

BIG LEAP



SANGHVI
FORGING & ENGINEERING LTD.

ANNUAL REPORT
2011 - 12



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There comes a time in the history of a company when it must leave a safe harbour and move into exciting uncharted territory.

The year 2011-12 was that year for us. We went public; we made the biggest investment in our existence; we readied to quadruple in size to 18,600 TPA.

We readied for the

BIGLEAP

Our time starts now.

1992

Established factory at Vadodara with an installed capacity of 300 MTPA for close die forgings

2005

Enhanced capacity of closed die forging to 1,200 MTPA

2007

Acquired 49,700 sq. mtr. land at Waghodia from GIDC for setting ultra modern open die forging plant

2010

Placed firm order for import of forging press and manipulator for open die forging project

2012

Open die forging plant (which will have installed capacity of 15000 MTPA) to start commercial production. It will increase the total capacity to 18600 MTPA

SANGHVI FORGING & ENGINEERING LIMITED IS RANKED AMONG INDIA'S TOP ENGINEERING AND FORGING COMPANIES

1989

Incorporated

2002

Obtained Canadian Registration Number (CRN) for 13 provinces of Canada

2006

Established new open die forging plant with an installed capacity of 2,400 MTPA increasing total capacity to 3600 MTPA.

2008

Implemented SAP ECC 6.0 in the organisation

2011

Signed MoU with Govt. of Gujarat under their "Vibrant Gujarat" meet. Successfully Completed Initial Public Offering (IPO)

CHAIRMAN’S LETTER TO SHAREHOLDERS

I am very happy to share that your company is perched at an attractive point in its history. The Company stands to leverage its rich industry experience to make the big leap from a relatively small capacity to a quadrupled capacity over the coming months. While normally within our industry, any increase would at best have been incremental, the management at SFEL made a

“THE COMPANY STANDS TO LEVERAGE ITS RICH INDUSTRY EXPERIENCE TO MAKE THE BIG LEAP FROM A RELATIVELY SMALL CAPACITY TO A QUADRUPLED CAPACITY OVER THE COMING MONTHS.”

significant transformation in line with attractively growing prospects. Consider the reality: even as India is a mature industrial economy, growing appetite for non-automotive forging is being increasingly driven by the rapid growth coming out of its power, oil and gas, marine, aerospace and defence sectors. Over the foreseeable future, this gap is expected to widen. As a proactive forgings company, the management of SFEL recognised the importance of incremental capacity increases. The Company expects to commission its expanded capacity by September 2012. This transformation will graduate the Company to become one of the leading suppliers in the forging industry. This expansion was not carried out for expansion’s sake. It was done to strengthen our competitiveness, enhance our profitability and transform

our corporate personality through the following strategies: **One-stop solutions provider:** We intend to position ourselves as a one-stop shop by expanding our machining facilities to offer a wider range of value-added products and increase exports to global OEMs. **Niche:** In the past, the Company manufactured large volumes of standard products (forged flanges) for the oil and gas sector fetching low margins. The Company is now shifting its focus to low-volume-high margin customised products of an international standard for OEMs. **Focus on open die forging segment:** The Company will strengthen its focus for the Core Sector in various grades of steel with a focus on the higher tonnage open-die forging segment. The proposed open die forging method will shrink the lead time in servicing the

needs of major Indian customers, currently importing a majority of their forging requirements. We propose to service our existing client base with new products proposed to be manufactured through our expansion. **Strengthening relationships:** The Company will increasingly evolve one-off transactions into enduring relationships with existing customers as well as

“THE COMPANY EXPECTS TO GENERATE PEAK REVENUES OF ₹ 200 CR OVER THE NEXT TWO YEARS AT MARGINS HIGHER THAN WHAT THE COMPANY HAS ACHIEVED IN THE PAST.”

prospective customers in sectors like oil and gas and ship-building. **Market development:** The Company plans to increase its sub-vendor base, which will enable it to outsource specific products and sharpen its focus on value-added products. In view of these initiatives, the Company expects to generate peak revenues of ₹ 200 cr over the next two years at margins higher than what the Company has achieved in the past. The convergence of increased volume and value are expected to translate into attractive value in the hands of all those who own shares in our Company.

Shri Babulal Sanghvi
Chairman



“FOOTPRINTS ON THE SANDS OF TIME ARE NOT MADE BY SITTING DOWN”

GROWTH IN OUR NUMBERS, 2011-12

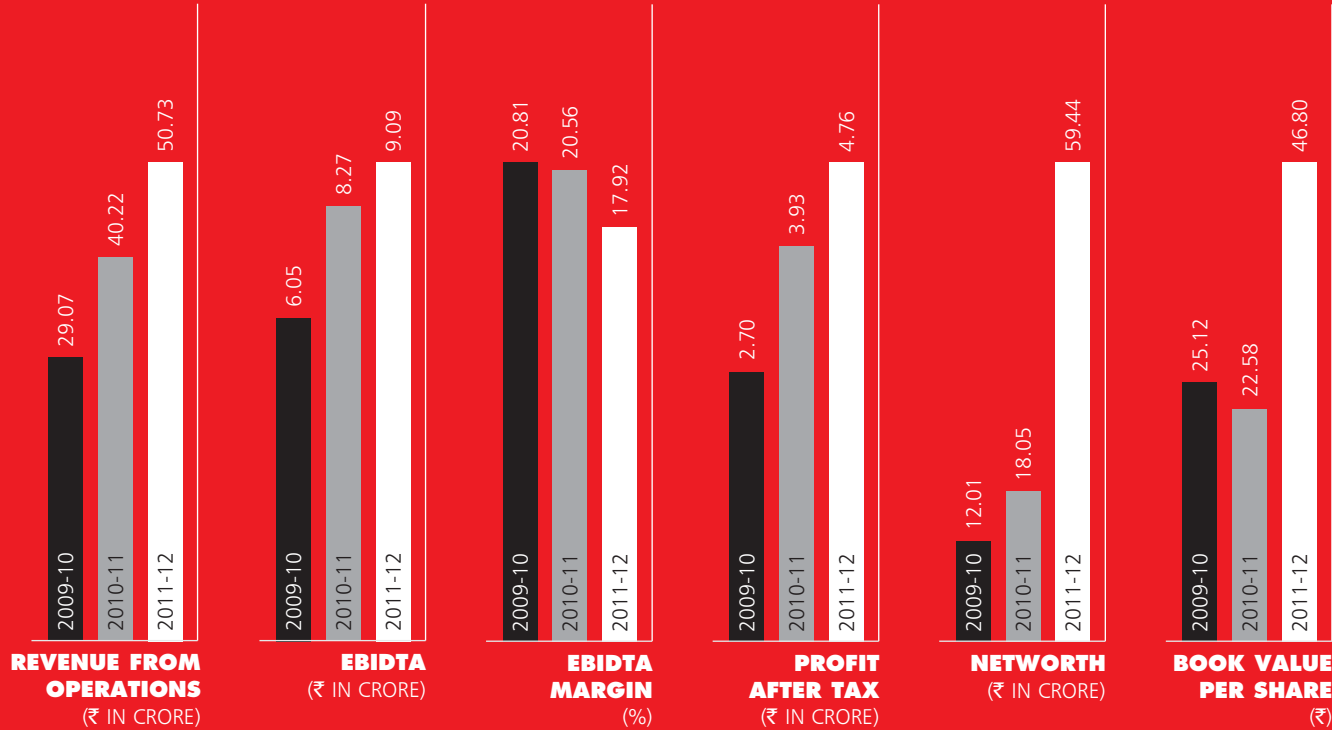
REVENUES GREW 26.13% FROM ₹ 40.22 CRORE IN 2010-11 TO ₹ 50.73 CRORE

GROSS BLOCK INCREASED FROM ₹ 23.06 CRORE AS ON MARCH 31, 2011 TO ₹ 66.71 CRORE

PROFIT AFTER TAX GREW BY 21.12% FROM ₹ 3.93 CRORE IN 2010-11 TO ₹ 4.76 CRORE

PROFIT BEFORE TAX (PBT) GREW BY 14.69% FROM ₹ 6.06 CRORE IN 2010-11 TO ₹ 6.95 CRORE

KEY FINANCIAL HIGHLIGHTS





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.

STRENGTHS

QUALITY

The Company's plant is certified for ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001:2007. Its products are also certified by TUV, Germany, for Pressure Equipments Directive.

SCALE

The Company will complete its ongoing expansion from 3,600 MTPA to 18,600 MTPA by September 2012, making it one of the largest open die forgings company in India.

DIVERSIFIED ORDER BOOK

The Company is not increasingly dependent on offtake by any single sector. It supplies forgings to various sectors like oil & gas, ship building, defence and power among others.

NEW ADVANCE TECHNOLOGY

The Company's new production capacity comprises state-of-the-art equipment from renowned suppliers, resulting in superior quality and lower production costs and a distinctive competitive edge from others.

EXPERTISE

The Company develops critical customised products in line with customer's need by converting their ideas into products.

WIDE MARKET

The Company's products are marketed across India and abroad. Exports account for more than 20% of revenues.

CLIENT BASE

The Company derives more than 75% of its revenues from India, servicing clients like Mazgaon Dock Ltd. Samsung Engineering. IOCL among others and 25% of its revenues from overseas. We export our products to Germany, France, Canada, the UK and Middle East among others.

THE COMPANY MANUFACTURES FOLLOWING PRODUCT TYPES

Products	Applications
Forged flanges	Oil and gas, petrochemicals, fertilisers and process plants
Closed die forgings	Valve manufacturers and OEMs
Open forgings	OEM fabricators and power sector
Machined components	OEMs for instrumentation and valves



OVERVIEW

The Company is a major manufacturer of forging products for industrial applications. The Company possesses an installed capacity of 3,600 MTPA with the ability to manufacture a single-piece forging up to 4MT.

EXPANSION

The four-fold capacity expansion (3,600 MTPA to 18,600 MTPA) will extend the Company's product portfolio, enable to cater to the forging needs of power generation projects, wind turbine manufacturers, sugar mill shafts, gear blanks, marine shafts and heavy engineering products. The expansion is expected to go on stream by September 2012.

The benefits arising from this expansion are expected to be

significant. For instance, the Company is among few in its industry to manufacture a single-piece forging of up to 4 MT. The expanded capacity will make it possible for the Company to manufacture a single-piece forging of up to 40 MT with corresponding value-addition. The Company is already an approved vendor for various leading companies like IOC, L&T, HPCL, BPCL, GE and KNPC, among others. Following the expansion, the Company will extend its existing capabilities to manufacture of large components for existing customers.

The Company received various certifications/approvals from international agencies, customers (domestic and international) and engineering consultants. The extension into the sophisticated industry segment (in terms of single-piece forging) will enable the Company to enhance margins.

CORPORATE INFORMATION

Board of Directors

Shri Babulal S. Sanghvi
(Chairman cum Executive)

Shri Jayanti B. Sanghvi
(Managing Director)

Shri Naresh B.Sanghvi
(Executive Director)

Shri Vikram B. Sanghvi
(Executive Director)

Shri Shantaram Yarlagadda
(Independent Director)

Shri Baba Pai
(Independent Director)

Shri R.C. Prasad
(Independent Director)

Shri R.S.Kaushal
(Independent Director)

Company Secretary

Shri Kiran Mohanty

Statutory Auditors

M/s Shah & Bhandari,
Chartered Accountants

Cost Auditor

M/s Diwanji & Associates,
Cost Accountants

Internal Auditor

M/s Jain & Hindocha,
Chartered Accountants

Registered Office

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

Bankers

State Bank of India
Bank of Baroda
Axis Bank

DIRECTOR'S REPORT

To the members

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the Audited Financial Statements of the Company for the year ended on March 31, 2012 for your perusal, consideration and adoption.

Financial Highlights

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

	(₹ in Lacs)	
Particulars	2011-12	2010-11
Income from Operations	4,204.76	3,426.13
Other Operating Income	868.36	595.43
Other Income	52.06	27.38
Total Income	5,125.18	4,048.94
Operating & Administrative Expenses	4,216.55	3,222.00
Operating Profit before Interest, Depreciation and Tax	908.63	826.94
Interest and Financial Charges	141.82	155.72
Depreciation and Amortisation	71.17	64.88
Profit Before Tax	695.64	606.34
Current Tax	213.00	207.19
Deferred tax	7.01	5.66
Profit After Tax	475.63	393.49
Excess/(Short) Provision of taxation and tax payments	–	0.21
Surplus Brought Forward from Previous Year	790.07	683.28
Balance available for Appropriation	1,265.71	1076.77
Appropriation		
Issue of Bonus Shares	–	286.92
Carried Forward	1,265.71	790.07

Financial and Operational Performance

Your Company has achieved a turnover of ₹ 5,073.12 lacs and a net profit of ₹ 475.63 lacs for the financial year ended March 31, 2012 as against a turnover of ₹ 4,021.56 lacs and net profit of ₹ 393.49 lacs respectively during the previous year, representing an increase in turnover y-o-y of 26.15% and an increased net profit y-o-y by 20.87%. Your Company had performed at par with the expectations of directors during the fiscal year 2011-12, considering the overall forging industry performances in India. We hope that the Company will do the same in future as well since the Company has having good orders pipeline for the next year from both the domestic as well as overseas markets. Further it is a constant endeavor to obtain additional orders and emerge as a leading supplier in the forging industry.

