and Attendance

During the Financial year 2009 -2010, the committee had meet eleven times in a year.

Name of the Committee Member	No. of Meetings held	No. of Meetings Attended
Mr. Mahabir Prasad Jalan	11	9
Mr. Naresh Jalan	11	11
Mr. Ram Prasad Saraf	11	11

No sitting fees is paid for attending the Meeting

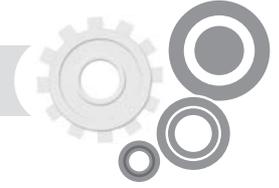
### D) Shareholder/Investors' Grievance Committee

The Committee has constituted a Shareholders/Investors Grievance Committee of Directors to oversee and redress the shareholders' complaints and to oversee the performance of the Registrar and Transfer agents. The Company has appointed Mr. Rajesh Mundhra, Company Secretary, as the Compliance Officer.

The Company also has a Share Transfer Committee wherein the powers for the share transfers, rematerialisation, splits and consolidation of shares has been delegated by the Board.

The composition of the Shareholders/Investors Grievance Committee is given below :

Name	Category
Mr. Ram Prasad Saraf	Independent, Non-Executive
Mr. Randhir Khandelwal	Independent, Non-Executive



#### Compliance Officer

Mr. Rajesh Mundhra, Company Secretary, who is the Compliance Officer, can be contacted at :  
Ramkrishna Forgings Ltd.  
L&T Chambers, 6th Floor, 16, Camac Street, Kolkata - 700 017

#### Details of complaints received and redressed :

The details regarding complaints received and resolved during the financial year 2009-2010 are as follows :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
0	0	0	0

#### 4. GENERAL BODY MEETINGS

The details of the last three years' Annual General Meetings are given below :

Financial Year	Details of Location	Date	Time	No. of Special Resolution Passed
2008-09	Gyan Manch, 11 Pretoria Street Kolkata - 700 071	22.08.2009	11.45 A.M.	4
2007-08	Kalakunj, 48 Shakespeare Sarani Kolkata - 700 017	30.08.2008	11.30 A.M.	Nil
2006-07	- do -	15.09.2007	11.45 A.M.	Nil

No Special resolution was passed in the year 2009-2010 through postal ballot and hence the provisions relating to the postal ballot were not applicable. None of the business proposed to be transacted in the ensuing Annual General Meeting requires passing a special resolution through postal ballot. The Company shall comply with the requirements of the postal ballot as and when required.

#### 5. DISCLOSURES

##### a) Disclosure on materially significant related party transactions :

Your Company places the statement of the related party transactions at every Audit Committee meetings. The Registrar of Contracts containing the transactions in which the Directors are interested are placed at the Board Meetings. The disclosures of the related party transaction as per the Accounting Standard (AS-18) are set out in the Note 38 of the Notes to the Accounts. However, these transactions are not likely to have any conflict with the Company's interest.

##### b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets, during the last three years :

The Company has complied with the requirements of the Stock Exchange, SEBI and other Statutory Authorities on all matters related to the capital market during 2007-08, 2008-09 and 2009-2010.

There are no penalties or strictures being imposed on the Company by the Stock Exchange, SEBI or any other Statutory Authorities on the Company.

##### c) Code of Conduct :

The Board at its meeting held on 28th October, 2005 has adopted the code of conduct which lays down the procedures to be adhered by the Board Members and the Senior Management Personnel of the Company. The code of conduct is available on the Company's website i.e. [www.ramkrishnaforgings.com](http://www.ramkrishnaforgings.com). The declaration that the code of conduct has been complied by the Board and the Senior Management is given below :



## REPORT ON CORPORATE GOVERNANCE

### **Declaration by the CEO under clause 49 of the Listing Agreement regarding adherence to the Code of Conduct**

In accordance with the clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliances with the Code of Conduct of the Company for the year ended 31st March, 2010.

For **RAMKRISHNA FORGINGS LIMITED**

**Naresh Jalan**  
Managing Director

#### **d) Proceeds of the Preferential Issue :**

The Company had made an issue and allotment of 11,00,000 equity shares and 39,00,000 warrants with an option to convert into equity shares of Rs. 10/- each at a premium of Rs. 97.50/- per share through preferential issue. The utilisation of the preferential issue proceeds is provided at every meeting of the Audit Committee and the utilisation as on 31st March, 2010 is disclosed in Note no 23 of the notes on Accounts.

The upfront money of Rs. 554.91 Lakhs which was received against the preferential issue of 25,81,000 warrants has been forfeited by the Company during the year.

#### **e) Disclosure of Accounting Treatment :**

Your Company has followed all relevant accounting standards while preparing the financial statements.

#### **f) CEO/CFO Certification :**

As per Clause 49 (v) of the Listing Agreement, the Managing Director and the Finance Director of the Company certifies to the Board regarding the review of the financial statement, compliance with the accounting standard, maintenance of the internal control for financial reporting, accounting policies etc.

#### **g) Management Discussion and Analysis Report :**

It forms part of the Annual Report.

#### **h) Secretarial Audit for reconciliation of Capital :**

The Securities and Exchange Board of India has directed vide Circular No. D and CC/FITTC/CIR-16/2002 dated 31st December, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued/paid-up capital.

The said certificate, duly certified by the Company Secretary in practice is submitted to the Stock Exchanges where the securities of the Company are listed within 30 days of the end of each quarter and the certificate is also placed before the Board of Directors of the Company.

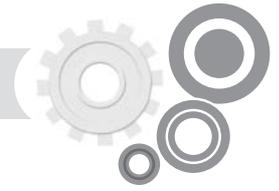
#### **i) Details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting :**

The details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting is annexed to the notice as well as herewith brief particulars of qualification and experience :

##### **• Mr. Pawan Kumar Kedia**

He is Wholtime Finance Director of the Company since 15.09.2003. He is a Bachelor of Commerce with a Diploma in Taxation. He is about 52 years of age and posses an experience of about 25 years in various companies. He started his career from M/s C. L. Saraf & Co. and then worked as Commercial Manager in M/s Vishnu Straw Board and Indana Group for 5 (five) to 10 (ten) years respectively. Before joining the Company in 1998, as Commercial Manager (Finance & Accounts), he worked with M/s Khaitan India Limited as Internal Auditor for 2 (two) years.

He does not hold Directorship and Committee position in any other Company.



● **Mr. Randhir Khandelwal**

Mr. Randhir Khandelwal resident of Jamshedpur, is the Director of the Company since 27.10.2006 and is around 61 years of age.

He is a PGDBM (Finance) from XLRI and ACA. He has a work experience of around 26 years in Tata Steel out of which he has worked 17 years in the Internal Audit Department and 4 years in the Rings and Agrico Division reporting directly to M.D., Tata Steel. Presently he is a partner of R. Gopal and Associates, Chartered Accountants.

During his career he has made various achievements as listed below :

- i) Past Chairman of the Jamshedpur Chapter of ICAI.
- ii) Past Chairman of Joint Department Council (Accounts & Audit - Tata Steel) of Management and Union.
- iii) Past Member of Joint Consultation committee of Management and workers.

He is not holding any Directorship in any other Company.

He is not the Chairman/Member of any Committee in any other Company.

He does not hold any shares of the company.

● **Mr. Padam Kumar Khaitan**

He is a Director of the Company since 25.07.2005. He is an Attorney at Law. He is about 57 years of age with a vast experience in Legal Matters for more than 37 years. He is a Partner of M/s. Khaitan & Co. very prestigious & well known legal firm. He started his career with Khaitan & Co. as an Article Clerk and later he worked as Legal Associate and now he is Partner.

He is holding Directorship in the following Companies :

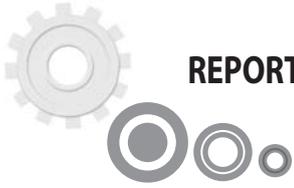
- Rungamattee Tea & Industries Ltd.
- Cheviot Agro & Industries Ltd.
- Cheviot Company Ltd.
- Williamson Magor & Co. Ltd.
- Woodside Parks Ltd.
- R. V. Investment & Dealers Ltd.
- SIL Investments Ltd.
- SCM Investment & Trading Company Ltd.
- Khaitan Consultants Ltd.
- Asian Hotels (East) Ltd.
- Time Leverage Instruments Pvt. Ltd.

He is an alternate Director of Manjushree Plantations Ltd.

He is holding Chairmanship & Membership in the following Companies :

Name of the Company	Name of the Committee	Position
Manjushree Plantations Ltd.	Shareholders Grievance Committee	Chairman
Williamson Magor & Co. Ltd.	Audit Committee	Member
	Shareholders Grievance Committee	Member
	Remuneration Committee	Member
Asian Hotels (East) Ltd.	Shareholders Grievance Committee	Chairman
	Remuneration Committee	Member

He does not hold any shares of the Company.



## REPORT ON CORPORATE GOVERNANCE

### j) Code of Conduct for Prevention of Insider Trading :

The Board has approved a comprehensive 'Ramkrishna Forgings Limited Code on Prevention of Insider Trading'(hereinafter referred as code of conduct) in pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The objective of the code is to prevent an insider viz. Directors, Officers and Designated Employees from dealing in shares of the Company on the basis of unpublished Price Sensitive Information. It prevents sale/purchase of shares of the Company during the closure of Trading Window. Permission of Compliance officer is required for dealing in shares beyond specific limit. Company Secretary is the Compliance officer under the code.

### 6. MEANS OF COMMUNICATION

In compliance with the requirements of the Listing Agreement, the Company regularly intimates the Stock Exchange of the unaudited as well the audited financial results of the Company after being adopted by the Board of Directors. Further the results of the Company are normally published in the Business Standard (all edition) and other leading newspaper and Aaj Kal Bengali (vernacular) newspaper.

The Company does not send the half-yearly report to the shareholders.

The website of the Company is [www.ramkrishnaforgings.com](http://www.ramkrishnaforgings.com).

The Company has not made any presentations to the institutional investors or to the analysts during the financial year 2009-2010

### 7. GENERAL SHAREHOLDERS INFORMATION

#### a) Annual General Meeting :

Date : 7th August, 2010  
Time : 10.45 a.m.  
Venue : Bharatiya Bhasha Parishad  
36A, Shakespeare Sarani  
Kolkata - 700017

#### b) Financial Calendar :

The Financial Year of the Company is April 2009 to March 2010.

