



# GAINING MOMENTUM

**RAMKRISHNA FORGINGS LIMITED**

ANNUAL REPORT 2011-12

**FORWARD LOOKING STATEMENT**

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

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

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



# Corporate Information

## **DIRECTORS**

Mr. Mahabir Prasad Jalan  
Mr. Naresh Jalan  
Mr. Pawan Kumar Kedia  
Mr. Ram Prasad Saraf  
Mr. Padam Kumar Khaitan  
Mr. Satish Kumar Mehta  
Mr. Subhasis Majumdar  
Mr. Surendra Mohan Lakhota  
Mr. Laxminarayan Jhavar  
Mr. Yudhisthir Lal Madan  
Mr. Ram Tawakya Singh

*Chairman*  
*Managing Director*  
*Finance Director*  
*Non-Executive Director (Resigned w.e.f. 20.08.2011)*  
*Non-Executive Director*  
*Non-Executive Director*  
*Nominee Director*  
*Non-Executive Director*  
*Non-Executive Director (Resigned w.e.f. 04.05.2012)*  
*Additional Director*  
*Additional Director*

## **Company Secretary**

Mr. Rajesh Mundhra

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

Mr. Alok Kumar Sharda

## **Registered and Corporate Office**

Ramkrishna Chambers,  
72, Shakespeare Sarani, Kolkata - 700 017  
Phone : +91 33 3984 0999  
Fax : +91 33 3984 0998

## **Works**

- (i) Plot No. M-6, Phase-VI, Gamaria, Jamshedpur - 832 108
- (ii) 7/40, Duffer Street, Liluah, Howrah - 711 204
- (iii) Plot No. M-15, 16 & NS-26, Phase VII  
Adityapur Industrial Area, Jamshedpur - 832 109

## **Statutory Auditors**

M/s Singhi & Co.  
1B, Old Post Office Street, Kolkata - 700 001

## **Internal Auditors**

M/s. Deloitte Haskins & Sells  
Bengal Intelligent Park  
Building Alpha, 1st Floor, Block-EP & GP, Sector-V  
Salt Lake Electronics Complex  
Kolkata - 700 091

## **Principal Bankers**

DBS Bank  
Export Import Bank of India  
Hongkong & Shanghai Banking Corporation Bank  
ICICI Bank  
IDBI Bank  
Indian Overseas Bank  
Standard Chartered Bank  
State Bank of India

## **Registrar and Share Transfer Agents**

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



## Notice

Notice is hereby given that the 30th Annual General Meeting of the Company will be held on 28th day of July, 2012 at 11 A.M. at Gyan Manch, 11, Pretoria Street, Kolkata - 700 071 to transact the following business :

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Statement of Profit & Loss for the year ended on that date together with the Director's Report and the Auditor's Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Pawan Kumar Kedia who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Padam Khaitan who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. Singhi & Co. , Chartered Accountants, be and is hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remunerations as shall be fixed by the Board of Directors."

### SPECIAL BUSINESS :

6. **To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :**

"RESOLVED that Mr. Ram Tawakya Singh who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office till the conclusion of the Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. **To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :**

"RESOLVED that Mr. Yudhisthir Lal Madan who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and Articles of Association of the Company and who holds office till the conclusion of the Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a Director be and is hereby appointed as a Director of the Company liable to retire by rotation."

8. **To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :**

"RESOLVED that pursuant to the provisions of Section 198, 309, 310 and 311 and all other applicable provisions of the Companies Act, 1956 read with schedule XIII of the Companies Act, the consent of the company be and is hereby accorded for the modification/increase in the remuneration of Mr. Naresh Jalan, Managing Director, as set out in the explanatory statement which shall be payable, if approved, to him with effect from 1st July, 2012 subject to that the remuneration paid to Managing Director and other Whole Time Directors shall not exceed 10% of the profits of the Company for that financial year."

"RESOLVED further that all other terms and conditions of the appointment of Mr. Naresh Jalan, Managing Director, as approved by the shareholders at the Annual General Meeting of the Company held on 30th June, 2011 shall remain in force."

9. **To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :**

"RESOLVED that pursuant to the provisions of Section 198, 309, 310 and 311 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, the consent of the Company be and is hereby accorded for the modification/increase in the remuneration of Mr. Pawan Kumar Kedia, Finance Director, as set out

## Notice

in the explanatory statement which shall be payable, if approved, to him with effect from 1st July, 2012 subject to that the remuneration paid to Managing Director and other Whole Time Directors shall not exceed 10% of the profits of the company for that financial year."

"RESOLVED further that all other terms and conditions of the appointment of Mr. Pawan Kumar Kedia, Finance Director, as approved by the shareholders at the Annual General Meeting of the Company held on 30th August, 2008 shall remain in force."

**10. To consider and if thought fit to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :**

"RESOLVED that the consent be and is hereby accorded under Section 293 (1) (a) of the Companies Act, 1956 to the Board of Directors of the Company including any Committee thereof (hereinafter referred to as Board) for mortgaging, charging and hypothecating from time to time in addition to the existing mortgage, charges created by the Company in such form and on such terms and conditions, as it may think fit on such assets, both moveable and immoveable, of the Company wherever situated, present and future properties, in favour of any Foreign Financial Institution(s), Financial Institution(s), Bank(s) and/or any other lender (s) whatsoever for securing any Term Loan/Corporate Loan, Advance, Working Capital, Bonds, External Commercial Borrowings or any Financial Accommodation granted or to be granted or Debenture raised or to be raised or any obligation incurred or to be incurred towards such Foreign Financial Institution(s), Financial Institution(s), Bank(s) and/or any other Lender (s) as the case may be, together with interest thereon at the agreed rates, compound Interest, additional Interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and any money payable in connection thereon within the overall limit of ₹ 1,000 Crores with power to such Foreign Financial Institution(s), Financial Institution(s), Bank(s) and/or any other lender (s) as the case may be to take over the management of the business and concern of the Company in certain events or to lease out the assets of the Company for any other purpose within the said limit."

"RESOLVED further that the Board be and is hereby authorized to finalise with any or all concerned parties aforesaid the documents for creating the mortgage, charges and hypothecation accepting or making any alterations, changes, variations to or in terms and conditions as aforesaid and to do all acts, deeds and things including execution of the documents as may be required or expedient for giving effect to the resolution."

**11. To consider and if thought to pass with or without modification the following Resolution as an ORDINARY RESOLUTION :**

"RESOLVED that in super session of the resolution passed in the 25th Annual General Meeting the consent of the Company be and is hereby accorded in terms of Section 293(1)(d) of the Companies Act, 1956 to borrowings from Foreign Financial Institution(s), Financial Institution(s), Bank(s)/or any other lender(s) from time to time by the Board of Directors for the purpose of the Company's business, notwithstanding that the monies so borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the Paid up Share Capital and its Free Reserves i.e Reserves which have not been set apart for any specific purpose but so that the total amount of monies borrowed and to be borrowed and outstanding at any one time shall not exceed ₹ 1,000 Crores."

"RESOLVED further that the Board of Directors including Committee thereof (hereinafter referred to as the Board) or any person authorized by the Board be and are hereby authorized to :

- (a) negotiate, finalize and settle the terms and conditions of the said borrowing(s);
- (b) make application(s) and/or deal with any statutory or government authorities for such approvals as may be required in connection with the aforesaid borrowing(s);
- (c) appoint managers/consultants/advisors/solicitors/underwriters/trustees/agents/other intermediaries for and in respect of the aforesaid offering(s);
- (d) make allotment and issue certificates/letter of allotments/other instruments, if required for the aforesaid Bonds/Notes;
- (e) take necessary steps for credit rating and/or listing of the securities viz. Bonds/Notes with any one or more (Indian/foreign) Stock Exchanges;



## Notice

- (f) finalize and settle any agreement/documents/deeds/offering memorandum/circular and/or any other paper, in consultation with the managers/investors/solicitors/trustees/agents of the Company and sign and execute any agreement/documents/deeds/papers/writings as may be required in connection with the aforesaid borrowing and that the common seal of the Company, if necessary, be affixed thereto in accordance with the Articles of Association of the Company;
- (g) do all such acts and things and deal with all such matters and take all such steps as may be necessary for giving effect to this resolution."

12. **To consider and if thought fit, to pass with or without modification the following resolution as an SPECIAL RESOLUTION:**

"RESOLVED that pursuant to Clause 49 of Listing Agreement and other applicable provisions, if any, of the Companies Act and Rules & Regulations made thereunder and subject to the approval of Central Government, if necessary, the consent of shareholders be and is hereby accorded to pay to Mr. Satish Kumar Mehta, Non Executive Director a sum not exceeding ₹ 5,00,000/- per annum as fees for services rendered, if any, for Technical Consultancy."

Registered Office :  
Ramkrishna Chambers,  
72, Shakespeare Sarani  
Kolkata - 700017  
Dated : 12th May, 2012

By order of the Board

**Rajesh Mundhra**  
(Company Secretary)

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### NOTES :

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith and forms part of the Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. The Register of Member and the Share Transfer Books of the Company will remain closed from 21st July, 2012 to 28th July, 2012 (both days inclusive) for determining the name of the members eligible for dividend, if approved on equity shares. In respect of shares held in electric form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by depositories for this purpose.
5. Members/Proxies should bring their attendance slip duly filled in for attending the meeting.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
7. Members holding shares in physical form are requested to promptly notify any change in their address to the Company/the registrar, quoting their folio numbers. Members holding shares in electric form are requested to notify their change of address and/or bank particulars to their respective Depository Participants (DPs) only.
8. Details of Directors seeking appointment/re-appointment as Directors in this Annual General Meeting are mentioned separately in the Notice.
9. MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF ANNUAL REPORT TO THE MEETING.

