

# 23<sup>rd</sup> ANNUAL REPORT (2010-2011)



**SANGHVI**  
**FORGING & ENGINEERING LTD.**  
Unique • Innovative • Precision



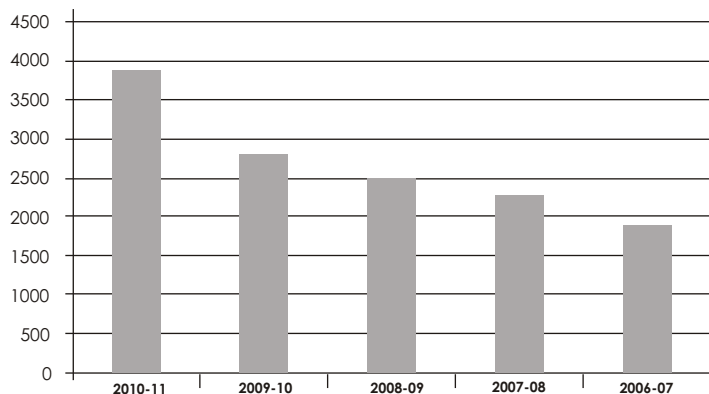


## FINANCIAL HIGHLIGHTS FOR LAST FIVE YEARS

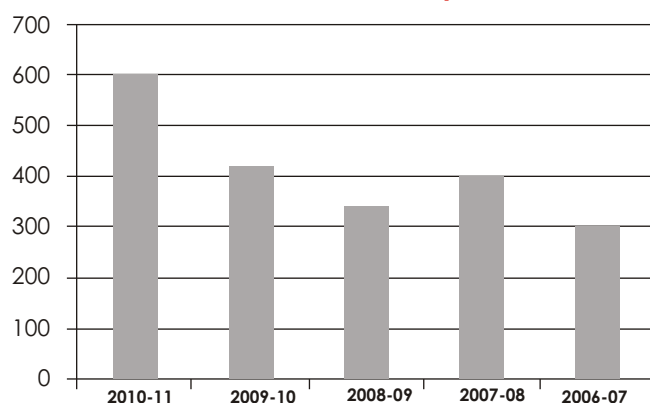
(₹ / in Lacs except mentioned)

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

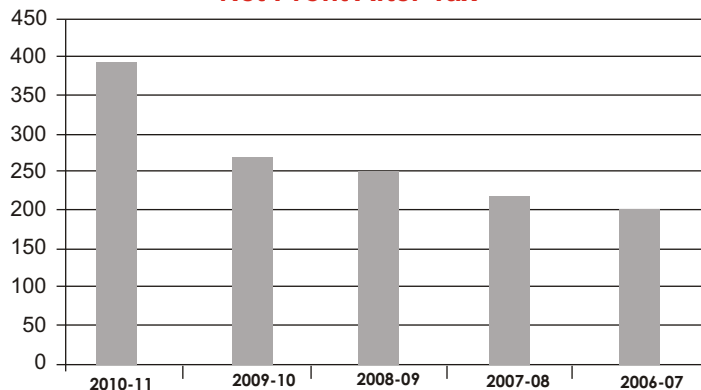
**Sales**



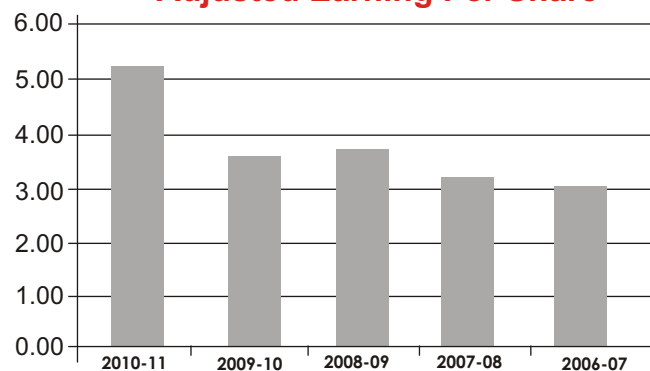
**Profit Before Interest, Depreciation & Tax**



**Net Profit After Tax**



**Adjusted Earning Per Share**





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Babulal Sanghvi**  
(Chairman and Whole Time Director)

**Mr. Jayanti Sanghvi**  
(Managing Director)

**Mr. Naresh Sanghvi**  
(Whole Time Director)

**Mr. Vikram Sanghvi**  
(Whole Time Director)

**Mr. Shantaram Yarlagaadda**  
(Independent Director)

**Mr. Baba Pai**  
(Independent Director)

**Mr. R.C. Prasad**  
(Independent Director)

**Mr. R.S.Kaushal**  
(Independent Director)

### COMPANY SECRETARY & COMPLIANCE OFFICER

**Mr. Kiran Mohanty**

### OUR VISION

To be pioneer and leading supplier in Forging Industry by providing one-stop solution for forged product where we can be a preferred product development partner with our customer.

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

### OUR CORE VALUES

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

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

### STATUTORY AUDITORS

**M/s Shah & Bhandari**  
Chartered Accountants

### BANKERS

**State Bank of India**  
**Bank of Baroda**  
**Axis Bank**

### LEGAL ADVISORS

**M/s. P. H Bathiya & Associates**  
Advocates

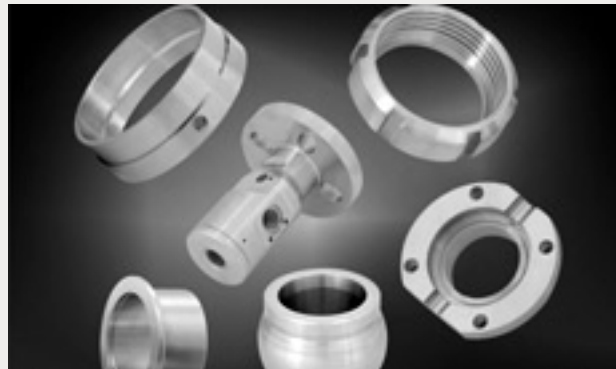


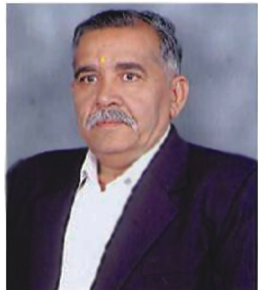
### REGISTERED OFFICE

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

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

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





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

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

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

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

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

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

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

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

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

Yours Sincerely

**Babulal Sanghvi**  
Chairman



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

Dear Members,

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

**FINANCIAL RESULTS**

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

(₹ in Lacs)

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

## OPERATIONAL PERFORMANCE

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

## PRE-IPO PLACEMENT

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

## INITIAL PUBLIC OFFERING

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

## NEW PROJECT

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

## INVESTORS' RELATIONS AND GRIEVANCES

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

## CONSERVATION OF ENERGY

Saving of energy in terms of Electricity Consumption is our prime concern for that Company utilizes several systems to conserve the energy. Well planned Preventive Maintenance has improved our operational efficiency. The details relating to the same is annexed in "Annexure A" to the Report. Water and air pollution control measures are optimum and industrial trade effluents are used for gardening. Tree plantation at the factory site is maintained properly.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

## REPORT ON CORPORATE GOVERNANCE

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

## INSURANCE

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



### FIXED DEPOSITS

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

### DIRECTORS

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

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

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

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

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that:

(i) In the preparation of the accounts for the financial year ended March 31, 2011; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

(ii) The accounting policies selected have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

(iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of

the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;

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

### AUDITORS AND THEIR REPORT:

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

M/s Shah Bhandari and Associates, the Company's auditors will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The company has received a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956.

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

### HUMAN RESOURCES

The strength of your Company lies in its team of its competent and motivated personnel. This has made possible for your Company to make significant improvements and progress in all areas of its working. The employees have from time to time taken up the challenge to improve the performance of plants through efficiency, productivity and economy. Your Directors are happy to place on record their sincere appreciation for the unstinted efforts and contribution put in by the employees of the Company.

The Company has also continued its endeavor to impart appropriate and relevant training to its employees at various levels with a view to equip them to take up the challenges ahead and to enhance their performance in the overall interest of the Company.

The industrial relations remained cordial during the year.



### **PARTICULARS OF EMPLOYEES UNDER SECTION 217**

There were no employees coming within the purview of the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

### **FORWARD LOOKING STATEMENT**

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

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### **ACKNOWLEDGEMENT**

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

Vadodara  
10th August 2011

On the behalf of the Board of Directors

**BABULAL SANGHVI**  
CHAIRMAN

## ANNEXURE 'A' TO THE DIRECTORS' REPORT

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

### A. CONSERVATION OF ENERGY

- Saving of energy in terms of Electricity Consumption is our prime concern for that Company utilizes several systems to conserve the energy. Well planned Preventive Maintenance has improved our operational efficiency. Total energy consumption and energy consumption per unit of production is as per prescribed FORM A as per attached annexure.

Water and air pollution control measures are optimum and industrial trade effluents are used for gardening after adjusting the pH. Tree plantation at the factory site is maintained properly.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

#### Earnings in Foreign Currency (On Receipt Basis)

Particulars	Amt. (₹ in Lacs) 2010-2011	Amt. (₹ in Lacs) 2009-2010
F.O.B. Value of Export	543.22	480.74
<b>TOTAL</b>	543.22	480.74

#### Expenditure in Foreign Currency (On Payment Basis)

Particulars	Amt. (₹ in Lacs) 2010-2011	Amt. (₹ in Lacs) 2009-2010
CIF Value of import	15.64	22.13
<b>TOTAL</b>	15.64	22.13

### B. TECHNOLOGY ABSORPTION

- Main areas of emphasis include:
  - (i) Acquisition of new improved equipment to further assure quality.
  - (ii) Continuous emphasis on significant upgrading of manufacturing facility to improve product quality.
- The Company has no R & D activities.

### ANNEXURE

#### FORM – A

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

Sr No.	Particulars	Units	Current Year(2010-11)	Previous Year(2009-10)
A	Power and Fuel Consumption			
1	Electricity			
	a. Purchased			
	Units	KWH	710220	670162
	Total Amount (₹)	—	4116008	3895190
	Rate / Unit (₹)	KWH	5.80	5.81
	b. Own Generation			
	Through wind farm project units	KWH	424437	526341
2	a. Coal			
	Quantity	MT	801	742
	Total Cost	—	4726727	3733234
	Average Rate	MT	5903	5030
3	a. Furnace Oil quantity in Kl.			
	Quantity	Kilo Liters	474	386
	Total Cost	—	12725076	8384155
	Average rate per Kl.	Kilo Liters	26825	21704
B	Consumption per Unit of Production			
	Product (MT)	MT	2591.18	2070
	Electricity	KWH/MT	274.09	324
	Furnace Oil	Kilo Liters /MT	0.18	0.19
	Coal	MT/MT	0.31	0.36

Part of this high speed Diesel is used in generation of electricity.

### OVERVIEW

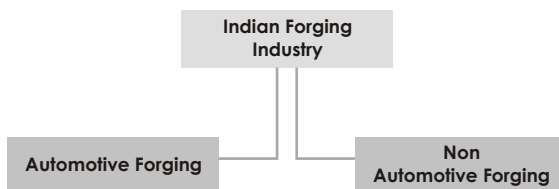
India is the second fastest growing economy of the world. The manufacturing sector and capital goods industry has made a significant contribution to the growth of the economy.

The world economy, currently, is emerging from the clutches of a wide spread slowdown, triggered by the excesses in the global financial market. In the aftermath of sub-prime led global financial crises in 2008, economies across the world went into a tailspin. In the Indian context, negative signs are visible in the sluggish export growth and subdued direct capital flows into the economy. Along with the current global challenges, the Indian economy also needs to contend with the rising spectra of inflation and tight monetary conditions. The challenges are many, yet, the Indian economy has inherent strengths to rise above these challenges and move towards accelerated growth in the medium to long term.

### INDUSTRIAL SCENARIO

Forging Industries in India is one of the leading industries in the Indian economy. This industry is a key link between critical manufacturing segments and end user industries. Forgings are intermediate products used widely by original equipment manufacturers (OEMs). The growth of the Forging industry in India would be sustained by the diversification and exploration of new horizons for the industry.

Briefly, the composition of the Indian forging industry can be categorized into four sectors- large, medium, small and tiny. These SMEs form the backbone of the industry. This can be further categorized into two broad sectors.



With increasing globalization, the industry is becoming more capital intensive. However, the high cost of capital (technology) still remains a major constraint facing the forging industry (especially the SMEs). The total investment in the large and medium sectors is estimated to be around US \$ 700 million.

### KEY CHALLENGES/ISSUES

Major challenges on domestic and export fronts that the forging industry is facing are as follows

#### Domestic:

- High interest rates.
- Inadequate backward/forward linkages.
- Compliance with stringent environment norms.
- Difficulties associated with consolidation of capacities.
- High attrition rate, especially at the senior management level.
- Volatile international and domestic prices of forging quality steel

#### Exports:

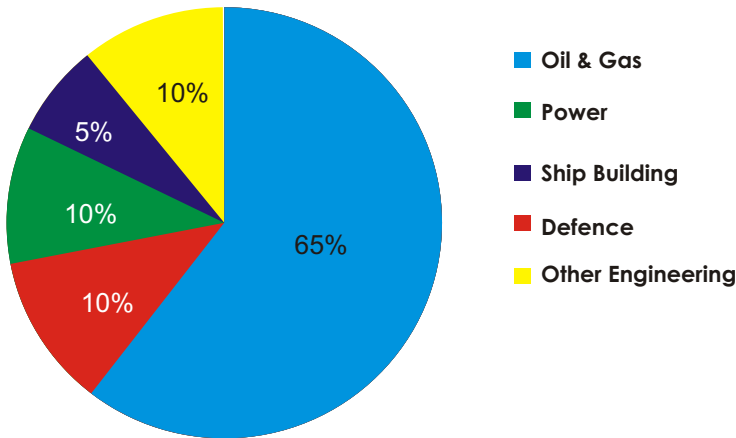
- Impact of the volatile foreign exchange rates.
- Inadequate investment in technology upgradation.
- Cost competitiveness adversely affected due to constant cost escalation.