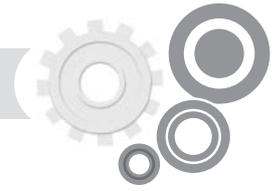
The probable dates for the publication of the quarterly results for the Financial Year 2010-11 will be within 45 days following the respective quarter and the audited results for the year will be published within 60 days from the end of the financial year.

c) **Date of Book Closure** : 2nd August, 2010 to 7th August, 2010 (Both Days Inclusive)

d) **Listing on Stock Exchange and Depositories** :  
1) Bombay Stock Exchange Limited (BSE)  
2) National Stock Exchange of India Limited (NSE)  
3) National Securities Depository Limited (NSDL)  
4) Central Depository Services (India) Limited (CDSL)

The Company confirms that it has paid the Annual Listing Fees to both the Stock Exchanges and the Depositories for the year 2010-11.

e) **Stock Code** : The Scrip code as provide by Bombay Stock Exchange Limited is **532527**  
The symbol as provided by National Stock Exchange is **RKFORGE**  
The ISIN no. as provided by the depositories is **INE399G01015**

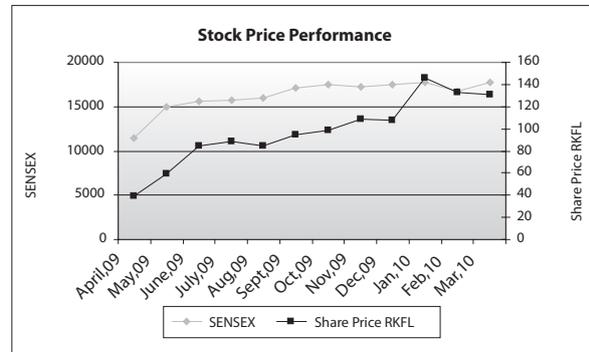
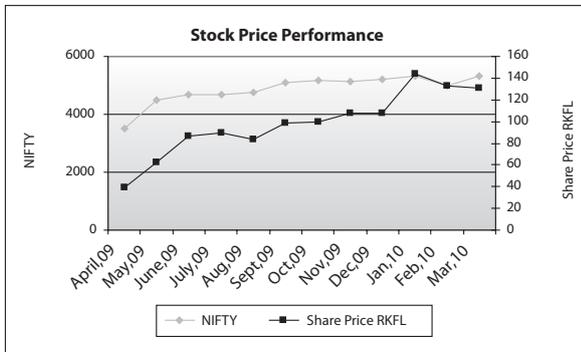


**f) Market Price Data and the performance in comparison to NSE (NIFTY) :**

The high and low closing prices during each month of the year 2009-2010 at NSE and BSE and the NSE NIFTY are as given below :

Months	SHARE PRICE NSE		SHARE PRICE BSE		S & P CNX NIFTY	
	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
April, 09	39.30	27.05	39.25	26.30	3,517.25	2,965.70
May, 09	62.70	37.00	59.15	37.00	4,509.40	3,478.70
June, 09	86.85	65.85	84.80	62.10	4,693.20	4,143.25
July, 09	89.95	59.00	89.00	59.00	4,669.75	3,918.75
August, 09	84.00	70.10	84.90	72.20	4,743.75	4,359.40
September, 09	99.00	76.00	95.00	77.00	5,087.60	4,576.60
October, 09	99.95	66.55	98.75	71.50	5,181.95	4,687.50
November, 09	108.00	79.00	108.20	81.00	5,138.00	4,538.50
December, 09	108.00	92.20	108.00	95.00	5,221.85	4,943.95
January, 10	143.90	92.15	146.00	97.00	5,310.85	5,167.10
February, 10	132.80	111.60	133.00	107.00	4,992.00	4,757.25
March, 10	131.30	100.70	131.25	104.25	5,329.55	4,935.35

**Comparison chart of price performance of the Company with S&P CNX Nifty and Sensex :**



**h) Registrar and Transfer Agents :**

M/s. Karvy Computershare (P) Ltd.  
 Plot No. 17-24, Vittal Rao Nagar, Madhapur  
 Hyderabad - 500 081, Andhra Pradesh, India  
 Phone : +91 40 2342 0815-28, Fax : +91 40 2342 0814  
 E mail : mailmanager@karvy.com  
 Website : www.karvycomputershare.com

**i) Share Transfer System :**

The shareholders submit their share transfer related documents to the share registrar and transfer agent whose address is mentioned in the record. The Board has delegated the power to transfer the shares to the Share Transfer Committee. If the transfer documents are in order, the transfer is approved by the Share Transfer Committee.

Share transfers are effected in time and all physical share certificates are dispatched to the transferees immediately after



## REPORT ON CORPORATE GOVERNANCE

effecting the transfer. All Kinds of investors, related services both for physical as well as electronic segments are provided from the Share registry.

Half-yearly certificate on compliance of Share Transfer formalities obtained from practising Company Secretary pursuant to Clause 47 C of the listing Agreement with stock exchanges and file a copy of the certificate with the stock exchanges in time.

### j) Distribution of shareholding as on 31st March, 2010 :

Category (Shares)	No. of Holders	No. of Shares	% of Total Shares
1 – 500	2917	3,78,260	2.30
501 – 1000	218	1,70,117	1.04
1001 – 2000	106	1,64,902	1.00
2001 – 3000	42	1,10,802	0.67
3001 – 4000	24	87,415	0.53
4001 – 5000	19	92,976	0.57
5001 – 10000	28	2,23,415	1.36
10001 and above	51	1,52,00,653	92.53
<b>TOTAL</b>	<b>3,405</b>	<b>1,64,28,540</b>	<b>100.00</b>

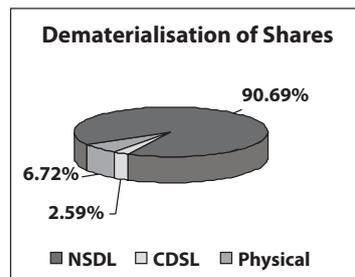
### Pattern of Shareholding as on 31st March, 2010 :

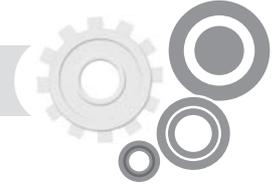
Sl. No.	Category	No. of Shares held	%
1	Promoters & Associates	83,81,004	51.01
2	Mutual Funds	36,48,414	22.21
3	Foreign Institutional Investor	2,27,892	1.39
4	Non-Resident Indians	20,498	0.12
5	Bodies Corporates	15,65,548	9.53
6	Indian Public/Others	25,79,006	15.70
7	Clearing Members	6,178	0.04
	<b>Total</b>	<b>1,64,28,540</b>	<b>100.00</b>

### k) Dematerialisation of Shares as on 31st March, 2010 :

Description	No. of Shareholders	Shares	%
PHYSICAL	17	11,05,148	6.72
NSDL	2,510	1,48,98,550	90.69
CDSL	878	4,24,842	2.59
<b>Total</b>	<b>3,405</b>	<b>1,64,28,540</b>	<b>100.00</b>

The shares of the Company are traded only in dematerialised form. 1,53,23,392 shares which consist of about 93.28% of paid-up Equity Share Capital of the Company are held in a dematerialised form as on 31st March, 2010.





**l) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity :**

The Company has made an issue and allotment of 39,00,000 warrants with an option to convert into equity shares of Rs. 10 each at a price of Rs. 107.50 per share on 20th February, 2010 and the same can be converted into equity shares within the period of eighteen months from the date of allotment.

**m) Plant Locations :**

1. Plant I : Plot No. M-6, Phase VI, Gamaria, Jamshedpur - 832 108, Jharkhand
2. Plant II : 7/40, Duffer Street, Liluah, Howrah - 711 204, West Bengal
3. Plant III & IV : Plot No. M-15, 16 and NS-26, Phase - VII, Industrial Area, Adityapur Jamshedpur - 832 109, Jharkhand

**n) Address for correspondence :**

- i) For shares held in physical and demat form :

**M/s. Karvy Computershare (P) Ltd.**

Plot No. 17-24, Vittal Rao Nagar  
Madhapur, Hyderabad - 500 081  
Andhra Pradesh, India  
Phone : +91 40 2342 0815-28  
Fax : +91 40 2342 0814  
E-mail : mailmanager@karvy.com  
Website : www.karvycomputershare.com

- ii) For General Information :

**M/s. Ramkrishna Forgings Limited**

L & T Chambers, 6th Floor,  
16, Camac Street, Kolkata - 700 017  
West Bengal, India  
Phone : +91 33 3984 0999  
Fax : +91 33 3984 0998  
E mail : payal.agarwal@ramkrishnaforgings.com  
Website : www.ramkrishnaforgings.com

**Non-Mandatory Requirements :**

- a) *Chairman of the Board* : The Company has an Executive Chairman.
- b) *Remuneration Committee* : The Company has constituted a Remuneration and Compensation Committee the details of which are provided in this Report under the section 'Committees of the Board - Remuneration and Compensation Committee'.
- c) *Shareholders' Rights* : The Company as of now does not send the shareholders' half-yearly declaration of the financial performance. The Financial Results are put up on the Company's website.
- d) *Postal Ballot* : The Company shall comply with the requirement of the postal ballot as and when it is required.
- e) *Training of Board Members* : The Directors interact with the management in a very free and open manner on any information that may be required by them on orientation and factory visits. The Independent Directors are encouraged to attend training programmes that may be of relevance and interest to the Directors in discharging their responsibilities to the Company's stakeholders under the emerging business environment.
- f) *Mechanism for evaluation of Non-Executive Board Members* : The performance evaluation of Non-Executive members is done by the Board based on the criteria of attendance and contributions at the Board/Committee meetings as also for the role played or contributions other than at the meetings.
- g) *Whistle Blower Mechanism* : The Company does not have a Whistle Blower Mechanism.

## Auditor's Certificate on Corporate Governance

To  
The Members of  
**RAMKRISHNA FORGINGS LTD.**

We have examined the compliance of the conditions of Corporate Governance by **RAMKRISHNA FORGINGS LIMITED** for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

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

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

1B, Old Post Office Street  
Kolkata - 700 001  
Dated : The 22nd day of May, 2010

For **SINGHI & CO.**  
*Chartered Accountants*  
Firm Registration No. 302049E  
**Rajiv Singhi**  
*Partner*  
Membership No. 53518

# Auditors' Report

To the Members of  
**RAMKRISHNA FORGINGS LIMITED**

1. We have audited the attached Balance Sheet of **RAMKRISHNA FORGINGS LIMITED** as at 31st March, 2010 the Profit & Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As explained in Note no. 34 (b), remuneration paid to the Chairman cum Whole Time Director and the Managing Director is in excess of limit specified in Schedule XIII of the Companies Act by Rs. 52,48,126/- for the year 2009-10 (Rs. 96,48,960/- for the year 2008-09). In response to an application made by the Company to the Central Government for approval of payment of increased remuneration to Chairman cum Whole Time Director and the Managing Director from 1st April, 2008 to 31st March, 2011 the Central Government, has vide its letter dated 18th March, 2010 assented to payment of remuneration on the basis of the permissible limit as specified under Schedule XIII of the Companies Act, 1956 or remuneration last drawn by the said Managerial Personnel which ever is higher. The Company has made a representation to the Central Government for reconsideration of its application and accord its approval to the Company for payment of remuneration as proposed in the said application. The said representation is pending for reconsideration of the Central Government.*
5. Further to our comments in the Annexure referred to above, we report that :
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) 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;
  - iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
  - iv) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - v) On the basis of the written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said account, **subject to our remark in paragraph 4 above**, read with Notes to Account and Significant Accounting Policies in Schedule "20" give the information required by the Companies Act, 1956, 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 31st March, 2010
  - (b) in the case of the Profit & Loss Account, of the **PROFIT** for the year ended on that date; and
  - (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

1B, Old Post Office Street  
Kolkata - 700 001  
Dated : The 22nd day of May, 2010

For **SINGHI & CO.**  
Chartered Accountants  
Firm Registration No. 302049E  
**Rajiv Singhi**  
Partner  
Membership No. 53518

## Annexure to the Auditors' Report

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

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased program of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to size of the Company and nature of its business.  
(c) There was no substantial disposal of fixed assets during the year.
- ii. (a) The inventories have been physically verified at reasonable intervals during the year by the management except materials lying with third parties, where confirmations are obtained.  
(b) In our opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company has maintained proper records of inventories. The discrepancies between the physical stocks and book stocks, which are not significant, have been properly dealt with in the books of account.
- iii. (a) As per the information furnished, 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 the Companies Act, 1956. Hence clauses 3(b), (c) and (d) of the order are also not applicable to the Company.  
(e) As per the information furnished, the Company has taken interest bearing unsecured loan from a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The terms and condition of such loan is not prima-facie prejudicial to the interest of the Company.
- iv. 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 nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books of accounts and according to the information and explanation given to us, we have not come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control system.
- v. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been entered.  
b) As per the information and explanations give to us there are no contract or arrangements made for transactions exceeding Rs. 5,00,000/- in respect of each party, for sale and purchase of goods and services in pursuance of Section 301 of the Companies Act, 1956.
- vi. The Company has not accepted any fixed deposit from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made there under.
- vii. In our opinion, the Company has internal audit system commensurate with the size and nature of its business.
- viii. Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956, for the Company.
- ix. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues were outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.