## Notice

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

#### Item No.6

Mr. Ram Tawakya Singh was appointed as the Additional Director of the Company at the Board Meeting held on 12th May, 2012 in accordance with Section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company and holds office till the conclusion of the ensuing Annual General Meeting of the Company.

The Company has received a notice proposing his candidature for the office of the Director of the Company liable to retire by rotation.

None of the Directors are concerned and interested in the above resolution except Mr. Ram Tawakya Singh.

#### Item No.7

Mr. Yudhisthir Lal Madan was appointed as the Additional Director of the Company at the Board Meeting held on 12th May, 2012 in accordance with Section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the Company and holds office till the conclusion of the ensuing Annual General Meeting of the Company.

The Company has received a notice proposing his candidature for the office of the Director of the Company liable to retire by rotation.

None of the Directors are concerned and interested in the above resolution except Mr. Yudhisthir Lal Madan.

#### Item No.8

Mr. Naresh Jalan was re-appointed as the Managing Director at the Board Meeting held on 12th May, 2011 for the period of 5 Years w.e.f 5th November, 2011. In the Board meeting held on 12th May, 2012 certain modifications have been proposed which modifies the existing remuneration and may also purports to increase the remuneration payable to Mr. Naresh Jalan. The revised remuneration as payable to Mr. Naresh Jalan, Managing Director w.e.f 1st July, 2012 is outlined below.

#### Emoluments :

Subject to the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 (5% of the Net Profits in case of one Whole Time Director and 10% of Net Profits in case of more than one Whole Time Director).

- a) Basic Salary : Rs. 6,60,000 per month - ₹ 11,00,000 per month.

The Increase in remuneration will be made after being approved by the Board of Directors within the above mentioned Limit.

- b) Benefits :

i) Accommodation : Fully Furnished Residential Accommodation or House Rent Allowance @ 40% (forty percent) of the basic salary.

ii) Medical Reimbursement : Reimbursement of expenses incurred for self and family subject to a ceiling of 12% of the basic salary in a year. In addition hospitalization expenses incurred in India for self and family will be paid on actual basis.

(iii) Leave Travel Concession : For self and family once in a year incurred subject to maximum of 11% of the basic salary in a year.

(iv) Contribution to National Pension Scheme not exceeding 10% of the basic salary.

(v) Club Fees : Fees of Club(s) in accordance with the rules of the Company or as may be agreed to by the Board of Directors or Committee thereof with the Managing Director but no Life Membership Fee or Admission Fee is to be paid by the Company. However, it will not include Corporate membership of the Club(s).

(vi) Provision of Company's car with driver for use on Company's business. It will not be considered as benefits. He will be however billed by the Company for use of car for private purposes, if any.

(vii) Provision for use of telephone, telefax, audio/video conferencing and other communication facilities at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.



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- (viii) Commission : Such percentage of commission (in addition to salary, allowances, perquisites and benefits as stated above) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or Committee thereof which together with salary and monetary value of allowances, perquisites and benefits shall not exceed the ceiling laid down under Section 309 of the Companies Act, 1956.
- (ix) Company's contribution towards Provident Fund as per Rules of the Company, but not exceeding 12% of the Salary.

### Minimum Remuneration :

In the event of absence or inadequacy of profits of the Company in any financial year, Mr. Naresh Jalan will be entitled to receive such minimum remuneration as it is permissible under Part II Section I of Schedule XIII of the Act.

None of the Directors except Mr. Naresh Jalan and Mr. Mahabir Prasad Jalan are concerned or interested in the above resolution.

### Item No.9

Mr. Pawan Kumar Kedia was re-appointed as the Whole Time Director w.e.f. 1st April, 2008 for 5 years. In the Board meeting held on 12th May, 2012 certain modifications have been proposed which modifies the existing remuneration and may also purport to increase the remuneration payable to Mr. Pawan Kumar Kedia. The revised remuneration as payable to Mr. Pawan Kumar Kedia w.e.f. 1st July, 2012 is outlined below :

### Emoluments :

Subject to the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 (5% of the Net Profits in case of one Wholetime Director and 10% of Net Profits in case of more than one Wholetime Director)

- a) Basic Salary : ₹ 35,000 per month - ₹ 1,25,000 per month.

The Increase in remuneration will be made after being approved by the Board of Directors within the above mentioned Limit .

- b) Benefits :

- i) Accommodation : Fully Furnished Residential Accommodation or House Rent Allowance @ 35% (Thirty Five percent) of the basic salary.
- ii) Other Allowances not exceeding 10% of the basic salary.
- iii) Medical Reimbursement: Reimbursement of expenses incurred for self and family not exceeding 15% of the basic salary in a year.
- (iv) Leave Travel Concession : For self and family once in a year not exceeding 10% of the basic salary in a year .
- (v) Club Fees : Fees of Clubs, subject to a maximum of two clubs may be provided but no Life membership fee or Admission fee is to be paid by the Company.
- (vi) Encashment of the leave at the end of the tenure of office in accordance with the Company's rules.
- (vii) Provision of a Car with driver for use on Company's business. It will not be considered as benefits. He will be however billed by the Company for use of car for private purposes, if any.
- (viii) Bonus not exceeding 15% of the basic salary in a year.
- (ix) Company's contribution towards Provident Fund as per Rules of the Company, but not exceeding 12% of the Salary.
- (x) Contribution to National Pension Scheme not exceeding 10% of the Basic Salary.
- (xi) Company's contributions towards Pension/Superannuation Fund such amount as together with the Company's contribution to the Provident Fund does not exceed the amount not taxable under the Income Tax Act, 1961.
- (xii) Gratuity : Not exceeding one-half month's salary for each completed year of service, subject to a maximum limit as prescribed under Schedule XIII to the Companies Act, 1956.



## Notice

### Minimum Remuneration :

In the event of absence or inadequacy of profits of the Company in any financial year Mr. Pawan Kumar Kedia will be entitled to receive such minimum remuneration as it is permissible under Part II Section I of Schedule XIII of the Act.

None of the Directors except Mr. Pawan Kumar Kedia are concerned or interested in the above resolution.

### Item No. 10

In the normal course of business, the Company from time to time is required to avail Term Loans, Working Capital, External Commercial Borrowings or any other financial accommodation. A charge on the assets/properties of the Company, both present and future, is normally given as security for such borrowings. As the documents to be executed for the creation of such charge/mortgages from time to time to secure such borrowings, may contain the power to take over the management of the Company in certain events, it is necessary for the shareholders to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 for the creation of the mortgage/charge as set out in this resolution.

None of the Directors are concerned or interested in this resolution.

### Item No. 11

In the 25th Annual General Meeting of the Company approval of the members were obtained under Section 293 (1)(d) of The Companies Act, 1956 for borrowing upto ₹ 450 Crores.

Keeping in view the need of expanding its business operations and conducting activities which enable organic and inorganic growth which will expand the business operations of the Company the Board requires the power to borrow funds and thus approval from the shareholders of the Company is sought to increase the borrowing limit upto ₹ 1,000 Crores.

None of the Directors are concerned or interested in the above resolution.

### Item No. 12

Mr. Satish Kumar Mehta is an Independent Non-Executive Director of the Company. He is highly qualified and an acknowledged expert in the field of forgings. It is now proposed to get technical advice and consultancy from him on a regular basis for the growth and development of our Company and to pay him Consultancy Fees for such services rendered.

As per the Listing Agreement entered with Stock Exchanges as amended till date and applicable provisions of the Companies Act, 1956, the aforesaid proposal requires approval of shareholders by way of Special Resolution. The Company shall also obtain requisite approval from Central Government, if applicable.

The Board recommends the resolution for your approval in the interests of the Company. None of the Directors except Mr. Satish Kumar Mehta is concerned or interested in this resolution.

Registered Office :  
Ramkrishna Chambers,  
72, Shakespeare Sarani  
Kolkata - 700017  
Dated : 12th May, 2012

By order of the Board

**Rajesh Mundhra**  
(Company Secretary)

## DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

### Directors seeking re-appointment at the Annual General Meeting

#### 1) PAWAN KUMAR KEDIA

He is the Director of the Company since 15th September, 2003 and is around 55 years of age. He is a Bachelor of Commerce with a Diploma in Taxation.

Expertise in Specific Functional Area - He possess an experience of about 25 years in various companies. He started his career as an article clerk in M/s C. L. Saraf & Co. and then worked as commercial manager in M/s Vishnu Straw Board and Indana Group for five to ten years respectively. Before joining the Company, he worked with M/s Khaitan India Limited as Internal Auditor for two years.



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He does not hold Directorship in any other Company and is not the Chairman/Member of the any Committee of the Company as on 31st March, 2012.

He holds 35,250 shares as on 31st March, 2012.

### 2) PADAM KHAITAN

He is the Director of the Company since 25th July, 2005 and is around 59 years of age.

He is an Attorney-at-Law.