Operational Progress of the New Expansion Project

The Company has been constantly expanding its operations, keeping in sight the demands of the forging industry, market receptiveness and other economic factors and evaluations. The Company is expanding its business by setting up a new plant at Waghodia, Vadodara. Currently, the project is progressing as planned and is on full swing. All the requisite plant and machineries have been received at the site and erection work is in full swing. As of now, 80% of the work has been completed. Your Company has faced a few challenges like shortage of funds due to the change in suppliers which increased the total project cost to ₹ 132 crores. The Company has changed supplier of furnaces for the project in order to improve fuel efficiency. The furnaces which were earlier proposed to be purchased from the Korean supplier have been now purchased from German supplier which has increased the project cost by ₹ 13 crores. To meet the requirements of a fund shortage, the Company had to take a fresh term loan to the tune of ₹ 8 crores aggregating ₹ 80 crores. There are other various challenges which the Company will have to face in the near future, but we believe that we will overcome these bottlenecks and will commission the project soon.

Dividend

In order to conserve the resources for meeting the Company's expansion plans, the Directors of your Company express their inability to recommend any dividend for the Financial Year 2010-2011.

Credit Rating

Your Company continues to have credit rating of CARE BBB for its long-term bank facilities and CARE A3+ for its short-term bank facilities.

Investors' Relations and Grievances

All the shareholders'/investors' complaints/grievances received during the financial year have been resolved and there were no investor grievances pending as on March 31, 2012. A confirmation to this effect has been obtained from the Company's Registrar and Share Transfer Agent. The details regarding investor complaints received and resolved during the year are mentioned in the report on Corporate Governance annexed to this report.

Conservation of Energy

Energy saving in terms of electricity consumption is our prime concern. The Company utilises several means to conserve energy. Well-planned preventive maintenance measures 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 and the same shall be duly taken care in our new plant.

Management Discussion and Analysis Report:

A detailed review of operations, performance and future outlook of the Company is covered under a separate annexure to this report as Management discussion and analysis.

Report on Corporate Governance

A separate Section on Corporate Governance is included in the Annual Report and the Certificate from M/s S. Samdani & Associates, Company Secretaries, Vadodara, and the Company's Secretarial Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed thereto.

Fixed Deposits

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

Insurance

Your Directors confirm that all the properties and insurable interests of the Company, including buildings, plant and machinery and stocks have been adequately insured.

Directors

At the forthcoming Annual General Meeting, Shri Babulal Sanghvi and Shri Vikram Sanghvi will retire by rotation and being eligible; offer themselves for reappointment in terms of the Articles of Association of the Company. A brief resume/particulars relating to them are given separately under the report on Corporate Governance. Your Directors recommend their reappointment at the forthcoming Annual General Meeting.

Directors’ Responsibility Statement

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

- (i) In the preparation of the accounts for the financial year ended March 31, 2012; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any
- (ii) The accounting policies selected have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (iv) The annual accounts have been prepared on a going concern basis

Auditors and Their Report

Except of the following, comments of the auditors in their report and the notes forming part of the accounts are self-explanatory and needs no comments:

Auditors have qualified their report regarding ‘classification of certain liabilities into current and non-current’ which is a different view. In light of the revised schedule VI of Companies Act; this being the first year of implementation of revised Schedule VI due to lack of clarification and management

perception, there was a difference of opinion on current vs. non-current classification only which would be resolved in current financial year, as such the classification does not have any material impact on the financials of the Company, which auditors have also pointed out in their report.

M/s Shah Bhandari and Associates, the Company’s Statutory Auditors who retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Company has received a certificate from the auditors to the effect that their reappointment if made, would be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

The Directors recommend the reappointment of M/s Shah Bhandari & Associates and shall seek the approval of the members at the Annual General Meeting to authorise the Board to Directors to fix their remuneration.

Cost Auditor

The Central Government vide its order dated June 30, 2011 directed that audit of cost accounts maintained by the Company relating to the steel product for the year ended March 31, 2012 be conducted by the Auditors having qualification as prescribed in Section 233B(1) of the Companies Act, 1956. Accordingly the Board had appointed M/s Diwanji & Associates as Cost Auditor for carrying out the cost audit for the FY 2011-12.

Corporate Social Responsibility

The call of fulfilling our Corporate Social Responsibility (CSR) has sincerely been taken by us and we accord as much significance as any business project for CSR and the results are there for everyone to see. Dedicated need-based interventions are initiated in areas where we operate. Enabling local people by fostering self-reliance is the motive behind our community development efforts. Therefore, our interventions are structured around promoting education, generating livelihood, empowering women and overall, social mobility.

Your Company is also constantly making efforts to maintain a greener planet and reduce the carbon footprint as much as possible. Through financial contribution and active participation of employees, Your Company provides support to programmes and non-profit organisations that address community sustainability. Your Company contributed towards Corporate Social Responsibility through donations, financial contribution, and sponsorship and by participating in various

such activities. Details of the some of these activities undertaken by the Company during the year are as under:

1. Donation to Vadodara GramyaJilla Traffic Education Trust
Vadodara GramyaJilla Traffic Education Trust, Vadodara has organised a short film festival to increase the awareness about the traffic rules which has been sponsored by the Vadodara Trafic Police. Your company has made contribution to said trust by way of donation. Your Company has always making efforts to participate such programs for awareness of the public and reduce road accidents.

2. Donation to Hari Om Seva Trust for medical help to the underprivileged
Your company is always trying to support the socially and economically weaker section of the society. As a part of the endeavor for continuously supporting such noble works, the Company has donated a contribution to Hari Om Seva Trust for medical help to the underprivileged which is an NGO & registered Charitable Trust rendering immaculate human services for the needy patients. The Trust provides the financial help in the form of their medical expenses and guiding patients to their doctors and wards. All funds collected by the trust are fully utilised for poor patients. They mainly providing their services at SSG Hospital, Vadodara which comprise of guiding poor illiterate patients to different department of the hospital like OPDs, Wards, Laboratory, RMO office, Emergency wards etc. Supplies of medicines to needy poor patients who are not capable to buy etc. They have made arrangement with other local Charitable Medical store for medicines and same is given at subsidised rates as compared to market rates.

3. Sponsored the CEP Course on Heat Treatment and Failure Analysis of Gears
Your company has sponsored the CEP Course on Heat Treatment and Failure Analysis of Gears organised by IIT, Bombay. The objective behind to sponsor these type of course is not only to identify those failure but also to determine and correct those failure which can lead to many potentially disastrous consequences, including poor product quality, necessary repair or component or equipment replacement, production downtime losses, environment impact and even loss of life. The course also dealt with many other aspects like steel failures arising during thermal processing, such as forging casting, heat treatment, welding and other and provided detailing potential failure that may occur during thermal processing and the identification of their root cause, even if it is not specifically the thermal process being considered. This course not only discuss various causes of a failure and its identification but also integrates this discussion with the

metallurgy of the process by providing one comprehensive resources.

Human Resources

The Company’s strength lies in its team of competent and motivated personnel. This made it possible for your Company to make significant improvements and progress 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 endeavour 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.

During the year, the Company maintained harmonious and cordial industrial relations. No man-days were lost due to strike, lock out among others.

Disclosure by Senior Management Personnel i.e. one level below the board including all HODS
None of the Senior Management personnel has financial and commercial transactions with the Company, where they have personal interest that would have a potential conflict with the interest of the Company at large.

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

Acknowledgement

Your Directors express their sincere appreciation for the wholehearted and continued support assistance and cooperation extended by the, shareholders banks, suppliers, customers, employees, and all concerned towards the during the year under report.

On the behalf of the Board of Directors

Sd/-
Vadodara Babulal S. Sanghvi
August 13, 2012 Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT

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

Information as per section 217(1) (e) of the Companies Act. 1956 read with Company's (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended 31/03/2012.

A. Conservation of Energy

- ▶ Energy saving in terms of electricity consumption is our prime concern. The Company utilises several systems to conserve energy. Well planned preventive maintenance 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 ph Tree plantation at the factory site is maintained properly.

B. Technology Absorption

- ▶ Main areas of emphasis include:

A. Acquisition of new improved equipment to further assure quality

B. Continuous emphasis on significant upgrading of manufacturing facility to improve product quality

- ▶ The Company has undertaken no R & D activities

C. Foreign Exchange Earnings and Outgo:

- ▶ Earnings in Foreign Currency (On Receipt Basis)

(₹ in Lacs)		
Particulars	2011-12	2010-11
F.O.B. Value of Export	1302.44	543.22
Total	1302.44	543.22

- ▶ Expenditure in Foreign Currency (On Payment Basis)

(₹ in Lacs)		
Particulars	2011-12	2010-11
ClF Value of import	2804.44	15.64
Other misc	648.16	29.66
Total	3452.6	45.30

ANNEXURE

FORM - A

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

Sr. No.	Particulars	Units	Current Year 2011-12	Previous Year 2010-11
A	Power and Fuel Consumption			
1	Electricity			
	a. Purchased			
	Units	KWH	6,77,645	7,10,220
	Total Amount (₹)	-	40,61,525	41,16,008
	Rate / Unit (₹)	KWH	5.99	5.8
	b. Own Generation			
	Through wind farm project units	KWH	4,48,977	4,24,437
2	a. Coal			
	Quantity	MT	619.07	801
	Total Cost (₹)	-	44,59,441	47,26,727
	Average Rate (₹)	MT	7,203	5,903
3	a. Furnace Oil quantity in Kl.			
	Quantity	Kilo Liters	428.9	474
	Total Cost (₹)	-	1,53,97,027	1,27,25,076
	Average rate (₹)	Kilo Liters	35,899	26825
4	a. Fire Wood			
	Quantity	MT	125.52	71.025
	Total Cost (₹)	-	6,24,328	275890.7
	Average rate (₹)		4,974	3884
B	Consumption per Unit of Production			
	Product (MT)	MT	2,639.73	2,591.18
	Electricity	KWH/MT	256.71	274.09
	Furnace Oil	Kilo Liters/MT	0.16	0.18
	Coal	MT/MT	0.23	0.31
	Fire Wood	MT/MT	0.05	0.03

On the behalf of the Board of Directors

Vadodara
August 13, 2012

Sd/-
Babulal S. Sanghvi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Global economic overview

The developments over the last year in major economies of the world have not been encouraging. There is an apprehension that the process of global economic recovery that began after the financial crisis of 2008 is beginning to stall and the sovereign debt crisis in the eurozone area may persist for a while. The global economy slowed in 2011, reporting a 3.8% growth that was lower than 5.2% in 2010 and is expected to grow by 3.3% in 2012. The emerging economies grew 6.2% in 2011 (7.3% in 2010) and are expected to grow at 5.4% in 2012, while advanced economies grew 1.6% in 2011 (3.2% in 2010) and are expected to grow at 1.2% in 2012. (Source: Economic survey 2011-12)

Indian economic overview

India's economic growth declined to 6.5% in 2011-12. The growth was the lowest in nine years including the global financial crisis period of 2008-09 when it was 6.7%. The fiscal deficit is likely to come down to 5.76%, below the 5.9% of GDP budgeted by the government. The industrial growth slowed down sharply during 2011-12. (Source: Economic times)

Industry overview

The Indian forging industry emerged as a major contributor to the manufacturing sector of the Indian economy.

The Indian forging industry is broadly classified into four sectors -- large, medium, small and tiny. As is the case globally, a major portion of this industry comprises small and medium units/enterprises (SMEs). Only about 5% comprises large enterprises in terms of numbers. (Source: Association of Indian Forging Industry)

A major portion of this industry constitutes small and medium units/enterprises (SMEs). The industry comprises 200 organised and 1000 unorganised forging units in the country which are mainly spread across Pune, Chennai, Delhi and Ludhiana. Reports suggest that about 85% of the production meets domestic demand while the balance gets exported. Steel forgings form a vital part of the auto industry. The forging industry depends heavily on the automobile industry which accounts for roughly 70% of the total forging production while the balance is sold to non-auto companies like valves, power

sector, earth moving, mining and oil field equipment, engineering, capital goods, among others. Steel forms a major part of input of the forging industry. (Source: Money control)

Company overview and outlook

The Company is one of the major manufacturer and exporters of forging products for industrial applications. 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. Company is now expanding its business by setting up 15000 MTPA Open Die Forging Unit at Waghodia (near to the existing unit) which is quadruple in size in comparison to existing unit and is very near to completion. In new plant Company will be able to make the forging upto 40 MT.