## Annexure to the Auditors' Report

As per the information and explanations given to us and as per the records of the Company there are no dues of Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess which have not been deposited on account of any dispute. The dues of the Income Tax which has not been deposited on account of any dispute and forum where the dispute is pending is given as under :-

Name of the Statute	Nature of dues	Amount (Rs. in Lakhs)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	10.43	2006-07	CIT (Appeal), Kolkata

- x. The Company has no accumulated losses as at 31st March, 2010 and has not incurred cash losses in the current financial year ended on that date and in the immediately preceding financial year.
- xi. Based on our audit procedures and on the basis of information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.
- xii. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. Provisions of any special statute applicable to chit fund are not applicable to the Company.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. The Company has maintained proper records of transactions and contracts in respect of shares, securities, debentures and other investments and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name except to the extent of exemption granted under Section 49 of the Companies Act, 1956.
- xv. As per the information the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. According to the information and explanations given to us the Company has applied term loans for the purpose for which they were obtained during the year.
- xvii. On the basis of our examination of the Balance Sheet and Cash Flow Statement and according to the information and explanations given to us, the fund raised on Short Term basis, during the year, have not been used for Long Term Investments.
- xviii. During the year under Audit, the Company has made preferential allotment of equity shares and has also made preferential allotments of warrants to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The price at which the shares/warrants have been issued, has been determined as per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009, which in our opinion, is not prejudicial to the interest of the Company.
- xix. The Company has not issued debentures during the year.
- xx. The Company has not raised any money by Public Issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

1B, Old Post Office Street  
Kolkata - 700 001  
Dated : The 22nd day of May, 2010

For **SINGHI & CO.**  
*Chartered Accountants*  
Firm Registration No. 302049E  
**Rajiv Singhi**  
*Partner*  
Membership No. 53518

**Balance Sheet** as at 31st March, 2010

(Rs. in Lakhs)

	Schedule	As on 31st March, 2010	As on 31st March, 2009
<b>1. SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a) Share Capital	1	1,642.85	1,532.85
b) Share Warrant [Refer Note No. 23(a) of Schedule 20]		1,048.13	554.92
c) Employees ESOP Option Outstanding	2	57.01	-
d) Reserves & Surplus	3	9,913.84	7,389.24
<b>Loan Funds</b>			
a) Secured Loans	4	16,697.24	18,455.28
b) Unsecured Loans	5	2,136.60	894.33
<b>Deferred Tax Liabilities</b>		2,249.28	1,715.67
<b>TOTAL</b>		<b>33,744.95</b>	<b>30,542.29</b>
<b>2. APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
a) Gross Block	6	22,433.64	20,301.02
b) Less : Depreciation		4,246.39	3,057.51
c) Net Block		<b>18,187.25</b>	<b>17,243.51</b>
d) Capital Work-in-Progress		2,599.94	2,164.73
		<b>20,787.19</b>	<b>19,408.24</b>
<b>Investment</b>	7	0.50	254.99
<b>Advances Recoverable from ESOP Trust</b>		792.00	-
<b>Current Assets, Loans &amp; Advances</b>			
a) Inventories	8	9,954.79	8,302.51
b) Sundry Debtors	9	4,525.81	4,216.32
c) Cash & Bank Balances	10	63.95	981.80
d) Loans, Advances & Deposits	11	1,889.88	1,716.83
		<b>16,434.43</b>	<b>15,217.46</b>
<b>Less : Current Liabilities &amp; Provisions</b>	12	4,269.17	4,338.40
<b>Net Current Assets</b>		<b>12,165.26</b>	<b>10,879.06</b>
<b>TOTAL</b>		<b>33,744.95</b>	<b>30,542.29</b>
<b>Accounting Policies &amp; Notes to the Account</b>	20		

As per our attached report of even date

For **SINGHI & CO.**

Chartered Accountants

**Rajiv Singhi**

Partner

Membership No. 53518

1B, Old Post Office Street

Kolkata - 700 001

Dated : The 22nd day of May, 2010

For and on behalf of the Board

**Mahabir Prasad Jalan**

Chairman

**Naresh Jalan**

Managing Director

**Pawan Kumar Kedia**

Finance Director

**Alok Kumar Sharda**

Chief Financial Officer

**Rajesh Mundhra**

Company Secretary

# Profit & Loss Account

for the year ended 31st March, 2010

(Rs. in Lakhs)

	Schedule	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>I. INCOME</b>			
Sales and Operating Income	13	30,706.50	25,368.91
Less : Excise Duty		2,210.74	2,468.89
<b>Sales and Operating Revenue (Net)</b>		<b>28,495.76</b>	<b>22,900.02</b>
Other Income	14	90.94	106.52
Increase/(Decrease) in Stock	15	457.43	2,082.69
		<b>29,044.13</b>	<b>25,089.23</b>
<b>II. EXPENDITURE</b>			
Raw Material consumed	16	16,582.94	14,518.37
Manufacturing and Other expenses	17	6,364.56	5,657.25
Payment to and provisions for Employees	18	1,639.25	1,304.64
Interest & Finance Charges	19	1,508.71	1,775.39
Depreciation		1,313.89	1,095.65
		<b>27,409.35</b>	<b>24,351.30</b>
<b>Profit before Tax (I - II)</b>		<b>1,634.78</b>	<b>737.93</b>
Less : Provision for Taxation			
- Current Tax		278.00	81.09
- MAT Credit Entitlement		(271.00)	(81.09)
- Deferred Tax		533.60	268.00
- Fringe Benefit Tax		-	12.00
- Income Tax of earlier years		4.79	3.66
<b>Profit after Tax</b>		<b>1,089.39</b>	<b>454.27</b>
Balance b/f from Last year		4,185.27	3,731.00
<b>Profit available for Appropriation</b>		<b>5,274.66</b>	<b>4,185.27</b>
<b>Appropriations :</b>			
Proposed Dividend		164.29	-
Tax on Proposed Dividend		27.92	-
Transfer to General Reserve		50.00	-
Balance carried to Balance Sheet		5,032.45	4,185.27
		<b>5,274.66</b>	<b>4,185.27</b>
<b>Earning Per Share (Weighted Average)</b>			
<b>(Refer Note No. 36 of Schedule of 20)</b>			
Basic (In Rs.)		7.05	2.96
Diluted (In Rs.)		7.01	2.53
<b>Accounting Policies &amp; Notes to the Accounts</b>	20		

As per our attached report of even date

For **SINGHI & CO.**

Chartered Accountants

**Rajiv Singhi**

Partner

Membership No. 53518

1B, Old Post Office Street

Kolkata - 700 001

Dated : The 22nd day of May, 2010

For and on behalf of the Board

**Mahabir Prasad Jalan**

Chairman

**Naresh Jalan**

Managing Director

**Pawan Kumar Kedia**

Finance Director

**Alok Kumar Sharda**

Chief Financial Officer

**Rajesh Mundhra**

Company Secretary

# Schedules

 forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
2,10,00,000 Equity Shares of Rs. 10/- each	2,100.00	1,800.00
(Previous year 1,80,00,000 Equity Shares of Rs. 10/- each)		
<b>Issued</b>		
2,03,28,540 Equity Shares of Rs. 10/- each	2,032.85	1,790.95
<b>Subscribed &amp; Paid up</b>		
1,64,28,540 Equity Shares of Rs. 10/- each fully paid-up	1,642.85	1,532.85
(Out of above 13,06,750 Equity Shares of Rs. 10/- each fully paid have been issued as Bonus Shares by Capitalisation of Revenue Reserve)	<b>1,642.85</b>	<b>1,532.85</b>
<b>SCHEDULE - 2 : EMPLOYEE STOCK OPTION</b>		
Employee Stock Option Outstanding	295.77	-
Less : Deferred Employees Compensation	238.76	-
	<b>57.01</b>	-
<b>SCHEDULE - 3 : RESERVES &amp; SURPLUS</b>		
<b>Security Premium Account</b>		
As per last Balance Sheet	3,060.82	3,060.82
Add : Received during the year on Preferential Shares	1,072.50	-
	<b>4,133.32</b>	<b>3,060.82</b>
<b>Capital Reserves</b>		
As per last Balance Sheet	-	-
Add : On forfeiture of Share Warrant Money	554.92	-
	<b>554.92</b>	-
<b>General Reserves</b>		
As per last Balance Sheet	143.15	143.15
Add : Transfer from Profit & Loss Account	50.00	-
	<b>193.15</b>	<b>143.15</b>
Profit & Loss Account	5,032.45	4,185.27
	<b>9,913.84</b>	<b>7,389.24</b>

## Schedules forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 4 : SECURED LOANS (Refer Note No. 19 of Schedule 20)</b>		
<b>From Scheduled Banks</b>		
<b>a) Working Capital Loan</b>		
i) Rupee Loan	5,295.34	9,065.96
ii) Foreign Currency Loan	2,885.62	472.02
<b>b) Term Loans</b>		
i) Rupee Loan	6,544.65	8,754.73
ii) Foreign Currency Loan	968.41	135.75
(Instalment repayable within one year Rs. 2099.80 Lakhs)		
<b>c) Premises Loan</b>		
(Secured against the Specific Premises)	1,000.00	–
<b>d) Vehical Loan</b>		
(Secured against Hypothecation of Car)	3.22	22.01
<b>e) Interest Accrued and due on item (a) &amp; (b) above</b>	–	4.81
	<b>16,697.24</b>	<b>18,455.28</b>
<b>SCHEDULE - 5 : UNSECURED LOANS</b>		
VAT under Defferment	344.18	194.33
From Bank (Short Term)	1,492.42	–
From Bodies Corporate	300.00	700.00
	<b>2,136.60</b>	<b>894.33</b>

# Schedules

 forming part of the accounts

(Rs. in Lakhs)

SCHEDULE - 6 : FIXED ASSETS		GROSS BLOCK					DEPRECIATION				NET BLOCK	
		Opening balance as on 31.03.2009	Addition during the year	Sales/Ad. during the year	As on 31.03.2010	As on 31.03.2009	For the year	Sales during the year	Depr. as on 31.03.2010	As at 31.03.2010	As at 31.03.2009	
(A)												
1.	<b>Land &amp; Land Development</b>											
	a) Lease Hold Land	138.34	-	-	138.34	21.48	5.23	-	26.70	111.64	116.87	
	b) Free Hold Land	403.72	44.87	201.44	247.16	-	-	-	-	247.16	403.72	
	<b>TOTAL</b>	<b>542.07</b>	<b>44.87</b>	<b>201.44</b>	<b>385.50</b>	<b>21.48</b>	<b>5.23</b>	<b>-</b>	<b>26.70</b>	<b>358.79</b>	<b>520.59</b>	
2.	Factory Shed & Building	1,946.74	219.10	-	2,165.84	184.86	70.31	-	255.17	1,910.67	1,761.88	
3.	Office Building	670.34	-	-	670.34	21.87	10.93	-	32.80	637.54	648.47	
4.	Plant & Machinery	16,445.88	1,948.94	115.94	18,278.87	2,701.94	1,150.95	104.72	3,748.16	14,530.71	13,743.94	
5.	Vehicles	117.51	7.59	5.99	119.11	24.34	11.34	1.73	33.94	85.17	93.18	
6.	Furnitures & Fixtures	332.10	29.50	4.07	357.54	39.68	22.20	4.07	57.81	299.73	292.42	
7.	Computer (Inc. Software)*	115.50	171.12	13.25	273.36	47.10	35.49	13.25	69.34	204.02	68.40	
8.	Office Equipments	53.24	52.44	1.25	104.42	7.68	3.75	1.25	10.18	94.25	45.56	
9.	Air Condition Machine	77.65	1.00	-	78.65	8.58	3.70	-	12.28	66.37	69.07	
	<b>TOTAL (A)</b>	<b>20,301.02</b>	<b>2,474.55</b>	<b>341.93</b>	<b>22,433.64</b>	<b>3,057.51</b>	<b>1,313.89</b>	<b>125.02</b>	<b>4,246.39</b>	<b>18,187.25</b>	<b>17,243.51</b>	
(B)	Capital Work-in-Progress	2,164.73	3,178.82	2,743.61	2,599.94	-	-	-	-	2,599.94	2,164.73	
	<b>GRAND TOTAL (A+B)</b>	<b>22,465.76</b>	<b>5,653.37</b>	<b>3,085.55</b>	<b>25,033.58</b>	<b>3,057.51</b>	<b>1,313.89</b>	<b>125.02</b>	<b>4,246.39</b>	<b>20,787.19</b>	<b>19,408.24</b>	
	Previous year	18,693.02	5,725.12	1,952.39	22,465.76	1,958.17	1,105.21	5.87	3,057.51	19,408.24	16,734.85	

\* Include Software which are integral part of Computer.