### FORGING INDUSTRY FOR NON-AUTOMOTIVE SECTORS

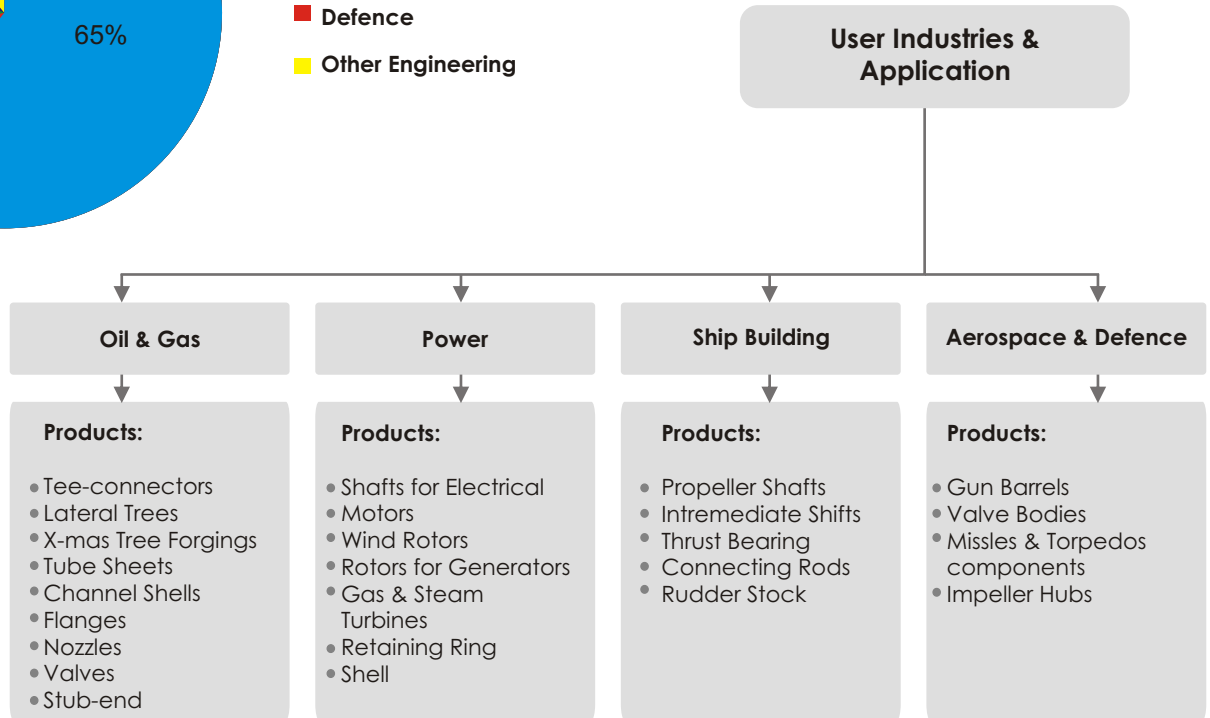
Our company has made a conscious decision to focus on non-automotive sector as our major business strategy. We are manufacturing products for non-automotive sectors and we believe that, positive outlook of different user sectors, will drive the growth of forging industry for non-automotive sectors and also the growth of our company. Our new project will have the capacity to manufacture products for various sectors which includes, Oil & Gas, Power sector – thermal, hydro and nuclear power, wind power, chemical & petro-chemical, heavy fabrication (OEMs), ship building, defense, general engineering and aerospace. The major opportunities for non-automotive forgings are in the following Industries

1. Oil and Gas
2. Power Sector-Thermal, Hydro and Nuclear
3. Ship Building
4. Defence Sector

REVENUE MIX SEGMENT WISE BREAK UP



PROSPECTIVE MARKET



**OIL AND GAS**

Efficient, reliable and competitively priced energy supplies are prerequisites for accelerating economic growth. For any developing country, the strategy for energy development is an integral part of the overall economic strategy. Realisation of high economic growth aspirations by the country in the coming decades, calls for rapid development of the energy market.

The global scenario and planned and proposed actions of Government is expected to attract large scale investment in exploration, refining and distribution of Oil and Gas (through pipe lines). This would lead to increase in demand for various engineering and capital goods requirements for setting up the necessary infrastructure. The demand capital goods production will entail demand for its components including various forging products.

**POWER SECTOR**

There has been continuous focus on improving power situation by the government of India. This led to reforms in the power sector leading to opening up various green field projects and expansion of the existing ones. It is one of the important customers for forgings. The forgings used are rotor shafts for turbines, shafts for wind power generators in wind mills, eccentric shafts, studs, spindles, nozzles, flanges for heat exchangers, higher diameter bolts etc

**SHIP BUILDING**

Shipbuilding (encompassing shipyards, the marine equipment manufacturers and a large number of service and knowledge providers) is an important and strategic industry in a number of countries around the world.

This importance stems from the fact in a nation's need to manufacture and repair its own Navy and vessels that support its primary industries. The Indian shipbuilding industry is on a high growth trajectory and is expected to grow at a compounded growth of 30%. It is clear from the above that India can grow in the shipbuilding sector in a healthy manner if shipbuilding is recognized as a strategic industry and if it can enjoy simple taxation policies with a fully empowered regulating body for quick decision-making.

Ship building industry is one of the major customers for Forging. In ship building industry, the forgings used are propeller shafts, rudder etc.

### DEFENCE SECTOR

The Indian government is fully committed to the development of a vibrant and proactive defence industry. Its objective is to ensure that the resources, capabilities and infrastructure, including intellectual capital, available both in the public and private sector are treated as national assets and harnessed to the fullest extent. For a foreign company, the benefits are twofold. On the one hand, equity investment in an Indian Defence Company will appreciate rapidly, while on the other, the Indian company can act as a manufacturing base to supply high-quality components in a cost-effective manner. A strong and healthy partnership between the public and private sector will be critical in delivering the defence capability the country needs and in sustaining a powerful domestic industrial base for the future.

Defence sector is considered to be a valuable customer for forgings. In this sector, the forged parts generally used are steering arm rod wheels, track link part, ammunition cases, shells, gears, bushings, parts of armoured vehicles etc.

There still exists ample scope for forgings consumption in many other sectors that would open up big business opportunities for the forging industry. Hence, the future looks rosy for the forging industry in terms of the expected surge in both global and domestic demand.

### COMPANY OVERVIEW & OUTLOOK

The Company is one of the major manufacturer and exporters of forging products for non-automotive sectors. The Company is in business since year of incorporation i.e. 1989. The largest size of the Forgings offered by the Existing Facility is 4.0 Tons.

Last year the Company has performed very well. The Development made in the last year is given below

- The Company has received some valuable order last year from company like Mazagaon Dock Ltd., GE, KNPC etc
- The following accreditations have been received by the company last year from International Quality approval agencies.

**Certified by TUV NORD CERT GmbH for ISO 14001:2004**

**Certified by TUV NORD CERT GmbH for BS; OHSAS 18001:2007**

**Certified by DCNS, France for supplying critical component for Submarines**

- Last year the Company has made lots of efforts to improve the customer base both domestic and international origin. As a result we have now balanced customer base of both domestic and international origin, which is indirectly helping to improve us.

### NEW PROJECT

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

The Company has already acquired the said land. The types of Forgings proposed to be offered are large Forgings, as compared to Forgings offered by the Existing Plant. The largest size of the Forgings to be offered by the Proposed Facility is 40.0 Tons.

The above focus is based on Market feed back and economic considerations, evaluated by the company. For the purpose, the company has figured out, needed Plant & Machineries, technical know how and Financial Arrangements. The Company has entered into supply contracts with Danieli And C. Officine Meccaniche SPA VIA, Italy, Dango & Dinenthal, Maschinenbau





GMBH and Schlager Industrieofenbau GmbH for supply of major plant & machinery required for the New Project. The machinery suppliers are one of the leading suppliers in their respective line of products, when measured in terms of quality of output & productivity. Orders have been placed for the above two critical components having lead time of about 14 months and which amounts to Rs. 4500 lacs or about 60% of the cost of plant & machinery required for the New Project.

### The Company would be installing:

- One state-of-the-art 4,000 Tons Open-die Hydraulic Forging Press will be supplied by Danieli And C. Officine Meccaniche SPA VIA, Italy: The function of the hydraulic pressure is to exert large enough force to press the metal into required shape.
- One 60Tons Rail Bound Manipulator will be supplied by Dango & Dinenthal, Maschinenbau GMBH, : It holds & rotate the hot ingot while forging. In this case it can hold ingot of 60MT weight.
- Five Furnaces will be supplied by Schlager Industrieofenbau GmbH: Out of this two will be used in reheating and three will be used for heat treatment

The said new project has been appraised and part-financed by State of India to the tune of Rs 50 crores. Bank of Baroda has financed Rs. 22 crores of term loan. The total cost of the new project is estimated at Rs. 120.39 Crores. The project is scheduled to be commissioned by May 2012.

### INITIAL PUBLIC OFFER (IPO).

The Company has successfully raised Rs.3690.20 lacs through an IPO of shares in May 2011 the shares were listed on the Bombay Stock Exchange and the National Stock Exchange on 23rd May 2011. The Company has issued 4341195 Equity shares of Rs 10 each at price of Rs 85 each aggregating to Rs. 3690.20 lacs . The enhanced share capital of the Company post IPO now stands at 12692267 shares of Rs. 10 each.

### STRENGTHS

The contributing factors to Company's success are optimizing of operations, better marketing, close monitoring and control of financial cost, increase in efficiency of plants, timely and successful completion of expansion projects/manufacturing of new products. Some of our competitive strengths are:

- **Strong client base** Our strength lies in understanding the requirement of the customer and our execution capabilities. This has enabled us to get repeat orders from our existing customers and attract new customers. The quality of our products is acknowledged by our customers. Some of our main domestic customers includes: ONGC, Reliance Industries, HPCL, IOCL, BHEL, BPCL, Punj Lloyds, GAIL, Siemens, HMEL, L&T, Technip, Expon, GE, Tyco Engineering, GEA, TCI–Sanmar, EIL, GE, MDL, PDIL, GAIL.

Our client base includes both domestic and international clients. We receive approx. 75% of our current business from repeat clients. We are also adding new clients at a fast pace.

- **Good international exposure**

We supply our products to more than 20 countries which includes Canada, Germany, France, Netherlands, Belgium, UK, Australia, Oman, Kuwait, Qatar, UAE, Argentine, Indonesia, Italy, Malaysia, South Korea etc. Every year, we participate in some international exhibitions to establish new customers.

Our strength also lies in offering Prompt Deliveries & Quality Products, needed for special needs for niche users and creating loyal user base, based on usage needs definition can provide good insulation towards possible event of experiencing the effects of Weakness. Our continuous efforts to upgrade the technology has enabled us to optimize the cost of production and increasing revenues. Our commitment to deliver quality products to the consumers has ensured that its products are well accepted, both in India and world over. The Company is operating in a competitive market, both in domestic and the international sector.

- **Implementation of SAP ECC 6.0 in 2008-Enterprises Resource Planning to integrate processes and systems within the organization.**

With the implementation of SAP ECC 6.0 in 2008, key processes involved in the company business including production, planning and accounting are now done routinely through SAP. This has served business operations well in terms of quick responses, accurate information and lesser cost. The benefits from SAP will increase, as the scale and complexity of business operations increases. The benefit of the same can be further summarized as follows:

(a) The different departments of the Company work on single platform and the entire management of planning, purchase, raw materials, sales, production, stores, financial activities are now fully integrated by which the duplication of work is reduced.

- (b) Better analysis of data is done to achieve maximum customer satisfaction and to improve profitability.
- (c) Better controls and security.
- (d) Expandable as per the requirement of business.

### OPPORTUNITIES

The tremendous growth opportunities seen in the Industries like Oil & Gas, Power, Ship Building, Defence (already explained in this section), is likely to boost the demand for the forged product for Non Auto applications. This segment is presently met largely by import or to some extent by the local supplies from large forging manufactures. As the Company is now expanding the business by setting up New Project in the same line of business, we believe that we can partake of a reasonable share of this market and thereby our future growth will be derived from the growth in our user industries which are witnessing huge capital expenditure and expansion programmes. Associations with the main Plant suppliers from Europe (of Press and of Manipulator) offers higher prospects for Exports also.

### THREATS

Either due to openness of the Economy which can attract imports or due to more existing units embarking Expansion Proposals, mainly due to economics of the Industry, there can be intensive competition in the Market. Alternatively, due to recession in the market imposed by Global parameters can result into lower demands for the products of the unit.

### RISKS FACTORS

The risks are namely factory closure due to labour problems, non-availability of raw materials, market recession, increase in interest rates, decrease in tempo of infrastructure and industrial expansion.

However your company has taken measures in energy efficiency and put energy audits as well teams to work on recovery improvement which will be the main drivers to reduce cost.

### INTERNAL CONTROL & SYSTEMS AND THEIR ADEQUACY

Your Company has appropriate internal control systems and procedures in place with regard to effective utilization of

resources, efficiency in operation, financial reporting and compliance with various rules and regulations. The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets and further supplemented by extensive audits conducted by the Auditors. Regular audits are conducted to review the adequacy and effectiveness of the internal controls and suggest improvement, if any, for strengthening the existing system.

### ENVIRONMENT & SAFETY

Safety and Environment Management continues to be one of the key result areas for your company. The Company is committed to providing a safe and healthy workplace for all of its employees including contract workmen. Appropriate training is provided to all of its employees and associates to minimize the risk. The company has adopted a Framework of Standards aligned to ISO 14001:2004 & OHSAS 18001:2007 standards. SFEL is committed to the environmental improvement of its products. The Company will continue to devote significant resources to control air and water pollutants, to dispose of wastes and to provide risk free environment around the work place and in the neighborhood. Concern for environment and safety are integral to SFEL's business and part of business ethos.

### Industrial Relations & Human Resource Management

The Company constantly endeavors to attract and recruit the best talent and to retain, nurture and groom to meet its current and future challenges. It places utmost importance to the quality of its human resources. As on March 31, 2011 the Company had 80 employees. It places great emphasis on the training and development of employees at all levels and seeks to achieve closer alignment between their objectives and the strategic objective of business through intensive communication of the corporate strategic objectives to all employees. Investments are made to upgrade facilities available to employees to carry out their tasks more efficiently. The Company continues to maintain cordial and harmonious industrial relations. The Directors wish to acknowledge the efforts of all the employees.

### CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from

those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, labour policies and other statutes and other incidental factors.



## CORPORATE GOVERNANCE REPORT

### I. CORPORATE GOVERNANCE

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

### II. COMPANY'S PHILOSOPHY AND CORPORATE PRINCIPLES

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

#### CORPORATE PRINCIPLES

The Company has adopted the following Corporate Principles. They have been formally established to shape the Company's thinking and conduct.

- We strengthen our CUSTOMERS - to keep them competitive  
  
Our success depends on the success of our customers. We provide our customers with our comprehensive experience and solutions so they can achieve their objectives fast and effectively.
- We work for growth - to open up new opportunities  
  
We generate profitable growth to ensure sustainable success. We leverage our balanced business portfolio, our business excellence and synergies across all segments and regions.
- We value our PEOPLE - to achieve world-class performance  
  
Our employees are the key to our success. We work together as a global network of knowledge and learning. Our corporate culture is defined by diversity, by open dialogue and mutual respect, and by clear goals and decisive leadership.