Expertise in Specific Functional Area - He started his career as an Article clerk in M/s. Khaitan & Co, leading Advocates, Notaries, patent and trademark Attorneys and graduated to become a Partner of M/s. Khaitan & Co. His rich experience of more than 31 years in the legal profession will greatly help the Company.

#### **Board Membership of other Companies as on 31st March, 2012 :**

Asian Hotels (East) Ltd.  
Cheviot Company Ltd.  
GJS Hotels Ltd.  
Khaitan Consultants Ltd.  
Kilburn Engineering Ltd.  
Manjushree Plantations Ltd.  
McNally Sayaji Engineering Ltd.  
Rungamatee Tea & Industries Ltd.  
R. V. Investments & Dealers Ltd.  
Upper Ganges Sugar & Industries Ltd.  
Williamson Magor & Co. Ltd.  
Auro Holdings Pvt. Ltd.  
Cheviot Agro Industries Pvt. Ltd.  
ITSA Warehouse Pvt. Ltd.  
Nott Investments Pvt. Ltd.  
Time Leverage Instruments (P) Ltd.

#### **Chairman/Member of the Committee of the Board of Directors of the Company as on 31st March, 2012 :**

Chairman in -

1. Shareholders'/Investors Grievance Committee of Manjushree Plantations Ltd.
2. Share Transfer & Shareholders'/Investors Grievance Committee of Asian Hotels (East) Ltd.
3. Shareholders'/Investors Grievance-cum-Share Transfer Committee of Kilburn Engineering Ltd.
4. Borrowing Committee of Kilburn Engineering Ltd.

Member in -

1. Audit Committee of Williamson Magor & Co. Ltd.
2. Shareholders' Grievance Committee of Williamson Magor & Co. Ltd.
3. Remuneration and Compensation Committee of Williamson Magor & Co. Ltd.
4. Remuneration and Compensation Committee of Asian Hotels (East) Ltd.
5. Shareholders' Grievance Committee of McNally Sayaji Engineering Ltd.
6. Audit Committee of McNally Sayaji Engineering Ltd.
7. Remuneration and Compensation Committee of McNally Sayaji Engineering Ltd.

He does not hold any shares in the company.

### 3) YUDHISTHIR LAL MADAN

He has been appointed as an Additional Director of the Company on 12th May, 2012 and is around 52 years of age.

He is MBA (Finance) - FMS, Delhi University, M.Sc (Physics), Delhi University, B.Sc. (H) (Physics), Delhi University, CAIIB, Indian Institute of Bankers, Mumbai.

## Notice

Expertise in Specific Functional Area - Good in human resources Development, corporate lending with special focus on SME lending, Retail Lending, Management, monitoring and recovery of distressed assets.

A retired banker with 38 years of rich and varied experience in the field of General Banking, with expertise in corporate finance, retail finance, SME lending, Risk Management with focus on credit monitoring, nursing and recovery of assets. He possesses strong analytical skills with business wisdom to positively contribute to the organization's objectives.

He has a very good understanding of the international and domestic economic scenario, business environment and of the factors affecting various business segments

**Board Membership of other Companies as on 31st March, 2012 : INTEC CAPITAL LIMITED.**

He is not the Chairman/Member of the any Committee of the Company as on 31st March, 2012.

He does not hold any share in the Company.

#### 4) **RAM TAWAKYA SINGH**

He has been appointed as an Additional Director of the Company on 12th May, 2012 and is around 57 years of age.

He is a B.Sc. Engineering in Metallurgy from R.I.T. Jamshedpur with First class Distinction.

Expertise in Specific Functional Area - He joined Tata Motors, Jamshedpur as Graduate Trainee in 1969 and rose to the level of Vice President. He was one of the key team member which helped Tata Motors, to improve the productivity of the plant.

In 2003, he was given additional responsibility as Independent Director of H V Axles Company where he stressed upon institutionalising the business strategy in every board meetings. As a Consultant & Advisor, he helped to enhance the Defence Business of Tata Motors.

He does not hold Directorship in any other Company and is not the Chairman/Member of the Committee of the Company as on 31st March, 2012.

He does not hold any share in the Company.

Registered Office :  
Ramkrishna Chambers,  
72, Shakespeare Sarani  
Kolkata - 700017  
Dated : 12th May, 2012

By order of the Board

**Rajesh Mundhra**  
(Company Secretary)



## Directors' Report

*Dear shareholders,*

Your Directors are pleased to present the 30th Annual Report of your Company along with the Audited Accounts for the financial year ended 31st March, 2012.

### FINANCIAL HIGHLIGHTS 2011-2012

(₹ in Lakhs)

Particulars	Year ended 31st March, 2012	Year ended 31st March, 2011
Sales and Operating Income (Gross)	50,126.29	40,968.61
Other Income	65.30	146.38
<b>Profit before Interest, Depreciation &amp; Tax</b>	<b>8,170.15</b>	<b>7,078.58</b>
Finance Cost	1,878.89	1,649.26
Depreciation	2,706.74	2,097.89
<b>Profit Before Tax</b>	<b>3,584.52</b>	<b>3,331.43</b>
<b>Provision for Taxation :</b>		
- Current Tax	1,049.00	924.00
- Deferred Tax	85.50	194.00
- Income Tax of earlier years	21.10	7.50
<b>Profit After Tax</b>	<b>2,428.92</b>	<b>2,205.93</b>
Add : Surplus Brought Forward	6,686.51	5,032.45
<b>Surplus available</b>	<b>9,115.43</b>	<b>7,238.38</b>
<b>Appropriations :</b>		
Dividend and Tax on Dividend paid for 2010-11	22.08	Nil
Transfer to General Reserve	185.00	170.00
Dividend	362.97	328.57
Tax on Distributed profits	58.89	53.30
<b>Balance carried to Balance Sheet</b>	<b>8,486.49</b>	<b>6,686.51</b>

### Financial and Performance Review

- Net Sales increased 22.35% from ₹ 409.68 Crores in 2010-11 to ₹ 501.26 Crores in 2011-12.
- EBIDTA increased 15.41% from ₹ 70.79 Crores in 2010-11 to ₹ 81.70 Crores in 2011-12.
- PBT increased 7.60% from ₹ 33.31 Crores in 2010-11 to ₹ 35.84 Crores in 2011-12.
- PAT increased 10.06% from ₹ 22.06 Crores in 2010-11 to ₹ 24.28 Crores in 2011-12.
- Cash Profit increased by 16.07% from 44.98 Crores in 2010-11 to ₹ 52.21 Crores in 2011-12.

In 2011-2012, production of passenger vehicles segment, commercial vehicles segment, three wheelers segment and two wheelers segment grew by 4.72%, 19.83%, 9.78% and 15.76% respectively.

The cumulative production of commercial vehicles grew from 7,60,735 vehicles in 2010-11 to 9,11,574 vehicles in 2011-12 registering a growth of around 19.8%.

## Directors' Report

The overall domestic sales of the commercial vehicles segment registered an increase from 6,84,905 vehicles in 2010-11 to 8,09,532 vehicles in 2011-12 registering a growth of 18.20%. The medium & heavy commercial Vehicles (M&HCVs) segment registered growth at 7.94% during the year 2011-2012 and Light Commercial Vehicles registered a growth of 27.36%.

### TRANSFER TO RESERVES

Your Company proposes to transfer ₹ 185 Lakhs to General Reserve out of the amount available for appropriation and an amount of ₹ 8,486.49 Lakhs is proposed to be carried over to balance sheet.

### DIVIDEND

In view of the better performance of your Company, your Directors are pleased to recommend a dividend of ₹ 2 per share for the year 2011-12. The total payout on dividend (including dividend tax), if the dividend is approved by the members at the Annual General Meeting, will be ₹ 421.85 Lakhs during the year under review.

### SHARE CAPITAL

Out of 10,00,000 warrants issued to Ms. Lata Bhanshali and 29,00,000 warrants to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group on a preferential basis at a price of ₹ 107.50 per warrant during the year 2009-2010, the Company at its Board Meeting held on 4th April, 2011, has allotted 9,50,000 equity shares of ₹ 10 each by conversion of 9,50,000 warrants to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group.

During the year the Company had further received a request for the conversion of 7,70,000 warrants into equity shares from M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group, along with the balance consideration of 75% of the issue price of ₹ 107.50 amounting to ₹ 620.81 Lakhs. The Company at its Board Meeting held on 19th August, 2011 has allotted 7,70,000 equity shares of ₹ 10 each to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group by conversion of 7,70,000 warrants into equity shares of ₹ 10 each.

During the year the Company has forfeited 10,00,000 warrants issued to Mrs. Lata Bhanshali and 11,80,000 warrants issued to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited) and credited ₹ 585.87 Lakhs being 25% of the consideration received in respect of 21,80,000 warrants to Capital Reserve and for which the Issued Capital reduced from ₹ 2,032.85 Lakhs to ₹ 1,814.85 Lakhs during the year.

On account of allotment of equity shares by conversion of the warrants into equity shares the subscribed and paid up share capital increased from ₹ 1,642.85 Lakhs to ₹ 1,814.85 Lakhs.

### OPERATIONAL HIGHLIGHTS

#### Forgings and Machining facility

The Company derives the major share of its revenues from the commercial vehicle segment. Your Company produced 37,721 tons (incl. job work) during the year under review as compared to 31,234.46 tons last year registering an increase of about 20.75%. The Company has been able to utilise the production capacity to its full for the year as compared to 89.24% last year.