Despite overall weak macro economics fundamentals & poor performance of overall manufacturing sector, the Company has been able to registered impressive performance during the fiscal year 2011-12. The raw material costs have increased substantially but it has not affected to that extent to your Company because of the receiving of the good amount of the sales orders during the year. The Company has bagged good amount of orders during the year from both the domestic as well as overseas markets, which shows our strength and trust of our customers in the Company which they have reposed over years. The Company is already having good order bookings and in the coming years we believe to get more such orders and will emerge as a leading supplier in the Forging Industry. In addition to our current capabilities, commissioning of new plant will help us to achieve our vision to become dominant supplier in the forging industry. But at the same time, there are so many challenges like timely completion of project, supply of skilled workers, and working capital at the initial stage of the Project. Our immediate goal is to commission the project as per the scheduled time and to start the production. We are very confident that we will overcome all these hurdles and strongly believe that we will be able to meet the expectation and increase the profitability of our organisation and will become a 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.

Major Developments during the year

1. Successful completion of the IPO:

The Company came out with an IPO in May 2011, during that time the market condition was not so favorable though we successfully completed the IPO and listed our equity shares with BSE and NSE in May 2011.

2. New Project:

As part of its strategy, the Company is expanding its business by setting up 15000 MTPA Open Die Forging Unit after understanding the demands of the forging industry and taking into consideration market feedback and economic factors and evaluation. Presently, the project is progressing as planned and all the erecting activities are on full swing. All the requisites plant and machineries have been received at the site and erection work has already started. As of now, 80% of the work has been completed. Your Company has faced a few challenges like shortage of funds due to the change in suppliers which increased the total project cost to ₹ 132 crores. The Company has changed supplier of furnaces for the project in order to improve fuel efficiency. The furnaces which were earlier proposed to be purchased from the Korean supplier have been now purchased from German supplier which has been increased the project cost by ₹ 13 crores. To meet the requirements of a fund shortage, the Company had to take a fresh term loan to the tune of ₹ 8 crores aggregating ₹ 80 crores. There are other various challenges which the Company will have to face in the near future, but we believe that we will overcome these bottlenecks and will commission on schedule. We believe once the project gets in streamlined. We believe that once the New Project is commissioned and production gets streamlined, we will be able to meet the targets and increase the profitability of our organisation and will become the leading supplier in the Forging Industry.

Performance Highlights

Growth in our numbers, 2011-12

- ▶ Revenues grew 26.13% from ₹ 40.22 crore in 2010-11 to ₹ 50.73 crore in 2011-12
- ▶ Profit before tax (PBT) grew by 14.69% from ₹ 6.06 crore in 2010-11 to ₹ 6.95 crore in 2011-12
- ▶ Profit after tax grew by 21.12% from ₹ 3.93 crore in 2010-11 to ₹ 4.76 crore in 2011-12
- ▶ Gross block increased from ₹ 23.06 crore as on March 31, 2011 to ₹ 66.71 crore as on March 31, 2012

Strengths

Diversified Order Book: The Company is not depending on any particular sector. This will give competitive edge. We are supplying forging to various sectors like Oil & Gas, Ship Building, Defence, Power & among others.

Scale: The Company will complete its ongoing expansion from 3,600 MTPA to 18,600 MTPA by September in 2012-13, making it India's one of the largest open die forgings company.

Quality: The Company's plant is certified for ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001:2007. It products also Certified by TUV, Germany for Pressure Equipments Directive.

Client base: The Company derives more than 75% of its revenues from India by servicing the clients like Mazgaon Dock Ltd., Samsung Eng., IOCL, among others. We export our products to the countries like German, France, Canada, UK etc. & Middle East.

New Advance Technology: The Company's new production capacity comprises state-of-the-art equipment from Italy and Germany resulting in superior quality and lower production costs will give us competitive edge from others. In our New Plant we will able to deliver the product to customer in a very short period of span between 4 to 5 month with the help of advance technology which in presently domestic customers are depending on the import from other countries which in normal course of time takes 8 to 9 months for delivery of product.

The Company has installed the following plant & machineries in the New Plant

- ▶ One state of the art 4000 Tons Open-die Hydraulic Forging Press which has been supplied by Danieli and C-Breda division, Italy. It is used to exert large enough force to press the metal into required shape.
- ▶ One 60 Tons Rail Bound Manipulator which has been supplied by Dango & Dienenthal, Maschinenbau GMBH, Germany. It is used for holding and rotating the hot ingot while forging. It can hold ingot of 60 MT weight.
- ▶ Five furnace has been supplied by Schlager Industrieofenbau GmbH, Germany. Out of this two will be used in reheating and three will be used for heat treatment.

Wide market: The Company's products are marketed across India and abroad. Exports account for more than 20% of revenues.

Expertise: The Company develops critical products with systemised solution as per the customer's requirement, marked by low competition.

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 imports or to some extent by local supplies from large forging manufactures. As the Company is now expanding the business by setting up a 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. Association with the main plant suppliers from Europe (of Press and of Manipulator) offers higher prospects for exports also.

Threats

Either due to the openness of the economy which can attract imports or due to more existing units embarking on expansion proposals, mainly due to the economics of the industry, there can be intensive competition in the market.

Alternatively, a recession in the market imposed by global parameters can result in lower demands for the products of the unit.

Risk 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. Sourcing of raw material is another risk factor. As in our new plant we will manufacture big forging product, there must be requirement of ingots of big size. In India, generally single piece ingots are available upto 20 tonnes. As in our new plant we are planning to do forging between 40 to 50 tonnes so we need to have the requirement of ingnot upto 60 tonnes. Therefore we will have to depend on imports. There are many risks in import like currency risk, timely supply among other. Availability of skilled labour is another risk factor particularly in this Industry as the industry is not very well developed in India. To overcome this problem we started organise training programs. We are working with few colleges and institutes to develop a training programs in the colleges for specialisation in the particular subject. We believe over the period of time we will definitely have a good pool of talented people.

Internal control and systems and their adequacy

Your Company has appropriate internal control systems and

procedures in place with regard to effective utilisation of resources, efficiency in operation, financial reporting and compliance with various rules and regulations. Your Company has implemented SAP ECC 6.00 in 2008 for bringing better control over various business and processes. It is designed in such a way that it 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. Key processes in the business including production, planning and accounting are done routinely through SAP. Regular audits are conducted to review the adequacy and effectiveness of the internal controls and suggest improvement, if any, for strengthening the existing system.

Environment and safety

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 minimise risk. The Company has adopted a Framework of Standards aligned to ISO 14001:2004 and OHSAS 18001:2007 standards. Your Company 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 your company's business and part of business ethos.

Industrial relations and human resource management

The Company constantly endeavours 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, 2012 the Company had 121 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 the 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.

CORPORATE GOVERNANCE REPORT

Corporate Governance

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

I. Company's Philosophy and Corporate Governance

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

Management's Perspective on Corporate Governance

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

We strengthen our customers - to keep them competitive

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.

II. Board of Directors ('Board')

{A} Composition of the Board

- The management of your Company is entrusted to the Managing Director, who is assisted by a management core team and senior executives having rich experience and expertise in their respective fields.
- None of the Directors on the Board is a member of more than 10 committees or a chairman of more than 5 committees (as stipulated in Clause 49 of the Listing Agreement), across all the Indian Public Companies, in which he is a Director. The necessary disclosure regarding the committee position has been made by the Directors.
- The names and categories of the Directors of the Board, their attendance at Board Meetings held during the year and the number of directorships and committee chairmanship/membership held by them in Indian Public Companies are given herein below. Directorships do not include alternate directorship, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. For reckoning the maximum number of chairmanships/memberships, only two committees viz, Audit Committee and Shareholders'/Investors' Grievance Committee of the Board are considered.

Name of the Directors	Status	No. of Directorship in other Public Limited company	Number of Committee Positions held in other public limited company		No. of Board Meetings		The last AGM Attended : ‘Yes’ or ‘No’
			Member	Chairman	Held	Attended	
Shri Jayantilal B. Sanghvi, Managing Director	Executive and Non-Independent	Nil	Nil	Nil	7	7	Yes
Shri Babulal S. Sanghvi, Chairman	Executive and Non-Independent	Nil	Nil	Nil	7	7	Yes
Shri Naresh B. Sanghvi, Whole-Time Director	Executive and Non-Independent	Nil	Nil	Nil	7	7	Yes
Shri Vikram B. Sanghvi, Whole-Time Director	Executive and Non-Independent	Nil	Nil	Nil	7	7	Yes
Shri Shantaram Yarlagadda, Director	Non- Executive and Independent	Nil	Nil	Nil	7	7	Yes
Shri R. C. Prasad, Director	Non- Executive and Independent	Nil	Nil	Nil	7	6*	Yes
Shri Baba Pai, Director	Non- Executive and Independent	Nil	Nil	Nil	7	6#	No
Shri R. S. Kaushal, Director	Non- Executive and Independent	Nil	Nil	Nil	7	7	Yes

(*) Shri R.C Prasad was absent in the Meeting of the Board held on 13/02/2012

(#) Shri K Baba Pai was absent in the Meeting of the Board held on 19/05/2011

The Company did not have any material pecuniary relationship or transactions with the Independent Non-Executives Directors during the year 2011-12

There were Seven Board meetings held during the period April 01, 2011 to March 31, 2012. These were on April 13, 2011, April 14, 2011, May 19, 2011, June 24, 2011, August 10, 2011, November 9, 2011, and February 13, 2012.

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 information, which would enable the Board to discharge its responsibilities effectively, are circulated in advance to the Directors. The Board is briefed on all the matters of the Company at its meeting.

III. Committees of Board of Directors

The Company has formed Audit Committee, Shareholder Grievance Committee and IPO Committee in the meeting of the Board held on July 15, 2010. Share Transfer Committee and Remuneration Committee have formed subsequently in the meeting of the Board held on June 24, 2011 and November 9, 2011 respectively. The details of these Committee Meetings are mentioned herein below:

{A} Audit Committee

Audit Committee comprises of experts specialising in accounting/financial management. The Chairman of the Audit Committee is a Non-Executive and Independent Director. The Composition of Audit Committee as on March 31, 2012 is as follows.

Name	Designation	Category	Attendance			
			June 24, 2011	August 10, 2011	November 9, 2011	February 13, 2012
Shri R.S Kaushal	Chairman	Non-Executive and Independent	Yes	Yes	Yes	Yes
Shri Baba Pai	Member	Non-Executive and Independent	Yes	Yes	Yes	Yes
Shri Vikram Sanghvi	Member	Executive and Non-Independent	Yes	Yes	Yes	Yes
Shri Shantaram Yarlagadda	Member	Non-Executive and Independent	Yes	Yes	Yes	Yes

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

{B} Shareholders’/Investors’ Grievance Committee

The Shareholders’/Investors’ Grievance Committee comprises of the following:

Name	Designation	Category	Attendance in the meeting held on	
			August 10, 2011	February 13, 2012
Shri R.S Kaushal	Chairman	Non- Executive and Independent	Yes	Yes
Shri R.C Prasad	Member	Non- Executive and Independent	Yes	No
Shri Baba Pai	Member	Non- Executive and Independent	Yes	Yes

The Company Secretary is the Secretary of this committee and also appointed as a compliance officer of the Company.

Report on Communication received from the Investors during the year 2011-12

Nature of Queries/ Complaint	Total No. of Complaints Received	Resolved	Pending	Remark
Non-Receipt of Refund Order (IPO)	10	10	Nil	These complaints were received against Initial Public Offering which the Company had come out in the month of May 2011.