### III. BOARD OF DIRECTORS (BOARD)

#### Composition of the Board

The Composition of the Board is in accordance with the requirements in this regard. Your Board includes eminent professionals who have excelled in their respective areas of specialization and comprises professionals drawn from management, financial, legal and other fields. The Board

consists of a total of 8 members, 4 of whom are executive and 4 are non executive and Independent Directors. The Board believes that the current size is appropriate, based on our present circumstances. The Chairman of the Board is an Executive Director. The necessary disclosures regarding Committee positions have been made by all the Directors. Details, as on date, of the composition of the Board, number of their other directorships and committee memberships are given below:

Sr. No	Name of the Directors	Status	No. of Directorships in other public limited companies	Number of Committee positions held in other public limited companies	
				Chairman	Member
1.	Mr. Babulal Sagarmal Sanghvi, Chairman	Executive & Non-Independent	Nil	Nil	Nil
2.	Mr. Jayantilal Babulal Sanghvi, Managing Director	Executive & Non-Independent	Nil	Nil	Nil
3.	Mr. Naresh Babulal Sanghvi, Whole-Time Director	Executive & Non-Independent	Nil	Nil	Nil
4.	Mr. Vikram Babulal Sanghvi, Whole-Time Director	Executive & Non-Independent	Nil	Nil	Nil
5.	Mr. Shantaram Yarlagaadda, Director	Non- Executive & Independent	Nil	Nil	Nil
6.	Mr. R. C. Prasad, Director	Non- Executive & Independent	Nil	Nil	Nil
7.	Mr. Baba Pai, Director	Non- Executive & Independent	Nil	Nil	Nil
8.	Mr. Ram Swaroop Kaushal, Director	Non- Executive & Independent	Nil	Nil	Nil

#### Board Procedure

The annual calendar of meeting is agreed upon at the beginning of each year. Board Meeting is held once in every quarter. In addition to this, Board Meetings are convened to transact special businesses, as and when necessary. The meetings are governed by a detailed agenda. All major issues included in the agenda are backed up by comprehensive background information to enable the Board to take informed decisions.

The agenda papers, containing detailed notes on various agenda items and other informations, which would enable

the Board to discharge its responsibilities effectively, are circulated in advance to the Directors. The Board is briefed on all the matters of the company at its meeting

#### Number of Board Meetings

There were Ten Board meetings held during the period April 1, 2010 to March 31, 2011 These were on April 1, 2010, April 20, 2010, June 1, 2010, June 23, 2010, July 2, 2010, July 15, 2010, July 29, 2010, September 17, 2010, December 29, 2010 & March 29, 2011. Attendance record of the Directors was as under:

Name of Directors	No. of Board Meetings held	No. of Board Meetings Attended	Attendance at last AGM
Mr. Babulal Sagarmal Sanghvi	10	9	Yes
Mr. Jayantilal Babulal Sanghvi	10	10	Yes
Mr. Naresh Babulal Sanghvi	10	10	Yes
Mr. Vikram Sanghvi*	10	9	Yes
Mr. Y Shantaram*	10	2	Yes
Mr. R.C Prasad*	10	3	Yes
Mr. R.S Kaushal*	10	3	Yes
Mr. K Baba Pai*	10	3	Yes

Mr. Vikram Sanghvi has been appointed as Director w.e.f 1st April, 2010.

Mr. Shantaram has joined the Company as an Independent Director w.e.f 1st June 2010.

Mr. R.C Prasad has joined the Company as an Independent Director w.e.f 15th July 2010.

Mr. R.S Kaushal has joined the Company as an Independent Director w.e.f 15th July 2010.

Mr. K Baba Pai has joined the Company as an Independent Director w.e.f 15th July 2010.

#### IV. COMMITTEES OF BOARD OF DIRECTORS

The company has formed Audit Committee, Shareholder Grievance Committee and IPO Committee in the meeting of the Board held on 15th July 2010. The details of these Committees Meeting are mentioned herein below:

#### Audit Committee

##### Composition of Audit Committee

The composition of Audit Committee and the details of the Meetings attended by the Directors are given below:

Name	Designation	Category	Attendance		
			17th September, 2010	29th December, 2010	29th March 2011
Mr. Shantaram Yarlagadda	Member	Non-Executive & Independent	Yes	Yes	No
Mr. Baba Pai	Member	Non-Executive & Independent	Yes	Yes	Yes
Mr. Vikram Sanghvi	Member	Executive & Non-Independent	Yes	Yes	Yes
Mr. R.S Kaushal	Chairman	Non-Executive & Independent	Yes	Yes	Yes

The Company Secretary acts as the Secretary to the Committee. The Managing Director, Whole Time Director, Company Secretary and the Statutory Auditors are permanent invitees to the Meetings. The terms of reference and powers of the Audit Committee are in accordance with the Clause 49 of the Listing Agreement



### Terms of reference

The terms of reference are briefly described below:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending to the Board, the appointment, re – appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
- Reviewing with management, the annual financial statements before submissions 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;
- Any changes in accounting policies and practices and reasons for the same;
- Major accounting entries involving estimates based on the exercise of judgment by management;
- Significant adjustments made in the financial statements arising out of audit findings;
- Compliance with listing and other legal requirements concerning financial statements;
- Disclosure of any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of company at large;
- Qualifications in draft audit report;
- Reviewing with the management

a) the quarterly financial statements before submission to the board for approval;

b) the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds unutilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the unutilisation of proceeds of a public issue, and making appropriate recommendations to the Board to take up steps in this matter;

c) performance of statutory and internal auditors, and

adequacy of the internal control system.

- d) The adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Discussions with internal auditors any significant findings and follow up thereon.

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- Discussions with statutory auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.

To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

- To review the functioning of the Whistle Blower mechanism, if any

The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations
- Statement of significant related party transactions submitted by the management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor

### REMUNERATION TO DIRECTORS

The remuneration payable to the Managing Director, Whole-time Directors was approved by the Board of Directors in its Meeting when all the Directors were present. The Remuneration Committee being an optional is not formed so far. The following remuneration paid to the Directors during the year ended 31st March 2011.



(₹ in 000')

Name of Director	Designation	Relationship with Other Directors	Sitting Fees	Salary and Perquisites	Contribution to Provident Fund	Total	Service Contracts
Shri Babualal Sanghvi	Chairman	Relative of Shri Jayanti Sanghvi, Shri Naresh Sanghvi & Shri Vikram Sanghvi	N.A.	5.6026	.1987	5.8013	Service Contract 18.5.2010 to 17.5.2015
Shri Jayanti Sanghvi	Managing Director	Relative of Shri Babulal Sanghvi, Shri Naresh Sanghvi & Shri Vikram Sanghvi	N.A.	10.152	.324	10.476	Service Contract 18.5.2010 to 17.5.2015
Shri Naresh Sanghvi	Whole time Director	Relative of Shri Babulal Sanghvi, Shri Jayanti Sanghvi & Shri Vikram Sanghvi	N.A.	10.152	.324	10.476	Service Contract 18.5.2010 to 17.5.2015
Shri Vikram Sanghvi	Whole time Director	Relative of Shri Babulal Sanghvi, Shri Jayanti Sanghvi & Shri Naresh Sanghvi	N.A.	10.152	.324	10.476	Service Contract 18.5.2010 to 17.5.2015
Shri R.C Prasad	Independent Director	None	0.45	N.A.	N.A.	0.45	N.A.
Shri Y Shantaram	Independent Director	None	0.30	N.A.	N.A.	0.30	N.A.
Shri R.S Kaushal	Independent Director	None	0.45	N.A.	N.A.	0.45	N.A.
Shri K Baba Pai	Independent Director	None	0.45	N.A.	N.A.	0.45	N.A.

#### Shareholder Grievance Committee

##### Composition of Shareholder Grievance Committee

Name	Designation	Category
Mr. R.S Kaushal	Chairman	Non- Executive & Independent
Mr. R.C Prasad	Member	Non- Executive & Independent
Mr. Kiran Mohanty	Member	Company Secretary

#### IPO Committee

##### Composition of IPO Committee

Name	Designation
Mr. Jayanti Sanghvi	Chairman
Mr. Naresh Sanghvi	Member
Mr. Vikram Sanghvi	Member



**V. SHAREHOLDER INFORMATION**

**a. Annual General Meeting**

Day & Date of AGM : Friday, September 9, 2011  
Venue : 244/6-7, G.I.D.C. Industrial Estate, Waghodia-391760  
Time : 3 P.M

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

**c. Financial Calendar** : The Financial calendar of the Company is from April 1 to March 31.

**d. Book Closure Date** : 7th September, 2011 to 9th September, 2011

**e. Listing of Equity Shares** : National Stock Exchange of India Ltd. and Bombay Stock Exchange Limited

**f. ISIN for NSDL & CDSL** : INE263L01013

**g. Registrar & Share Transfer Agents**  
: Bigshare Services Pvt. Ltd.  
E-2/3, Ansa Industrial Estate,  
Sakivihar Road,  
Saki Naka, Andheri(E),  
Mumbai-400072  
Phone No:+91 22 28470652  
Fax: +91 22 28475207  
Email: info@bigshareonline.co

**h. Shareholding Pattern as on 31st March, 2011**

Sr No.	Category of shareholder	No. of Shares	Percentage
<b>DIRECTORS</b>			
1.	MR. BABULAL SAGARMAL SANGHVI	1103783	13.811
2.	MR. JAYANTILAL BABULAL SANGHVI	1257606	15.736
3.	MR. NARESH BABULAL SANGHVI	1166931	14.601
4.	MR. VIKRAM BABULAL SANGHVI	890682	11.145
<b>TOTAL A</b>		<b>4419002</b>	<b>55.293</b>

Sr No.	Category of shareholder	No. of Shares	Percentage
<b>DIRECTORS RELATIVE</b>			
5.	MRS. BHAMRIBEN BABULAL SANGHVI	582451	7.288
6.	MR. MAHESH BABULAL SANGHVI	253894	3.177
7.	BABULAL SAGARMAL SANGHVI - HUF	213357	2.670
8.	MRS. MEENA JAYANTILAL SANGHVI	620800	7.768
9.	MRS. KIRAN NARESH SANGHVI	576000	7.207
10.	MRS. SHEETAL VIKRAM SANGHVI	277726	3.475
11.	JAYANTI B SANGHVI - HUF	112000	1.401
12.	NARESH B SANGHVI - HUF	112000	1.401
13.	VIKRAM B SANGHVI - HUF	38394	0.480
<b>Total B</b>		<b>2786622</b>	<b>34.867</b>
<b>PUBLIC</b>			
14.	MRS. PYARIBEN MOHANLAL SANGHVI	170798	2.137
15.	MRS. TEENA MAHESH SANGHVI	174669	2.186
16.	MAHESH B SANGHVI- HUF	100000	1.251
17.	DANGO & DIENENTHAL GMBH & CO. KG	340952	4.266
<b>Total C</b>		<b>786419</b>	<b>9.840</b>
<b>Total A+B+C</b>		<b>7992043</b>	<b>100.000</b>

**i. Dematerialisation of Shares**

The Equity shares of the Company are available for dematerialisation w.e.f. June 29, 2010 and are compulsorily traded w.e.f the same date.

**j. Plant Location**

The Company plant located at 244/6, G.I.D.C Ind. Estate Waghodia-391760, Dist. Baroda

### k. General Body Meeting

Details of the last three Annual General Meetings are given as under:

Year	Location	Date	Time
2010	244/6, G.I.D.C Ind. Estate, Waghodia-391760	25th August, 2010	11 a.m
2009	244/6, G.I.D.C Ind. Estate, Waghodia-391760	30th September, 2009	11 a.m
2008	244/6, G.I.D.C Ind. Estate, Waghodia-391760	30th September, 2008	11 a.m

### VI. CEO and CFO Certification

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

a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2011 and that to the best of our knowledge and belief:

(i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011, which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and that we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of which such internal controls, if any, of which we are aware, and the steps we have taken or proposed to take to rectify these deficiencies.

d) We have indicated to the Auditors and the Audit Committee -

(i) Significant changes in internal control over the financial reporting during the year ended 31st March, 2011;

(ii) Significant changes in accounting policies during the year ended 31st March, 2011 and that the same have been disclosed in the notes to the financial statements; and

(iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

For Sanghvi Forging & Engineering Limited.

Place: Vadodara      **Jayanti Sanghvi**      **Vikram Sanghvi**  
Date 10/08/2011      Managing Director      Executive Director

### VII Disclosures

a. Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report.

b. The Company has not entered into any other transaction of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives, etc. that may have a potential conflict with the interests of the Company at large.

c. Disclosures have also been received from the senior managerial personnel relating to the financial and commercial transactions in which they or their relatives may have a personal interest. However, none of these transactions have potential conflict with the interests of the Company at large.

d. The Company has complied with all mandatory requirement laid down by clause 49 of the Listing Agreement.

## **VIII Declaration**

Declaration regarding Compliance of Code of Conduct by Directors and Senior Management Personnel of the Company

This is to Certify that the Board Members and the Members of Senior Management (i.e one layer below the Board of Directors) have given declaration regarding the adherence to the Code of Conduct as enunciated by the Company for the year ended 31st March 2011 as required under Clause 49 of the Listing Agreement.

For Sanghvi Forging and Engineering Limited.

Sd/-

Jayanti Sanghvi

Managing Director

Place: Vadodara

Date 10/08/2011

## **CERTIFICATE ON CORPORATE GOVERNANCE**

### **To the Members of SANGHVI FORGING AND ENGINEERING LIMITED**

We have examined the compliance of the conditions of Corporate Governance by SANGHVI FORGING AND ENGINEERING LIMITED for the year ended 31st March, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

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

We state that in respect of investor grievances received during the year ended 31st March 2011, no investor grievances are pending against the Company, as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

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

Date: 10/08/2011  
Place: Vadodara

**S. Samdani**  
Company Secretary  
Partner  
**Samdani Kabra & Asso.**  
Company Secretaries  
FCS/CP NO. 3677/2863

**AUDITOR'S REPORT**

To the members of  
Sanghvi Forging and Engineering Ltd.

We have audited the attached Balance Sheet of Sanghvi Forging and Engineering Ltd. as at 31st March 2011, the Profit and Loss Account 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.

1. 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.
2. As required by the Companies (Auditor's Report) Order, 2003 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
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of account, as required by the law, have been kept by the company, so far as appears from our examination of those books.
  - c. The Balance Sheet, the Profit & Loss Account and the cash flow statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Profit & Loss Account and the cash flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956
  - e. In our opinion, and based on information and explanation given to us, none of Directors are disqualified as on 31st March 2011 from being appointed as Directors in term of section 274(1)(g) of The Companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In so far as it relates to Balance Sheet, of the state of affairs of the company as at 31st March 2011;
    - (ii) In so far as it relates to the Profit & Loss Account, the profit of the company for the year ended on that date; and
    - (iii) In so far as it relates to the cash flow statement, of the cash flow of the company for the year ended on that date.

**For SHAH & BHANDARI**  
Chartered Accountants  
FRN: 118852W

Place:- VADODARA  
Date: - 24/06/2011

(Yogesh Bhandari)  
Partner  
Membership No. 046255

**ANNEXURE TO THE AUDITOR'S REPORT**

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

- 1.(a) The company is maintaining proper records showing full particulars. Including quantitative details of fixed assets.  
  
(b) As explained to us, fixed assets are physically verified by the management at the year-end, which in our opinion, is reasonable, looking to the size of the company and its nature of business, and no material discrepancies were noticed on such verification.  
  
(c) The company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
- 2.(a) As explained to us, Inventories has been physically verified during the year and at the year in our opinion the frequency of the verification is reasonable.  
  
(b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
  
(c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to book records were not Material, however, the same have been properly dealt with in the books of account.
3. (a) The company has not granted any loan secured or unsecured to companies, firm or other parties covered in the registered under section 301 of the Act.  
  