The Company has shored up its raw material cutting facilities to facilitate smooth flow of production and reduce its cost of operations by installing fully automatic horizontal bandsaw machine from Amada Machine Tools, Japan.

The Company had augmented its Machining Facilities by procuring two CNC 5 Gear Hobbing Machines, CNC 4 Gear Shaping and CNC 6 Gear Shaping Machine from Mitsubishi Heavy Industries Limited, Japan which will help the Company to provide more value added products with better precision to OEM's and to broad base the spectrum of products supplied to OEMS's. It will also balance the capacity utilisation of the Heat Treatment facilities.



## Directors' Report

The Company has the-state-of-art of CNC Machining and Gear Cutting Facilities in which it has achieved accuracies of class 6 in the soft stage and Class 8&9 in the hard stage as per DIN 3962 in gear manufacturing. The Company has also made 85 new product development during the year in the CNC Turning and Gear cutting area which has helped to enhance the product basket with existing clients and add new clients.

### Ring Rolling Line

Ring rolling is a cost-effective and efficient production process for production of ring-shaped components like crown wheels, bearing rings etc. The equipment is fully capable of meeting the requirements of the automobile industry, especially that of commercial vehicles (primarily medium and heavy vehicles).

The Company has produced 18,168 tons during the year as compared to 16,438 tons last year thus registering a growth of about 10.50%. The Company has achieved a capacity utilisation of around 75% during the year as compared to around 68.50% last year on account of improved export performance of the Company. The improvement in the performance of the ring rolling facilities helped the Company to report better topline and improved margins. The Company has been able to add two more export clines which will help to augment the export market of the Company in future.

### CREDIT RATING

Your Company rating has been upgraded from LBBB+ last year to A- from ICRA and CRISIL for its fund based facilities and from A2+ to A1 for its Commercial Paper/Short Term Debt from ICRA Ltd.

### EMPLOYEES STOCK OPTION SCHEME

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

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter "SEBI guidelines"), the details in relation to the options granted, vested exercised, lapsed etc. under ESOS, 2009, as on 31st March, 2012 are given as under :

Description	ESOS 2009
Total Number of options granted	4,68,159 options
Pricing formula/Exercise price	₹ 20/-
Number of options vested	1,21,274
Number of options exercised	80,273
Total No. of Shares arising as a result of exercise of option	Nil
Options Lapsed	70,650
Variation in terms of Option	NA
Money realised by exercise of option	₹ 16,05,460
Total No. of Options in force	3,17,236
Grant to Senior Managerial personnel	No options were granted during the year
Grant to Non Executive Director under the scheme	No options were granted during the year
Employees who were granted 5 % or more of the total number of options granted during the year	No options were granted during the year

## Directors' Report

Employees who were granted options equal to or exceeding 1% of the issued capital of the Company at the time of grant	No options were granted during the year
Diluted Earning per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20	N.A.
Difference between the employee compensation cost computed using the intrinsic value of stock options and the employee compensation cost that shall have been recognized had the fair value of options, were used	Intrinsic Value : ₹ 67.00 Lakhs Fair Value : ₹ 38.84 Lakhs Difference : ₹ 28.16 Lakhs
Impact of this difference on profits of the Company	The Profits would increase by ₹ 28.16 Lakhs
Impact of this difference on EPS of the Company	The basis and diluted EPS would increase from ₹ 13.61 to ₹ 13.77
Weighted average exercise price	NIL
Weighted average fair value of options for options whose exercise price either equals or exceeds or is less than the market price of the share	NIL
Description of the Method and significant assumptions used during the year to estimate the fair value of Options granted during the year	No options were granted during the year

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

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

### POLLUTION CONTROL MEASURES

Your Company has installed adequate pollution control equipment in all its units as per the legal requirement and has the requisite approvals from the concerned authorities.

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

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

### FIXED DEPOSITS

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

### STOCK EXCHANGE

The Equity Shares of your Company were listed on two stock exchanges :

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

The Annual Listing Fees for the year 2012-13 are paid to both the stock exchanges where the shares of your Company are listed.



## Directors' Report

### AUDITORS

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

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

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

### DIRECTORS

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

Mr. Ram Prasad Saraf and Mr. Laxmi Narayan Jhavar resigned from the Board of Directors. Your Directors place on record the appreciation of the valuable services rendered by him to the company during his association with the Company.

Mr. Yudhisthir Lal Madan and Mr. Ram Tawakya Singh have been appointed as Additional Directors of the Company till conclusion of the next Annual General Meeting of the Company.

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

### CORPORATE GOVERNANCE

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

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

The requisite certificate from the statutory auditors of the Company, confirming the compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached with the Corporate Governance report.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of annual accounts for the year ended 31st March 2012, applicable accounting standards have been followed along with proper explanations relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2011-2012 and of the profit or loss of the Company for that period;
- iii) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) They have prepared the annual accounts for 2011-2012 on a going concern basis.



## Directors' Report

### **PARTICULARS OF EMPLOYEES**

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

### **TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND**

Pursuant to the provisions of Section 205C of the Companies Act, 1956, unpaid application amount or dividends which remained unpaid or unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund.

### **CORPORATE SOCIAL RESPONSIBILITY**

The responsibility of the Company is to make a positive impact on the communities in which the Company does business through its support of select programs, outreach efforts and initiatives that improve and enhance the quality of life. Our goal is to make things better for the planet, better for people, better for business, better now, better for the future.

Your Company believes in the principle of symbiotic relationship with the local communities, recognizing that business ultimately has a purpose - to serve human needs. Close and continuous interaction with the people and communities in and around the manufacturing divisions has been the key focus while striving to bring around qualitative changes and supporting the underprivileged

The Company has helped to organise various free camps and will ensure that more steps are taken in this regard.

### **APPRECIATION**

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

On behalf of the Board

Place : Kolkata  
Dated : 12th May, 2012

**Mahabir Prasad Jalan**  
(Chairman)



## Annexure - A to the Directors' Report

### A. CONSERVATION OF ENERGY

#### (a) Energy conservation measures taken.

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

- (1) Conversion of 1 ton Heat Treatment furnace from Furnace Oil to Propane Gas.
- (2) Improvement in the Burners of the 2 Ton Heat Treatment Furnace.
- (3) A close circuit cooling water system introduced for Induction Hardening furnace.
- (4) A Fan less cooling tower installed for bearing cooling of 2 ton and 4 ton Heat Treatment Furnace.
- (5) Modify the design of the furnace to improve the load ability of the furnace on a continuous basis
- (6) Installation of Flameless Electrically Heated Furnace.

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

The Company has taken steps to convert the existing oil fired furnace into Induction furnaces.

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

On account of the measures taken and proposed to be taken by the company it is confident of reducing the cost incurred towards fuel costs and will reduce the raw material cost. The Improvement in the burners has helped to reduce propane gas consumption The measures taken will in turn help to reduce the cost of production of the goods and will make our products more competitive.

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

Particulars with respect to Conservation of Energy

Particulars	2011-12	2010-2011
<b>1 Electricity</b>		
A) Purchased		
- Units (KWH )	4,32,39,617	3,65,17,370
- Total Amount (₹)	20,47,13,876	16,25,48,504
- Rate/Unit (₹)	4.73	4.45
B) Own Generation by Diesel Generator		
Units (KWH)	4,92,344	2,26,679
Ltrs consumed	1,57,860	75,980
Cost/Unit (₹)	13.23	12.88
C) Total (A+B)		
Units (KWH)	4,37,31,961	3,67,44,049
Total Amount (₹)	20,47,13,876	16,54,67,483
Rate/Unit (₹)	4.68	4.50
<b>2 Coal (Hard Coke Used in Smithy)</b>		
Quantity (in Kgs)	18,572	21,788
Total cost (₹)	2,01,372	1,49,305
Avg cost (₹)	10.84	6.85

## Annexure - A to the Directors' Report

Particulars	2011-12	2010-2011
<b>3 Furnace Oil</b>		
Quantity (in Ltrs)	43,67,471	52,30,993
Total cost (₹)	15,74,22,007	14,81,94,038
Avg. Rate per Ltr (₹)	36.04	28.33
<b>4. Others :</b>		
<b>i) Propane Gas</b>		
Quantity (in Kgs)	17,27,131	7,82,643
Total cost (₹)	8,86,81,625	3,41,02,856
Avg. Rate per kgs (₹)	51.35	43.57
<b>ii) Diesel</b>		
Quantity (in Ltrs)	1,75,647	1,97,733
Total cost (₹)	72,70,467	75,59,990
Avg. Rate per Ltr (₹)	41.39	38.23
<b>Consumption per unit of Production :</b>		
Product : Steel Forging in Tons		
Electricity (KWH)	782.48	770.76
Coal (Hard Coke Used in Smithy) (Kgs)	3.60	3.13
Furnace Oil (Ltrs)	78.15	109.73
Propane Gas (Kgs)	1,586.75	715.36
Diesel (Ltrs)	130.09	158.58

**B. TECHNOLOGY ABSORPTION**

The particulars with respect to technology absorption as per Form-B are given below :

**a) Research and Development (R & D) :**

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

**b) Technology absorption, adaptation and innovation**

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



## Annexure - A to the Directors' Report

### C FOREIGN EXCHANGE EARNING AND OUTGO

Activities relating to exports : The Company has derived ₹ 4,636.99 Lakhs from exports which forms 8.54% of the total turnover.