## Schedules forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 7 : INVESTMENT</b>		
<b>Long Term Investment (at Cost)</b>		
<b>A) Mutual Fund-other than trade :</b>		
(a) Reliance Diversified Power Sector Fund, 164201.361 per units @ Rs. 25.115 per unit of Monthly Income Plan (Aggregate Market Value Rs . 41.23 Lakhs)	–	70.50
(b) Reliance Growth Fund, 99116.791 units @ Rs. 29.3961 per unit as per unit of Growth Fund Dividend Plan (Aggregate Market Value Rs. 29.13 Lakhs)	–	57.00
(c) Reliance Vision Fund, 196081.877 units @ Rs. 25.9406 per unit of Vision Fund Dividend Plan (Aggregate Market Value Rs. 50.86 Lakhs)	–	97.50
<b>B) In Equity Shares (Quoted-Fully paid-up) other than trade :</b>		
17,268 Nos of Rs. 10/- each fully paid-up of Essar Shipping Ltd.	–	29.99
<b>C) In Equity Shares (Unquoted-Fully paid-up) other than trade :</b>		
50 Nos of Rs. 1,000/- each fully paid-up of "Adityapur Auto Cluster"	0.50	–
	<b>0.50</b>	<b>254.99</b>
<b>SCHEDULE - 8 : INVENTORIES</b>		
(As taken valued & certified by the Management)		
(At lower of cost or net realisable value)		
Raw Material	2,297.11	1,576.03
Work-in-Progress	4,666.19	4,177.53
Stock with Vendor Management Inventory	15.18	–
Forgings Scrap	76.87	101.30
Stores, Spares, Dies & Block (At cost)	2,899.44	2,447.65
	<b>9,954.79</b>	<b>8,302.51</b>
<b>SCHEDULE - 9 : SUNDRY DEBTORS (Unsecured, considered good)</b>		
Debts outstanding for a period exceeding six months	365.11	862.28
Other Debts	4,160.70	3,354.04
	<b>4,525.81</b>	<b>4,216.32</b>

# Schedules

 forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 10 : CASH &amp; BANK BALANCE</b>		
Cash-on-Hand (As certified by the Management)	17.82	7.98
<b>With Scheduled Bank :</b>		
a) Fixed deposit Account	33.05	970.67
b) Current Account *	13.08	3.15
* Includes Rs. 1.73 Lakhs (Rs. 1.74 Lakhs) being balance in Unclaimed Dividend Account		
	<b>63.95</b>	<b>981.80</b>
<b>SCHEDULE - 11 : LOANS, ADVANCES &amp; DEPOSITS</b>		
(Unsecured considered Good)		
Advances (Recoverable in cash or in kind or for value to be received)	769.64	718.50
MAT Entitlement Receivable	580.64	309.64
Balance with Central Excise Authority	207.94	473.67
Deposits	331.66	215.02
	<b>1,889.88</b>	<b>1,716.83</b>
<b>SCHEDULE - 12 : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities :</b>		
Sundry Creditors for Goods, Services & Expenses etc :		
- To Others	4,049.95	4,213.46
Advance from Customers	8.95	76.97
Unclaimed Dividend to be credited to Investor's Education & Protection Fund	1.73	1.74
<b>Provisions for :</b>		
Retirement Benefit	16.33	44.23
Fringe Benefit Tax (Net of Payment)	-	2.00
Proposed Dividend	164.29	-
Tax on Proposed Dividend	27.92	-
	<b>4,269.17</b>	<b>4,338.40</b>

## Schedules forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 13 : SALES, OPERATING INCOME, ETC.</b>		
Sales (Including Excise & Net of Returns)	26,322.86	20,323.44
Sales (Export)	1,603.16	2,037.15
Job Work Receipts	757.27	729.14
Sale of Manufacturing Scrap (Including Excise)	1,876.23	1,646.03
Claim Received	–	309.76
Die Design & Preparation Charges	27.13	183.81
Export Incentives	119.85	139.58
	<b>30,706.50</b>	<b>25,368.91</b>
<b>SCHEDULE - 14 : OTHER INCOME</b>		
Miscellaneous Receipts	–	60.76
Sundry Balances Written Back (Net)	–	39.30
Cash Discount Received (Net)	90.85	–
<b>Income from Investment other than Trade : (Current)</b>		
Profit on Sale of Investment	–	2.19
Dividend (Tax Free)	0.09	0.10
<b>Income from Investment other than Trade : (Long Term)</b>		
Dividend (Tax Free)	–	10.24
Profit on Sale of Fixed Assets	–	(6.07)
	<b>90.94</b>	<b>106.52</b>
<b>SCHEDULE - 15 : INCREASE/(DECREASE) IN STOCK</b>		
<b>(A) Closing Stock-in-Trade :</b>		
Work-in-Progress	4,666.19	4,177.53
Stock with Vendor Management Inventory	15.18	–
Forgings Scrap	76.87	101.30
	<b>4,758.24</b>	<b>4,278.83</b>
Less : Stock of Trial Run	14.80	85.60
	<b>4,743.44</b>	<b>4,193.23</b>
<b>(B) Opening Stock-in-Trade :</b>		
Work-in-Progress	4,177.53	2,091.39
Forging Scrap	101.30	13.09
	<b>4,278.83</b>	<b>2,104.48</b>
<b>Increase/(Decrease) in Stock (A-B)</b>	<b>464.61</b>	<b>2,088.75</b>
Less : Excise Duty on Increase/(Decrease) in Stock	7.18	6.06
	<b>457.43</b>	<b>2,082.69</b>

# Schedules

 forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 16 : CONSUMPTION OF RAW MATERIALS</b>		
Stock at Commencement	1,576.03	4,259.74
Add : Purchases	17,350.73	11,884.85
	<b>18,926.76</b>	<b>16,144.59</b>
Less : Closing Stock	2,297.11	1,576.03
Less : Trial Run Consumption	46.71	50.19
	<b>16,582.94</b>	<b>14,518.37</b>
<b>SCHEDULE - 17 : MANUFACTURING AND OTHER EXPENSES</b>		
Carriage Inward Expenses	86.56	90.63
Electric Charges	1,183.73	852.44
Fuel Consumption	1,480.60	1,290.33
Processing Charges	773.54	636.09
Stores, Spares & Die Blocks Consumed (Including Packing Material)	1,388.47	1,184.12
Repairs to :		
- Plant & Machinery	96.32	58.57
- Factory Shed & Building	22.84	7.53
Rent	5.00	5.67
Rates & Taxes	6.39	3.23
Insurance Charges (Including Keyman Insurance)	50.61	51.82
Repairs & Maintenance	28.36	29.46
Miscellaneous Expenses	238.08	121.21
Bank Charges & Commission	151.67	124.39
Postage, Telegraph & Telephone	33.91	34.68
Legal & Professional Expenses	151.99	79.08
Travelling & Conveyance Expenses (Including Directors Travelling Rs. 46.18 Lakhs, Previous Year Rs. 42.14 Lakhs)	107.03	100.14
Advertisement Expenses	11.15	5.95
Auditors Remuneration	12.37	9.66
Brokerage & Commission Expenses	51.59	44.21
Vehicle Running Expenses	34.80	29.19
Carriage Outward Expenses	312.72	291.25
Export Expenses	51.92	233.88
Discount & Rebate (Net)	25.07	-
Cash Discount Paid (Net)	-	56.90
Exchange Rate Difference	(4.43)	316.82
Sundry Balances Written Off (Net)	38.60	-
Loss on Sale of Investment (Net)	20.40	-
Loss on Sale of Fixed Assets (Net)	5.27	-
	<b>6,364.56</b>	<b>5,657.25</b>

## Schedules forming part of the accounts

(Rs. in Lakhs)

	31st March, 2010	31st March, 2009
<b>SCHEDULE - 18 : PAYMENT MADE TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages, Bonus, Exgratia, Incentive etc.	1,412.18	1,141.97
Gratuity Contribution to Fund	6.16	38.81
Welfare Expenses	63.51	32.32
Employees ESOP Amortisation Expenses	57.01	-
P. F./Employees Pension Fund & E.S.I. Contribution	100.39	91.54
	<b>1,639.25</b>	<b>1,304.64</b>

<b>SCHEDULE - 19 : INTEREST PAID</b>		
Interest on Term Loans	693.80	606.36
Interest on Working Capital	874.17	1,317.68
Interest to Others	140.25	129.56
	<b>1,708.22</b>	<b>2,053.60</b>
Less : Interest Received *		
- Fixed Deposit	6.74	
- Loan	91.43	
- Others	16.51	145.04
Less : Capitalised	84.83	133.17
* Tax Deducted at Source Rs. 9.18 Lakhs (Previous Year Rs. 9.87 Lakhs)		
	<b>1,508.71</b>	<b>1,775.39</b>

# Schedules forming part of the accounts

## SCHEDULE - 20 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### (A) SIGNIFICANT ACCOUNTING POLICIES

#### (1) Basis of Preparation

The Financial Statements have been prepared to comply with the mandatory accounting standard as notified by Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the Historical Cost Convention basis.

All the items of Income and Expenditure have been recognized on accrual basis except certain Insurance claim, Sales Tax/Excise Claims/Refunds which are accounted on cash basis where the amounts are unascertainable.

The accounting policies applied by the Company are consistent with those used in last year except where otherwise stated.

#### (2) Fixed Assets

(a) Fixed Assets are stated at cost less accumulated depreciation. Cost includes cost of acquisition, construction and improvement made, which are inclusive of freight, duty (net of Cenvat), taxes, incidental expenses, interest and fund raising cost and other pre-operative expenses apportioned.

(b) Capital Work-in-Progress are stated at cost including interest, fund raising cost and related expenses incurred during construction or pre-operative period.

(c) Machinery spares which can be used only in connection with an item of Fixed Assets and whose uses as per technical assessment is expected to be non-regular are capitalised and depreciated prospectively over the residual life of the respective assets.

#### (3) Depreciation and Amortization

(a) Depreciation on Fixed Assets is provided during the year on Straight Line Method (SLM) at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956.

(b) Depreciation on assets added/disposed off during the year is provided on pro-rata basis.