{C} Remuneration Committee

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

Composition of Remuneration Committee as on March 31, 2012

Name	Designation	Category
Shri Baba Pai	Chairman	Non- Executive and Independent
Shri R. C. Prasad	Member	Non- Executive and Independent
Shri Shantaram	Member	Non- Executive and Independent

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

Remuneration to Directors

a. Non-Executive and Independent Directors

The Non-Executive and Independent Directors do not draw remuneration other than sitting fees. The Company pays the sitting fees to all the Non-Executive Directors at the rate of ₹ 15000/- for each Board Meeting. The Sitting fees paid to Non-Executive cum Independent Directors during the year 2011-12 is as follows:

Directors	Sittings Fees (₹ in Lacs)
Shri R.C Prasad	0.90
Shri Y Shantaram	1.05
Shri R.S Kaushal	1.05
Shri K Baba Pai	0.90

b. Executive Directors

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

The following remuneration paid to the Directors during the year ended March 31, 2012. (₹ in Lacs)

Name of Director	Designation	Relationship with Other Directors	Salary and Perquisites	Contribution to Provident Fund	Total	Service Contracts
Shri Babulal Sanghvi	Chairman	Relative of Shri Jayanti Sanghvi, Shri Naresh Sanghvi and Shri Vikram Sanghvi	5.60	0.20	5.80	Service Contract 18.5.2010 to 17.5.2015
Shri Jayanti Sanghvi	Managing Director	Relative of Shri Babulal Sanghvi, Shri Naresh Sanghvi and Shri Vikram Sanghvi	10.15	0.32	10.47	Service Contract 18.5.2010 to 17.5.2015
Shri Naresh Sanghvi	Wholetime Director	Relative of Shri Babulal Sanghvi Shri Jayanti Sanghvi and Shri Vikram Sanghvi	10.15	0.32	10.47	Service Contract 18.5.2010 to 17.5.2015
Shri Vikram Sanghvi	Wholetime Director	Relative of Shri Babulal Sanghvi Shri Jayanti Sanghvi and Shri Naresh Sanghvi	10.15	0.32	10.47	Service Contract 18.5.2010 to 17.5.2015

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

- ▶ IPO Committees
- ▶ Share Transfer Committee

▶ IPO Committee

IPO Committee comprises of the following:

There were Nine Meeting of the IPO Committee were held during the financial year. These were 15/04/2011, 26/04/2011, 10/05/2011, 12/05/2011, 19/05/2011, 25/05/2011, 26/09/2011, 8/11/2011 and 10/02/2012. The Committee met nine times during the year. Details of which are as under:

Name	Designation	No. of Meetings held	Attendance
Shri Jayanti Sanghvi	Chairman	Nine	Yes
Shri Naresh Sanghvi	Member	Nine	Yes
Shri Vikram Sanghvi	Member	Nine	Yes

Utilisation of IPO proceed as of March 31, 2012 is as follows;

Particulars	Amount (₹ in Lacs) (Proposed in Prospectus)	Actual utilisation till March 31, 2012 (₹ in Lacs)	Balance to be utilised/ (Overutilised) (₹ in Lacs)
For New Project	4250	3425.00	825.00
Issue Expenses	300	406.59	(106.59)

▶ Share Transfer Committee

Share Transfer Committee comprises of the following

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

The Committee met once i.e July 15, 2012 during the financial year 2011-12. All the members were present in that meeting.

IV. Disclosures on Materially significant related party transactions.

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

V. Code of Conduct

i) For prevention of Insider Trading

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

ii) For Board of Directors and Employees

The Board of Directors of the Company has laid down a ‘Code

of Conduct’ for all Board Members and employees of the Company. The Code of Conduct is posted on the website of the Company, www.sanghvivforge.com. The Board members and employees have affirmed compliance with the ‘Code of Conduct’ for the year ended March 31, 2012.

VI. Shareholder Information

A. Annual General Meeting

Day and Date of AGM : Saturday, September 22, 2012
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

C. Financial Calendar : April 1 to March 31

D. Book Closure Date : September 20, 2012 to September 22, 2012

E. Listing of Equity Shares : National Stock Exchange of India
Bombay Stock Exchange Limited

F. ISIN of NSDL and CDSL : INE263L01013

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

H. Dematerlisation of Shares

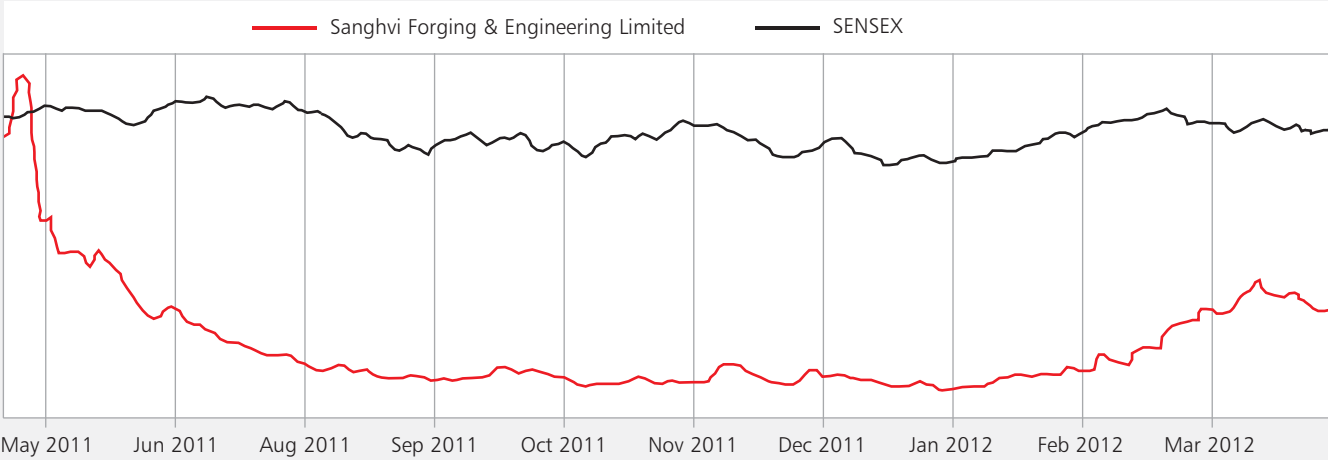
As on March 31, 2012, 11992283 shares were in dematerlised form representing 94.49% of total shares. The Company's shares are traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India, Mumbai

I. Performance of equity shares during the financial year 2011-12

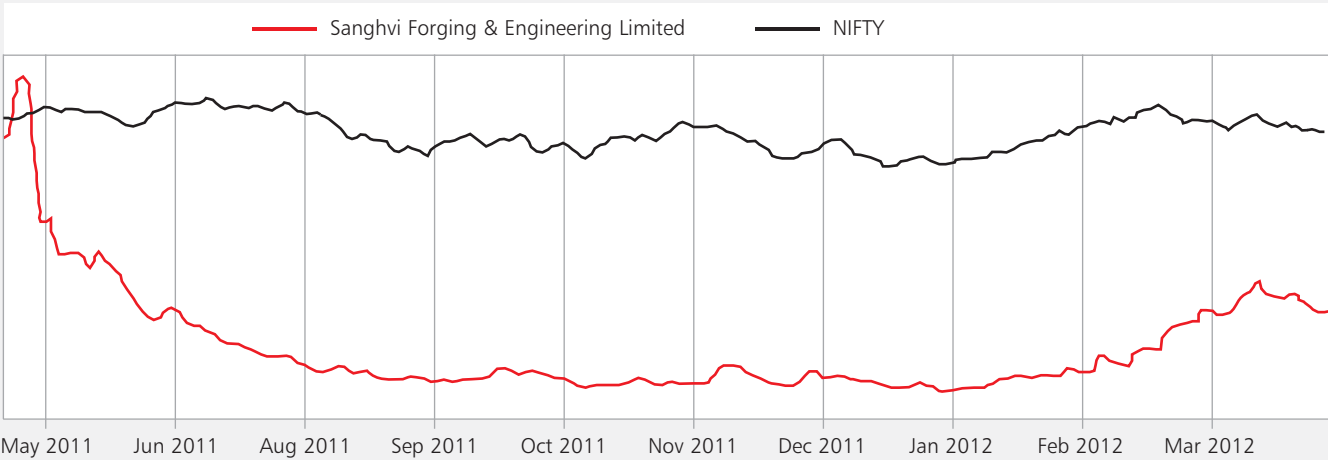
Monthly share price movement during the financial year 2011-12 at BSE and NSE

Month	BSE				NSE			
	High Price	Low Price	Closing Price	Turnover (In lacs)	High Price	Low Price	Closing Price	Turnover (In lacs)
May 2011	144.9	77.35	77.35	94272.53	145.15	77.5	77.5	111385.1
June 2011	81.4	42.6	48.5	11254.71	81.3	42.65	48.25	13683.56
July 2011	49.5	29	29.15	156.73	48.25	29	29	206.69
August 2011	31.5	24.6	25.4	123.42	29.9	24	25.75	137.85
September 2011	31.2	24.5	25.15	95.82	29.45	24.5	25.05	80.09
October 2011	28.6	22.1	25.1	38.59	27.25	22	24.95	43.15
November 2011	33.45	22.6	28.35	143.18	34.8	22.3	27.8	170.1
December 2011	29.95	22	22.4	99.80	29.9	21	22.45	141.22
January 2012	22.05	22	28.75	185.36	31.1	21.55	28.7	189.29
February 2012	27	27	49	63.23	50	27.25	48.8	719.06
March 2012	49	45.2	50.35	741.56	58.7	44.8	49.9	736.94

Company Versus Sensex



Company Versus Nifty



J. Shareholding Pattern as on March 31, 2012

Category	No. of Shareholders		No. of Shares	
	Total Shareholders	% of Shareholders	Total Shares	In %
Clearing Members	42	1.2382	43678	0.3441
Corporate Bodies	211	6.2205	2254098	17.7596
Non-Resident Indians	44	1.2972	21420	0.1688
Overseas Bodies Corporate	2	0.0590	699981	5.5150
Promoters	26	0.7665	7576897	59.6970
Public	3067	90.4186	2096193	16.5155
Total	3392		12692267	100.0000

K. Distribution of Shareholding as on March 31, 2012

Category	No. of Shareholders	Percentage	No. of Shares	Percentage
1 500	2906	85.6722	369236	2.9091
501 1000	222	6.5488	180526	1.4223
1001 2000	108	3.1840	164941	1.2995
2001 3000	30	0.8844	78773	0.6206
3001 4000	13	0.3833	46090	0.3631
4001 5000	11	0.3243	54159	0.4267
5001 10000	36	1.0613	272908	2.1502
10001 and above	66	1.9458	11525634	90.8083
Total	3392		12692267	100.00

L. Plant Location

Existing Plant

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

New Plant

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

M. General Body Meeting

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

Year	Location	Date	Time
2010-2011	244/6, G.I.D.C Ind. Estate, Waghodia-391760	September 9, 2011	3 p.m
2009-2010	244/6, G.I.D.C Ind. Estate, Waghodia-391760	August 25, 2010	11a.m
2008-2009	244/6, G.I.D.C Ind. Estate, Waghodia-391760	September 30, 2009	11 a.m

N. Address for Correspondence:

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

Shri Kiran Mohanty

Company Secretary and Compliance Officer

Sanghvi Forging and Engineering Limited

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

Email: cs@sanghiviforge.com, Phone: 91-2668-263020/262201, Fax: 91-2668-263411

FINANCIAL SECTION

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 March 31, 2012, 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 March 31, 2012 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 except for the *classification of short term liability amounting to ₹ 12,678.28 thousands classified as a long term liability resulting in understatement of short term liabilities and overstatement of long term liabilities by the said amount and classification of capital advances amounting to ₹ 67,009.22 thousands classified as short term loans and advances instead of long term loans and advances resulting in overstatement of short term loans and advances and understatement of long term loans and advances by the said amount, however it has no impact on state of affairs of the Company except classification which are contrary to the Schedule VI of Companies Act*, 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 March 31, 2012;
 - (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

Yogesh Bhandari
Partner
Membership No. 046255

Place: VADODARA
Date : 29/05/2012

ANNEXURE TO THE AUDITOR’S REPORT

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

- 1
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. The fixed asset register is updated.

(b) As explained to us, fixed assets are physically verified by the management at the year-end, which in our opinion, is reasonable, looking to the size of the Company and its nature of business, and no material discrepancies were noticed on such verification.

(c) The Company has not disposed off any substantial part of its fixed assets during the year, which can affect the going concern.
- 2
- (a) As explained to us, Inventories has been physically verified during the year and at the year-end.

(b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. As informed to us the discrepancies noticed on physical verification of stocks as compared to book records were not Material, however, the same have been properly dealt with in the books of account.
- 3
- (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of he Act. Hence, Clause (03)(a) to (d) of the Order are not applicable.

(b) The Company has taken unsecured loans from 15 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance is ₹ 417.54 Lacs (P.Y. 448.51 Lacs) and year end balance is ₹ 161.51 Lacs (P.Y. 347.22 Lacs.)

(c) In our opinion and information given to us the rate of interest and other terms and conditions of loans taken by the Company, secured or unsecured, are prima facie prejudicial to the interest of the Company.

(d) As per information given and explanation given to us, the payment of interest is regular and there is no stipulation as regards to repayment of principal.
- 4
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and service. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.