Initiatives taken to increase exports a development of new export market for products and services and export plans. : The Company has identified exports to be a thrust area and has roped in new export customers during the year. Vigorous efforts are also being made to develop new customers. The Company has also appointed Intermediaries to develop new market.

The particulars of the total foreign exchange used and earned are given below : (₹ in Lakhs)

Particulars	2011-12	2010-2011
<b>Earned :</b>		
Exports (FOB)	4,534.58	4,870.72
Die Design & Preparation Charges	49.19	12.38
<b>Spent :</b>		
Capital Equipment's	1,239.86	709.7
Components & Spare Parts	157.35	244.05
Travelling	87.92	37.77
Foreign Bank Charges	1.74	2.68
Repairs to Plant & Machinery	10.38	Nil
Claim against Export Sales	55.71	Nil
Professional & Consultancy Charges	15.02	15.29
Business Promotion	Nil	2.84
Interest	96.21	20.11

For and on behalf of the Board

Place: Kolkata  
Dated: 12th May, 2012

**Mahabir Prasad Jalan**  
(Chairman)

## Annexure - B to the Directors' Report

Sl. No.	Name	Age (years)	Designation/ Nature of Duties	Gross Remuneration (₹ in Lacs)	Qualification	Total Experience (years)	Date of commencement of employment	Previous Employment
A. Employed throughout the year and in receipt of remuneration aggregating ₹ 60,00,000/- or more :								
1	Mr. Mahabir Prasad Jalan	63 years	Chairman cum Wholetime Director	150.84	B. Tech	48 years	12.11.1981	NA
2	Mr. Naresh Jalan	37 years	Managing Director	121.17	MBA (Marketing & Finance)	17 years	05.11.2001	NA

### Notes :

- Gross Remuneration includes Basic Pay, Allowances, Monetary value of Perquisites and Commission.
- Mr. Mahabir Prasad Jalan, Chairman cum Wholetime Director and Mr. Naresh Jalan, Managing Director are related to each other.
- The nature and terms of the employment are as per resolution.
- Mr. Mahabir Prasad Jalan holds 4,51,000 equity shares and Mr. Naresh Jalan holds 2,85,750 equity shares as on 31st March, 2012 representing 2.49 % and 1.57% of the paid up capital respectively.



# Management Discussion and Analysis Report

## 1. INDUSTRY STRUCTURE AND DEVELOPMENTS

Forging has unique value among manufacturing processes. The industry is a key link between critical manufacturing segments-metal suppliers and end user industries. Forgings are intermediate products used widely by original equipment manufacturers (OEMs).

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

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

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

As per industry estimates, out of the total turnover of the Indian auto components industry, around 60% is derived from sales to domestic OEMs, around 25% comes from sales to the domestic replacement market and around 15% is derived from exports. While lower YoY volume growth of domestic OEMs in 2011-12 particularly those belonging to the passenger vehicle (PV) and Medium and Heavy Commercial Vehicle (M&HCV) segments, translated into muted revenue growth for the auto components industry during this period; the sluggishness was partly arrested on the back of rise in component exports and higher domestic replacement market sales. While the long term prospects for the industry remain strong in line with the outlook for the OEM segment, the industry faces strong challenges in the form of threat of low cost imports, currency volatility and ability to invest on product development to be able to move up the value chain.

Despite macro-economic challenges currently being faced by the automotive industry - PV and M&HCV segments in particular - due to inflation, high interest rates and rising fuel prices, many of the auto component manufacturers continued to reported strong double digit revenue growth 2011-12 supported by (i) component exports to Europe for CV applications (ii) increased sales to the replacement market; and (iii) rising share of revenues from the non-automotive segment.

However, India is fast becoming a favored investment destination for its key drivers enabling capability and growth of Indian Component suppliers.

**Key Drivers of India's Growth**

- 60% in the working-age group (15 to 64 yrs)
- By 2015, 44 min household expected to join \$ 8,770-10,960 income band with 30% car penetration
- 2nd largest pool of certified professionals
- Highest no. of engineers in the world

- Urbanization to increase up to 35% by 2025
- 140 min rural population estimated to move to urban areas by 2020
- Personal disposable income expected to increase annually at 8.5% till 2015

• Huge base of 720 million consumers across 627,000 villages

# Management Discussion and Analysis Report

## Performance Scenario

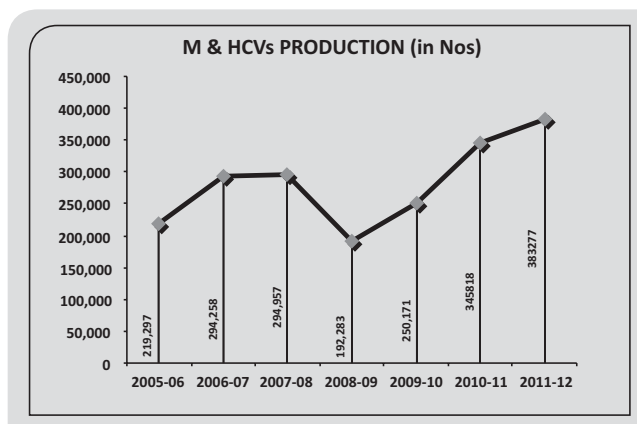
The year 2011-2012 was a good year for the Industry as there was a huge demand for the vehicles and also there was an increase in production trends during the year as compared to the last year.

The cumulative automobile production data for April 2011 - March 2012 showed a growth of 13.83% over April 2010 - March 2011.

In 2011-2012, production of passenger vehicles segment, commercial vehicles segment, three wheelers segment and two wheelers segment grew by 4.72%, 19.83%, 9.78% and 15.76% respectively.

(Number of Vehicles)

Automobile Production Trends							
Category	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Commercial Vehicles	391,083	519,982	549,006	416,870	566,608	760735	911574

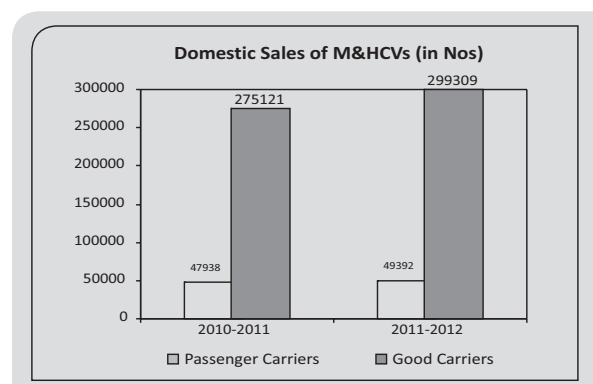
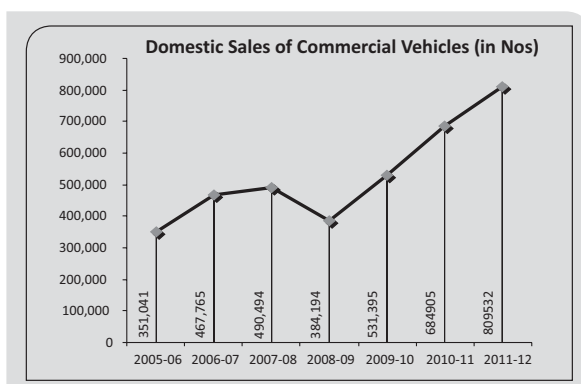


## Domestic Sales

Passenger Vehicles segment registered a growth of 4.66% during 2011-2012 as compared to the last year. In 2011-2012 sales of Passenger Cars, Multi Purpose Vehicles and Utility Vehicles grew by 2.19%, 16.47% and 10.01% respectively.

The overall domestic sales of the commercial vehicles segment registered increase from 6,84,905 vehicles to 8,09,532 vehicles registering a growth of 18.20% during 2011-2012 as compared to the same period last year. The medium & heavy commercial Vehicles (M&HCVs) segment registered growth at 7.94% during the year 2011-2012 and Light Commercial Vehicles registered a growth of 27.36%.

Three Wheelers sales recorded a decline of 4.50% in 2011-2012 and Two Wheelers sales registered a growth of 14.16% during 2011-2012. Mopeds, Scooters and Motorcycles grew by 11.39%, 24.55% and 12.01% respectively.



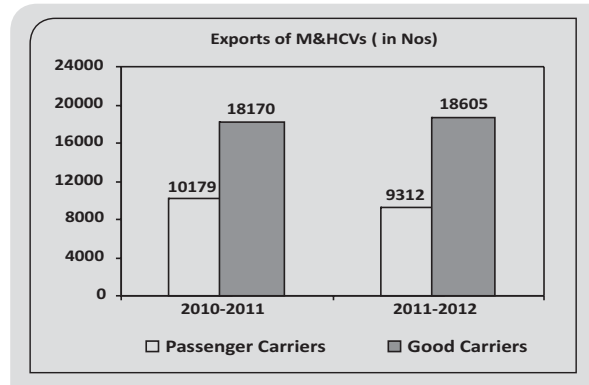
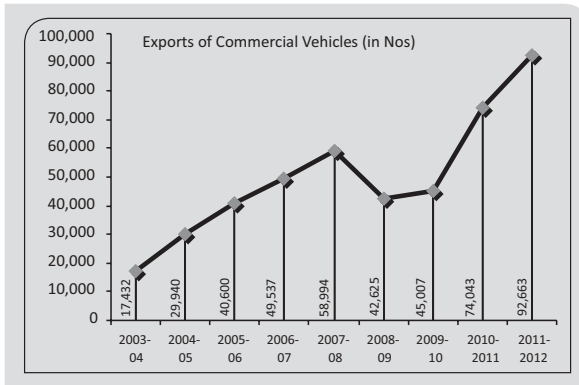


# Management Discussion and Analysis Report

## Exports

During the year 2011-2012 overall automobile exports registered a positive growth of 25.44%.