(c) Depreciation on change in the value of fixed assets due to exchange rate fluctuation has been provided prospectively over the residual life of the respective assets.

(d) Leasehold Lands are amortized over the leased period.

#### (4) Impairment of Assets

The Company on an annual basis makes an assessment of any indicator that may lead to Impairment of Assets. If any such indication exist, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference between them as impairment loss and charged to Profit & Loss Account. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased.

#### (5) Inventories

Inventories are valued at lower of cost or net realizable value after providing for obsolescence, if any. Cost of inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Net Realizable Value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated cost necessary to make the sale. Cost of Inventories of Raw Materials, Stores and Spares and Fuel are determined on FIFO basis. Inventories of Finished Goods and Work-in-Progress are valued at weighted average which includes Material Cost, Cost of Conversion, Depreciation and other Overheads to the extent applicable. Scrap is valued at Net Realizable Value.

#### (6) Investment

a) Long Term Investments are stated at cost less provisions, if any for diminution in value, which are considered to be other than temporary in nature.

## Schedules forming part of the accounts

### SCHEDULE - 20 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- b) Current Investments are stated at lower of cost and fair value.

(7) **Foreign Currency Transactions**

- (a) Foreign Currency Transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence.
- (b) Any Income or Expense on account of exchange rate difference either on settlement or on translation is recognized in the Profit & Loss account except in cases where they relate to acquisition of imported fixed assets in which case they have been adjusted to the carrying cost of such assets.
- (c) In respect of transactions covered under forward foreign exchange contracts the difference between the forwards rate and the exchange rate at the inception of contract is recognized as income or expense over the life of the contract.

(8) **Revenue Recognition**

Sales revenue is recognized when the significant risks and rewards of ownership of goods have been transferred to the buyer as per the terms of the respective sales order.

(9) **Borrowing Cost**

Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of qualifying fixed assets are capitalised up to date when such assets are ready for its intended use/commercial production started and other borrowing costs are charged to Profit & Loss Account.

(10) **Excise Duty**

Excise Duty and Cess on manufacturing goods is accounted for at the time of their clearances from the factory. Excise Duty and Cess in respect of stock of finished goods and scrap awaiting clearance from the factory at the year-end are considered for valuation of inventory.

(11) **Taxes on Income**

Provision for Current Income Tax is made in accordance with the provisions of the Income Tax Act, 1961. Deferred Tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax assets are recognized and carried forward only to the extent that there is a reasonable/virtual certainty that asset will be realised in future.

MAT Credit is recognized as an assets only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) Credit becomes eligible to be recognized as an assets in accordance with the recommendations contained in guidance note issued by the ICAI, the said assets is created by way of credit to Profit & Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(12) **Employee's Benefits**

- a) Short term employees benefit are recognized as an expense at the undiscounted amount in the profit & loss account of the year in which related service is rendered.
- b) Post employment and other long term benefit are recognized as an expense in the profit & loss account for the year in which the employee has rendered services. The expenses is recognized at the present value of the amount payable determined at the year end on the basis of an actuarial valuation using projected unit credit method. Actuarial gains and losses in respect of post employment and other long term benefit are charged to profit and loss account.
- c) The Company's contribution to the Provident Fund and the Family Pension Fund are charged to Profit & Loss Account.

# Schedules

 forming part of the accounts

## SCHEDULE - 20 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### (13) Employee Stock Option Scheme

In respect of stock option granted to employees pursuant to the Company's stock option schemes, through the trust route, accounting is being done as per the SEBI Guidelines, 1999 and the Guidance note on share based payment issued by the ICAI. The excess of fair market price as on date of grant of option, over the exercise price is recognized as deferred employee compensation and is charged to Profit & Loss Account on straight line basis over the vesting period. Further as the ESOP scheme is through trust route the difference between the cost of acquisition of shares by trust from the open market with that of fair market price as on date of grant of option has been recognized as ESOP expenses under the head miscellaneous expenses and is charged to Profit & Loss Account on straight line basis over the vesting period.

### (14) Use of Estimates

In preparing Company's financial statement in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statement and reported amounts of revenues and expenses during the reporting period. Actual result could differ from those estimates. Difference between actual result and estimates are recognized in the period in which the results are known/materialized.

### (15) Earning Per Share

Basic earning per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity shareholders are divided with the weighted average number of shares outstanding during the year after adjustment for the effects of all dilutive potential equity shares.

### (16) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes on Accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

## (B) NOTES ON ACCOUNTS

(Rs. in Lakhs)

	2010	2009
(17) Estimated amount of contract remaining to be executed on Capital Account and not provided for	271.33	281.88
Advance Paid	NIL	85.32
(18) Contingent Liability, not provided for in respect of :		
(a) (i) Claim/Disputed Liabilities not acknowledged as debt : Following demand is disputed by the Company and not provided for		
a) Electricity charges demand of Jharkhand State Electricity Board (appeal pending before Supreme Court)	71.70	41.41
b) Electricity charges demand of Jharkhand State Electricity Board (appeal pending before High Court, Jharkhand)	40.65	NIL
(ii) a) Demand for Income Tax for the A.Y. 2006-07 [Appeal pending before the Commissioner of Income Tax (Appeals), Kolkata] Amount paid Rs. 14.92 Lakhs	14.92	14.92
b) Demand for Income Tax for the A.Y. 2007-08 [Appeal pending before the Commissioner of Income Tax (Appeals), Kolkata]	10.43	NIL
(b) Bill discounted with Bank	231.36	160.81

## Schedules forming part of the accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

#### (19) Secured Loans

Term Loans from SBI are secured by way of Equitable Mortgage by deposit of title deeds of immovable properties (leasehold) at Jamshedpur and hypothecation over movable assets of the Company, both present and future, subject to prior charges of the Company's Bankers created/to be created in their favour for working capital and specific term loan requirements.

Working Capital Loans from Banks are secured by pari-passu hypothecation of all current assets of the Company. Further such loans from Banks are also secured by charge on certain immovable properties located at Jamshedpur and Howrah, subject to prior charges in favour of Banks created/to be created in respect of any existing/future financial assistance/accommodation which has been/may be obtained by the Company.

Premises Loan from DBS Bank Limited is secured by the exclusive mortgage of the property situated at 72, Shakespeare Sarani, Kolkata - 700 017.

Term Loan from The Bank of Rajasthan Limited is secured by the exclusive mortgage of the properties situated at L & T Chambers, 6th Floor, 16, Camac Street, Kolkata - 700 017 and land measuring around 18 acres at Mauza Bholadih, Sariakela.

Term Loan from CITI Bank, HDFC Bank, IOB Bank and IDBI Bank are secured by the specific charge on the assets financed by them.

The Term Loan from HDFC Bank is further secured by the personal guarantee of Mr. Naresh Jalan, Managing Director, of the Company.

The Term Loan and Working Capital from SBI Bank is further secured by the Corporate Guarantee of M/s. Riddhi Portfolio Private Limited. (Formerly known as Basuki Portfolio Private Limited.)

Short Term Loan from SIDBI upto Rs. 25 Lakhs secured by a fixed deposit with them.

- (20) The Company has export obligation against Import License taken for Import of Capital Goods under Export Promotion Capital Goods Scheme (In US \$ 333.47 Lakhs) amounting to Rs. 14,498.81 Lakhs (Previous year US \$ 333.47 Lakhs in Rs. 14,498.81 Lakhs)
- (21) The Company's significant leasing agreements are in respect of lease for lands. These leasing agreements range between 30 to 99 years. The aggregate lease rental payables are charged as rent in Profit & Loss Account.
- (22) Foreign Currency exchange difference gain of Rs. 519.26 Lakhs (Previous year Loss of Rs. 613.65 Lakhs) on amount borrowed for acquisition of fixed assets, has been adjusted to carrying cost of fixed assets which is in compliance with the treatment prescribed under AS 11 notification - Companies (Accounting Standards) Amendment Rules, 2009 (G.S.R. 225 (E) dt. 31.03.2009) issued by Ministry of Corporate Affairs.
- (23) a) The Company has issued 10,00,000 Nos. equity shares and 10,00,000 Nos. warrants to Ms. Lata Bhanshali and 1,00,000 Nos. equity shares and 29,00,000 Nos. warrants to Promoter group on a Preferential basis at a price of Rs.107.50/- per share. The warrants can be converted into equity shares of Rs. 10/- each at a premium of Rs. 97.50/- within 18 months from the date of allotment i.e. 20th February, 2010.

The Company has received Rs. 2,230.62/- Lakhs toward issue of equity shares and warrants as stated above. The money received was as under :

(Rs. in Lakhs)

Sl. No.	Instrument	2010	Remarks
1	Equity Shares	1,182.50	100% of share allotment money
2	Warrants	1,048.12	25% of warrant allotment money
	<b>Total</b>	<b>2,230.62</b>	

Consequent to the allotment of the equity shares and warrants the issued capital of the Company has been increased from Rs.1,790.95 Lakhs to Rs. 2,032.85 Lakhs and the paid-up and subscribed capital has increased from Rs. 1,532.85 Lakhs to Rs. 1,642.85 Lakhs.

# Schedules

 forming part of the accounts

## 20 SIGNIFICANT ACCOUNTING POLICIES

- b) The Proceeds of the preferential issue amounting to Rs. 2,230.62 Lakhs has been utilized as under :

(Rs. in Lakhs)

Sl. No.	Purposes	2010
1	Working Capital requirements	1,811.89
2	Land & Land Development	24.55
3	Purchase of Office Building	382.70
4	Plant and Machinery	11.48
	<b>Total</b>	<b>2,230.62</b>

- c) The unspent money of Rs. 110.00 Lakhs out of the earlier preferential issue which was lying in the fixed deposit with the bank as on 31st March, 2009 has been utilized for the repayment of project liabilities.
- d) The Diluted EPS for the year ending on 31st March, 2010 have been calculated taking into account, the 39,00,000 Nos. warrants issued by the Company to its Promoter group and to Ms. Lata Bhanshali on preferential basis which are pending for conversion into equity share of the Company. The terms of conversion is within 18 months from the date of allotment i.e. 20th February, 2010.
- (24) Rs. 0.11 Lakhs (Previous year Rs. 1.03 Lakhs) has been paid as legal fee to a solicitor firm where one of Director is a Partner, and Rs. 0.50 Lakhs paid to a Director towards technical consultancy charges (Previous year Rs. NIL).
- (25) Miscellaneous Expenses includes Expenses (Net) relating to earlier years amounting to Rs. 4.78 Lakhs [Previous year Income (Net) Rs. 8.31 Lakhs] as per following details :

(Rs. in Lakhs)

Sl. No.	Particulars	2010	2009
<b>A) Expenses Pertaining to Previous year</b>			
1.	Canteen Expenses	0.01	0.23
2.	Bank Charges	0.005	-
3.	Advertisement Expenses	0.08	-
4.	Vehicle Expenses	0.27	-
5.	Processing Charges	-	0.03
6.	Repairs & Maintenance to (Machinery)	0.11	0.48
7.	Repairs & Maintenance to (Others)	0.41	-
8.	Carriage Outwards Expenses	0.38	2.97
9.	Carriage Inwards Expenses	0.45	-
10.	Testing Charges	0.15	-
11.	Loan & Advances-Staff	-	0.005
12.	Job Works	-	0.41
13.	Sales Promotion	-	0.16
14.	Stores Purchase	2.90	2.62
15.	Conveyance Charges	0.01	0.04
16.	Die Design Charges	-	1.27
17.	Professional Charges	-	2.01
		<b>4.78</b>	<b>10.23</b>
<b>B) Income Pertaining to Previous year</b>			
18.	Bank Charges	-	2.78
19.	Bank Interest	-	15.74
		-	18.52
	<b>Total (B - A)</b>	<b>(4.78)</b>	<b>8.31</b>