(a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value in ₹ 5 Lacs with the parties during the year have been made at process which are reasonable having regard to the prevailing market prices at the relevant time.
- 6
- The Company has not accepted any deposits during the year from the public, within the meaning of the provisions of Section 58A & 58AA of the Companies Act, 1956 and rules made there under. Hence, clause (vi) of the order is not applicable.
- 7
- In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 8
- We are informed that the Central Government has prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and the Company has maintained the prescribed cost records.
- 9
- (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, custom duty, excise duty and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, sales tax, customs duty, excise duty, as at 31.03.2012 for a period of more than six

months from the date they became payable, except Income Tax, Service Tax and Excise Duty dues:

Name of Statue	Nature of Dues	Amount (₹ '000)	Period to which it relates	Forum where the dispute is pending
Income Tax Act, 1961	Disallowances	856.49	A.Y. 2008-09	CIT (A)
Income Tax Act, 1961	Disallowances	969.13	A.Y. 2009-10	CIT (A)
Central Excise Act, 1944	Wrong availment of cenvat credit on capital goods	776.34	F.Y. 2007-08 & F.Y. 2008-09	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	For Reversal Of Credit with respect to Service tax Credit of BAS on paid of Foreign Commission	915.36	F.Y. 2007-08, F.Y. 2008-09 & F.Y. 2010-11	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Wrong availment of cenvat credit against input service like CHA agents etc.	346.14	F.Y. 2007-08, F.Y. 2008-09, F.Y. 2009-10 & F.Y. 2010-11	Asst. Commissioner of Central Excise

10. The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses in the current year.
11. Based on our audit procedures and on the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of its dues to the banks. 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 of similar nature and hence maintenance of documents and records relating to such items are not applicable.
13. The clause (xiii) of the order is not applicable to the Company, as the Company is not a chit fund company or nidhi / mutual benefit fund/society
14. The clause (xiv) of the order is not applicable to the Company as the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. According to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.
17. According to the information and explanations given to us
- and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956. Hence clause (xviii) of the order is not applicable.
19. The Company has not issued any debentures hence clause (xix) of the order is not applicable.
20. The Company has raised ₹ 39,95,19,040/- (4722004 equity shares of ₹ 10/- each at a premium of ₹ 75/- per shares) by means of public issue during the year and funds have been utilised for the purpose for which the issue was made.
21. To the best of our knowledge and belief and according to information and explanation given to us no fraud on or by the Company has been noticed or reported during the year under report.
- For Shah & Bhandari
Chartered Accountants
FRN: 118852W
- Yogesh Bhandari
Partner
- Place: VADODARA
Date : 29/05/2012
- Membership No. 046255

BALANCE SHEET As at March 31, 2012

(₹ in '000)

Sr.	Particulars	Note No.	As at March 31, 2012	As at March 31, 2011
A	EQUITY AND LIABILITIES			
	Shareholder's Fund :			
(a)	Share Capital	2.1	126,922.67	79920.43
(b)	Reserves and Surplus	2.2	467,525.92	100568.87
	Non-Current Liabilities:			
(a)	Long-Term Borrowings	2.3	238,755.14	61552.97
(b)	Deferred Tax Liabilities (Net)	2.4	17,705.29	17004.07
	Current Liabilities:			
(a)	Short - Term Borrowings	2.5	152,711.43	94999.57
(b)	Trade Payables	2.6	324,247.25	166943.32
(c)	Other Current Liabilities	2.7	3,869.89	4281.27
(d)	Short - Term Provision	2.8	21,074.62	21017.14
	Total		1,352,812.21	546,287.63
B	ASSETS			
	Non - Current Assets:			
(a)	Fixed Assets	2.9		
	(i) Tangible Assets		123,199.13	111417.98
	(ii) Intangible Assets		2,418.88	1615.68
	(iii) Capital Work-in-Progress		541,499.44	117608.22
(b)	Non Current Investments	2.10	0	1446.30
(c)	Long Term Loans & Advances	2.11	1,728.28	1155.46
(d)	Other Non Current Assets	2.12	15,537.25	9744.77
	Current Assets:			
(a)	Inventories	2.13	110,200.33	79430.04
(b)	Trade Receivables	2.14	76,107.72	100677.85
(c)	Cash & Cash Equivalents	2.15	211,620.31	6120.84
(d)	Short - Term Loan & Advances	2.16	270,363.29	116919.65
(e)	Other Current Assets	2.17	137.58	150.85
	Total		1,352,812.21	546,287.63
	Significant Accounting Policies	1		
	Notes to Accounts	2		

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

As per our Report of even date attached

For and behalf of the Board of Directors

Shah & Bhandari

Chartered Accountants

Babulal Sanghvi
(Chairman)

Jayanti Sanghvi
(Managing Director)

Yogesh Bhandari

Partner

Membership No - 046255

Vadodara : May 29, 2012

Kiran Mohanty
(Company Secretary)

STATEMENT OF PROFIT AND LOSS For the year ended March 31, 2012

(₹ in '000)

Sr.	Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
A	INCOME :			
(a)	Revenue from Operations	2.18	507,312.59	402,156.20
(b)	Other Income	2.19	5,206.37	2,737.94
			512,518.96	404,894.14
B	EXPENDITURE :			
(a)	Cost of Material Consumed	2.20	320,053.58	241,267.45
(b)	Changes in Stock	2.21	(25,973.39)	(20,524.57)
(c)	Employees Benefit Expense	2.22	21,487.32	16,970.79
(d)	Finance Cost	2.23	14,181.53	15,571.66
(e)	Depreciation	2.25	7,117.28	6,487.87
(f)	Other Expense	2.24	106,087.49	84,487.19
			442,953.82	344,260.39
	Profit before Tax		69,565.14	60633.75
	Provision for Tax			
	- Current Tax		21,300.00	20,719.46
	- Deferred Tax		701.22	565.52
			22,001.22	21,284.98
	Profit after Tax		47,563.92	39,348.77
	Basic and Diluted Earning Per Share (Face Value of ₹ 10 Per Share) [Refer to Note No. 2.26(8)]		3.99	5.09
	Significant Accounting Policies	1		
	Notes to Accounts	2		

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

As per our Report of even date attached

For and behalf of the Board of Directors

Shah & Bhandari

Chartered Accountants

Babulal Sanghvi
(Chairman)

Jayanti Sanghvi
(Managing Director)

Yogesh Bhandari

Partner

Membership No - 046255

Vadodara : May 29, 2012

Kiran Mohanty

(Company Secretary)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
A. Cash Flow From Operating Activities:		
Net Profit Before Tax and Extra ordinary Items	69565.15	60633.75
Adjustment for:		
Depreciation /Amortisation /Impairment	6982.42	6487.87
Interest Expense	14181.53	15571.67
Interest Income	(4100.22)	(507.07)
Dividend Income	(1158.07)	0.00
Loss on Sale of Subsidiary	1446.30	0.00
Loss on sale of Fixed Assets	83.89	112.19
Operating Profit Before Working Capital Changes	87001.00	82298.42
Adjustment for Changes of Working Capital		
Decrease/(Increase) in Inventories	(30770.29)	(26685.43)
Decrease/(Increase) Sundry Debtors	18777.65	(5074.35)
Decrease/(Increase) Other Receivables	(154003.18)	(111378.01)
Increase/(Decrease) in Trade and Other Payables	156950.03	154271.08
Cash Generated From Operation	77955.22	93431.71
Income Tax Paid	(21300.00)	(20698.28)
Net Cash Generated From Operating Activities	56655.22	72733.43
B. Cash Flow From Investing Activities		
Acquisition of Fixed Assets	(443892.66)	(127321.70)
Sale of Fixed Assets	351.28	119.00
Investment in Sanghvi Middle East	0.00	(681.30)
Interest Received	4100.22	507.07
Dividend Received	1158.07	0.00
Net Cash Used in Investing Activities	(438283.09)	(127376.93)
C. Cash Flow From Financing Activities		
Increase in Share Capital	47002.24	3409.52
Security Premium (Net of Share Issue Expense)	319393.05	17574.92
Repayment to Term Loan	274515.79	(12737.59)
(Repayments)/ borrowing from Unsecured Loan	(18571.15)	27594.82
(Repayments)/ borrowing from Bank	(21030.62)	37983.09
Finance Cost (Interest & Bank Charges)	(14181.96)	(15571.67)
Net Cash used in Financing Activities	587127.35	58253.11
Net Increase /(Decrease)in Cash and Cash Equivalents (A+B+C)	205499.47	3609.60
Cash & Cash Equivalents at the beginning of the year*	6120.84	2511.24
Cash & Cash Equivalents at the end of the year*	211620.31	6120.84
Cash on Hand	2,139.83	384.78
Balance with Bank - Current Accounts	198,039.46	149.35
	<u>2011-12</u>	<u>2010-11</u>
Balance with Bank : - Margin Money	2577.75	149.71
- Fixed Deposit	8863.27	5437.00
	11,441.02	5,586.71
	211,620.31	6,120.84

Kiran Mohanty
(Company Secretary)

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 year end are translated at the year end rates. The exchange differences arising on settlement / translation are recognised in the Profit and Loss Account.

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

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 recognised and carried forward only to the extent the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation 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 capitalised. Other borrowing costs are recognised as an expense in the period which they are incurred.

xi. Provisions, Contingent Liabilities and Contingent Assets

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

- (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 recognised in the financial statements since this may result in the recognition of income that may never be realised.

xii. Impairment of Asset

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

xiii. 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 is recognised on accrual basis.

xv. Application of Securities Premium Account

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

xvi. Project Development Expense Pending Adjustment

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

xvii. Earning Per Share

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

xviii.Cash flow statement

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

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTE-2 NOTES TO ACCOUNTS

NOTES : 2.1 SHARE CAPITAL

(₹ in '000)

Sr.	Particulars	As at March 31, 2012	As at March 31, 2011
(a)	Authorised : 20,000,000 No. of Equity Shares of ₹ 10 each	200,000.00	200,000.00
(b)	Issued , Subscribed & Paid up Share Capital : (12,692,267 No. of Equity Shares of ₹ 10 Each) Previous Year : 7,992,043 No of Equity Shares of ₹ 10 Each)	126,922.67	79,920.43
	Total	126,922.67	79,920.43

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

Particulars	March 31, 2012		March 31, 2011	
	Nos.	(₹ in '000)	Nos.	(₹ in '000)
Equity Shares				
At the beginning of the year	7992043	79920.43	4781932	47819.32
Issued during the year				
(a) Public Issue	4700224	47002.24	0	0.00
(b) Other than Public Issue	0	0.00	340952	3409.52
(c) Bonus	0	0.00	2869159	28691.59
Outstanding at the end of the year	12692267	126923	7992043	79920

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

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

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

Sr.	Particulars	As at March 31, 2012		As at March 31, 2011	
		Number of shares	% holding	Number of shares	% holding
1	Shri Jayanti B Sanghvi	1356706	10.70	1257606	15.74
2	Shri Babulal B Sanghvi	1164283	9.17	1103783	13.81
3	Shri Naresh B Sanghvi	1266931	9.98	1166931	14.60
4	Shri Vikram B Sanghvi	955682	7.53	890682	11.15
5	Smt. Bhamridevi B Sanghvi	682451	5.38	582451	7.29
6	Amrapali Fincap Private Limited	788801	6.21	0	0.00
7	Smt. Meena J Sanghvi	0	0.00	620800	7.77
8	Smt. Kiran N Sanghvi	0	0.00	57600	7.21
	Total	6214854	48.97	5679853	77.56

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

Sr.	Particulars / Nos.	As on 31.03.2011	As on 31.03.2010	As on 31.03.2009	As on 31.03.2008	As on 31.03.2007
(a)	Bonus Issue	2869159	NIL	NIL	2948949	NIL
(b)	Conversion of Unsecured Loan	NIL	850000	NIL	NIL	NIL

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.2 RESERVES & SURPLUS

(₹ in '000)

Sr.	Particulars	As at March 31, 2012	As at March 31, 2011
(a)	General Reserve		
	Opening Balance	3,987.14	3,987.14
	Add : Transfer from Profit & Loss Account	-	-
	Closing Balance	3,987.14	3,987.14
(b)	Securities Premium		
	Opening Balance	17,574.92	-
	Add : Transfer from Profit & Loss Statement	350,721.66	23,866.64
	Less : Share Issue Expense	31,328.61	6,291.72
	Closing Balance	336,967.97	17,574.92
(c)	Profit & Loss Account		
	Opening Balance	79,006.88	68,328.45
	Profit for the Year	47,563.92	39,348.77
	Excess / (Short) provision for taxation and tax payments	-	21.18
	Less : Issue of Bonus Shares	-	28,691.59
	Closing Balance	126,570.80	79,006.80
	Total (a+b+c)	467,525.92	100,568.87

NOTES : 2.3 LONG TERM BORROWINGS

(a)	Secured Loans		
(i)	Term Loan From Banks	209,926.13	8,243.12
	- Secured against all Fixed Assets (existing & proposed) and Equitable Mortgage over Leasehold Land. And pari-passu charge on Current Assets		
	- Personal Guarantees of Directors including pledge of their shares [Refer Note no. 2.26 (13)]		
(ii)	Other Finance From Banks	12,678.28	18,587.97
	- Against Hypothecation of Entire Current Assets - Stock of Raw Materials, Work-in-Progress, Finished Goods, Stores & Spares, Trade Receivable, etc. And pari-passu charge on existing & proposed Fixed Assets.		
(b)	Unsecured Loans		
(i)	Unsecured Loan from Directors & their Relatives [Refer Note 2.26(14)]	16,150.73	34,721.88
	Total	238,755.14	61,552.97

NOTES : 2.4 DEFERRED TAX LIABILITIES (NET)

(a)	Deferred Tax Liability :		
	On account of difference between Books of Accounts & Income Tax WDV of Fixed Assets.	17,836.04	17,168.46
(b)	Deferred Tax Assets :		
	On account of Expenses Allowable on Payment Basis	(130.75)	(164.39)
	Total	17,705.29	17,004.07

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.5 SHORT TERM BORROWINGS

(₹ in '000)