(b) The company has taken loan from 15 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹4,48,51,267/- (P.Y. ₹ 1,50,96,473) and the year-end balance of loans from such parties was ₹3,47,21,880 /- (P.Y. ₹ 71,27,064).  
  
(c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for purchases of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
- 5.(a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of rupees 5 Lakhs with the parties during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits during the year from the public, within the meaning of the provisions of Section 58A & 58AA of the Companies Act, 1956 and rules made there under. Hence, clause (vi) of the order is not applicable.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956. Hence clause (viii) of the order is not applicable.
- 9.(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, service tax, custom duty, excise duty and other material statutory dues applicable to it.  
  
(b) According to the information and explanations given to us, and the records of the company examined by us, no undisputed amounts payable in respect of aforesaid dues were outstanding as at March 31, 2011, except Income Tax, Service tax and Excise duty dues.



Name of Statute	Nature of Dues	Amount (₹ In 000')	Period to which Amount Relates	Forum where the dispute is pending
Income Tax Act, 1961	Disallowances	642.66	AY 2008-09	CIT Appeals
Central Excise Act, 1944	Wrong Availment of Cenvat Credit against Service Tax Paid of Foreign Commission	691.10	2007-08 & 2008-09	Appeal Before Commissioner of Customs & Central Excise (Appeals) Vadodara
Central Excise Act, 1944	Wrong availment of Cenvat Credit on Capital Goods	776.34	2007-08 & 2008-09	Appeal Before Commissioner of Customs & Central Excise (Appeals) Vadodara
Central Excise Act, 1944	Wrong Availment of Cenvat Credit against Input Services like CHA Agent etc	346.14	2007-08, 2008-09 , 2009-10 & 2010-11	Appeal Before Commissioner of Customs & Central Excise (Appeals) Vadodara
Central Excise Act, 1944	Service tax payable on account of Import of services	16.07	2008-09	Appeal Before Commissioner of Customs & Central Excise (Appeals) Vadodara

10.The company has no accumulated losses and has neither incurred any cash losses in the current and in the immediate preceding financial year.

11.The Company has not defaulted in repayment of it's dues to the banks. The company has not issued any debentures.

12.The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities hence the clause is not applicable.

13.The clause (xiii) of the order is not applicable to the company, as the company is not a chit fund company or nidhi / mutual benefit fund/society.

14.The clause (xiv) of the order is not applicable to the company, as the company has not given any shares, securities, debentures and other investments.

15. The clause (xv) of the order is not applicable to the company, as the company has not given any guarantee for loans taken by others from bank or financial institutions.

16.According to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained. .

17.According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment

18.The company has not made any preferential allotment of shares to parties covered in the register maintained under section 301of the Companies Act, 1956, hence clause (xviii) of the order is not applicable.

19.The company has not issued any debentures hence clause (xix) of the order is not applicable.

20.The company has not raised any money by public issues hence clause (xx) of the order is not applicable.

21.According to information and explanation given to us no fraud on or by the company has been noticed or reported during the year under report.

**For SHAH & BHANDARI**  
Chartered Accountants  
FRN: 118852W

Place:- VADODARA  
Date: - 24/06/2011

(Yogesh Bhandari)  
Partner  
Membership No. 046255



**BALANCE SHEET AS AT MARCH 31, 2011**

(₹ in 000')

Particulars	Schedule No.	March 31, 2011	March 31, 2010
<b>SOURCES OF FUNDS:</b>			
Shareholders' Fund:			
Share Capital	1	79,920.43	47,819.32
Reserves and Surplus	2	106,860.59	72,315.59
Loan Funds :			
Secured Loans	3	115,736.96	96,585.17
Unsecured Loans	4	34,721.88	7,127.07
Deferred Tax Liabilities		17,004.07	16,438.55
<b>Total</b>		<b>354,243.93</b>	<b>240,285.70</b>
<b>APPLICATIONS OF FUNDS :</b>			
Fixed Assets :	5		
Gross Block		141,837.82	132,143.57
(Less): Depreciation		28,804.16	22,473.61
Net Block		113,033.66	109,669.96
Capital Work-in-Progress		117,608.22	369.28
		230,641.88	110,039.24
Investments :	6	1,446.30	765.00
Current Assets , Loans and Advances :			
Inventories	7	79,430.04	52,744.62
Sundry Debtors	8	108,395.54	105,348.28
Cash and Bank Balances	9	6,043.26	2,511.24
Other Current Assets	10	1,537.42	1,701.80
Loans and Advances	11	4,865.63	5,146.17
		200,271.89	167,452.11
Less : Current Liabilities and Provisions			
Liabilities	12	68,756.10	27,557.61
Provisions	13	15,651.76	10,413.04
		84,407.86	37,970.65
Net Current Assets		115,864.03	129,481.46
Miscellaneous Expenditure	14	6,291.72	
(to the extent of not written off or adjusted)			
<b>Total</b>		<b>354,243.93</b>	<b>240,285.70</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENT -23**

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

As per our Report of even date attached

**Shah & Bhandari**  
Chartered Accountants

**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

For and behalf of the Board of Directors

**Babulal Sanghvi**      **Jayanti Sanghvi**  
(Chairman)              (Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

		(₹ in 000')	
Particulars	Schedule No.	March 31, 2011	March 31, 2010
<b>INCOME :</b>			
Gross Sales	15	415,411.91	300,006.30
Less : Excise Duty		29,519.15	20,803.30
Net Sales		385,892.76	279,203.00
Sale of Power		2,209.64	2,697.10
Operating Income	16	10,679.28	8,818.65
Other Income	17	2,461.46	1,492.99
		<b>401,243.14</b>	<b>292,211.74</b>
<b>EXPENDITURE:</b>			
Materials	18	223,785.02	159,757.65
Manufacturing Expenses	19	46,992.15	35,940.99
Personnel Expenses	20	17,064.12	11,354.44
Administrative and Other Expenses	21	30,729.75	24,683.30
Depreciation and Amortization	5	6,487.87	6,493.29
Interest & Financial Expenses	22	15,550.48	12,400.97
		<b>340,609.39</b>	<b>250,630.64</b>
<b>Profit Before Tax</b>		60,633.75	41,581.10
<b>Provision for Tax</b>			
- Current Tax		20,719.46	13,525.00
- Deferred Tax		565.52	1,031.68
		<b>21,284.98</b>	<b>14,556.68</b>
<b>Profit after Tax</b>		<b>39,348.77</b>	<b>27,024.42</b>
Excess /(Short) provision for taxation and tax payments		21.18	(395.58)
Transfer to Gratuity Payable Account		-	(483.83)
Balance brought forward from Previous Year		<b>68,328.45</b>	<b>47,971.52</b>
<b>Balance available for Appropriations</b>		<b>107,698.40</b>	<b>74,116.53</b>
<b>Appropriation</b>			
Proposed Dividend on Equity Share		-	2,390.97
Dividend Distribution Tax		-	397.11
Transfer to General Reserve		-	3,000.00
Issue of Bonus Share		28,691.59	-
Balance of Profit Carried to the Balance Sheet		79,006.81	68,328.45
		<b>107,698.40</b>	<b>74,116.53</b>
Basic & Diluted Earning Per Share (Face Value of ` 10 per Share) (Refer Note 12 of Schedule 23)		<b>5.09</b>	<b>3.61</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENT -23**

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

As per our Report of even date attached

**Shah & Bhandari**  
Chartered Accountants

**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

For and behalf of the Board of Directors

**Babulal Sanghvi**      **Jayanti Sanghvi**  
(Chairman)              (Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

Particulars	March 31, 2011	March 31, 2010
<b>A. Cash Flow From Operating Activities:</b>		
<b>Net Profit Before Tax and Extra ordinary Items</b>	<b>60,633.76</b>	<b>41,581.10</b>
<b>Adjustments for:</b>		
Depreciation /Amortisation /Impairment (Includes Impairment Loss `Nil (P.Y. ` 207.21 Thousand)	6,487.87	6,700.50
Interest Expense	15,550.48	12,400.97
Interest Income	(507.06)	(891.14)
Preliminary Expenditure Write off	-	291.45
Loss on Sale of Assets	112.19	1,455.77
Extra Ordinary Items - Gratuity Provision	-	(483.83)
<b>Operating Profit Before Working Capital Changes</b>	<b>82,277.23</b>	<b>61,054.82</b>
<b>Adjustment for Changes of Working Capital</b>		
Decrease/ (Increase) in Inventories	(26,685.44)	(5,448.07)
Decrease/ (Increase) Sundry Debtors	(3,047.26)	(36,608.93)
Decrease/ (Increase) Other Receivables	599.68	7,853.77
Increase/ (Decrease) in Trade and Other Payables	41,226.07	6,981.95
<b>Cash Generated From Operation</b>	<b>94,370.28</b>	<b>33,833.54</b>
Income Tax Paid	(12,853.82)	(9,083.87)
<b>Net Cash Generated From Operating Activities</b>	<b>81,516.46</b>	<b>24,749.67</b>
<b>B. Cash Flow From Investing Activities</b>		
Acquisition of Fixed Assets	(127,321.70)	(12,577.35)
Investment in Sanghvi Middle East	(681.30)	(699.00)
Interest Received	507.06	891.14
Sale of Fixed Assets	119.00	301.45
Preliminary Expenditure	(6,291.72)	-
<b>Net Cash Used in Investing Activities</b>	<b>(133,668.66)</b>	<b>(12,083.76)</b>
<b>C. Cash Flow From Financing Activities</b>		
Increase in Share Capital	3,409.53	8,500.00
Security Premium	23,866.64	-
Repayment to Term Loan	(12,737.59)	(10,433.15)
(Repayments)/ borrowing from Unsecured Loan	27,594.82	(7,535.64)
(Repayments)/ borrowing from Bank	31,889.38	8,313.67
Interest paid	(15,550.48)	(12,400.97)
Dividends paid	(2,390.97)	-
Additional tax on Dividend	(397.11)	-
<b>Net Cash used in Financing Activities</b>	<b>55,684.22</b>	<b>(13,556.11)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>3,532.02</b>	<b>(890.20)</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year*</b>	<b>2,511.24</b>	<b>3,401.44</b>
<b>Cash &amp; Cash Equivalents at the end of the year*</b>	<b>6,043.26</b>	<b>2,511.24</b>

\* Notes: Cash and Cash Equivalents includes Fixed Deposits of ` 5509.13 (Previous Year ` 1949.88) Thousands which are charged against guarantees issued by Bank

As per our Report of even date attached  
**Shah & Bhandari**  
Chartered Accountants

For and behalf of the Board of Directors

**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

**Babulal Sanghvi** (Chairman) **Jayanti Sanghvi** (Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**

(` in 000')

<b>Schedule 1 - Share capital</b>	<b>March 31,2011</b>	<b>March 31,2010</b>
<b>Authorised :</b> 20,000,000 No. of Equity Shares of ₹10 each (Previous Year: 5,000,000 No. of Equity Shares of ₹10 each)	<b>200,000.00</b>	<b>50,000.00</b>
<b>Issued Subscribed and Paid up:</b> 7,992,043(Previous Year: 4,781,932) Equity Shares of ₹10 each fully paid up.	79,920.43	47,819.32
	<b>79,920.43</b>	<b>47,819.32</b>

**Of the above**

- (1) 850,000 No. of Equity Shares of ₹10/- each were issued as fully paid by way of conversion of Unsecured loan in the F.Y. 2009-2010.
- (2) 2,948,949 No. of Equity Shares of ₹10/- each were issued as fully paid Bonus Shares by way of Capitalization of General reserve in the F.Y.2007-2008 , without payment being received in cash.
- (3) 28,69,159 No. of Equity Shares of ₹10/- each were issued as fully paid Bonus Shares by way of Capitalization of Profit and Loss account in the F.Y.2010-2011, without payment being received in cash.
- (4) 340952 No. of Equity Shares of ₹10/- each were issued at the premium of ₹70 per Share in the F.Y. 2010-2011.

(` in 000')

<b>Schedule - 2 Reserves and Surplus</b>	<b>March 31,2011</b>	<b>March 31,2010</b>
<b>General Reserve</b> Add: Appropriated from the Profit and Loss Account	3,987.14 -	987.14 3,000.00
<b>Securities Premium</b> Add : Addition During the Year	3,987.14 23,866.64	3,987.14 -
<b>Surplus as per Profit &amp; Loss Account</b>	23,866.64 79,006.81 <b>106,860.59</b>	- - <b>68,328.45</b> <b>72,315.59</b>



**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**  
(₹ in 000')

<b>Schedule - 3 Secured Loans</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Working Capital Loan from Bank</b> -Secured against Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land, factory Building. -Personal Guarantees of Directors including pledge of their Shares (Refer to Note 13 of Schedule 23)	101,536.73	69,647.35
<b>Term Loan from Bank</b> -Secured against Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land, factory Building. -Personal Guarantees of Directors including pledge of their Shares (Refer to Note 13 of Schedule 23) (₹9760.00 (P.Y. ₹9760.00) thousands Payable within year)	14,200.23	24,042.13
<b>Term Loan from Others</b> (Secured against equitable mortgage of Land)	-	2,895.69
	<b>115736.96</b>	<b>96585.17</b>
		(₹ in 000')
<b>Schedule - 4 Unsecured Loans (others)</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Loans from Directors and their Relatives	34,721.88	7,127.07
	<b>34,721.88</b>	<b>7,127.07</b>
		(₹ in 000')
<b>Schedule - 6 Investments</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Long-term Investment in Wholly owned Subsidiary (Unquoted) - Sanghvi Middle East (FZE) (One Equity Share of 150000 U.A.E Dirham, partly paid up)	1,446.30	765.00
	<b>1,446.30</b>	<b>765.00</b>
		(₹ in 000')
<b>Schedule - 7 Inventories</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Stock-in-trade</b>		
Raw materials	23,858.50	16,702.64
Work-in-process	49,998.21	33,650.90
Stores and Spare parts	1,351.28	2,238.46
Packing materials	44.79	152.62
Scrap	4,177.26	-
	<b>79,430.04</b>	<b>52,744.62</b>





**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**  
**Schedule 5 - Fixed Assets**

( ₹ in 000')