During this period Passenger Vehicle, Commercial Vehicles, Three Wheelers and Two Wheelers segment grew by 14.18%, 25.15%, 34.41% and 27.13% respectively.



## 2. OPPORTUNITIES AND THREATS

### A) Opportunities

On the canvas of the Indian economy, automotive industry occupies a prominent place. Due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and is capable of being the driver of economic growth.

Currently, the auto components industry in India is around two-thirds the size of the OEM segment. This proportion is around one to two times in mature markets of Europe, America and Japan. This indicates (a) higher proportion of imports of auto components in India by OEMs and (b) lower replacement market sales. Given the healthy growth prospects of the Indian automobile industry over the medium term, the size of the auto components industry is likely to grow at a rate faster than the OEM segment, driven by OEMs' thrust on localization and steadily growing replacement market demand.

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

In tandem with the industry trends, the Indian component sector has shown great advances in recent years in terms of growth, spread, absorption of new technologies and flexibility. The Cost pressure on global auto makers and suppliers are driving them to outsource from low cost countries like India. Today, India is emerging as one of the key auto components center in Asia and is expected to play a significant role in the global automotive supply chain in the near future. The auto component industry is also expected to drive the growth of the engineering sector in view of its strong downstream and upstream linkages with many other segments of the engineering sector like raw materials, capital goods, intermediate products etc.

The Automotive mission plan 2016 (AMP 2016) aims to make India a global automotive hub.



## Management Discussion and Analysis Report

### Estimated demand for the Forging Industry by 2015

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

Source : AIFI

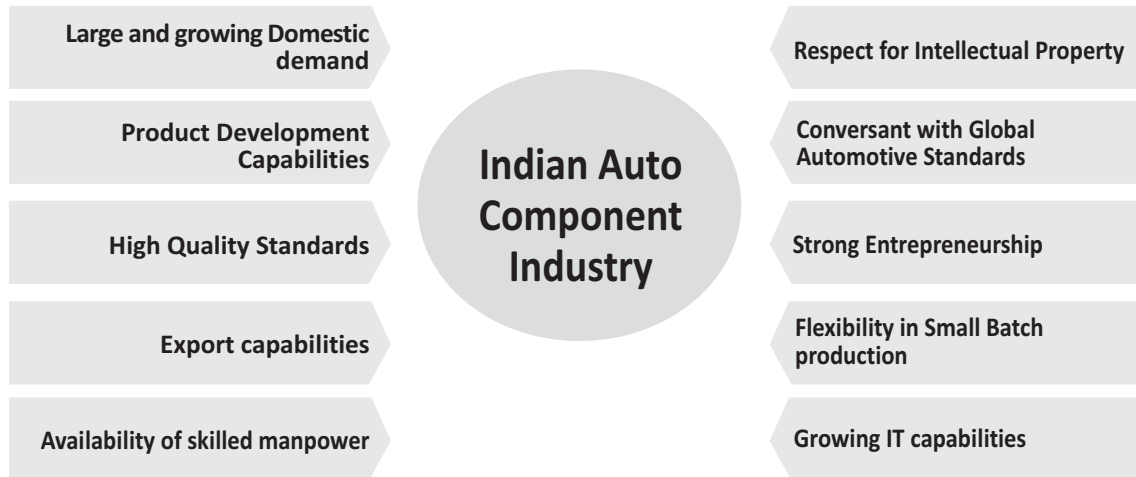
Growth Drivers of Indian Automobile Market :

- Rising industrial and agricultural output.
- Favourable demographic distribution with rising working population and middle class urbanisation.
- Heavy emphasis on Infrastructure.  
Plan to build around 45000 Kms of Expressways and National Highways in next 4 years.
- Tougher Emission Guidelines.
- Robust production.

Key Drivers of India's Growth :

### Advantage India

India is fast becoming a favored investment destination for its.....



Source : Dreaming with BRICS – the path to 2050 Goldman Sachs : NCAER : Morgan Stanley ,CRISINFAC, Wikipedia.IBEF

.....Key drivers enabling capability and growth of Indian component suppliers

### B) Threats & Challenges

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

- Volatile foreign exchange rates.
- High interest costs.



## Management Discussion and Analysis Report

- Rising fuel prices.
- Increased cost of the vehicles.
- Availability of trained man power at shop floor and managerial level.
- Increasing globalization of markets.
- Customer expectations for increasingly higher levels of quality at a lower price.
- Inadequate overseas marketing support facilities.

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

While various positives characterize the Indian auto component manufacturers including proven manufacturing capabilities, improving design abilities and high production efficiency the industry is exposed to several risk factors including :

- Localization of auto components is high on the agenda of Indian auto OEMs; yet, the Free Trade Agreements (FTAs) between India and other countries/regions including ASEAN, Japan, South Korea, European Union etc is a significant risk that may encourage OEMs to go for global sourcing. In the process, this will eat into the potential business for ancillaries located in India.
- A large number of components, mainly for CV, 2W and tractor applications, such as alloy wheels, tyres, wheel rims, bearings, engine valves, chassis components, power steering components are being imported by auto OEMs from China. In fact, import of Chinese auto components into India has multiplied briskly over the last five years by virtue of their cheaper cost. With stunted growth of Chinese automobiles in CY2011 and modest growth prospects over the short term, the surplus capacity of Chinese auto component manufacturers might find its way into other global markets including India.

### 3. OUTLOOK

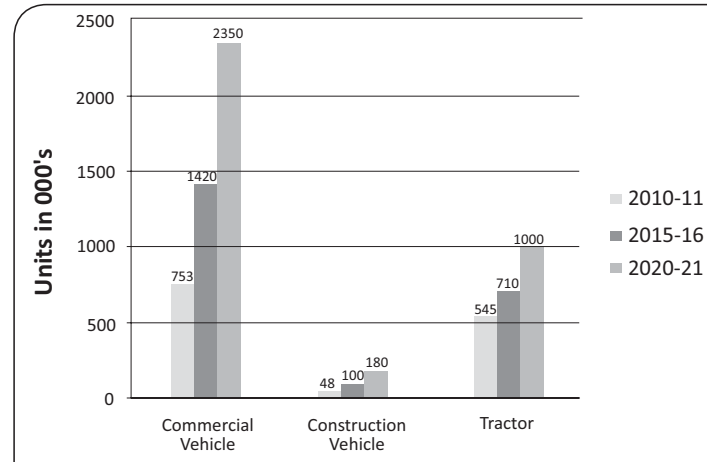
The low penetration levels and huge investments in the upcoming infrastructure projects can lead to double-digit growth in CVs even next year, if finance continues to be available and at affordable interest rates,”

After registering a strong volume growth over 2009-10 and 2010-11, the growth in the CV industry has somewhat slowed down during the current fiscal. Steadily rising interest rates, contracting industrial output and a considerable increase in vehicle prices along with high base of previous years have been the main factors constraining growth. The sharp rise in overall cost of ownership combined with almost stagnant freight rates are exerting pressure on the profitability and cash flows of fleet operators. Capacity utilization has gradually declined and freight rates continue to remain stagnant despite rise in operating expenditure for operators. On the financing front, some of the financiers have also tightened lending norms in addition to the rise in interest rates. Overall, the near term risks against M&HCV demand have increased significantly, though structurally, the demand drivers over a longer period remain intact.

Given the current environment where the growth in industrial activity remains low and the operating environment for fleet operators remains weak, the outlook over the near term appears subdued which may result in a slowdown in new vehicle sales. Among segments, M&HCV segment which tends to be influenced more by macro-economic indicators is likely to register a weaker performance over the near term as against the steadily growing LCV segment.

However, the proliferation of the hub-and-spoke model, improving last mile connectivity and strong demand originating from rural segment is likely to drive demand in the LCV segment over the medium term. Over the medium term, the M&HCV segment to grow at a volume CAGR of 9.5-11.5% and the LCV to grow at a volume CAGR of 11-13% over the next five years. The expected demand till 2020 is enumerated below :

## Management Discussion and Analysis Report



Source : ACMA

Moreover Global automotive giants are looking at India as a competent supply base and are shopping for their components here and Indian companies have even been acquiring companies abroad. Considering the confidence of foreign automotive majors, auto component manufacturers and original equipment manufacturers, who are outsourcing their operations to India, it is quite likely that the forging industry will be foremost among the segments that will steer manufacturing growth here.