Sr.	Particulars	As at March 31, 2012	As at March 31, 2011
(a)	Secured Loans		
(i)	Working Capital Loan from Bank	68,011.85	89,042.47
	- Against Hypothecation of Entire Current Assets - Stock of Raw Materials, Work-in-Progress, Finished Goods, Stores & Spares, Trade Receivable, etc. And pari-passu charge on existing & proposed Fixed Assets.		
(ii)	Term Loan from Banks	84,699.58	5,957.11
	- Secured against all Fixed Assets (existing & proposed) and Equitable Mortgage over Leasehold Land.		
	- Personal Guarantees of Directors including pledge of their shares [Refer Note no. 2.26 (13)]		
	Total	152,711.43	94,999.57

NOTES : 2.6 TRADE PAYABLE

(a)	Trade Payable - For Goods	18,536.27	57,459.45
(b)	Trade Payable - For Capital Goods	305,710.98	109,483.87
	Total	324,247.25	166,943.32

NOTES : 2.7 OTHER CURRENT LIABILITIES

(a)	Duties & Taxes Payable	1,104.73	2,746.92
(b)	Other Outstanding Liabilities	515.33	82.30
(c)	Employees Benefit Expenses	1,874.68	1,452.05
(d)	Advance from Customers	375.15	-
	Total	3,869.89	4,281.27

NOTES : 2.8 SHORT TERM PROVISIONS

(a)	For Taxation	21,277.17	20,719.46
(b)	For Others	(202.55)	297.68
	Total	21,074.62	21,017.14

NOTES : 2.9 FIXED ASSETS (Refer to Note No: 2.25)

(a)	Tangible Assets		
	Gross Block	156,227.07	138,560.82
	Less Accumulated depreciation	33,027.94	27,142.84
	Net Block	123,199.13	111,417.98
(b)	Intangible Asset		
	Gross Block	4,798.09	3,277.00
	Less Amortisation	2,379.21	1,661.32
	Net Block	2,418.88	1,615.68
(c)	Capital WIP	541,499.44	117,608.22

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.10 NON CURRENT INVESTMENTS (VALUED AT COST) (Refer to Note No. 2.26(16)) (₹ in '000)

Sr.	Particulars	As at March 31, 2012	As at March 31, 2011
	Non Trade		
	Investment in 100% subsidiary - unquoted equity instrument		
	1 share of 150000 UAE Dirham, partly paid up	0	1446.30
	Total	0	1,446.30

NOTES : 2.11 LONG TERM LOANS & ADVANCES (Unsecured considered good)

(i)	Deposits	1,376.22	884.81
(ii)	Balance with Revenue Authorities	352.06	270.65
	Total	1,728.28	1,155.46

NOTES : 2.12 OTHER NON CURRENT ASSETS

	Sundry Receivables	15537.25	9744.77
	Total	15,537.25	9,744.77

NOTES : 2.13 INVENTORIES

(a)	Raw Material	26,113.41	23,858.50
(b)	Work-in-Progress	74,381.83	49,998.21
(c)	Stores & Spares Parts	3,624.23	1,351.28
(d)	Packing Material	313.84	44.78
(e)	Scrap	5,767.02	4,177.26
	Total	110,200.33	79,430.04

NOTES : 2.14 TRADE RECEIVABLE (Unsecured, Considered Good)

(a)	Over six months from the date they were due for payment	5,006.68	22,476.71
(b)	Others	71,101.04	78,201.14
	Total	76,107.72	100,677.85

NOTES : 2.15 CASH & CASH EQUIVALENT BALANCE

(a)	Cash on Hand	2,139.83	384.78
(b)	Balance with Banks :		
	(i) In Current Accounts	198,039.46	149.35
(c)	In Term Deposit with more than 12 month maturity		
	- Margin Money	2,577.75	149.71
	- Fixed Deposits	8,863.27	5,437.00
	Total	211,620.31	6,120.84

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.16 SHORT TERM LOAN & ADVANCE (unsecured, considered good) (₹ in '000)

Sr.	Particulars	As at March 31, 2012	As at March 31, 2011
(i)	Balance with Revenue Authorities	27,880.51	8,456.72
(ii)	Pre - Paid Expense	1,077.52	680.18
(iii)	Advance to Suppliers	174,396.04	923.85
(iv)	Capital Advance	67,009.22	106,858.90
	Total	270,363.29	116,919.65

NOTES : 2.17 OTHER CURRENT ASSETS

(a)	Loan & Advance	137.58	150.85
	Total	137.58	150.85

NOTES : 2.18 REVENUE FROM OPERATIONS

Sr.	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
(a)	Sale of Flanges, Fittings & Forged Bars		
	(i) Sales - Domestic	343,760.71	315,820.52
	(ii) Sales - Export	103,487.65	54,102.03
		447,248.35	369,922.55
(b)	Sales - Power Generation	2,361.62	2,209.64
(c)	Other Operating Revenues		
	(i) Sales - Scrap	69,878.87	49,140.35
	(ii) Export Incentives	5,092.41	3,036.79
	(iii) Other Operating Revenues	11,865.12	7,366.01
	Sub Total	86,836.40	59,543.15
	Gross Revenue from Operations	536,446.37	431,675.34
	Less : Excise Duty	29,133.78	29,519.14
	Net Revenue from Operations	507,312.59	402,156.20

NOTES : 2.19 OTHER INCOME

(a)	Interest From Bank & Others	4,100.22	507.07
(b)	Other Income	1,106.15	2,230.87
	Total	5,206.37	2,737.94

NOTES : 2.20 COST OF MATERIAL CONSUMED

(a)	Steel Consumed		
	Opening Balance	23,858.50	16,702.63
	Add : Purchase	322,308.49	248,423.32
		346,166.99	265,125.95
	Less : Closing Stock	26,113.41	23,858.50
	Raw Material Consumed	320,053.58	241,267.45

Information Relating to Consumption of Material (Imported & Indigenous)

		Current Year	Previous Year		
(a)	Imported Items	0.63 %	0.59%	2,019.47	1,427.63
(b)	Indigenous Items	99.37%	99.41%	318,034.11	239,839.82
	Total			320,053.58	241,267.45

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.21 CHANGES IN STOCK

(₹ in '000)

Sr.	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
(a)	Increase / Decrease in Stock		
(i)	Closing Stock		
	Work - in - Progress of Forging & fittings	74,381.83	49,998.21
	Scrap of Steel	5,767.02	4,177.26
	Sub Total	80,148.85	54,175.47
(ii)	Opening Stock		
	Work - in - Progress of Forging & fittings	49,998.21	33,650.90
	Scrap of Steel	4,177.26	-
	Sub Total	54,175.47	33,650.90
	(Increase)/ Decrease in Stock	(25,973.39)	(20,524.57)

NOTES : 2.22 EMPLOYEES BENEFIT EXPENSE

(a)	Salary, Wages & Bonus	19692.56	15145.24
(b)	Contribution to Provident & Other Funds	810.22	738.64
(c)	Staff Welfare Expense	984.54	1086.91
	Total	21487.32	16970.79

NOTES : 2.23 FINANCE COST

(a)	Interest Expense	6,898.60	12,475.48
(b)	Other financial charges	7,282.93	3,096.18
	Total	14,181.53	15,571.66

NOTES : 2.24 OTHER EXPENSES

(a)	Manufacturing Expense :		
	Power & Fuel	22,965.05	21,567.82
	Stores Consumed	9,438.83	10,464.71
(b)	Administrative & Other Expense :		
	Insurance Expense	445.71	280.68
	Late Delivery Charges	7,049.46	905.76
	Professional Expenses Admin	5,113.41	1,657.92
	Rates & Taxes	661.55	853.50
	Rent Expense	397.01	383.03
	Repairs and maintenance - Buildings	281.07	865.90
	Repairs and Maintenance- Plant	1,888.70	1,910.30
	Repairs and maintenance - Others	1,638.04	1,135.62
	Loss of 100% Subsidiary [Refer Note No.2.26(16)]	1,446.30	0.00
	Freight Outwards	5,291.46	3,828.59
	Miscellaneous Expense	49,470.91	40,633.36
	Total	106,087.49	84,487.19

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.25 FIXED ASSETS

(₹ in '000)

Particulars	Gross Block (At Cost)			Depreciation / Amortisation			Net Block	
	As at April 01, 2011	Additions	Adjustment/ Deductions	As at April 01, 2011	For the Year	Deductions	As at March 31, 2012	As at March 31, 2011
Tangible Assets								
Free hold land #	9572.09	57.13	-	-	-	-	9,629.22	9,572.09
Leasehold land*	300.00	-	-	55.03	15.00	-	229.97	244.97
Buildings-Factory	25116.63	1,771.41	1,008.32	3706.42	980.23	134.86	21,327.94	21,410.21
Buildings-Residential	311.77	-	-	52.72	15.59	-	243.46	259.05
Plant and Machinery	89357.59	14,860.21	2,436.33	19432.62	4,249.86	-	78,099.00	69,924.97
Electrical Installation	3180.43	41.90	-	867.64	152.65	-	2,202.05	2,312.79
Office Equipment	971.32	144.66	-	106.34	50.02	-	959.62	864.98
Computers	2655.64	1,827.03	219.62	1270.48	229.41	66.44	2,829.61	1,385.16
Furniture and Fixtures	2317.45	252.73	43.87	446.04	152.41	-	1,927.86	1,871.41
Vehicles	4777.90	3,013.80	594.49	1205.55	554.22	312.98	5,750.42	3,572.35
Total	138560.82	21968.88	4302.63	27142.84	6399.39	514.28	123199.13	111417.98
Intangible Assets								
Software & Licenses	3277.00	1,521.08	-	1661.32	717.89	-	2,418.88	1,615.68
Total	3,277.00	1,521.08	-	1,661.32	717.89	-	2,418.88	1,615.68
Grand Total	141,837.82	23,489.96	4,302.63	28,804.16	7,117.28	514.28	125,618.01	113,033.66
Previous Year	132,143.57	10,082.76	388.51	22,473.61	6,487.87	157.32	113,033.66	109,669.96
Capital Work-in-Progress							541,499.44	117,608.22
Total Fixed Assets							667,117.45	230,641.88

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

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

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

NOTES : 2.26 NOTES FORMING PART OF FINANCIAL STATEMENTS

1) Contingent Liabilities:-

(₹ in '000)

Particulars	As at March 31, 2012	As at March 31, 2011
Guarantee Given By Bankers on Behalf of Company		
- Bank Guarantee	70776.192	28142.26
- Letter of Credit	502759.42	6514.24
Disputed Liabilities		
- Income Tax on Accounts of Disallowance	1825.62	856.62
- Excise Duty on Account of Cenvat Credit	776.34	776.34
- Service Tax on Account of Cenvat Credit	1261.50	1037.24
- Service Tax on Account of Import of Services	0.00	16.07

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

On Account of Services	(₹ in '000)	50000.00	150.00
On Account of Capital Goods	(₹ in '000)	343456.00	4125.20
On Account of Capital Goods	(\$ in '000)	402.00	0.00
On Account of Capital Goods	(€ in '000)	3840.00	5780.00

3) Remuneration to Auditors

As Auditor	150.00	100.00
Taxation & Other Matters	75.00	105.00
Total	225.00	205.00

4) C.I.F. value of Imports

Capital Goods	274491.50	242.74
Raw Material	5952.59	1321.61

5) (a) Expenditure in Foreign Currency:-

Foreign Travel Expenses	1277.91	1228.29
Capital Goods	63230.71	255.30
Claim Settlements	-	341.50
Exhibitions & Sales Promotion	307.64	1140.76

(b) Earnings in Foreign Currency

F.O.B. value of exports	130244.07	54322.04
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6) Exchange difference Gain/(Loss) on account of fluctuations in foreign currency rates :-

1. Relating to Exports during the year as part of Sales 2057.544 (P.Y. 833.94)
2. Recognised in Profit and Loss Account :

On settlement / revaluation of current assets	624.39	(496.96)
On settlement / revaluation of current liabilities	(258.17)	(225.64)

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

7) 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	As at March 31, 2012	As at March 31, 2011
Principal Amount due to suppliers under MSMED Act, 2006,	261.47	468.52
Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day	234.38	81.00
Interest accrued and due to suppliers under MSMED Act, on the above amount	0.49	0.36
Interest paid to suppliers under MSMED Act (Section 16)	0.36	0.53
Interest due and payable to suppliers under MSMED Act , for the payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.49	0.36

8) Computation of Earning Per Share

Profit After Tax	47563.93	39,348.77
Less : Prior Period Items If Any	-	(21.18)
Profit used as Numerator for calculating Earning per Share	47563.93	39,369.95
Weighted Average Number of Share used in computing Basic Earnings Per Share	11918864	7737964
Weighted Average Number of Share used in computing Diluted Earnings Per Share	11918864	7737964
Nominal Value per Share (In ₹)	10	10
Basic Earning per Share (In ₹)	3.99	5.09
Diluted Earning per Share (In ₹)	3.99	5.09