Particular	Gross Block (At Cost)			Depreciation / Amortization				Net Block	
	As at April 01, 2010	Additions	Adjustment/ Deductions	As at March 31, 2011	As at April 1, 2010	For the Year	Deductions	As at March 31, 2011	As at April 31, 2010
<b>Tangible Assets</b>									
Free hold land #	9017.92	554.18	-	9,572.09	-	-	-	9,572.09	9,017.92
Leasehold land*	300.00	-	-	300.00	40.03	15.00	-	244.97	259.97
Buildings-Factory	20576.86	4,539.77	-	25,116.63	2952.60	753.82	-	21,410.21	17,624.26
Buildings-Residential	311.77	-	-	311.77	37.13	15.59	-	259.05	274.64
Plant and Machinery	86070.06	3,287.53	-	89,357.60	15,418.84	4,013.78	-	69,924.98	70,651.22
Electrical Installation	2819.80	360.63	-	3,180.43	726.00	141.64	-	2,312.79	2,093.80
Office Equipment	751.20	220.11	-	971.32	66.26	40.08	-	864.98	684.95
Computers	2247.52	408.12	-	2,655.64	882.14	388.35	-	1,385.15	1,365.39
Furniture and Fixtures	2298.00	18.46	-	2,317.45	299.82	146.22	-	1,871.42	1,999.18
Vehicles	4499.44	666.97	388.51	4,777.90	920.65	442.23	157.32	3,572.34	3,578.79
<b>Intangible Assets</b>									
Software & Licenses	3250.00	27.00	-	3,277.00	1,130.14	531.18	-	1,615.68	2,119.86
<b>TOTAL</b>	<b>132,143.57</b>	<b>10,082.76</b>	<b>388.51</b>	<b>141,837.82</b>	<b>22,473.61</b>	<b>6,487.87</b>	<b>157.32</b>	<b>113,033.66</b>	<b>109,669.96</b>
<b>Previous Year</b>	<b>124,054.22</b>	<b>12,208.06</b>	<b>4,118.71</b>	<b>132,143.57</b>	<b>18,134.62</b>	<b>6,493.29</b>	<b>2,154.30</b>	<b>109,669.96</b>	<b>105,919.61</b>
<b>Capital work - in - progress including Advances to Suppliers</b>								<b>117,608.22</b>	<b>369.28</b>
								<b>230,641.88</b>	<b>110,039.24</b>

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

# Further for Land Amount `98.28 Thousand , convincing yet to be executed.

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

**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**

(₹ in 000')

<b>Schedule 8 - Sundry debtors (Unsecured, Considered Good )</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Over six months	17,117.09	7,931.42
Other debts	91,278.45	97,416.86
	<b>108,395.54</b>	<b>105,348.28</b>

(₹ in 000')

<b>Schedule 9 - Cash and Bank Balances</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Cash on Hand	384.78	208.66
<b>With Scheduled Banks in:</b>		
Current Accounts	149.35	352.71
Fixed Deposits Accounts (Margin money)	5,509.13	1,949.88
	<b>6,043.26</b>	<b>2,511.25</b>

(₹ in 000')

<b>Schedule 10 - Other Current Assets</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
VAT credit receivable	283.70	263.31
Balances with custom, excise and service tax	1,253.72	1,438.49
	<b>1,537.42</b>	<b>1,701.80</b>

(₹ in 000')

<b>Schedule 11 – Loans and Advances</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Advances recoverable in cash or in kind or for value to be received Deposits	3,980.82	4,403.87
	884.81	742.30
	<b>4,865.63</b>	<b>5,146.17</b>

(` in 000')

<b>Schedule 12 – Current Liabilities</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Sundry Creditors for goods	50,129.76	18,925.96
Sundry Creditors for Others	7,329.69	6,409.45
Statutory Liabilities	3,044.60	1,033.39
Other Liabilities	8,252.05	1,188.81
	<b>68,756.10</b>	<b>27,557.61</b>

**SANGHVI FORGING AND ENGINEERING LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011**

(₹ in 000')

<b>Schedule 13 – Provisions</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Provision for Other Liability	82.30	99.96
Provision for Income Tax (Net of Advance Tax ₹ 5150.00 (Previous Year ₹ 6000.00 Thousand))	15,569.46	7,525.00
Provision for Dividend	-	2,390.97
Provision for Dividend Distribution Tax	-	397.11
	<b>15,651.76</b>	<b>10,413.04</b>
		(₹ in 000')

<b>Schedule 14 – Miscellaneous Expenditure</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Share Issue Expenses	6,291.72	-
	6,291.72	

**SANGHVI FORGING AND ENGINEERING LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

<b>Schedule 15 – Sales</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Sales -Manufacturing	312,169.53	228,942.15
Sales -Trading	-	1,172.86
Export Sales -Manufacturing	54,102.03	45,660.29
Sales - Scrap	49,140.35	24,209.57
Sales-Job work	-	21.43
	<b>415,411.91</b>	<b>300,006.30</b>
		(₹ in 000')

<b>Schedule 16 – Operating Income</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Testing & Inspection Income	2,846.90	1,718.90
Packing Income	249.21	385.56
Freight Income	4,546.38	3,426.23
Export Incentives Income	3,036.79	3,287.96
	<b>10,679.28</b>	<b>8,818.65</b>
		(₹ in 000')

<b>Schedule 17 – Other Income</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Interest Income (TDS Deducted ₹ 69.24 (P. Y. ₹ 155.41))	507.06	891.14
Miscellaneous Income	132.99	22.42
Other Income (includes Government Subsidy)	1,821.41	579.43
	<b>2,461.46</b>	<b>1,492.99</b>

**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE**  
**YEAR ENDED MARCH 31, 2011**

(₹ in 000')

<b>Schedule 18 – Materials</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Raw materials consumed</b>		
Opening stock	16,702.63	10,080.32
Add: Purchases	251,465.46	165,222.48
	<b>268,168.09</b>	<b>175,302.80</b>
Less: Closing stock	23,858.50	16,702.63
	<b>244,309.59</b>	<b>158,600.17</b>
<b>Increase/ (Decrease) of stock:</b>		
Opening stock		
Work-in-process	33,650.90	33,756.37
Scrap	-	1052.01
Less: Closing Stock		
Work-in-process	49,998.21	33,650.90
Scrap	4,177.26	-
	<b>(20,524.57)</b>	<b>1,157.48</b>
	<b>223,785.02</b>	<b>159,757.65</b>

(₹ in 000')

<b>Schedule 19 – Manufacturing Expenses</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Testing Charges	1,194.50	1,065.02
Labour & Job Work Charges	10,451.93	7,595.87
Packing Expenses	3,190.65	1,665.11
Power & Fuel Expenses	21,567.82	16,012.58
Stores & Spares Consumed	10,587.24	9,602.41
	<b>46,992.14</b>	<b>35,940.99</b>

(₹ in 000')

<b>Schedule 20 – Personnel Expenses</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Salaries, wages and bonus	11,979.19	7,275.00
Contribution to Provident and Other Funds	738.64	563.69
Director's remuneration	3,722.92	2,976.00
Staff welfare expenses	623.37	539.75
	<b>17,064.12</b>	<b>11,354.44</b>

**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE**  
**YEAR ENDED MARCH 31, 2011**

(₹ in 000')

<b>Schedule 21 –Administrative and Other Expenses</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Repairs :		
- Buildings	865.90	619.48
- Machinery	2,336.72	2,384.04
- Others	1,055.14	515.64
Insurance	280.68	164.80
Rent	383.03	118.00
Rates and taxes	855.90	91.18
Commission on sales	6,316.46	3,460.23
Directors Sitting Fees	165.00	-
Outward Freight Expenses	3,828.59	2,049.25
Travailing and conveyance	1,877.40	1,544.87
Advertisement and sales promotion expenses	1,952.40	1,779.47
Legal and professional charges	1,978.09	2,434.14
Inspection Charges	742.26	484.56
Electrical & Electricity Expenses	206.90	445.51
Membership & Registration Fees	161.42	309.94
Foreign Exchange (Gain)/Loss	(111.34)	29.21
Clearing & Forwarding Expenses	1,514.44	2,013.83
Loading & Unloading Charges	664.94	549.67
Telephone & Internet Charges	568.59	549.40
Postage, Printing & Stationery	959.87	390.90
Late Delivery & Quality Claim Charges	1,247.26	886.72
Loss on Sale of Assets	112.19	1,455.77
Bad Debt	238.70	-
Impairment of Fixed Assets	-	207.21
Securities charges	527.90	432.45
Miscellaneous expenses	2,001.32	1,767.02
	<b>30,729.75</b>	<b>24,683.30</b>

(₹ in 000')

<b>Schedule 22 –Interest and Financial Charges</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
On Bank Finance	14,388.68	11,340.24
On Others	1,161.80	1,060.73
	<b>15,550.48</b>	<b>12,400.97</b>

**SCHEDULE-23: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**I. Basis of Accounting**

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

**II. Use of Estimates**

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

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

**A. Tangible Assets**

Fixed Assets including Intangible Assets are stated at historical cost (net of cenvat credit) less accumulated depreciation/amortization there on and impairment losses if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV the Companies Act, 1956. Except Residential building depreciated @5% of SLM.

**B. Intangible Assets**

Intangible assets consisting of ERP software is amortized on Straight Line Method from the date they are available for use, over the useful lives of the assets, as estimated by the Management at 16.25%. Leasehold land is amortized over the period of lease.

**IV. Leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lesser are charged against profits as per the terms of the lease agreement over the lease period.

**V. Inventories**

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

- i. Raw materials and components, stores and spares are valued at cost. The costs are ascertained using the First in First out (FIFO).
- ii. Work-in-progress and finished goods are valued at the lower of cost or Net Realizable Value.
- iii. Scrap is valued at Net Realizable Value.

**VI. Revenue Recognition**

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

**VII. Foreign Currency Transactions**



Transactions denominated in foreign currencies are recorded at the rate prevailing on date of transaction. In respect of Monetary items denominated in foreign currency at the yearend are translated at the yearend rates. The exchange differences arising on settlement / translation are recognized in the Profit and Loss Account.

#### **VIII. Taxes on Income**

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

#### **IX. Employee Benefits**

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year
- (b) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.

#### **X. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period which they are incurred.

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

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

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

#### **XII Impairment of Assets**

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

#### **XIII Investments**

Long Term Investments are valued at cost of acquisition. No provision for diminution in value, if any, has been made as these are long-term investments and in the opinion of the management any decline is temporary.

#### **XIV Government Grants /Subsidy**

The Government Grants/ Subsidy will be recognised on accrual basis.

**SANGHVI FORGING AND ENGINEERING LIMITED**  
**SCHEDULE ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENT AS AT MARCH 31, 2011**

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**1. Contingent Liabilities:-**

(₹ in 000')

Particular	As at March 31, 2011	As at March 31, 2010
<b>Guarantee Given By Bankers on Behalf of Company</b>		
- Bank Guarantee	28142.26	13330.36
- Letter of Credit	6514.24	-
<b>Disputed Liabilities</b>		
- Income Tax on Accounts of Disallowance	642.66	1050.73
- Excise Duty on Account of Cenvat Credit	1813.58	1769.95
- Service Tax on Account of Import of Services	16.07	16.07

**2. Estimated Amount of Contracts remaining to be executed on Capital Accounts and not provided for, net of advances**

Particular	As at March 31, 2011	As at March 31, 2010
On Account of Services (₹ in 000')	150.00	110.30
On Account of Capital Goods (₹ in 000')	4125.20	-
On Account of Capital Goods (€ in 000')	5780.00	7500.00

**3. Remuneration to Auditors:-**

(₹ in 000')

Particular	Year ended March 31, 2011	Year ended March 31, 2010
As Auditor	100.00	60.00
In Other Capacity		
- In any other manner	105.00	10.00
Total	205.00	70.00

**4. C.I.F. value of Imports**

(₹ in 000')

Particular	Year ended March 31, 2011	Year ended March 31, 2010
Capital Goods	242.74	2212.29
Tools & Spares	-	0.84
Raw Material	1321.61	-



**5. (a) Expenditure in Foreign Currency:-**

(₹ in 000')

Particular	Year ended March 31, 2011	Year ended March 31, 2010
Commission on Sales	1195.96	645.75
Foreign Travel Expenses	1228.29	666.76
Capital Goods	255.30	1860.19
Claim Settlements	341.50	717.45
Exhibitions & Sales Promotion	1140.76	1365.15

**(b) Expenditure in Foreign Currency:-**

(₹ in 000')

Particular	Year ended March 31, 2011	Year ended March 31, 2010
F.O.B. value of exports	54322.04	48074.80

**6. Exchange difference Gain/(Loss) on account of fluctuations in foreign currency rates:-**

1. Relating to Exports during the year as part of "Sales" ₹ 833.94 ( P.Y. 23.23 )Thousands
2. Recognised in Profit and Loss Account :

(₹ in 000')

Particular	Year ended March 31, 2011	Year ended March 31, 2010
On settlement / revaluation of current assets	(496.96)	(973.09)
On settlement / revaluation of current liabilities	(225.64)	1170.34
On settlement of Forwards contract during the year	-	(203.22)
On open forward contracts at the close of the year	-	-

**7. Information Relating to Consumption of Material.**

**Consumption of Raw Materials**

(₹ in 000')

Particular	Unit	Year ended March 31,2011		Year ended March 31,2010	
		Quantity	Value	Quantity	Value
Steel	Kgs	2,591,176	242,881.96	2,070,475	158,600.17
	Nos	160	494.01	—	—
	Mtr	381.00	933.62	—	—
	<b>Total</b>	<b>2,591,717</b>	<b>244,309.59</b>	<b>2,070,475</b>	<b>158,600.17</b>



**Consumption of imported and indigeneous materials**

(₹ in 000')

Particular	Unit	Year ended March 31, 2011		Year ended March 31, 2010	
		Value	%	Value	%
Imported items	Nos	494.01	0.20%	—	0.00%
	Mtr	933.62	0.38%	—	0.00%
Indegeneous Items	Kgs	242,881.96	99.42%	158,600.17	100.00%
<b>Total</b>		<b>244,309.59</b>	<b>100.00%</b>	<b>158,600.17</b>	<b>100.00%</b>

**Class of Goods:**

— (₹ in 000')

Particular	Unit	Production	Opening Stock		Closing Stock		Sales Value(Net)	
			Qty	Value	Qty	Value	Qty	Value
<b>For the Year ended March 31, 2011</b>								
Forging & Fittings	Nos	195,771	—	—	—	—	195,771	382,368.43
Forged Bars	Kgs	32,563	—	—	—	—	32,563	3,524.33
<b>Total</b>				—		—		<b>385,892.76</b>
<b>For the Year ended March 31, 2010</b>								
Forging & Fittings	Nos	150,591	—	—	—	—	150,591	262,969.66
Forged Bars	Kgs	93,853	—	—	—	—	93,853	15,060.47
<b>Total</b>				—		—	<b>244,444</b>	<b>278,030.13</b>

\*Sales Value (Net) of Forging & Fittings includes Scrap Sales and Job work charges.