## Schedules forming part of the accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

(26) a) Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits :

i) In respect of Gratuity a defined benefit scheme (based on actuarial valuation)

(Rs. in Lakhs)

Particulars	2010 Gratuity (Funded)	2009 Gratuity (Funded)
<b>a) Expenses recognized during the year</b>		
Current Service Cost	23.80	20.68
Interest Cost	7.84	5.77
Expected return on Plan Assets	21.76	NIL
Actuarial (Gain)/Loss	(5.37)	12.96
Net Cost	4.50	39.41
<b>b) Net Assets/Liability recognized in the Balance Sheet at the year end</b>		
Present value of fair value of plan assets at the end of the year	113.17	62.05
Present value of obligation	117.66	91.39
Amount recognized in Balance Sheet	4.49	29.34
<b>c) Reconciliation of Opening and Closing balances of Defined Benefit obligation</b>		
Present value of Defined Benefit obligation at the beginning of the year	91.39	62.38
Current Service Cost	23.80	20.68
Interest Cost	7.84	5.77
Actuarial (Gain)/Loss on Obligation	(5.37)	2.88
Benefit paid	NIL	0.32
Present value of Defined benefit Obligation at the year end	117.66	91.39
<b>d) Reconciliation of Opening and Closing balances of fair value of Plan Assets</b>		
Fair value of plan assets at beginning of the year	62.05	40.99
Actual return on plan assets	21.76	0.07
Actuarial Gain/(Loss)	NIL	10.08
Employer Contribution	29.35	31.39
Benefit Paid	NIL	0.32
Fair value of plan assets at the end of the year	113.17	62.05
<b>e) Investment details</b>		
Insurer Managed Funds (100%)	113.17	62.05
<b>f) Actuarial Assumptions</b>		
Mortality Table (LIC)	L.I.C. (1994 - 96) Ultimate Table	L.I.C. (1994 - 96) Ultimate Table
Discount Rate (Per Annum)	7.5% p.a.	7.5% p.a.
Rate of escalation in Salary (Per Annum)	5%	5%

# Schedules

 forming part of the accounts

## 20 SIGNIFICANT ACCOUNTING POLICIES

The Company has funded scheme for payment of Gratuity to all eligible employees calculated at specified number of days of last salary drawn depending upon tenure of service for each year of completed service subject to minimum service of five years payable at the time of separation upon superannuation or on exist otherwise and is provided for on the basis of actuarial valuation made at the year ended.

- ii) Leave salary - Compensated absents : The Company also extents defined benefit plans in the form of compensated absences to employees. Provision for compensated absences is made on basis of actuarial valuation at the year end.
- iii) In respect of Defined contribution Scheme : The Company contributes 12% of salary for all eligible employees towards Provident Fund managed by the Central Government. Total expenses recognized towards Employer's contribution to Provident Fund Rs. 77.11 Lakhs (Previous year Rs. 68.32 Lakhs)

### (27) Employees Stock Option Scheme

- a) The shareholders of the Company in their Annual General Meeting held on 22nd August, 2009, have approved the ESOP Scheme to grant 15,00,000 Nos. stock options convertible into 15,00,000 Nos. equity shares of the nominal value Rs. 10/- each to its permanent employees including Director of the Company whether wholetime or otherwise in one or more tranches and on such terms and conditions as may be fixed or determined by its Board of Directors. The above scheme is administered through an ESOP trust namely Ramkrishna Forgings Employee Welfare Trust.
- b) The ESOP Trust has been created to administer the scheme by purchase of shares from the open market/fresh issue of shares by the Company, in accordance with the approvals from the Remuneration and Compensation Committee of the Company.
- c) The Compensation Committee in its meeting held on 12th September, 2009 has granted 4,68,159 Nos. options to be converted into equivalent number of equity shares.
- d) The above granted options shall vest as under :

Date of Vesting	Eligibility
12th September, 2011	30%
12th September, 2012	30%
12th September, 2013	40%

- e) The status of the ESOP Scheme as on March 31, 2010 is as under :

Option	No. of Shares
Options Granted	4,68,159
Options Vested	NIL
Options Exercised	NIL
Options Lapsed/Forfeited	43,210
Options Lapsed/Forfeited to be re-granted	NIL
Total Number of Options Outstanding	4,24,949

- f) The employee share based payment plans have been accounted based on the intrinsic value method and accordingly Rs. 57.01 Lakhs has been charged as employee compensation cost.  
Had the fair value method of accounting been used, the employee compensation cost would have been Rs. 62.40 Lakhs.

## Schedules forming part of the accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

g) The impact on the Profits and EPS of the fair value method is given in the table below :

(Rs. in Lakhs)

Particulars	2010
Profit as per Profit & Loss Account	1,089.39
Add : Employee Compensation amortized as per intrinsic value method	57.01
Less : Compensation expenses as per fair value method	62.40
Profit as adjusted	1,084.00
Earning Per Share (Basic) as reported (in Rs.)	7.05
Earning Per Share (Basic) adjusted (in Rs.)	7.02
Earning Per Share (Diluted) as reported (in Rs.)	7.01
Earning Per Share (Diluted) adjusted (in Rs.)	6.97

h) The loans advanced to the Trust for purchase of shares from the market as at March 31, 2010, is Rs. 792.00 Lakhs. The repayment of the loan by the trust is dependant on the exercise of options by the employees and/or the market price of the underlying equity shares of the unexercised options at the end of the exercise period.

(28) Details of Pre-operative Expenses (including Trial Run Expenses) are as follows :

(Rs. in Lakhs)

Particulars	2010	2009
Salaries, Wages & Allowances	143.81	141.68
Carriage Inward Expenses	0.25	1.56
Electricity Charges	9.67	9.69
Processing Charges	NIL	2.35
Stores, Spares & Die Blocks Consumed	14.93	13.92
Depreciation	NIL	9.56
Others Miscellaneous Expenses	NIL	2.45
Consultancy Charges	NIL	36.00
Bank Interest	NIL	19.77
Travelling & Conveyance	NIL	17.07
Insurance Charges	NIL	NIL
Raw Materials (Including Semi-finished)	119.85	600.72
<b>TOTAL</b>	<b>288.51</b>	<b>854.77</b>
Less : Pre-operative Income (Including Stock of Scrap)	32.85	137.16
	<b>255.66</b>	<b>717.61</b>
Add : Balance brought forward from previous year	NIL	NIL
	<b>255.66</b>	<b>717.61</b>
Less : Allocated to Fixed Assets	194.19	717.61
Balance Carried Forward	<b>61.47</b>	<b>NIL</b>

# Schedules

 forming part of the accounts

## 20 SIGNIFICANT ACCOUNTING POLICIES

- (29) Sales includes own manufactured items at cost capitalised Rs. 73.15 Lakhs (Previous year Rs. 550.53 Lakhs).
- (30) Loan and Advances includes due from Officers Rs. 1.04 Lakhs (Opening outstanding balance) (Previous Year Rs. 1.04 Lakhs) (Maximum Balance due during the year Rs. 1.04 Lakhs).

(31) **Segment Information :**

- (a) Primary Segment Information : The Company is operating in a single segment namely Forgings.
- (b) Secondary Segment Information : Not applicable, as all the plants of the Company are located in India and Export does not constitute 10% or more of revenue from external sales.
- (32) Amount due to Creditors registered under Micro, Small and Medium Enterprises Development Act, 2006 as on 31.03.2010 is Rs. NIL. Further, there is no interest accrued, payable under the said act at the close of the year. The disclosure above is based on the information available with the Company regarding status of the suppliers under MSME.

(33) Auditors Remuneration (Rs. in Lakhs)

Particulars	2010	2009
Audit Fee	6.00	4.50
Tax Audit Fee	1.00	1.00
For Other Services	5.25	4.10
Out of Pocket Expenses	0.12	0.06
<b>TOTAL</b>	<b>12.37</b>	<b>9.66</b>

(34) (a) Details of Remuneration to Chairman, Managing Director/Executive Director and Director Finance : (Rs. in Lakhs)

Particulars	2010	2009
Salary *	155.76	124.52
House Rent & Other Allowances	71.28	59.31
LTA, Medical Reimbursement & Bonus	1.37	4.79
Contribution to Provident Fund	0.58	0.58
<b>TOTAL</b>	<b>228.99</b>	<b>189.20</b>

- (b) In response to an application made by the Company to the Central Government for approval of payment of increased remuneration to Chairman cum Whole Time Director and Managing Director from 1st April, 2008 to 31st March, 2011 the Central Government, has vide its letter dated 18th March, 2010 assented to payment of remuneration on the basis of the permissible limit as specified under Schedule XIII of the Companies Act, 1956 or remuneration last drawn by the said Managerial Personnel whichever is higher.

The Company has paid the remuneration of Rs. 122.94 Lakhs and Rs. 96.60 Lakhs to Chairman cum Whole Time Director and Managing Director respectively during the year 2009-10 which is an excess of the limit laid down in the Section 309 (3) read with Schedule XIII of the Companies Act, 1956. The excess remuneration is amounting to Rs. 96.49 Lakhs for FY 2008-2009 and Rs. 52.48 Lakhs for FY 2009-2010.

The Company has made a representation to the Central Government for reconsideration of its application and accord its approval to the Company for payment of remuneration as proposed in the said application. The said representation is pending for consideration of the Central Government.

## Schedules forming part of the accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

- (35) a) The breakup of Net Deferred Tax Liabilities at the year end is as under : (Rs. in Lakhs)

Particulars	2010	2009
<b>(i) Deferred Tax Liability</b>		
Depreciation	2,254.70	2093.72
<b>TOTAL - A</b>	<b>2,254.70</b>	<b>2,093.72</b>
<b>(ii) Deferred Tax Assets</b>		
Retirement Benefit	5.42	15.03
Business Losses including Depreciation	NIL	360.96
Others	NIL	2.06
<b>TOTAL - B</b>	<b>5.42</b>	<b>378.05</b>
<b>Net Deferred Tax Liability (A-B)</b>	<b>2,249.28</b>	<b>1,715.67</b>

- b) The Company has recognized Deferred Tax Assets on business loss including unabsorbed depreciation as in view of the management there is reasonable certainty that assets will be realized in future.
- c) Rs. 278.00 Lakhs (Previous year Rs. 81.09 Lakhs) has been provided in the account towards Minimum Alternate Tax for the year ended 31st March 2010 in terms of Section 115JB of the Income Tax Act, 1961. MAT Credit of Rs. 271.00 Lakhs as been recognized as an assets by crediting Profit & Loss Account in the books of Accounts, based on the convincing evidence that the company will pay Normal Income Tax during the specified period.