9) Related Party Details

(a) Related Party Disclosure

Subsidiary Company	Sanghvi Middle East (FZE) [Refer Note 2.26(16)]
Key Management Personnel	Shri Babulal S. Sanghvi Shri Jayanti B. Sanghvi Shri Naresh B. Sanghvi Shri Vikram B. Sanghvi
Relative of Key Management Personnel	Smt. BhamriDevi B. Sanghvi (Wife of Director & Mother of Directors) Smt. Meena J. Sanghvi (Wife of Director) Smt. Kiran N. Sanghvi (Wife of Director) Shri Mahesh B Sanghvi (Son of Director & Brother of Directors)
Enterprises under Significant Influence of Key Management Personnel or their Relatives	Gautam Stainless Pvt. Ltd Rajeshwari Forgings Pvt. Ltd Babulal Sanghvi (HUF) Jayanti Sanghvi (HUF) Naresh Sanghvi (HUF) Vikram Sanghvi (HUF) Gautam Pipeline Product (Prop: Babulal Sanghvi (HUF)) Kanak Engineering Works (Prop: Meena J. Sanghvi)

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

(b) Related Party Transaction

(₹ in '000)

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprises under Significant Influence of Key management Personnel or their Relatives		Total	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Purchase of Goods/DEPB	-	-	-	-	-	-	50.60	-	50.60	-
Gautam Pipeline Product							50.60		50.60	
(Proprietor - Babulal Sanghvi-HUF)										
Receiving of Services	-	-	-	-	-	-	29.80	781.15	29.80	781.15
Kanak Engineering Works	-	-	-	-	-	-	29.80	781.15	29.80	781.15
Sale of Goods/ DEPB	(1,123.08)	2,340.32	-	-	-	-	-	-	(1,123.08)	2,340.32
Sanghvi Middle East (FZE)	(1,123.08)	2,340.32	-	-	-	-	-	-	(1,123.08)	2,340.32
Rendering of Services	-	-	-	-	-	-	-	10.30	-	10.30
Gautam Stainless Pvt. Ltd.	-	-	-	-	-	-	-	10.30	-	10.30
Loans given /Repaid	-	-	3,282.00	1,085.00	21,602.80	709.52	-	-	24,884.80	1,794.52
Babulal S. Sanghvi	-	-	1,500.00	200.00	-	-	-	-	1,500.00	200.00
Jayanti B. Sanghvi	-	-	577.00	400.00	-	-	-	-	577.00	400.00
Naresh B. Sanghvi	-	-	600.00	285.00	-	-	-	-	600.00	285.00
Vikram B. Sanghvi	-	-	-	200.00	-	-	-	-	-	200.00
BhamriDevi B. Sanghvi	-	-	605.00	-	-	-	-	-	605.00	-
Meena J. Sanghvi	-	-	-	-	3,500.00	241.48	-	-	3,500.00	241.48
Kiran N. Sanghvi	-	-	-	-	1,000.00	468.04	-	-	1,000.00	468.04
Babulal Sanghvi (HUF)	-	-	-	-	15,802.80	-	-	-	15,802.80	-
Jayanti Sanghvi (HUF)	-	-	-	-	500.00	-	-	-	500.00	-
Naresh Sanghvi (HUF)	-	-	-	-	800.00	-	-	-	800.00	-
Loans Received Back/Taken	-	-	207.00	3,525.00	202.80	8,375.00	-	17,150.00	409.80	29,050.00
Jayanti B. Sanghvi	-	-	27.00	800.00	-	-	-	-	27.00	800.00
Babulal Sanghvi	-	-	-	1,750.00	-	-	-	-	-	1,750.00
Naresh B. Sanghvi	-	-	-	400.00	-	-	-	-	-	400.00
Vikram B. Sanghvi	-	-	-	575.00	-	-	-	-	-	575.00
BhamriDevi B. Sanghvi	-	-	180.00	-	-	2,250.00	-	-	180.00	2,250.00
Meena J. Sanghvi	-	-	-	-	-	3,500.00	-	-	-	3,500.00
Kiran N. Sanghvi	-	-	-	-	-	1,000.00	-	-	-	1,000.00
Sheetal V. Sanghvi	-	-	-	-	-	1,625.00	-	-	-	1,625.00
Babulal Sanghvi (HUF)	-	-	-	-	202.80	-	-	15,600.00	202.80	15,600.00
Jayanti Sanghvi (HUF)	-	-	-	-	-	-	-	415.00	-	415.00
Naresh Sanghvi (HUF)	-	-	-	-	-	-	-	390.00	-	390.00
Vikram Sanghvi (HUF)	-	-	-	-	-	-	-	745.00	-	745.00
Investment	(1,446.00)	1,446.30	-	-	-	-	-	-	(1,446.00)	1,446.30
Sanghvi Middle East (FZE)	(1,446.00)	1,446.30	-	-	-	-	-	-	(1,446.00)	1,446.30
Interest Expenses	-	-	9.00	431.24	85.92	344.03	202.80	751.00	297.72	1,526.27
Jayanti B. Sanghvi	-	-	9.00	111.55	-	-	-	-	9.00	111.55
Babulal Sanghvi	-	-	-	167.34	-	-	-	-	-	167.34
Naresh B. Sanghvi	-	-	-	63.44	-	-	-	-	-	63.44
Vikram B. Sanghvi	-	-	-	88.91	-	-	-	-	-	88.91
BhamriDevi B. Sanghvi	-	-	-	-	-	137.83	-	-	-	137.83
Meena J. Sanghvi	-	-	-	-	-	71.05	-	-	-	71.05
Kiran N. Sanghvi	-	-	-	-	-	39.68	-	-	-	39.68
Sheetal V Sanghvi	-	-	-	-	85.92	95.47	-	-	85.92	95.47
Babulal Sanghvi (HUF)	-	-	-	-	-	-	-	499.00	-	499.00
Jayanti Sanghvi (HUF)	-	-	-	-	-	-	202.80	87.01	202.80	87.01
Naresh Sanghvi (HUF)	-	-	-	-	-	-	-	91.35	-	91.35
Vikram Sanghvi (HUF)	-	-	-	-	-	-	-	73.63	-	73.63
Rental Paid	-	-	36.00	36.00	180.00	180.00	-	-	216.00	216.00
BhamriDevi B. Sanghvi	-	-	-	-	180.00	180.00	-	-	180.00	180.00
Jayanti B. Sanghvi	-	-	36.00	36.00	-	-	-	-	36.00	36.00

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

(b) Related Party Transaction (Contd.)

(₹ in '000)

Particular	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprises under Significant Influence of Key management Personnel or their Relatives		Total	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Director's Remuneration	-	-	3728.18	3722.92	-	-	-	-	3,728.18	3,722.92
Outstanding										
(Receivables)/Payables (Net)	-	-	2,953.21	-	4,027.12	-	2,058.91	-	9,039.23	33,352.02
Sanghvi Middle East (FZE)	-	5,759.70	-	-	-	-	-	-	-	5,759.70
Babulal S. Sanghvi	-	-	764.60	2,264.60	-	-	-	-	764.60	2,264.60
Jayanti B. Sanghvi	-	-	789.82	1330.82	-	-	-	-	789.82	1,330.82
Naresh B. Sanghvi	-	-	248.59	848.59	-	-	-	-	248.59	848.59
Vikram B. Sanghvi	-	-	1,150.20	1,150.20	-	-	-	-	1,150.20	1,150.20
BhamriDevi B. Sanghvi	-	-	-	-	2,122.30	2,547.30	-	-	2,122.30	2,547.30
Meena J Sanghvi	-	-	-	-	63.94	3,563.94	-	-	63.94	3,563.94
Kiran N Sanghvi	-	-	-	-	24.74	1,024.74	-	-	24.74	1,024.74
Sheetal V Sanghvi	-	-	-	-	1,816.14	1,816.14	-	-	1,816.14	1,816.14
Gautam Pipeline Product	-	-	-	-	-	-	46.95	-	46.95	-
Kanak Engineering Works	-	-	-	-	-	-	114.52	8.25	114.52	8.25
Babulal Sanghvi (HUF)	-	-	-	-	-	-	-	15,600.00	-	15,600.00
Jayanti Sanghvi (HUF)	-	-	-	-	-	-	552.51	1052.51	552.51	1,052.51
Naresh Sanghvi (HUF)	-	-	-	-	-	-	281.77	1,081.77	281.77	1,081.77
Vikram Sanghvi (HUF)	-	-	-	-	-	-	1,063.16	1,063.16	1,063.16	1,063.16

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

- 10) 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 ₹ 903.16 Thousands (Previous Year ₹ 585.09 Thousands).

(₹ in '000)

Particulars	As at	As at
	March 31, 2012	March 31, 2011
Contribution to Provident Fund	903.16	585.09

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

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

In respect of gratuity (funded):

(₹ in '000)

Particulars	As at March 31, 2012	As at March 31, 2011
Reconciliation of liability recognised in the Balance Sheet		
Present value of commitments (as per Actuarial Valuation)	373.038	(797.91)
Fair value of plan assets	(575.593)	500.22
Net (liability) / asset in the Balance sheet	(202.555)	(297.69)
Movement in net liability recognised in the Balance sheet		
Net liability as at the beginning of the year	(297.683)	(455.39)
Net expense recognised in the Profit and Loss account	437.93	(153.55)
Contribution during the year	62.31	311.25
Net (liability) / asset in the Balance sheet	202.56	(297.69)
Expense recognised in the Profit and Loss account		
Current Service cost	119.176	144.35
Interest cost	67.82	49.55
Expected return on plan assets	(46.47)	(28.77)
Actuarial (gains)/ losses	(579.01)	(11.59)
Expense charged to the Profit and Loss account	(437.93)	153.55
Return on plan assets		
Expected return on plan assets	46.47	28.77
Actuarial gains/ (losses)	(3.21)	(3.80)
Actual return on plan assets	43.26	24.97
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	797.91	619.39
Current service cost	119.72	144.35
Interest cost	67.82	49.55
Paid benefits	(30.19)	-
Actuarial (gains)/ losses	(582.21)	(15.39)
Commitments as at the year end	373.04	797.91
Reconciliation of plan assets		
Plan assets as at the beginning of the year	500.22	164.00
Expected return on plan assets	46.47	28.77
Contributions during the year	62.31	311.25
Paid benefits	(30.19)	-
Actuarial gains/ (losses)	(3.21)	(3.80)
Plan assets as at the year end	575.59	500.22

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

Discount rate	8.50%	8.00%
Expected return on plan Assets	9.00%	9.00%
Expected rate of salary increase	6.50%	6.50%
Mortality LIC	LIC (1994-96)	LIC (1994-96)
	Ultimate	Ultimate

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As on March 31, 2012

11) The Company has entered into agreements in the nature of lease / leave and license agreement with different lessors / licensors for the purpose of establishment of office premises/Residential Accommodations. These are generally in nature of operating lease / leave and license, disclosure required as per Accounting Standard 19 with regard to the above is as under: (₹ in '000)

Sr.	Particulars	As at March 31, 2012	As at March 31, 2011
(i)	Payment under operating lease/leave and license for period		
	(a) Not later than one year	493.01	383.03
	(b) Later than one year but not later than five years	-	-
(ii)	Payments recognised in the Profit and Loss Account	397.01	383.03
(iii)	There are no transactions in the nature of sub-lease.		
(iv)	Period of agreement is generally for one year and renewable at the option of the Lessee.		

12) Segment disclosures:

(a) **Business Segment:**

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

(b) **Geographical Segment:**

Geographical Segment Information:

Particulars	Domestic	Export	Total
Segment Revenue (Net) For the Year ended March 31, 2012	384505.79	103487.65	487993.44
Segment Revenue (Net) For the Year ended March 31, 2011	335,441.72	54,102.03	389543.75

13) Repayment of Term Loan From Bank [Refer Notes 2.3 (a)(i) & 2.5 (a) (ii)]

Sr.	Particulars	Rate of interest	Repayable in Quarterly Installments
1	Term Loan – I	14.25%	20 quarterly installments from April 2008
2	Term Loan – II	14.25%	26 quarterly installments from August 2012
3	Term Loan – III	14.25%	29 quarterly installments from August 2012
4	Term Loan – IV	3.98%	26 quarterly installments from August 2012
		(LIBOR + 0.74)	

14) Repayment of Unsecured Loan:

(i) Repayable after 3 Years

(ii) Interest charged at the rate of NIL, 12%.

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

16) During the year company has closed its 100% subsidiary-Sanghvi Middle East FZE. The loss on closure of the business is recognised in the profit & loss during the year.