**Particulars in respect of Trading Goods**

— (₹ in 000')

Particular	Unit	Opening Stock		Closing Stock		Sales Trading	
		Qty	Value	Qty	Value	Qty	Value
Steel Pipe for the Year ended March 31, 2011	Mtr	—	—	—	—	—	—
Steel Pipe for the Year ended March 31, 2010	Mtr	—	—	—	—	814.03	1,172.86



**Particulars in respect of Sales of Power Generation**

(₹ in 000')

Particular	Unit	Sales Value
Generation of Power Unit For the Year Ended March 31,2011	424437 KWH	2209.64
Generation of Power Unit For the Year Ended March 31,2010	526341 KWH	2697.10

License Capacity : N.A.  
Installed Capacity : 3600 MT (P.Y. 3600 MT)

(As Certified by Mangement and this being technical matter relied upon by the Auditors)

**8. Managerial Remuneration:-**

Computation of Net Profit in accordance with Section 198(1) and Section 349 of Companies Act, 1956

(₹ in 000')

Particular	Chairman & Whole Time Director	Managing Director & Whole Time Director	Whole Time Director	Previous Year
Salary	165.60	270.00	540.00	1835.62
House Rent Allowance	-	108.00	216.00	309.60
Contribution to: Provident Fund	19.87	32.40	64.80	177.98
Other Allowances	364.66	607.20	1214.40	541.20
L.T.A.	30.00	30.00	60.00	111.60
<b>Total</b>	<b>580.13</b>	<b>1047.60</b>	<b>2095.20</b>	<b>2976.00</b>

**9. Computation of net profit U/S 198 read with Section 309(5) of the Companies Act, 1956**

(₹ in 000')

Particulars	Year Ended March 31,2011		Year Ended March 31,2010	
Profit Before Tax as per Profit and Loss Account	60,633.75		41,581.10	
Add: Managerial Remunerations	3,722.92		2,976.00	
Add: Loss on Sale of Assets	112.19		1,455.77	
Add: Impairment of Fixed Assets	-		207.21	
Add :Depreciation as per books of Accounts	6,487.87		6,493.29	
		70,844.55		52,713.37
Less: Depreciation as per Section 350 of Companies Act 1956	6,487.87	6,487.87	6,493.29	6,493.29



Particulars	Year Ended March 31,2011		Year Ended March 31,2010	
Net Profit		64,356.67		46,220.08

**Remunerations payable to Whole time Directors including managerial person**

Maximum managerial remuneration payable @ 10%of net profit of Companies Act,1956	6,435.67	4,622.01
Actual paid as approved by the Board	3,722.93	2,976.00

10. The Company has recognised Deferred Taxes, which result from timing difference between the Book Profits and Tax Profits for the year aggregating ` 565.52 in the profit and loss account, the details of which are as under :-

(₹ in 000)

Deferred Tax Liability	Year Ended March 31,2011	Year Ended March 31,2010
DTL due to Depreciation	17,168.46	16,492.11
DTA due to Payment Basis	164.39	53.56
<b>Net Current DTL</b>	<b>17,004.07</b>	<b>16,438.55</b>

11. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at March 31, 2011. The disclosure pursuant to the said Act is as under :

(₹ in 000)

Particulars	Year Ended March 31,2011	Year Ended March 31,2010
Principal Amount due to suppliers under MSMED Act, 2006	468.52	366.54
Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day	81.00	116.51
Interest accrued and due to suppliers under MSMED Act, on the above amount	0.36	1.05
Interest paid to suppliers under MSMED Act (Section 16)	0.53	-
Interest due and payable to suppliers under MSMED Act , for the payments already made	-	0.53
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.36	0.53

Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.



**12. Computation of Earning Per Share**

(₹ in 000)

Particulars	Year Ended March 31,2011	Year Ended March 31,2010
Profit After Tax	39,384.77	27,024.42
Less : Prior Period Items If Any	(21.18)	879.41
Profit used as Numerator for calculating Earning per Share	39,369.95	26,145.01
Weighted Average Number of Share used in computing Basic Earnings Per Share	7737964	7248214
Weighted Average Number of Share used in computing Diluted Earnings Per Share	10	10
Nominal Value per Share ( In ₹)	5.09	3.61
Basic Earning per Share (In ₹)	5.09	3.61
Diluted Earning per Share (In ₹)	5.09	3.61

**13. Related Party Disclosure**

<b>Subsidiary Company</b>	: Sanghvi Middle East (FZE)
<b>Key Management Personnel</b>	: Mr. Babulal S. Sanghvi : Mr. Jayanti B. Sanghvi : Mr. Naresh B. Sanghvi : Mr. Vikram B. Sanghvi
<b>Relative of Key Management Personnel</b>	: Smt. BhamriDevi B. Sanghvi (Wife of Director & Mother of Directors) : Smt. Meena J. Sanghvi (Wife of Director) : Smt. Kiran N. Sanghvi (Wife of Director) : Mr. Mahesh B Sanghvi (Son of Director & Brother of Directors)
<b>Enterprises under Significant Influence of Key Management Personnel or their Relatives</b>	: Gautam Stainless Private Limited : Rajeshwari Forgings Pvt Ltd : Babulal Sanghvi (HUF) : Mr. Jayanti. Sanghvi (HUF) : Mr. Naresh Sanghvi (HUF) : Mr. Vikram Sanghvi (HUF) : Gautam Pipeline Product (Prop: Babulal Sanghvi (HUF) : Kanak Engineering Works (Prop: Meena J. Sanghvi)

**SCHEDULE ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENT AS AT MARCH 31, 2011**  
**Accounting Standard AS-18 "Related party Disclosures"**

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise under Significant Influence of Key management Personnel or their Relatives		Total (₹ in000')	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
<b>Purchase of Goods/DEPB</b>										
Gautam Stainless Pvt Ltd	—	—	—	—	—	—	—	209.58	—	209.58
Gautam Pipeline Product	—	—	—	—	—	—	—	193.07	—	193.07
	—	—	—	—	—	—	—	16.51	—	16.51
<b>Receiving of Services</b>										
Gautam Stainless Pvt Ltd	—	—	—	—	—	—	781.15	956.60	781.15	956.60
Kanak Engineering Works	—	—	—	—	—	—	781.15	—	781.15	—
								956.60		956.60
<b>Sale of Goods/ DEPB</b>										
Sanghvi Middle East (FZE)	2,340.32	4,117.38	—	—	—	—	—	761.94	2,340.32	4,879.32
Gautam Stainless Pvt Ltd	2,340.32	4,117.38	—	—	—	—	—	—	2,340.32	4,117.38
	—	—	—	—	—	—	—	761.94	—	761.94
<b>Rendering of Services</b>										
Gautam Stainless Pvt Ltd	—	—	—	—	—	—	10.30	21.46	10.30	21.46
	—	—	—	—	—	—	10.30	21.46	10.30	21.46
<b>Loans given /Repaid</b>										
Babulal S. Sanghvi	—	—	1,085.00	5,636.40	709.52	2,839.26	—	1,406.64	1,794.52	9,882.30
Jayanti B. Sanghvi	—	—	200.00	1,231.40	—	—	—	—	200.00	1,231.40
Naresh B. Sanghvi	—	—	400.00	1,430.00	—	—	—	—	400.00	1,430.00
Vikram B. Sanghvi	—	—	285.00	1,475.00	—	—	—	—	285.00	1,475.00
BhamiDevi B. Sanghvi	—	—	200.00	1,500.00	—	—	—	—	200.00	1,500.00
Meena J. Sanghvi	—	—	—	—	—	800.00	—	—	—	800.00
Kiran N. Sanghvi	—	—	—	—	241.48	800.00	—	—	241.48	800.00
Mahesh B Sanghvi	—	—	—	—	468.04	1,230.00	—	—	468.04	1,230.00
Sheetal V Sanghvi	—	—	—	—	—	9.26	—	—	—	9.26
Babulal Sanghvi (HUF)	—	—	—	—	—	—	—	—	—	—
Jayanti B. Sanghvi (HUF)	—	—	—	—	—	—	—	406.6	—	406.64
Naresh B. Sanghvi (HUF)	—	—	—	—	—	—	—	500.00	—	500.00
Vikram B. Sanghvi (HUF)	—	—	—	—	—	—	—	500.00	—	500.00



**SCHEDULE ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENT AS AT MARCH 31, 2011**  
**Accounting Standard AS-18 "Related party Disclosures"**

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise under Significant Influence of Key management Personnel or their Relatives		Total (₹ in000')	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
<b>Loans Received/Taken</b>										
Babulal S. Sanghvi	—	2,392.01	3,525.00	8,375.00	—	—	—	—	1,750.00	388.73
Jayantil B. Sanghvi	—	1,750.00	1,750.00	—	—	—	—	—	800.00	706.03
Naresh B. Sanghvi	—	809.67	400.00	—	—	—	—	—	400.00	809.67
Vikram B. Sanghvi	—	487.58	575.00	—	—	—	—	—	575.00	487.58
BhamiDevi B. Sanghvi	—	—	—	2,250.00	51.10	—	—	—	2,250.00	51.10
Meena J. Sanghvi	—	—	—	3,500.00	59.75	—	—	—	3,500.00	59.75
Kiran N. Sanghvi	—	—	—	1,000.00	102.59	—	—	—	1,000.00	102.59
Mahesh B Sanghvi	—	—	—	—	9.26	—	—	—	—	9.26
Sheetal V Sanghvi	—	—	—	1,625.00	—	—	—	—	1,625.00	—
Babulal Sanghvi (HUF)	—	—	—	—	—	15,600.00	7.40	15,600.00	15,600.00	7.40
Jayantil B. Sanghvi (HUF)	—	—	—	—	—	415.00	259.21	415.00	415.00	259.21
Naresh B. Sanghvi (HUF)	—	—	—	—	—	390.00	309.55	390.00	390.00	309.55
Vikram B. Sanghvi (HUF)	—	—	—	—	—	745.00	251.89	745.00	745.00	251.89
<b>Share Application Money</b>										
Gautam Stainless Pvt Ltd	—	—	—	—	—	—	15,000.00	15,000.00	—	15,000.00
<b>Share Application Money</b>										
Gautam Stainless Pvt Ltd	—	—	—	—	—	—	15,000.00	15,000.00	—	15,000.00
<b>Investment</b>										
Sanghvi Middle East (FZE)	1,446.30	765.00	—	—	—	—	—	—	1,446.30	765.00
<b>Interest Expenses</b>										
Babulal S. Sanghvi	—	381.78	431.25	344.02	246.42	751.00	142.09	1,526.27	1,526.27	770.29
Jayantil B. Sanghvi	—	107.23	167.34	—	—	—	—	167.34	167.34	107.23
Naresh B. Sanghvi	—	97.61	111.55	—	—	—	—	111.55	111.55	97.61
Vikram B. Sanghvi	—	67.21	63.44	—	—	—	—	63.44	63.44	67.21
BhamiDevi B. Sanghvi	—	109.73	88.91	—	—	—	—	88.91	88.91	109.73
Meena J. Sanghvi	—	—	—	137.83	56.78	—	—	137.83	137.83	56.78
Kiran N. Sanghvi	—	—	—	71.05	66.39	—	—	71.05	71.05	66.39
Sheetal V Sanghvi	—	—	—	39.68	113.99	—	—	39.68	39.68	113.99
Babulal Sanghvi (HUF)	—	—	—	95.47	9.26	499.00	8.25	95.47	95.47	9.26
Jayantil B. Sanghvi (HUF)	—	—	—	—	—	87.01	65.79	499.00	499.00	8.25
Naresh B. Sanghvi (HUF)	—	—	—	—	—	91.35	66.16	87.01	87.01	65.79
Vikram B. Sanghvi (HUF)	—	—	—	—	—	73.63	1.89	91.35	91.35	66.16
	—	—	—	—	—	—	—	73.63	73.63	1.89

**SCHEDULE ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENT AS AT MARCH 31, 2011**  
**Accounting Standard AS-18 "Related party Disclosures"**

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise under Significant Influence of Key management Personnel or their Relatives		Total (₹ in000')	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
<b>Rental Paid</b>										
BhamiDevi B. Sanghvi	—	—	—	—	108.00	108.00	—	—	108.00	108.00
Jayanti B. Sanghvi	—	—	36.00	—	108.00	108.00	—	—	108.00	—
<b>Director's Remuneration</b>	—	—	3,722.92	2,976.00	—	—	—	—	3,722.92	2,976.00
<b>Outstanding (Receivables)/Payables (Net)</b>	5,759.70	3,291.85	5,594.21	2,846.08	8,952.12	846.35	18,805.69	2,854.33	39,111.70	9,858.61
Sanghvi Middle East (FZE)	5,759.70	3,291.85	—	—	—	—	—	—	5,759.70	3,291.85
Babulal S. Sanghvi	—	—	2,264.60	643.99	—	—	—	—	2,264.60	643.99
Jayanti B. Sanghvi	—	—	1,330.82	830.42	—	—	—	—	1,330.82	830.42
Naresh B. Sanghvi	—	—	848.59	676.49	—	—	—	—	848.59	676.49
Vikram B. Sanghvi	—	—	1,150.20	695.18	—	—	—	—	1,150.20	695.18
BhamiDevi B. Sanghvi	—	—	—	—	2,547.30	173.25	—	—	2,547.30	173.25
Meena J. Sanghvi	—	—	—	—	3,563.94	236.03	—	—	3,563.94	236.03
Kiran N. Sanghvi	—	—	—	—	1,024.74	457.07	—	—	1,024.74	457.07
Sheetal V. Sanghvi	—	—	—	—	1,816.14	—	—	—	1,816.14	—
Gautam Stainless Pvt Ltd	—	—	—	—	—	—	—	(18.55)	—	(18.55)
Rajeshwari Forgings Pvt.ltd	—	—	—	—	—	—	—	1,295.88	—	1,295.88
Kanakk Engineering Works	—	—	—	—	—	—	8.25	156.35	8.25	156.35
Babulal Sanghvi (HUF)	—	—	—	—	—	—	15,600.00	—	15,600.00	—
Jayanti B. Sanghvi (HUF)	—	—	—	—	—	—	1,052.51	559.21	1,052.51	559.21
Naresh B. Sanghvi (HUF)	—	—	—	—	—	—	1,081.77	609.55	1,081.77	609.55
Vikram B. Sanghvi (HUF)	—	—	—	—	—	—	1,063.16	251.89	1,063.16	251.89
<b>No. of Shares Pledged with Bank by Directors</b>	—	—	1,339,140	1,339,140	—	—	—	—	1,339,140	1,339,140
Babulal S. Sanghvi	—	—	444,975	444,975	—	—	—	—	444,975	444,975
Jayanti B. Sanghvi	—	—	450,666	450,666	—	—	—	—	450,666	450,666
Naresh B. Sanghvi	—	—	443,499	443,499	—	—	—	—	443,499	443,499

#### 14. Accounting Standard (AS-15) on Employee benefits

Contributions are made to Recognised Provident Fund/ Government Provident Fund which covers all employees. While both the employees and the Company make predetermined contributions to the Provident Fund. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to ₹ 589.09 Thousands (P.Y. ₹ 428.12 Thousands).