- (36) Earnings Per Share : (Basic & Diluted)

EPS is calculated by dividing the profit attributable to the equity shareholder by the average number of equity shares outstanding during the year. (Rs. in Lakhs)

Particulars	2010	2009
<b>Basic</b>		
Opening number of Equity Shares (Nos)	1,53,28,540	1,53,28,540
Total Shares outstanding (Weighted Average) (Nos)	1,54,46,074	1,53,28,540
Profit after Taxation before Extra-ordinary Items	1,089.39	454.27
Profit after Taxation after Extra-ordinary Items	1,089.39	454.27
EPS before Extra-ordinary Item (Rs. per share)	7.05	2.96
EPS after Extra-ordinary Item (Rs. per share)	7.05	2.96
<b>Diluted</b>		
Warrant Option Outstanding (Nos)	39,00,000	25,81,000
Total Shares outstanding including Warrants (weighted average) (Nos)	1,55,50,252	1,79,09,540
EPS before Extra-ordinary Item (Rs. per share)	7.01	2.53
EPS after Extra-ordinary Item (Rs. per share)	7.01	2.53
<b>Reconciliation of Basic and Diluted Shares used in computing EPS :</b>		
Number of Shares considered as basic weighted average shares outstanding (Nos)	1,54,46,074	1,53,28,540
Add : Effect of dilutive warrants (Nos)	1,04,178	25,81,000
Number of Shares considered as diluted weighted average shares outstanding (Nos)	1,55,50,252	1,79,09,540

# Schedules

 forming part of the accounts

## 20 SIGNIFICANT ACCOUNTING POLICIES

- (37) Foreign Currency exposures that are not hedged by derivative instrument or otherwise as on 31st March, 2010 are as under : (Rs. in Lakhs)

Sl. No.	Particulars	Currency	2010	2009
(i)	Sundry Debtors	In US\$	18.35	2.42
		In EURO	1.19	5.95
		In PND	NIL	0.06
(ii)	Sundry Creditors	In EURO	NIL	7.50
(iii)	Foreign Currency Demand Loan	In US\$	26.10	2.65
(iv)	Buyer's Credit	In US\$	13.61	16.83
		In JPY	598.31	940.20
		In EURO	1.05	44.00
(v)	PCFC	In US\$	19.92	9.26

- (38) Related Party Disclosures :

- (1) **Name of related parties and nature of relationship where control exists are as under :**

(a) Subsidiary Company	NIL
(b) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence	(i) M/s. Riddhi Portfolio (P) Ltd. (ii) M/s. Eastern Credit Capital Ltd. (100% subsidiary of Riddhi Portfolio (P) Ltd.)
(c) Trust of the Company	M/s Ramkrishna Forgings Employee Welfare Trust
(d) Key Management Personnel (i) Mahabir Prasad Jalan (ii) Naresh Jalan (iii) Pawan Kumar Kedia	Chairman cum Whole Time Director. Managing Director Finance Director

## Schedules forming part of the accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

#### (2) Transaction with related parties :

(Rs. in Lakhs)

Nature of Transaction during the year	Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence		Key Management Personnel		Trust of the Company		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Loan taken - Riddhi Portfolio (P) Ltd.	2,162.00	300.00	-	-	-	-	2,162.00	300.00
Interest Paid (Net of TDS) - Riddhi Portfolio (P) Ltd.	5.75	-	-	-	-	-	5.75	-
Loan Repayment - Riddhi Portfolio (P) Ltd.	2,167.75	-	-	-	-	-	2,167.75	-
Preferential shares issued - Eastern Credit Capital Ltd.	107.50	-	-	-	-	-	107.50	-
Warrant Allotment money received* Eastern Credit Capital Ltd.	779.38	-	-	-	-	-	779.38	-
Dividend	-	52.58	-	15.85	-	-	-	68.43
Managerial Remuneration **	-	-	228.99	189.20	-	-	228.99	189.20
i) Mahabir Prasad Jalan	-	-	122.94	122.94	-	-	122.94	122.94
ii) Naresh Jalan	-	-	96.60	48.30	-	-	96.60	48.30
iii) Pawan Kumar Kedia	-	-	9.45	9.21	-	-	9.45	9.21
iv) S. N. Agarwal (Since Resigned)	-	-	-	8.75	-	-	-	8.75
Rent Paid - Naresh Jalan	-	-	3.00	3.00	-	-	3.00	3.00
Sale of Fixed Assets to Pawan Kumar Kedia	-	-	-	1.04	-	-	-	1.04
Advance paid	-	-	-	-	792.00	-	792.00	-
Balance outstanding as at 31st March, 2010								
Loan taken	300.00	300.00	-	-	-	-	300.00	300.00
Debit balance	-	-	1.04	1.04	-	-	1.04	1.04
Advance paid	-	-	-	-	792.00	-	792.00	-

**Note :** \* Amount received on allotment being 25% of Rs. 107.50/- per warrant.

\*\* Excludes leave encashment and gratuity which is based on actuarial valuation provided on overall company basis.

# Schedules

 forming part of the accounts

## 20 SIGNIFICANT ACCOUNTING POLICIES

(39) Additional information required by Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956.

(a) Licensed and Installed Capacity

Class of Goods

(Rs. in Lakhs)

Class of Goods	Units	Licensed Capacity	Installed Capacity	Production (Including Job Work)
		2009-10	2009-10	2009-10
(i) Steel Forgings	MT	NA	34,100	26,487.23
(ii) Ring Rolling Facilities	MT	NA	24,000	9,699.87

(b) Annual Capacity on maximum utilisation basis.

(c) In respect of Ring Rolling Facilities installed capacity is dependent on product mix, which in turn is decided on the basis of actual demand for various products from time to time, it is not feasible for the Company to give exact installed capacity. With respect to the available machine hour and production cycle time the Company is capable of producing 8.0 Lakhs rings. The Company has, however, indicated installed capacity on the basis of year's product mix, as certified by the Chairman and Managing Director and being a technical matter accepted by the Auditors as correct.

(d) Cost of Raw Materials consumed :

(Rs. in Lakhs)

Item Name	2009-2010		2008-2009	
	Qty. (MT)	Value	Qty. (Kgs.)	Value
Carbon/Alloy Steel	45,803.58	16,629.65	34,755.11	14,518.37
<b>Where of</b>				
Imported	NIL	NIL	345.32	161.14
Indigenous	45,803.58	16,629.65	34,409.79	14,357.23

(e) Production, Sales and Stocks of each Class of Goods :

Manufactured Goods :

(Rs. in Lakhs)

Sl. No.	Item Name	Production		Net Sales			
		2009-10	2008-09	2009-10		2008-09	
		Qty (Pcs.) (in Lakhs)	Qty (Pcs.) (in Lakhs)	Qty (Pcs.) (in Lakhs)	Value	Qty (Pcs.) (in Lakhs)	Value
1	Automobile Items	24.45	16.81	24.45	20,160.04	16.81	14,237.78
2	Railway Items	6.83	3.92	6.83	3,387.84	3.92	2,440.59
3	Defence Items	0.25	0.05	0.25	41.40	0.05	15.79
4	Other Items	0.68	1.34	0.68	599.28	1.34	856.72
5	Export Items	0.69	1.18	0.69	1,603.17	1.18	2,037.36
	<b>TOTAL</b>	<b>32.90</b>	<b>23.30</b>	<b>32.90</b>	<b>25,791.73</b>	<b>23.30</b>	<b>19,588.24</b>

**Note :** There is no Opening and Closing Stock of Finished Goods in respect of Manufactured Goods at plant locations. Export Stock lying under Vendor Management Inventory is Rs. 15.18 Lakhs.

## Schedules forming part of the accounts

### 20 SIGNIFICANT ACCOUNTING POLICIES

(Rs. in Lakhs)

		2010	2009
(f)	Value of Imports on CIF Basis (excluding goods-in-transit and imported items purchased locally) :		
	- Capital Equipments	77.87	1,134.63
	- Components & Spare Parts	19.77	8.56
(g)	Expenditure in Foreign Currency :		
	- Travelling	25.32	38.85
	- Foreign Bank Charges	1.19	8.33
	- Commission	4.88	0.46
	- Consultancy Charges	49.32	NIL
(h)	Earning in Foreign Exchange :		
	(i) Export of goods on FOB Basis	1,605.66	1,934.43
	(ii) Die design & preparation charged (recovered)	4.48	132.86
(i)	Remittance of Foreign Currency on A/c of Dividend to Non Resident Shareholders	NIL	NIL

(40) Previous year figures have been re-grouped/re-arranged wherever necessary to confirm to this year's classifications.

# Schedules forming part of the accounts

## 20 SIGNIFICANT ACCOUNTING POLICIES

### (41) Balance Sheet Abstract and Company's General Business Profile :

#### i) Registration Details

Registration No. 

			3	4	2	8	1
--	--	--	---	---	---	---	---

 State Code 

						2	1
--	--	--	--	--	--	---	---

Balance Sheet Date 

3	1	0	3	2	0	1	0
---	---	---	---	---	---	---	---

#### ii) Capital raised during the year (Rs. in Lakhs)

Public Issue 

					N	I	L
--	--	--	--	--	---	---	---

 Right Issue 

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue 

					N	I	L
--	--	--	--	--	---	---	---

 Private Placement 

2	2	3	0	.	6	3
---	---	---	---	---	---	---

#### iii) Position of Mobilisation and Deployment of Funds (Rs. in Lakhs)

Total Liabilities 

3	3	7	4	4	.	9	5
---	---	---	---	---	---	---	---

 Total Assets 

3	3	7	4	4	.	9	5
---	---	---	---	---	---	---	---

#### Sources of Funds

Paid-up Capital 

	1	6	4	2	.	8	5
--	---	---	---	---	---	---	---

 Reserve & Surplus 

	9	9	1	3	.	8	4
--	---	---	---	---	---	---	---

Secured Loans 

1	6	6	9	7	.	2	4
---	---	---	---	---	---	---	---

 Unsecured Loans 

	2	1	3	6	.	6	0
--	---	---	---	---	---	---	---

Deferred Tax Liability 

	2	2	4	9	.	2	8
--	---	---	---	---	---	---	---

 Warrant Allotment Money 

	1	0	4	8	.	1	3
--	---	---	---	---	---	---	---

Employees ESOP Option Outstanding 

			5	7	.	0	1
--	--	--	---	---	---	---	---

#### Application of Funds

Net Fixed Assets 

2	0	7	8	7	.	1	9
---	---	---	---	---	---	---	---

 Investments 

					0	.	5	0
--	--	--	--	--	---	---	---	---

Net Current Assets 

1	2	1	6	5	.	2	6
---	---	---	---	---	---	---	---

 Miscellaneous Expenditure 

					N	I	L
--	--	--	--	--	---	---	---

Advance to ESOP Trust 

		7	9	2	.	0	0
--	--	---	---	---	---	---	---

#### iv) Performance of the Company (Rs. in Lakhs)

Turnover 

2	8	5	8	6	.	7	0
---	---	---	---	---	---	---	---

 Total Expenditure 

2	6	9	5	1	.	9	2
---	---	---	---	---	---	---	---

Profit/(Loss) before Tax 

	1	6	3	4	.	7	8
--	---	---	---	---	---	---	---

 Profit/(Loss) after Tax 

	1	0	8	9	.	3	9
--	---	---	---	---	---	---	---

Basic EPS (in Rs.) 

				7	.	0	5
--	--	--	--	---	---	---	---

 Dividend Rate (%) 

						1	0
--	--	--	--	--	--	---	---

Diluted EPS (in Rs.) 