As per our Report of even date attached

For and behalf of the Board of Directors

Shah & Bhandari

Chartered Accountants

Babulal Sanghvi
(Chairman)

Jayanti Sanghvi
(Managing Director)

Yogesh Bhandari

Partner

Membership No - 046255

Vadodara : May 29, 2012

Kiran Mohanty

(Company Secretary)

DISCLAIMER

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

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Registered Office

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

Waghodia- 391760, Vadodara

www.sanghiviforge.com

NOTICE

NOTICE is hereby given that the Twenty-Fourth Annual General Meeting of the Members of the SANGHVI FORGING AND ENGINEERING LIMITED will be held at the Registered Office of the Company at 244/6 & 7, GIDC Industrial Estate, Waghodia, Dist. Vadodara 391 760 at 3.00 p.m. on September 22, 2012 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Accounts, Balance Sheet as at March 31, 2012, Profit & Loss Account for the year ended on that date & the reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Babulal S. Sanghvi who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Vikram B. Sanghvi who retires by rotation and being eligible offers himself for re-appointment.
4. To pass the following resolution, with or without modification, as an Ordinary Resolution relating to appointment of the Auditors of the Company:

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

Special Business

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

"RESOLVED THAT pursuant to the provisions of section 198, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or enactment thereof) and the Articles of Association of the Company and such other sanctions and approvals as may be required, the remuneration of Shri Jayanti B. Sanghvi, Managing Director of the Company be and is hereby increased to ₹ 18 lacs p.a. as per statement placed before this meeting with effect from 1.4.2012.

RESOLVED FURTHER THAT in the event in any financial year, the Company does not earn any profits or earns inadequate profits as contemplated under the provisions of Schedule XIII to the Act, unless otherwise approved by the Central Government, the remuneration shall be paid as per the monetary ceiling prescribed in schedule XIII to the Act or any re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to file necessary form/return with the prescribed authorities and to take such steps as may be necessary to effect of this resolution."

6. To pass the following resolution, with or without modification, as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 198, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or enactment thereof) and the Articles of Association of the Company and such other sanctions and approvals as may be required, the remuneration of Shri Babulal S. Sanghvi, Chairman & Whole Time Director of the Company be and is hereby increased to ₹ 21 lacs p.a. as per statement placed before this meeting with effect from 1.4.2012.

RESOLVED FURTHER THAT in the event in any financial year, the Company does not earn any profits or earns inadequate profits as contemplated under the provisions of Schedule XIII to the Act, unless otherwise approved by the Central Government, the remuneration shall be paid as per the monetary ceiling prescribed in schedule XIII to the Act or any re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to file necessary form/return with the prescribed authorities and to take such steps as may be necessary to effect of this resolution."

7. To pass the following resolution, with or without modification, as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 198, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or enactment thereof) and the Articles of Association of the Company and such other sanctions and approvals as may be required, the remuneration of Shri Naresh B. Sanghvi, Whole Time Director of the Company be and is hereby increased to ₹ 18 lacs p.a. as per statement placed before this meeting with effect from 1.4.2012.

RESOLVED FURTHER THAT in the event in any financial year, the Company does not earn any profits or earns inadequate profits as contemplated under the provisions of Schedule XIII to the Act, unless otherwise approved by the Central Government, the remuneration shall be paid as per the monetary ceiling prescribed in schedule XIII to the Act or any re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to file necessary form/return with the prescribed authorities and to take such steps as may be necessary to effect of this resolution.”

8. To pass the following resolution, with or without modification, as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 198, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or enactment thereof) and the Articles of Association of the Company and such other sanctions and approvals as may be required, the remuneration of Shri Vikram B. Sanghvi, Whole Time Director of the Company be and is hereby increased to ₹ 18 lacs p.a. as per statement placed before this meeting with effect from 1.4.2012.

RESOLVED FURTHER THAT in the event in any financial year, the Company does not earn any profits or earns inadequate profits as contemplated under the provisions of Schedule XIII to the Act, unless otherwise approved by the Central Government, the remuneration shall be paid as per the monetary ceiling prescribed in schedule XIII to the Act or any re-enactment thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to file necessary form/return with the prescribed authorities and to take such steps as may be necessary to effect of this resolution.”

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

Sd/-
Kiran Mohanty
Company Secretary

Vadodara, August 13, 2012

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

NOTES

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2. In accordance with the provisions of Section 173 of the companies Act, 1956 and the Listing Agreement an Explanatory Statement in respect of item nos. 2 and 3 being items of ordinary business and items nos. 5, 6, 7 and 8 being items of Special Business is annexed.
- 3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the September 20, 2012 to Saturday, the September 22, 2018 (both days inclusive).
- 4. Members/ Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
- 5. Members holding shares in physical form are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses. Members holding shares in demat form are requested to notify their respective Depository Participant of any change in their addresses.
- 6. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking re-appointment at the Meeting are annexed.
- 7. Members desiring any information as regards the Accounts are requested to write to the Company Secretary at an early date so as to enable the Management to reply at the Meeting.
- 8. Members are requested to kindly bring their copies of the Annual Report to the Meeting.
- 9. The Ministry of Corporate Affairs has undertaken a ‘Green Initiative in Corporate Governance’ by allowing paperless compliances by companies through electronic mode, vide its Circular Nos. 17/2011 & 18/2011 dated April 21, 2011 and April 29, 2011, respectively. A recent amendment to the Listing Agreement with Stock Exchanges permits Companies to send soft copies of the Annual Report to all those shareholders who have registered their email address for the said purpose. Members are requested to support this Green Initiative by registering/ updating their e-mail address for receiving electronic communication.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

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

Item No. 02

Brief Resume of Shri Babulal S.Sanghvi
Shri Babulal S. Sanghvi, was the one of the first Director and founder of the Company. He was appointed as a Director on March 16, 1989 and Re-appointed as Whole Time Director on April 20, 2010. He has over 21 years of experience in the forging industry. He is responsible for implementing the overall business strategy of the Company.

Your Directors recommend the passing of the resolution as item no.2 appointing Shri Babulal S. Sanghvi as Director of the Company. None of the Directors except Shri Babulal S. Sanghvi is in any manner interested or concerned in the said resolutions.

Item No. 03

Brief Resume of Shri Vikram B. Sanghvi
Shri Vikram B Sanghvi, was appointed as Additional Director of the Company on April 01, 2010 and Re-appointed as Whole Time Director on April 20, 2010. He is a gold medallist from Sadar Patel University in Bachelor of Business Administration and has completed his Master degree in Business Administration from ICFAI University. He has also done MS Finance. He has over 5 year of experience in the forging Industry. He is responsible for overall supervision of the factory and production activities of the Company.

Your Directors recommend the passing of the resolution as item no.3 appointing Shri Vikram B. Sanghvi as Director of the Company. None of the Directors except Shri Vikram B. Sanghvi is in any manner interested or concerned in the said resolutions.

Item No. 5, Item No. 6, Item No. 7, Item No. 8

The Company has been greatly benefiting from the valuable inputs provided by the Executives Directors who have vast experience, expertise and wisdom in field of forging business. Under the guidance and experience of the executive directors, the Company is now expanding its business by setting up huge 15000 MTPA Open die forging unit in Waghodia (near to the existing plant) which is quadruple in size in comparison to existing unit and is very near to completion. In appreciation of the valuable support and guidance rendered by the Executives

Directors, the Board of Directors on the recommendation of the remuneration committee at its meeting held on May 29, 2012 approved the increase of payment of remuneration as per following details.

1. **Shri Jayanti Sanghvi- Managing Director**
Remuneration: Consolidated salary up to ₹ 18 Lacs per annum which includes all allowance and perquisites with an annual increment of 20% over the previous year.

The following perquisites, perks and benefit shall be given:

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961.
- b. Gratuity as per the rules of the Company.
- c. Leave as per the rules of the Company including encashment of leave at the end of the tenure.
- d. Medical Expenses actually and properly incurred for him and his family.
- e. Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.
- f. Gas, electricity, water, municipal and property taxes etc. at actual
- g. Club Membership fees subject to a maximum of two clubs.
- h. Personal Accident Insurance Policy
- i. Provision for use of car and telephone for both official and personal use.
- j. Telephone expenses as per the rules of the Company.

Apart from the above perquisites and benefits, Shri Jayanti Sanghvi shall be entitled to re-imbursement of actual traveling, entertainment and other incidental expenses reasonably incurred by him in connection with the business of the Company.

Minimum Remuneration
Notwithstanding anything to the contrary herein contained, wherein in any financial year, during the currency of the tenure of Shri Jayanti Sanghvi as Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above within the limit of Schedule XIII of the Companies Act, 1956.

2. Shri Babulal S. Sanghvi, Whole Time Director

Remuneration: Consolidated Salary upto ₹ 2100000 p.a which includes all allowance and perquisites with an annual increment of 20% over the previous year.

Following perquisites, perks and benefits shall be given.

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income Tax Act, 1961.
- b. Gratuity as per the rules of the Company.
- c. Leave as per the rules of the Company including encashment of leave at the end of the tenure.
- d. Leased accommodation duly furnished on rental basis, including maintenance charges.
- e. Gas, electricity, water, municipal and property taxes, etc. at actual,
- f. Medical Expenses actually and properly incurred for him and his family
- g. Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.
- h. Club Membership Fees subject to a maximum of two clubs.
- i. Personal Accident Insurance Policy
- j. Provision for use of car and telephone for both official and personal use.
- k. Group Insurance Policy as per the rules of the Company

Apart from above perquisites and benefits, Shri Babulal Sanghvi shall be entitled to re-imbursement of actual travelling, entertainment and other incidental expenses reasonably incurred by him in connection with the business of the Company.

Minimum Remuneration

Notwithstanding anything contained to the contrary herein contained, wherein in any financial year, during the currency of the tenure of Shri Babulal Sanghvi as Chairman-Whole Time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above within the limit of Schedule XIII of the Companies Act, 1956.

3. Shri Naresh Sanghvi- Whole Time Director

Remuneration: Consolidated salary upto ₹ 18 Lacs per annum which includes all allowance and perquisites with an annual increment of 20% over the previous year.

The following perquisites, perks and benefits shall be given:

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income tax Act, 1961.
- b. Gratuity as per the rules of the Company
- c. Leave as per the rules of the Company including encashment of leave at the end of the tenure.
- d. Medical Expenses actually and properly incurred for him and his family.
- e. Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.
- f. Gas, electricity, water, municipal and property taxes etc. at ctual
- g. Club Membership fees subject to a maximum of two clubs.
- h. Personal Accident Insurance Policy.
- i. Provision for use of car and telephone for both official and personal use.
- j. Group Insurance Policy as per the rules of the Company.
- k. Telephone expenses as per the rules of the Company.

Apart from above perquisites and benefits, Shri Naresh Sanghvi shall be entitled to re-imbursement of actual travelling, entertainment and other incidental expenses reasonably incurred by him in connection with the business of the Company.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained, wherein in any financial year, during the currency of the tenure of Shri Naresh Sanghvi as Whole Time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above within the limit of Schedule XIII of the Companies Act, 1956.

4. Shri Vikram Sanghvi-Whole Time Director

Remuneration: Consolidated Salary up to ₹ 1800000/- per annum including all allowances and perquisites with an annual increment of 20% over the previous year.

Following perquisites and benefits shall be given.

- a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income tax Act, 1961.

- b. Gratuity as per the rules of the Company.
- c. Leave as per rules of the Company including encashment of leave at the end of the tenure
- d. Medical Expenses actually and properly incurred for him and his family.
- e. Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.
- f. Gas, Electricity, water, municipal and property taxes etc. at actual.
- g. Club Membership fees subject to a maximum of two clubs.
- h. Personal Accident Insurance Policy
- i. Provision for use of car and telephone for both official and personal use.

Apart from above perquisites and benefits, Shri Vikram Sanghvi shall be entitled to re-imbursement of actual travelling, entertainment and other incidental expenses reasonably

incurred by him in connection with the business of the Company.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained, wherein in any financial year, during the currency of the tenure of Shri Vikram Sanghvi as Whole Time Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above within the limit of Schedule XIII of the Companies Act, 1956.

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

Sd/-
Kiran Mohanty
Company Secretary
Vadodara, August 13, 2012

Registered Office :

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

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company
(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director	Shri Babulal S. Sanghvi	Shri Vikram B. Sanghvi
Date of Birth		
Date of Appointment	16/03/1989	01/04/2010
Expertise in specific functional areas	overall business strategy	overall supervision of the factory and production activities of the Company
Qualification	Undergraduate	MBA (Finance), MS (Finance)
Details of shares held in the Company	1164283	955682
List of the companies in which outside directorships held as on March 31, 2012 (excluding private & foreign companies)	Nil	Nil
Chairman/ Member of the *Committees of other Companies on which he is a Director as on March 31, 2012.	Nil	Nil

* The Committees include the Audit Committee and the Shareholders’/Investors’ Grievance Committee.



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

ATTENDANCE SLIP
24th Annual General Meeting
September 22, 2012

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 24th Annual General Meeting of the Company to be held at the Registered Office of the Company.

If signed by proxy, his/her name

Member’s/Proxy Signature

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

* Applicable for investors holding shares in electronic form



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

PROXY FORM
24th Annual General Meeting
September 22, 2012

Members Folio _____

No. of Shares Held _____

*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 24th Annual General Meeting of the Company to be held on September 22, 2012, 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 _____ 2012

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