(₹ in 000')

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Contribution to Provident Fund,	585.09	428.12

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

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

(₹ in 000')

In respect of gratuity (funded):	For the Year ended March 31, 2011	For the Year ended March 31, 2010
----------------------------------	--------------------------------------	--------------------------------------

#### Reconciliation of liability recognised in the Balance Sheet

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Present value of commitments (as per Actuarial Valuation)	(797.91)	(619.39)
Fair value of plan assets	500.22	164.00
Net (liability) / asset in the Balance sheet	<b>(297.69)</b>	<b>(455.39)</b>

#### Movement in net liability recognised in the Balance sheet

(₹ in 000')

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Net liability as at the beginning of the year	(455.39)	(483.82)
Net expense recognised in the Profit and Loss account	(153.55)	(135.57)
Contribution during the year	311.25	164.00
Net (liability) / asset in the Balance sheet	<b>(297.69)</b>	<b>(455.39)</b>

#### Expense recognised in the Profit and Loss account

(₹ in 000')

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Current Service cost	144.35	138.01
Interest cost	49.55	38.71
Expected return on plan assets	(28.77)	(7.38)
Actuarial (gains)/ losses	(11.59)	(33.77)
Expense charged to the Profit and Loss account	153.55	135.57

#### Return on plan assets

(₹ in 000')

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Expected return on plan assets	28.77	7.38
Actuarial gains/ (losses)	(3.80)	(7.38)
Actual return on plan assets	<b>24.97</b>	—

**Reconciliation of defined-benefit commitments**

(₹ in 000')

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Commitments as at the beginning of the year	619.39	483.83
Current service cost	144.35	138.01
Interest cost	49.55	38.71
Paid benefits	—	—
Actuarial (gains)/ losses	(15.39)	(41.15)
Commitments as at the year end	<b>797.91</b>	<b>619.39</b>

Discount rate	8.00%	7.75%
Expected return on plan assets	9.00%	9.00%
Expected rate of salary increase	6.50%	6.50%
Mortality LIC	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate

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

i) Payment under operating lease / leave and license for period :

a) Not later than one year (₹ in '000)	<b>10.00</b>	<b>10.00</b>
b) Later than one year but not later than five years (₹ in '000)	<b>40.00</b>	<b>40.00</b>

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

iii) Payments recognized in the Profit and Loss Account for the year ended 31st March, 2011 (₹ in '000) **10.00** **10.00**

**Reconciliation of plan assets**

(₹ in 000')

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Plan assets as at the beginning of the year	164.00	—
Expected return on plan assets	28.77	7.38
Contributions during the year	311.25	164.00
Paid benefits	—	—
Actuarial (gains)/ losses	(3.80)	(7.38)
Plan assets as at the year end	<b>500.22</b>	<b>164.00</b>

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

**16. Segment disclosures:**

**a) Business Segment:**

The Company has identified "Forgings and Fittings" as the only primary reportable business segment.

**b) Geographical Segment:**

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



**GEOGRAPHICAL SEGMENT INFORMATION:**

(₹ in 000')

Particulars	Domestic	Export	Total
Segment Revenue (Net) For the Year ended March 31,2011	331,790.73	54,102.03	<b>385892.76</b>
Segment Revenue (Net) For the Year ended March 31,2010	233542.71	45660.29	<b>279203.00</b>

- 17.** Information required in terms of part IV of Schedule VI to the Companies Act, 1956 is attached.
- 18.** Previous financial year's figures have been regrouped wherever necessary to make them comparable with those of the current year

As per our Report of even date attached  
**Shah & Bhandari**  
Chartered Accountants

Director)  
**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

For and behalf of the Board of Directors

**Babulal Sanghvi**      **Jayanti Sanghvi**  
(Chairman)              (Managing

**Kiran Mohanty**  
(Company Secretary)



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
( In terms of Part IV of Schedule VI)

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No   
Balance Sheet Date

State Code

**II. Capital Raised during the year ( ₹ in '000')**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**III. Position of Mobilisation and Deployment of Funds ( ₹ in '000)**

**Sources of Funds**

Total Liabilities

Total Assets

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

Nil

**IV. Performance of company ( ₹ in '000')**

Turnover\*

Total Expenditure

\* Includes Other Income

Profit/Loss before Tax

Profit/Loss After Tax

Earnings per Share in Rs.

Dividend Rate %

**IV. Generic Names of Three principal Products/Services of the Company ( as per monetary terms)**

Item Code No. (ITC Code)	<input type="text" value="7307,22.00"/>
Product description	<input type="text" value="Flanges"/>
Item Code No. (ITC Code)	<input type="text" value="7307,22.00"/>
Product description	<input type="text" value="Butt Wlding Fittings"/>
Item Code No. (ITC Code)	<input type="text" value="7307,22.00"/>
Product description	<input type="text" value="Threaded, Elbows,Bends &amp; Sleeves"/>

**AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SANGHVI FORGING & ENGINEERING LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SANGHVI FORGING & ENGINEERING LIMITED AND ITS SUBSIDIARY**

1. We have audited (refer para 3) the attached consolidated Balance Sheet of Sanghvi Forging & Engineering Limited and its subsidiary (the Group), as at March 31, 2011, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Sanghvi Forging & Engineering Limited's (group) management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the 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 misstatements. 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. We did not audit the financial statements of subsidiary, whose financial statements reflect the Group's share of total assets of Rs. 614.70 thousands, total revenues of Rs. 341.62 thousand and net cash inflow amounting to Rs. 1103.07 thousand for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiary has been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based solely on the reports of other auditors.

4. We report that the consolidated financial statements have been prepared by the Sanghvi Forging & Engineering Limited's (Group) management in accordance with the requirements of Accounting Standard 21 issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Sanghvi Forging & Engineering Limited and its subsidiary included in the Consolidated Financial Statement.

5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanation given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of Sanghvi Forging & Engineering Limited Group as at March 31, 2011;

(b) in the case of the consolidated Profit and Loss Account, of the profit of Sanghvi Forging & Engineering Limited Group for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows of Sanghvi Forging & Engineering Limited Group for the year ended on that date.

For **SHAH & BHANDARI**  
Chartered Accountants  
FRN: 118852W

**(Yogesh Bhandari)**  
Partner  
M No. 046255

Place: - Vadodara  
Date: - June 24, 2011

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

(₹ in 000')

Particulars	Schedule No.	March 31, 2011	March 31, 2010
<b>SOURCES OF FUNDS:</b>			
<b>Shareholders' Fund:</b>			
Share Capital	1	79,920.43	47,819.32
Reserves and Surplus	2	104,177.26	70,264.26
<b>Loan Funds :</b>			
Secured Loans	3	115,736.96	96,585.17
Unsecured Loans	4	35,600.46	8,013.30
<b>Deferred Tax Liabilities</b>		17,004.07	16,438.55
<b>Total</b>		<b>352,439.18</b>	<b>239,120.60</b>
<b>APPLICATIONS OF FUNDS :</b>			
<b>Fixed Assets :</b>	5		
Gross Block		141,837.82	132,143.57
(Less): Depreciation		28,804.16	22,473.61
Net Block		<b>113,033.66</b>	<b>109,669.96</b>
Capital Work-in-Progress		117,608.22	369.28
		230,641.88	110,039.24
<b>Current Assets , Loans and Advances :</b>			
Inventories	6	83,322.60	55,010.30
Sundry Debtors	7	102,968.16	102,056.43
Cash and Bank Balances	8	7,146.33	3,341.11
Other Current Assets	9	1,537.42	1,701.80
Loans and Advances	10	4,908.11	5,189.03
		<b>199,882.63</b>	<b>167,298.67</b>
<b>Less : Current Liabilities and Provisions</b>			
Liabilities	11	68,725.28	27,804.27
Provisions	12	15,651.76	10,413.04
		84,377.04	38,217.31
<b>Net Current Assets</b>		115,505.59	129,081.36
<b>Miscellaneous Expenditure</b>	13	6,291.72	
(to the extent of not written off or adjusted)			
<b>Total</b>		<b>352,439.18</b>	<b>239,120.60</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENT -22**

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

As per our Report of even date attached  
**Shah & Bhandari**  
Chartered Accountants

**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

For and behalf of the Board of Directors

**Babulal Sanghvi**      **Jayanti Sanghvi**  
(Chairman)              (Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

Particulars	Schedule No.	March 31, 2011	March 31, 2010
<b>INCOME :</b>			
Gross Sales	14	413,413.21	297,934.99
Less : Excise Duty		29,519.15	20,803.30
Net Sales		383,894.06	277,131.69
Sale of Power		2,209.64	2,697.10
Operating Income	15	10,679.28	8,818.65
Other Income	16	2,461.46	1,492.99
		<b>399,244.14</b>	<b>290,140.43</b>
<b>EXPENDITURE:</b>			
Materials	17	222,175.81	158,331.35
Manufacturing Expenses	18	46,992.15	35,940.99
Personnel Expenses	19	17,064.12	11,354.44
Administrative and Other Expenses	20	31,054.23	26,264.67
Depreciation and Amortization	5	6,487.87	6,493.29
Interest & Financial Expenses	21	15,550.48	12,400.97
		<b>339,324.66</b>	<b>250,785.71</b>
<b>Profit Before Tax</b>		59,919.78	39,354.72
<b>Provision for Tax</b>			
- Current Tax		20,719.46	13,525.00
- Deferred Tax		565.52	1,031.68
		<b>21,284.98</b>	<b>14,556.68</b>
<b>Profit after Tax</b>		<b>38,634.80</b>	<b>24,798.04</b>
Excess /(Short) provision for taxation and tax payments		21.18	(395.58)
Transfer to Gratuity Payable Account		-	(483.83)
Balance brought forward from Previous Year		<b>66,102.08</b>	<b>47,971.52</b>
<b>Balance available for Appropriations</b>		<b>104,758.06</b>	<b>71,890.15</b>
<b>Appropriation</b>			
Proposed Dividend on Equity Share		-	2,390.97
Dividend Distribution Tax		-	397.11
Transfer to General Reserve		-	3,000.00
Issue of Bonus Share		28,691.59	-
Balance of Profit Carried to the Balance Sheet		76,066.47	66,102.07
		<b>104,758.06</b>	<b>71,890.15</b>
Basic & Diluted Earning Per Share (Face Value of ₹10 per Share) (Refer Note 12 of Schedule 23)		<b>5.00</b>	<b>3.61</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENT -23**

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

As per our Report of even date attached

**Shah & Bhandari**

Chartered Accountants

**Yogesh Bhandari**

Partner

Membership No. - 046255

Vadodara: June 24, 2011

For and behalf of the Board of Directors

**Babulal Sanghvi**  
(Chairman)

**Jayanti Sanghvi**  
(Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

Particulars	March 31, 2011	March 31, 2010
<b>A. Cash Flow From Operating Activities:</b>		
<b>Net Profit Before Tax and Extra ordinary Items</b>	<b>59,919.78</b>	<b>39,422.89</b>
<b>Adjustments for:</b>		
Depreciation /Amortisation /Impairment (Includes Impairment Loss `Nil (P.Y. ` 207.21 Thousand)	6,487.87	6,700.50
Interest Expense	15,550.48	12,400.97
Interest Income	(507.06)	(891.14)
Preliminary Expenditure Write off	-	291.45
Loss on Sale of Assets	112.19	1,455.77
Extra Ordinary Items - Gratuity Provision	-	(483.83)
Foreign currency translation reserve	81.97	172.89
<b>Operating Profit Before Working Capital Changes</b>	<b>81,645.23</b>	<b>59,069.50</b>
<b>Adjustment for Changes of Working Capital</b>		
Decrease/ (Increase) in Inventories	(28,312.30)	(7,713.76)
Decrease/ (Increase) Sundry Debtors	2,380.12	(33,317.08)
Decrease/ (Increase) Other Receivables	600.05	7,810.91
Increase/ (Decrease) in Trade and Other Payables	37,656.73	7,228.61
<b>Cash Generated From Operation</b>	<b>93,969.83</b>	<b>33,078.18</b>
Income Tax Paid	(12,853.82)	(9,083.87)
<b>Net Cash Generated From Operating Activities</b>	<b>81,116.01</b>	<b>23,994.31</b>
<b>B. Cash Flow From Investing Activities</b>		
Acquisition of Fixed Assets	(127,321.70)	(12,577.35)
Investment in Sanghvi Middle East	-	-
Interest Received	507.07	891.14
Sale of Fixed Assets	119.00	301.45
Preliminary Expenditure	(6,291.72)	-
<b>Net Cash Used in Investing Activities</b>	<b>(132,987.35)</b>	<b>(11,384.76)</b>
<b>C. Cash Flow From Financing Activities</b>		
Increase in Share Capital	3,409.53	8,500.00
Security Premium	23,866.64	-
Repayment to Term Loan	(12,737.59)	(10,433.15)
(Repayments)/ borrowing from Unsecured Loan	27,587.17	(6,649.41)
(Repayments)/ borrowing from Bank	31,889.38	8,313.66
Interest paid	(15,550.48)	(12,400.97)
Dividends paid	(2,390.97)	-
Additional tax on Dividend	(397.11)	-

Continue



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

Net Cash used in Financing Activities	55,676.56	(12,669.87)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	3,805.22	(60.32)
Cash & Cash Equivalents at the beginning of the year*	3,341.11	3,401.43
Cash & Cash Equivalents at the end of the year*	7,146.33	3,341.11

\* **Notes:** Cash and Cash Equivalents includes Fixed Deposits of ₹ 5509.13 (Previous Year ₹1949.88) Thousands which are charged against guarantees issued by Bank

As per our Report of even date attached  
**Shah & Bhandari**  
Chartered Accountants

**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

For and behalf of the Board of Directors

**Babulal Sanghvi**      **Jayanti Sanghvi**  
(Chairman)              (Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

( ₹ in 000')

<b>Schedule 1 - Share capital</b>	<b>March 31,2011</b>	<b>March 31,2010</b>
<b>Authorised :</b> 20,000,000 No. of Equity Shares of ₹10 each (Previous Year: 5,000,000 No. of Equity Shares of ₹10 each)	<b>200,000.00</b>	<b>50,000.00</b>
<b>Issued Subscribed and Paid up:</b> 7,992,043(Previous Year: 4,781,932) Equity Shares of ₹10 each fully paid up.	79,920.43	47,819.32
	<b>79,920.43</b>	<b>47,819.32</b>

**Of the above**

- (1) 850,000 No. of Equity Shares of ₹10/- each were issued as fully paid by way of conversion of Unsecured loan in the F.Y. 2009-2010.
- (2) 2,948,949 No. of Equity Shares of ₹10/- each were issued as fully paid Bonus Shares by way of Capitalization of General reserve in the F.Y.2007-2008 , without payment being received in cash.
- (3) 28,69,159 No. of Equity Shares of ₹10/- each were issued as fully paid Bonus Shares by way of Capitalization of Profit and Loss account in the F.Y.2010-2011, without payment being received in cash.
- (4) 340952 No. of Equity Shares of ₹10/- each were issued at the premium of ₹70 per Share in the F.Y. 2010-2011.