### The Vision 2020 of Railways :

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

In the Railway Budget for the year 2012-13 the government has tabled significant programmes as mentioned below :

- Private investment schemes for Wagon Leasing, Sidings, Private Freight Terminals, Container train operations, being made more attractive to PPP partners.
- Kolkata Metro being extended to cover new sections.
- MoU signed with Government of Chhattisgarh to develop three rail corridors in state for movement of passenger and freight.
- Four projects on cost sharing basis with Governments of Haryana, Andhra Pradesh & West Bengal proposed.
- Diesel Component Factory at Dankuni to be fully commissioned in 2012-13.
- Wagon Manufacturing Factory at Kulti and fiat bogey frame unit at Budge Budge to commence production in 2012-13.
- A wagon factory to be set up at Sitapali (Ganjam District of Odisha).
- A rail coach factory with the support of Government of Kerala to be set 3 up at Palakkad; two additional new manufacturing units for coaches to be established in the Kutch area in Gujarat and at Kolar in Karnataka with active participation of the State Governments.



# Management Discussion and Analysis Report

## SWOT Analysis

### Strengths :

1. Integrated facility with a very specialized hi- tech product portfolio.
2. Technologically advanced ring rolling line.
3. Balanced product mix with emphasis on new product development, customer retention and repeat clients.
4. Rich pool of qualified manpower and emphasis on efficient manpower management.

### Weakness :

1. Fragmented and unorganized Industry.
2. Dependence on the automotive industry
3. Relatively low level of R & D capability compared to the OEM's and Tier-1 players.

### Opportunities :

1. Better outsourcing opportunities from India
2. Setting up of new manufacturing base by international majors in India.
3. Enhanced program for the wagons and coaches from the Railway sector.
4. Proposed huge infrastructure spending to propel growth and demand.
5. New emission norms.
6. Emergence of Hub and Spoke models will propel the demand for Heavy and Medium duty Vehicles.

### Threats :

1. Volatile foreign exchange rates
2. High Interest Costs
3. Increased global competition.
4. Political & Economic condition in the world, due to duty and tariff barrier increase changes
5. Slowdown in the export demand
6. Increase in global competition.

## Awards

The Company has during the year 2011-12 received the under mentioned awards :

- Business Association from Tata Motors.
- New product development from Tata Motors.
- Growth with Quality from Tata Motors.
- Support in aggressive indigenization from Telcon.
- Development of components for export from Telcon.
- Star Performer under Auto Components from EEPC.
- Star Performer under Steel Forgings from EEPC.

## 4. PERSONNEL MANAGEMENT

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

## Management Discussion and Analysis Report

It regularly provides training to its employees which amongst other includes technical training, on the job training, behavioral training, cultural training, safety training, 5'S' Training soft skill training and awareness training.

It has a regular appraisal programme wherein performers are recognized every month and performance linked incentives programs for the proper motivation of the employees. The Company undertakes regular health checkup of its employees.

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

The Company has around 950 employees (excluding contract workmen) which includes a rich pool of graduate engineers, diploma holders and technicians. It is their invaluable contribution that has primarily resulted in your Company's position of strength in the industry.

Number of Graduate Engineers, Diploma Holders,

Year	2009-10	2010-11	2011-12
Graduate Engineers	12	14	13
Diploma Holders	62	72	81
Technicians	41	71	82
<b>Total</b>	<b>115</b>	<b>157</b>	<b>176</b>

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

### 5. FINANCIAL OVERVIEW

#### Highlights

- Net Sales increased 22.35% from ₹ 409.68 Crores in 2010-11 to ₹ 501.26 Crores in 2011-12.
- EBIDTA increased 15.41% from ₹ 70.79 Crores in 2010-11 to ₹ 81.70 Crores in 2011-12.
- PBT increased 7.60% from ₹ 33.31 Crores in 2010-11 to ₹ 35.84 Crores in 2011-12.
- PAT increased 10.06% from ₹ 22.06 Crores in 2010-11 to ₹ 24.28 Crores in 2011-12.
- Cash profit increased by 16.07% from ₹ 44.98 Crores in 2010-11 to ₹ 52.21 Crores in 2011-12.
- Basic EPS increased from ₹ 13.43 in 2010-11 to ₹ 13.61 in 2011-12.

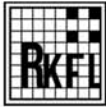
#### Balance Sheet Analysis

##### Capital Employed

The Company's average capital employed increased 7.62% from ₹ 357.17 Crores in 2010-11 to ₹ 384.39 Crores in 2011-12. The Company's return on average capital employed increased from 13.95% in 2010-11 to 14.21% in 2011-12.

##### Own Funds

The Company's net worth excluding deferred tax liability increased 22.77% from ₹ 153.47 Crores in 2010-11 to ₹ 188.42 Crores in 2011-12 due to the re-investment of earnings, receipt of capital subsidy and issue of the shares against conversion of warrants issued on a preferential basis. The Company's Return on Average Net Worth (RONW) decrease from 15.75% in 2010-11 to 14.20% in 2011-12.



## Management Discussion and Analysis Report

### External Funds

The Company's total debt decreased from ₹ 198.98 Crores in 2010-11 to ₹ 178.18 Crores in 2011-12 on account of repayments of the term loan and better working capital management. The Company's total debt-equity ratio decreased from 1.30 in 2010-11 to 0.95 in 2011-12. The Company has been able to reduce its short term borrowings from ₹ 99.60 Crores in 2010-11 to ₹ 70.99 Crores in 2011-12 in spite of the increase in the net sales by 22.35%.

### Reserves and Surplus

The Company's Reserves and Surplus increased 43.20% from ₹ 118.90 Crores in 2010-11 to ₹ 170.27 Crores in 2011-12 primarily due to receipt of premium on issue of shares by conversion of warrants, receipt of capital subsidy, increase of profits and forfeiture of the warrant allotment money.

### Gross Block

The Company's gross block including capital work in progress increased 17.13% from ₹ 289.49 Crores in 2010-11 to ₹ 339.09 Crores in 2011-12 primarily on account of new corporate office of the Company, machining centres installed by the Company to augment the machining capabilities and furnaces for process improvement. Depreciation increased from ₹ 20.98 Crores in 2010-11 to ₹ 27.07 Crores in 2011-12 due to better utilisation of the plant. The fixed assets turnover ratio incl CWIP was 1.42 in 2010-11 and 1.48 in 2011-12.

### Inventories

The Company's inventories increased 13.98% from ₹ 114.95 Crores in 2010-11 to ₹ 131.00 Crores in 2011-12. The increase in inventories was primarily on account of the increase in raw material stock and the work in progress on account of increase of the product portfolio of the Company. The average inventory turnover decreased from 96 days in 2010-11 to 90 days in 2011-12.

### Profit & Loss Statement Analysis

#### Revenues

The Company's net sales increased 22.35% from ₹ 409.68 Crores in 2010-11 to ₹ 501.26 Crores in 2011-12. This performance was primarily driven by the increased productivity of the forgings section and pick up of the ring rolling section. The Company has been able to attain full capacity utilisation of the forging section and had around 75% capacity utilisation in the ring rolling section. The segment-wise gross revenue earned is as follows :

(in percentage)

Particulars	2011-12	2010-11
Automobiles	70.10	70.42
Railways	5.21	5.68
Mining	5.98	3.43
Exports	8.55	11.32
Others (incl.Scrap)	10.16	9.15

#### Foreign Exchange

The Company's exports decreased from ₹ 49.94 Crores in 2010-11 to ₹ 46.37 Cr in 2011-12, representing a 7.15% decrease. In spite of a slowdown in the Latin American and Europe markets the Company has been able to maintain its exports over last year. During the year the Company has tied up with some of the biggest names in Mexico and Turkey which will provide a further boost to the Company exports during the year. The Company does not import any raw material.

## Management Discussion and Analysis Report

### Interest

Interest outflow in 2011-12 was ₹ 18.79 Crores increasing from ₹ 16.49 Crores in 2010-11 and constituting 3.75% of net turnover. The increase in the interest cost was on account of hardening of the interest rates. The interest cover of the Company increased from 4.29 in 2010-11 to 4.35 in 2011-12 indicating the Company comfort in servicing debt.

### Costs

Total costs not including interest & depreciation (excluding stock variation) increased 22.67% from ₹ 350.34 Crores in 2010-11 to ₹ 429.77 Crores in 2011-12 constituting 84.03% of total income.

#### Cost break-up

(₹ in Crores)

Particulars	2011-12	2010-11
Raw Material	287.24	239.11
Power and Fuel	46.48	35.52
Employee Cost	26.80	21.94

*Raw material costs* : The raw materials costs increased from ₹ 239.11 Crores in 2010-11 to ₹ 287.24 Crores in 2011-12. It constitutes 56.16% of the total Income (incl. Stock variation) in 2011-12 as compared to 56.78% in 2010-11.

*Power and fuel costs* : The power and fuel costs increased from ₹ 35.52 Crores in 2010-11 to ₹ 46.48 Crores in 2011-12. It constitutes 9.09% of the total Income (incl. Stock variation) in 2011-12 as compared to 8.44% in 2010-11. The surge in power cost was on account of high cost of furnace oil used in the forging operation and increase in the tariff for electricity.

*Employee costs* : The employee costs increased from ₹ 21.94 Crores in 2010-11 to ₹ 26.80 Crores in 2011-12. It constitutes 5.24% of the total Income (incl. Stock variation) in 2011-12 as compared to 5.21% in 2010-11.