				7	.	0	1
--	--	--	--	---	---	---	---

#### v) Generic Name of of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.	Product Description
ITC (HS) Code : 7326.19.10	Carbon Steel/Non-Alloy Steel Forgings (Rough/Machined)
ITC (HS) Code : 8708-99-00	Alloy Steel Forgings (Rough/Machined)

As per our attached report of even date

For **SINGHI & CO.**

Chartered Accountants

**Rajiv Singhi**

Partner

Membership No. 53518

1B, Old Post Office Street

Kolkata - 700 001

Dated : The 22nd day of May, 2010

For and on behalf of the Board

**Mahabir Prasad Jalan**

Chairman

**Naresh Jalan**

Managing Director

**Pawan Kumar Kedia**

Finance Director

**Alok Kumar Sharda**

Chief Financial Officer

**Rajesh Mundhra**

Company Secretary

# Cash Flow Statement

for the year ended 31st March, 2010

(Rs. in Lakhs)

	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net(Loss)/Profit before extraordinary item and taxes	1,634.79	737.93
<b>Adjustments for :</b>		
Depreciation	1,313.89	1,095.65
Sundry Balance written (back)/off	38.60	(39.30)
(Profit)/Loss on Sale of Fixed Assets/Discarded Assets	5.27	6.07
Employees ESOP Deferred	57.01	-
Interest Income	(114.68)	(145.04)
Interest Expense	1,623.38	1,920.44
(Profit)/Loss on sale of Mutual Fund/Shares	20.40	(2.19)
Effect of Exchange rate change (Net)	(4.43)	316.82
Dividend Income	(0.09)	(10.34)
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>4,574.14</b>	<b>3,880.04</b>
<b>Movements in Working Capital :</b>		
Decrease/(Increase) in Trade & Other Receivable	(601.24)	198.21
Decrease/(Increase) in Inventories	(1,652.28)	245.40
(Decrease)/Increase in Trade and Other Payables	(229.38)	(1,535.08)
Direct Tax paid	(4.79)	(198.32)
	<b>(2,487.69)</b>	<b>(1,289.79)</b>
<b>Net Cash from/(used in) Operating Activities (A)</b>	<b>2,086.45</b>	<b>2,590.25</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (including WIP & Exchange Gain)	(2,946.59)	(3,338.41)
Proceeds from Sale of Fixed Assets	211.65	6.46
Purchase of Investments	(9.92)	(130.22)
Advances Recoverable from ESOP Trust	(792.00)	-
Sale of Investments	244.00	36.55
Interest Received	144.40	106.67
Dividend Received	0.09	10.34
<b>Net Cash Outflow from Investing Activities (B)</b>	<b>(3,148.37)</b>	<b>(3,308.61)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Warrants	1,048.13	-
Proceeds from Fresh Issue of Shares	110.00	-
Securities Premium Received during the year	1,072.50	-
Effect of Exchange fluctuation	-	-
Increase/(Decrease) in Secured Loan	(1,693.70)	3,671.38
Increase/(Decrease) of Unsecured Loan	1,242.27	(10.21)
Interest Paid	(1,635.13)	(1,906.26)
Dividend including Dividend Tax	-	(179.34)
<b>Net Cash Inflow from Financing Activities (C)</b>	<b>144.07</b>	<b>1,575.57</b>

## Cash Flow Statement for the year ended 31st March, 2010

	(Rs. in Lakhs)	
	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>(917.85)</b>	<b>857.21</b>
Cash and Cash Equivalents as at 01-04-2009	981.80	124.59
Cash and Cash Equivalents as at 31-03-2010	63.95	981.80
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(917.85)</b>	<b>857.21</b>

**Notes :**

- Above statement has been prepared under indirect method except in case of interest, dividends and taxes which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets & liabilities.
- Addition to Fixed Assets are stated inclusive of interest capitalised and movements of capital work-in-progress in between beginning and end of the year and treated as part of Investing Activities.

- c) Cash and Cash Equivalents include

	(Rs. in Lakhs)	
	2010	2009
- Cash in Hand	17.82	7.98
- With Scheduled Bank	-	-
a) Fixed deposit Account	33.05	970.67
b) Current Account	13.08	3.15
<b>TOTAL</b>	<b>63.95</b>	<b>981.80</b>

- Closing Cash and Cash Equivalents represents "Cash & Bank Balance" except Rs. 1.73 Lakhs lying in Current Account with schedule bank on account of unclaimed dividends which are not available for use by the Company.
- Closing Cash and Cash Equivalents represents "Cash & Bank Balance" except Rs. 25.00 Lakhs lying in Current Account with schedule bank on account of Fixed Deposit which are not available for use by the Company.

As per our attached report of even date

For **SINGHI & CO.**

Chartered Accountants

**Rajiv Singhi**

Partner

Membership No. 53518

1B, Old Post Office Street

Kolkata - 700 001

Dated : The 22nd day of May, 2010

For and on behalf of the Board

**Mahabir Prasad Jalan**

Chairman

**Naresh Jalan**

Managing Director

**Pawan Kumar Kedia**

Finance Director

**Alok Kumar Sharda**

Chief Financial Officer

**Rajesh Mundhra**

Company Secretary



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# Corporate Information

## **DIRECTORS**

Mr. Mahabir Prasad Jalan

Mr. Naresh Jalan

Mr. Pawan Kumar Kedia

Mr. Ram Prasad Saraf

Mr. Padam Kumar Khaitan

Mr. Satish Kumar Mehta

Mr. Randhir Khandelwal

Mr. Subhasis Majumdar

Mr. Surendra Mohan Lakhota

Mr. Laxminarayan Jhavar

*Chairman*

*Managing Director*

*Finance Director*

*Non-Executive Director*

*Non-Executive Director*

*Non-Executive Director*

*Non-Executive Director*

*Nominee Director*

*Non-Executive Director*

*Non-Executive Director*

## **Company Secretary**

Mr. Rajesh Mundhra

## **Chief Financial Officer (CFO)**

Mr. Alok Kumar Sharda

## **Registered and Corporate Office**

L & T Chambers, 16, Camac Street

6th Floor, Kolkata - 700 017

Telephone : +91 33 3984 0999

Fax : +91 33 3984 0998

## **Works**

(i) Plot No. M-6, Phase-VI, Gamaria, Jamshedpur - 832 108

(ii) 7/40, Duffer Street, Liluah, Howrah - 711 204

(iii) Plot No. M-15, 16 & NS-26, Phase VII  
Adityapur Industrial Area, Jamshedpur - 832 109

## **Statutory Auditors**

M/s Singhi & Co.

1B, Old Post Office Street, Kolkata - 700 001

## **Principal Bankers**

State Bank of India

Kotak Mahindra Bank

Citibank N.A.

HSBC

IDBI

Indian Overseas Bank

Export Import Bank of India

## **Registrar and Share Transfer Agents**

M/s Karvy Computershare (P) Ltd.

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad - 500 081

Andhra Pradesh, India

Telephone : +91 40 2342 0815 - 28

Fax : +91 40 2342 0814

E-mail : mailmanager@karvy.com

Website : www.karvycomputershare.com

**Ramkrishna Forgings Limited**

L & T Chambers, 6th Floor, 16, Camac Street, Kolkata - 700 017  
Phone : +91 33 3984 0999, Fax : +91 33 3984 0998  
Website: [www.ramkrishnaforgings.com](http://www.ramkrishnaforgings.com)



## Ramkrishna Forgings Limited

Registered Office :

L & T Chambers, 6th Floor, 16, Camac Street, Kolkata - 700 017

### NOTICE

**NOTICE** is hereby given that the 28th Annual General Meeting of the Company will be held on 7th day of August, 2010 at 10.45 A.M. at Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata - 700 017 to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date together with the Directors Report and the Auditors Report thereon.
2. To declare the dividend.
3. To appoint a Director in place of Mr. Pawan Kumar Kedia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Randhir Khandelwal who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Padam Kumar Khaitan who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :  
"RESOLVED THAT M/s. Singhi & Co. , Chartered Accountants, be and is hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remunerations as shall be fixed by the Board of Directors."

Registered Office :

L & T Chambers, 6th Floor

16, Camac Street, Kolkata - 700 017

Dated : 22nd May, 2010

By order of the Board

**Rajesh Mundhra**  
Company Secretary

#### NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. The Register of Member and the Share Transfer Books of the Company will remain closed from 2nd August, 2010 to 7th August, 2010 (both days inclusive) for determining the name of the members eligible for dividend, if approved on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by depositories for this purpose.
4. Members/Proxies should bring their attendance slip duly filled in for attending the meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. Members holding shares in physical form are requested to promptly notify any change in their address to the Company/the registrar, quoting their folio numbers. Members holding shares in electronic form are requested to notify their change of address and/or bank particulars to their respective Depository Participants (DPs) only.
7. Details of Directors seeking appointment/re-appointment as directors in this Annual General Meeting are separately to the Notice.
8. MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF ANNUAL REPORT TO THE MEETING.

Registered Office :

L & T Chambers, 6th Floor

16, Camac Street, Kolkata - 700 017

Dated : 22nd May, 2010

By order of the Board

**Rajesh Mundhra**  
Company Secretary

### Details of the Directors seeking Appointment/Re-Appointment

Name of the Director	Mr. Pawan Kumar Kedia	Mr. Randhir Khandelwal	Mr. Padam Kumar Khaitan
Date of Birth	16.09.1957	06.09.1948	24.05.1953
Date of Appointment	15.09.2003	27.10.2006	25.07.2005
Expertise in Specific Functional Area	Taxation	Auditing	Legal
Qualification	B.Com, Diploma in Taxation	B. Com, C.A, PGDBM (Finance), Diploma in Information Systems & Audit	Attorney at Law
Board Membership of other Companies as on 31st March, 2010 (Public Limited Companies)	NIL	NIL	1) Rungamattee Tea & Industries Ltd 2) Cheviot Agro Industries Ltd. 3) Cheviot Company Ltd. 4) Williamson Magor & Co. Ltd. 5) Woodside Parks Ltd. 6) R. V. Investment & Dealers Ltd. 7) SIL Investments Ltd. 8) SCM Investment & Trading Company Ltd. 9) Khaitan Consultants Ltd. 10) Asian Hotels (East) Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company as on 31st March, 2010	NIL	Shareholders/Investors Grievance Committee	NIL
Chairman/Member of the Committee of Directors of other Public Companies of which he is a Director as on 31st March, 2010			
a) Audit Committee	NIL	NIL	Member - Williamson Magor & Co. Ltd.
b) Shareholders/Investors Grievance Committee	NIL	NIL	Member - Williamson Magor & Co. Ltd Chairman - Manjushree Plantations Ltd. Chairman - Asian Hotels (East) Ltd.
c) Remuneration Committee	NIL	NIL	Member - Williamson Magor & Co. Ltd. Member - Asian Hotels (East) Ltd.
Shareholding	35,250	NIL	NIL



## Ramkrishna Forgings Limited

Registered Office : L&T Chambers, 6th Floor, 16, Camac Street, Kolkata - 700 017

### ATTENDANCE SLIP

NAME OF THE MEMBER \_\_\_\_\_

MEMBER FOLIO NUMBER/CLIENT ID NO. \_\_\_\_\_

NUMBER OF SHARES HELD \_\_\_\_\_

NAME OF PROXY (IN BLOCK LETTER) \_\_\_\_\_

(To be filled in if the Proxy attends instead of the Member)

I hereby record my presence at the 28th Annual General Meeting of the Company to be held at Bharatiya Bhasha Parishad, 36A Shakespeare Sarani, Kolkata - 700 017 on Saturday, the 7th day of August, 2010 at 10.45 A.M.

To be signed at the time of Handing over this Slip.

As no extra copy of this attendance slip will be available, Members are requested to bring it with them positively.

This attendance slip filled in accordance with the specimen signature registered with the Company to be handed over before the meeting.

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Tear here  
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## Ramkrishna Forgings Limited

Registered Office : L&T Chambers, 6th Floor, 16, Camac Street, Kolkata - 700 017

Reg. Folio No./Client ID No

No. of Shares held

### PROXY FORM

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

Company hereby appoint \_\_\_\_\_ being a member/members of the above named and on my/our behalf at the 28th Annual General Meeting of the Company to be held at Bharatiya Bhasha Parishad, 36A Shakespeare Sarani, Kolkata - 700 017 on Saturday, the 7th day of August, 2010 at 10.45 A.M.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

(Signature of the shareholder) \_\_\_\_\_

Affix Revenue  
Stamp of Re.  
1/-

**Note :** The proxy must reach the Registered Office of the Company not less than forty-eight hours before the time holding for the aforesaid meeting.