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

	(₹ in 000')	
<b>Schedule - 2 Reserves and Surplus</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>General Reserve</b>	3,987.14	987.14
Add: Appropriated from the Profit and Loss Account	-	3,000.00
	3,987.14	3,987.14
<b>Securities Premium</b>	-	-
Add : Addition During the Year	23,866.64	-
	23,866.64	-
<b>Surplus as per Profit &amp; Loss Account</b>	76,066.46	66,102.08
<b>Foreign Currency Translation Reserve</b>	<b>257.02</b>	<b>175.05</b>
	<b>104,177.26</b>	<b>70,264.27</b>

(₹ in 000')

<b>Schedule - 3 Secured Loans</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Working Capital Loan from Bank</b>	101,536.73	69,647.35
-Secured against Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land, factory Building.		
-Personal Guarantees of Directors including pledge of their Shares (Refer to Note 13 of Schedule 23)		
<b>Term Loan from Bank</b>	14,200.23	24,042.13
-Secured against Hypothecation of stocks, receivables and other current assets, charge over the Plant & Machinery, Mortgage of Land, factory Building.		
-Personal Guarantees of Directors including pledge of their Shares (Refer to Note 13 of Schedule 23)		
(₹9760.00 (P.Y. ₹9760.00) thousands Payable within year)		
<b>Term Loan from Others</b>	-	2,895.69
(Secured against equitable mortgage of Land)		
	<b>115736.96</b>	<b>96585.17</b>

(₹ in 000')

<b>Schedule - 4 Unsecured Loans (others)</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Loans from Directors and their Relatives	35,600.46	8,013.30
	<b>35,600.46</b>	<b>8,013.30</b>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

**Schedule 5 - Fixed Assets**

( ₹ in 000')

Particular	Gross Block (At Cost)			Depreciation / Amortization				Net Block	
	As at April 01, 2010	Additions	Adjustment/ Deductions	As at March 31, 2011	As at April 1, 2010	For the Year	Deductions	As at March 31, 2011	As at April 31, 2010
<b><u>Tangible Assets</u></b>									
Free hold land #	9017.92	554.18	-	9,572.09	-	-	-	9,572.09	9,017.92
Leasehold land*	300.00	-	-	300.00	40.03	15.00	-	244.97	259.97
Buildings-Factory	20576.86	4,539.77	-	25,116.63	2952.60	753.82	-	3,706.42	17,624.26
Buildings-Residential	311.77	-	-	311.77	37.13	15.59	-	52.72	274.64
Plant and Machinery	86070.06	3,287.53	-	89,357.60	15,418.84	4,013.78	-	19,432.62	70,651.22
Electrical Installation	2819.80	360.63	-	3,180.43	726.00	141.64	-	867.64	2,093.80
Office Equipment	751.20	220.11	-	971.32	66.26	40.08	-	106.34	684.95
Computers	2247.52	408.12	-	2,655.64	882.14	388.35	-	1,270.49	1,365.39
Furniture and Fixtures	2298.00	18.46	-	2,317.45	299.82	146.22	-	446.04	1,999.18
Vehicles	4499.44	666.97	388.51	4,777.90	920.65	442.23	157.32	1,205.55	3,578.79
<b><u>Intangible Assets</u></b>									
Software & Licenses	3250.00	27.00	-	3,277.00	1,130.14	531.18	-	1,661.32	2,119.86
<b>TOTAL</b>	<b>132,143.57</b>	<b>10,082.76</b>	<b>388.51</b>	<b>141,837.82</b>	<b>22,473.61</b>	<b>6,487.87</b>	<b>157.32</b>	<b>113,033.66</b>	<b>109,669.96</b>
<b>Previous Year</b>	<b>124,054.22</b>	<b>12,208.06</b>	<b>4,118.71</b>	<b>132,143.57</b>	<b>18,134.62</b>	<b>6,493.29</b>	<b>2,154.30</b>	<b>109,669.96</b>	<b>105,919.61</b>
<b>Capital work -in - progress including Advances to Suppliers</b>									369.28
								<b>230,641.88</b>	<b>110,039.24</b>

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

# Further for Land Amount `98.28 Thousand , convincing yet to be executed.

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

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

(₹ in 000')

<b>Schedule – 6 Investments</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Stock-in-trade</b>		
Raw materials	27,751.05	18,968.32
Work-in-process	49,998.21	33,650.90
Stores and Spare parts	1,351.28	2,238.46
Packing materials	44.79	152.62
Scrap	4,177.26	-
	<b>83,322.59</b>	<b>55,010.30</b>

(₹ in 000')

<b>Schedule 7 - Sundry debtors (Unsecured, Considered Good )</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Over six months	14,722.12	4,639.57
Other debts	88,246.04	97,416.86
	<b>102,968.16</b>	<b>102,056.43</b>

(₹ in 000')

<b>Schedule 8 - Cash and Bank Balances</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Cash on Hand	896.73	235.23
<b>With Scheduled Banks in:</b>		
Current Accounts	740.47	1,156.00
Fixed Deposits Accounts (Margin money)	5,509.13	1,949.88
	<b>7,146.33</b>	<b>3,341.11</b>

(₹ in 000')

<b>Schedule 9 - Other Current Assets</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
VAT credit receivable	283.70	263.31
Balances with custom, excise and service tax	1,253.72	1,438.49
	<b>1,537.42</b>	<b>1,701.80</b>

(₹ in 000')

<b>Schedule 10 – Loans and Advances</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Advances recoverable in cash or in kind or for value to be received	3,980.82	4,403.87
Deposits	927.30	785.16
	<b>4,908.11</b>	<b>5,189.03</b>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

(₹ in 000')

<b>Schedule 11 – Current Liabilities</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Sundry Creditors for goods	50,092.86	19,093.03
Sundry Creditors for Others	7,335.76	6,489.04
Statutory Liabilities	3,044.61	1,033.39
Other Liabilities	8,252.05	1,188.81
	<b>68,725.28</b>	<b>27,804.27</b>

(₹ in 000')

<b>Schedule 12 – Provisions</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Provision for Other Liability	82.30	99.96
Provision for Income Tax (Net of Advance Tax ₹ 5150.00 (Previous Year ₹ 6000.00 Thousand))	15,569.46	7,525.00
Provision for Dividend	-	2,390.97
Provision for Dividend Distribution Tax	-	397.11
	<b>15,651.76</b>	<b>10,413.04</b>

(₹ in 000')

<b>Schedule 13 – Miscellaneous Expenditure</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Share Issue Expenses	6,291.72	-
	<b>6,291.72</b>	

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

<b>Schedule 14 – Sales</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Sales -Manufacturing	310,170.84	226,870.84
Sales -Trading	-	1,172.86
Export Sales -Manufacturing	54,102.03	45,660.29
Sales - Scrap	49,140.34	24,209.57
Sales-Job work	-	21.43
	<b>413,413.21</b>	<b>297,934.99</b>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

<b>Schedule 15 – Operating Income</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Testing & Inspection Income	2,846.90	1,718.90
Packing Income	249.21	385.56
Freight Income	4,546.38	3,426.23
Export Incentives Income	3,036.79	3,287.96
	<b>10,679.28</b>	<b>8,818.65</b>

(₹ in 000')

<b>Schedule 16 – Other Income</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Interest Income (TDS Deducted ₹69.24 (P. Y. ₹ 155.41))	507.06	891.14
Miscellaneous Income	132.98	22.42
Other Income (includes Government Subsidy)	1,821.41	579.43
	<b>2,461.46</b>	<b>1,492.99</b>

(₹ in 000')

<b>Schedule 17 – Materials</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>Raw materials consumed</b>		
Opening stock	18,968.32	10,080.32
Add: Purchases	251,483.11	166,061.87
	270,451.43	176,142.19
Less: Closing stock	27,751.05	18,968.32
	<b>242,700.38</b>	<b>157,173.87</b>
<b>Increase/ (Decrease) of stock:</b>		
Opening stock		
Work-in-process	33,650.90	33,756.37
Scrap	-	1052.01
Less: Closing Stock		
Work-in-process	49,998.21	33,650.90
Scrap	4,177.26	-
	<b>(20,524.57)</b>	<b>1,157.48</b>
	<b>222,175.81</b>	<b>158,331.35</b>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 2011**

	(₹ in 000')	
<b>Schedule 18 – Manufacturing Expenses</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Testing Charges	1,194.50	1,065.02
Labour & Job Work Charges	10,451.93	7,595.87
Packing Expenses	3,190.65	1,665.11
Power & Fuel Expenses	21,567.82	16,012.58
Stores & Spares Consumed	10,587.24	9,602.41
	<b>46,992.14</b>	<b>35,940.99</b>

	(₹ in 000')	
<b>Schedule 19 – Personnel Expenses</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Salaries, wages and bonus	11,979.19	7,275.00
Contribution to Provident and Other Funds	738.64	563.69
Director's remuneration	3,722.92	2,976.00
Staff welfare expenses	623.37	539.75
	<b>17,064.12</b>	<b>11,354.44</b>

<b>Schedule 20 –Administrative and Other Expenses</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Repairs :		
- Buildings	865.90	619.48
- Machinery	2,336.72	2,384.04
- Others	1,055.14	515.64
Insurance	280.68	164.80
Rent	574.08	245.10
Rates and taxes	855.90	1329.06
Commission on sales	6,316.46	3,460.23
Directors Sitting Fees	165.00	-
Outward Freight Expenses	3,828.59	2,049.25
Travelling and conveyance	1,877.40	1,544.87
Advertisement and sales promotion expenses	1,952.40	1,779.47
Legal and professional charges	1,978.09	2,434.14
Inspection Charges	742.26	484.56
Electrical & Electricity Expenses	206.90	445.51
Membership & Registration Fees	161.42	309.94
Foreign Exchange (Gain)/Loss	(108.68)	31.58
Clearing & Forwarding Expenses	1,514.44	2,013.83
Loading & Unloading Charges	664.94	549.67
Telephone & Internet Charges	568.59	549.40
Postage, Printing & Stationery	959.87	398.32
Late Delivery & Quality Claim Charges	1,247.26	886.72
Loss on Sale of Assets	112.19	1,455.77
Bad Debt	238.70	-
Impairment of Fixed Assets	-	207.21
Securities charges	527.90	432.45
Miscellaneous expenses	2,132.07	1,869.51
	<b>31,054.22</b>	<b>26,264.67</b>



**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

(₹ in 000')

<b>Schedule 21 –Interest and Financial Charges</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
On Bank Finance	14,388.68	11,340.24
On Others	1,161.80	1,060.73
	<b>15,550.48</b>	<b>12,400.97</b>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2011**

**SCHEDULE-22: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

**I. Basis of Preparation**

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on consolidated financial statements as notified by Companies (Accounting Standards) Rules, 2006. Reference in these notes to Company, Holding Company, Companies or Group shall mean to include Sanghvi Forging and Engineering Limited or any of its subsidiaries, unless otherwise stated.

**II. Principles of Consolidation**

The consolidated financial statements comprise of the financial statements of Sanghvi Forging and Engineering Limited and its subsidiary. The financial statements of the group Companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of inter Company transactions are eliminated on consolidation.

**III. Basis of Accounting**

The financial statements have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

**IV. Use of Estimates**

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

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2011**

**V. Fixed Assets and Depreciation /Amortization**

**A. Tangible Assets**

Fixed Assets including Intangible Assets are stated at historical cost (net of cenvat credit) less accumulated depreciation//amortization there on and impairment losses if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV the Companies Act, 1956. Except Residential building depreciated @5% of SLM.

**B. Intangible Assets**

Intangible assets consisting of ERP software is amortized on Straight Line Method from the date they are available for use, over the useful lives of the assets, as estimated by the Management at 16.25%. Leasehold land is amortized over the period of lease.

**VI. Leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lesser are charged against profits as per the terms of the lease agreement over the lease period.

**VII. Inventories**

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

- i. Raw materials and components, stores and spares are valued at cost. The costs are ascertained using the First in First out (FIFO).
- ii. Work-in-progress and finished goods are valued at the lower of cost or Net Realizable Value.
- iii. Scrap is valued at Net Realizable Value.

**VIII. Revenue Recognition**

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

**IX. Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the rate prevailing on date of transaction. In respect of Monetary items denominated in foreign currency at the yearend are translated at the yearend rates. The exchange differences arising on settlement / translation are recognized in the Profit and Loss Account.

For the purpose of Consolidation, the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries are translated at the following rates of exchange:

- a. Average rates for income and expenditure.
- b. Year end rates for assets and liabilities.

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2011**

**X. Taxes on Income**

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

**X. Taxes on Income**

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

**XI. Employee Benefits**

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year
- (a) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.

**XII. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized as an expense in the period which they are incurred.

**XIII. Provisions, Contingent Liabilities and Contingent Assets**

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

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

**XIV. Impairment of Assets**

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

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2011**

**XVI. Investments**

Long Term Investments are valued at cost of acquisition. No provision for diminution in value, if any, has been made as these are long-term investments and in the opinion of the management any decline is temporary.

**XVII. Government Grants /Subsidy**

**SCHEDULE ANNEXED TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2011**

**B. NOTES FORMING PART OF FINANCIAL STATEMENTS**

1. List of Subsidiary which are included in consolidation and the Company's effective holding are as under.

Name of the Subsidiary	Country of Incorporation	Effective ownership in subsidiary as at March 31,	
		2011	2010
Sanghvi Middle East (FZE)	Sharjah	100%	100%

2. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.

3. The Accounting policies of the parent are best viewed in its independent financial statements, Note A of schedule 22. Differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustment has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosure.

4. Consolidated Contingent Liability is same as contingent liability of standalone Sanghvi Forging and Engineering Limited.

5. Consolidated capital commitments are same as capital commitment of standalone Sanghvi Forging and Engineering Limited.

6. Consolidated Deferred Taxes are same as Deferred Taxes of standalone Sanghvi Forging and Engineering Limited.

7. Consolidated related party transaction are same as contingent liability of standalone Sanghvi Forging and Engineering Limited.

8. Net worth of Subsidiary is Negative.

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

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

As per our Report of even date attached  
**Shah & Bhandari**  
Chartered Accountants

For and behalf of the Board of Directors

**Yogesh Bhandari**  
Partner  
Membership No. - 046255  
Vadodara: June 24, 2011

**Babulal Sanghvi** (Chairman) **Jayanti Sanghvi** (Managing Director)

**Kiran Mohanty**  
(Company Secretary)

**SANGHVI FORGING AND ENGINEERING LIMITED**

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

**ATTENDANCE SLIP**

23rd Annual General Meeting, 9th September, 2011

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

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

*D.P Id	
*Client Id	

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

I Certify that I am a Registered Member/ Proxy for the Registered Member of the Company. I hereby record my presence at the 23rd Annual General Meeting of the Company to be held at the Registered Office of the Company.

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

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

**IMPORTANT NOTE :**

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

\* Applicable for investors holding shares in electronic form

**SANGHVI FORGING AND ENGINEERING LIMITED**

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

**PROXY FORM**

23rd Annual General Meeting, 9th September, 2011

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

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

*D.P Id	
*Client Id	

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

Of \_\_\_\_\_

being a Member/Members of Sanghvi Forging and Engineering Limited hereby appoint

Mr./Mrs. \_\_\_\_\_ of \_\_\_\_\_ or /failing

him \_\_\_\_\_ of \_\_\_\_\_ as my/our  
proxy attend and vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on 9th  
September, 2011, at the Registered Office at 244/6-7 , G.I.D.C Industrial Estate, Waghodia- 391760 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Affix One Rupee  
Revenue Stamp

(Signature)

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

\* Applicable for investors holding shares in electronic form



Mr. Stefan Schlager, representing M/s Schlager Industrieofebau GmbH while signing contract with the Company for supply of Furnaces for the New Project.



**SANGHVI**  
FORGING & ENGINEERING LTD.  
Unique • Innovative • Precision



Execution of Contract with M/s Dango & Dienenthal Maschinenbau GMBH for supply of Manipulator for the New Project





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**FORGING & ENGINEERING LTD.**  
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If undelivered please return to

SANGHVI FORGING AND ENGINEERING LIMITED

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

Waghodia- 391760,

Vadodara (GUJARAT)

Tel: 91-2668-263020/262201

Fax: 91-2668-263411

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