## 6. MANAGING OUR RISKS

### Overview

Ramkrishna Forgings operates in a business environment characterized by increasing globalisation, intensifying competition, specialised knowledge and cost push. Risks are in fact opportunities that can be most profitably leveraged if identified, assessed and managed efficiently. A healthy balance between risk and reward can bring the Company steady realizations, boost profitability. The Company has responded to this reality with a comprehensive and integrated risk management framework, enhancing its capacity to add value.

### What we are doing to de-risk our business?

Enterprise risk management is a comprehensive process that can help Companies identify the major risks facing the organisation and create consistent, enterprise-wide solutions to deal with those risks. At Ramkrishna Forgings, all key aspects of risk management are incorporated in a comprehensive risk warning system, which enables the Company to manage risks at the individual and management levels. Expert management of risk is consistent with creation of increased shareholder value

This approach ensures that the risk management discipline is centrally initiated by the senior management but prudently decentralised across the organisation, percolating to managers at various levels in order to mitigate risks at the basic transactional stage.

At Ramkrishna Forgings, only those decisions are taken that balance risk and reward; this ensures that the Company's revenue generating initiatives are consistent with the risks taken. This management of risk conforms to the Company's strategic direction and is consistent with the shareholders' desired total returns, the Company's credit rating and desired risk appetite.



# Management Discussion and Analysis Report

A well defined structure has been laid down to assess, monitor and mitigate risks associated with these areas, briefly enumerated below :

## 1. Client Concentration Risks :

The overall domestic sales of the commercial vehicles segment registered increase from 6,84,905 vehicles to 8,09,532 vehicles registering a growth of 18.20% during 2011-12 as compared to the same period last year. The overall domestic sales of the MHCV & HCV segment registered increase from 3,23,059 vehicles to 348701 vehicles registering a growth of 7.94% during 2011-12 as compared to the same period last year. However, an increase in the cost of fuel and increase of vehicle financing cost may slow down the growth.

### Risk Mitigation :

- (i) The Company has taken steps to increase its presence in the export market . The Company has been able to enlist itself with a customer in Mexico and Turkey with good export potential. The Company has further identified new geographical location for export. The Company plans to open an overseas office for focused export marketing and better coordination.
- (ii) The Company has taken steps to de-risk its sales mix by increasing its focus on the mining sector and making inroads in the farm equipment business.
- (iii) The Company has expanded the product portfolio with its existing customers. It has also enhanced the value addition to the existing products thus moving up the value chain.
- (iv) The Company is making efforts to make inroads into new areas and products by which it can reduce its dependence on the commercial vehicle segment.
- (v) The Company has taken steps to diversify the customer base through aggressive marketing and participating in the fairs.

## 2. Technology Risk :

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

### Risk Mitigation :

- (i) Installation of an technically advanced ring rolling line has helped the Company to penetrate the market and retain its presence in an effective manner.
- (ii) The Company has the-state-of-art of CNC Machining and Gear Cutting Facilities in which it has achieved accuracies of class VI in the soft stage and Class 8&9 in the hard stage as per DIN 3962 in gear manufacturing.
- (iii) Installation of a Mitsubishi CNC Gear hobbing and Shaping machines has helped to improve dimensional accuracies, improve productivity and reduce cycle time
- (iv) It has a world class quality assurances laboratory with the best in practice equipments to ensure the quality of the products.



## Management Discussion and Analysis Report

### 3. Competition :

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

#### Risk Mitigation :

- (i) The Company in order to increase productivity and improve on the material yield has decided to replace the oil fired furnaces with induction furnaces.
- (ii) The Company has made more value addition to its products which helped to harmonize its production process.
- (iii) Installation of technologically advanced machines has helped the Company to control costs and improve on the quality of the products.
- (iv) The Company has also made 85 new product development during the year in the CNC Turning and Gear cutting area and 58 products in the Ring Rolling machining area which has helped to enhance the product basket with existing clients and add new clients.
- (v) The Company strives to identify the customer needs and attain customer satisfaction.
- (vi) The Company is accredited with ISO 9001:2008, TS-16949:2009, OHSAS 18001:2007 and ISO14001:2004.
- (vii) The business segments-forgings, machining and heat treatment and ring rolling- helps to enhance Company's competitiveness edge through significant value addition at each leg, makes it capable to produce ready to use components and become a one stop shop for the OEM's.

### 4. Human Risks :

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

#### Risk Mitigation :

- (i) The Company maintains a well-defined HR policy and has a regular appraisal programme wherein performers are recognized every month. It also has a performance linked incentives program for the proper motivation of the employees.
- (ii) The Company has also implemented an ESOP scheme for its permanent employees of the Company which will help them to share the growth of the company.
- (iii) The Company regularly undertakes training programs to develop and enhance the skills of its employees. The Company has a regular training module for its operators/engineers which help them to update their knowledge and skill for achieving the organization goals.
- (iv) The existence of renowned engineering colleges in the eastern regions helps the company to have a rich pool of talented professionals.
- (v) This has helped the Company to operate without losing any man day during the year under review.



# Management Discussion and Analysis Report

## 7. INTERNAL AUDIT AND CONTROLS

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

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

### CAUTIONARY STATEMENT

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

# Corporate Governance Report

for the year 2011 - 2012

The Company's shares are listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited. Accordingly, the Corporate Governance Report for the year 2011-2012, which has been prepared pursuant to the provisions of Clause 49 of the Listing Agreement, contains details relating to previous year.

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

## 2. BOARD OF DIRECTORS

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

The Company's Board presently consists of eight Directors out of which five are Non-Executive Directors. The Company has an Executive Chairman and four Non-Executive Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreements entered into with the Stock Exchanges.

None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Public Companies in which he is a Director. Necessary disclosures regarding Committee positions in other Public Companies as on 31st March, 2012 have been made by the Directors.

The Board meets regularly to review the strategic, operational and financial matters of the Company. The Board has also delegated its powers to the Committees. The Agenda of the meeting is circulated to all the Directors in advance and all material information is provided to facilitate meaningful and focussed discussion at the meeting. The Board reviews the compliance of the applicable laws in the Board meeting. The Budget for the Financial Year is discussed with the Board at the commencement of the financial year and the comparison of the quarterly/annual performance of the Company vis-a-vis the budget is presented to the Board before taking on record the quarterly/annual financial results of the Company. The Board is also given presentation covering the financial and other aspects of the Company before taking on record the quarterly/annual financial results of the Company. The requisite information as required is provided to the Board.



# Corporate Governance Report

for the year 2011 - 2012

The information that are normally placed before the Board includes :

- General notices of interest of Directors.
- Appointment, remuneration and resignation of Directors.
- Formation/Reconstitution of Board Committees.
- Terms of reference of Board Committees.
- Minutes of the meetings of Audit committee and other Committees of the Board.
- Appointment/Resignation of Chief Financial Officer and Company Secretary.
- Appointment/Reappointment of Registrar/Share Transfer Agent.
- Status of all the Legal cases pertaining to the Company.
- Status of compliance of the Statutory Payments made by the Company.
- Annual operating plans of businesses, capital budgets and any updates.
- Any change in the banking limits of the Company.
- Quarterly results of the Company.
- Dividend declaration.
- Sale of material nature, investments and assets, if any ,which is not in the normal course of the business.
- Internal Audit Findings and External Audit Reports (through the Audit Committee).
- Proposals for investments, mergers and acquisitions, if any.
- Details of any joint venture, acquisitions of companies or collaboration agreement, if any.
- Making of loans and investment, if any, of surplus funds.
- Non compliance of any regulatory, statutory or listing requirements show cause, demand, prosecution notices and penalty notices, if any, which are materially important.
- Significant labour problems, if any and their proposed solutions.

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

During the year 6 (six) Board Meetings held on 04.04.2011, 12.05.2011, 30.07.2011, 19.08.2011, 05.11.2011 and 11.02.2012 the details of the composition of the Board, attendance of each Director at the Board meeting, last Annual General Meeting and the number of Directorship and Chairmanship/Membership of Committee of each Director in other Public Companies are as follows :-

## Corporate Governance Report

for the year 2011 - 2012

Name of the Director	Category	Attendance particulars		No. of Directorship and other Committee Membership/ Chairmanship		
		Board Meeting	Last AGM	Directorship	Committee membership	Committee Chairmanship
Mr. Mahabir Prasad Jalan (Chairman)	Executive	6	Yes	Nil	Nil	Nil
Mr. Naresh Jalan (Managing Director)	Executive	6	Yes	Nil	Nil	Nil
Mr. Pawan Kumar Kedia (Finance Director)	Executive	6	Yes	Nil	Nil	Nil
Mr. Ramprasad Saraf *	Non-Executive	4	Yes	N.A.	N.A.	N.A.
Mr. Padam Kumar Khaitan	Non-Executive	5	Yes	11	4	3
Mr. Satish Kumar Mehta	Non-Executive	4	Yes	Nil	Nil	Nil
Mr. Subhasis Majumder	Non-Executive, Nominee	3	No	2	2	Nil
Mr. Surendra Mohan Lakhota	Non-Executive	6	Yes	1	Nil	Nil
Mr. Laxminarayan Jhavar	Non-Executive	4	No	Nil	Nil	Nil

### Notes :

- \* Mr. Ramprasad Saraf resigned from Directorship w.e.f. 20.08.2011.
- Number of Directorship excludes directorship in foreign companies, Alternate Directorship, Companies registered under Section 25 of the Companies Act, 1956 and Private Ltd. Companies.
- Committees include Audit Committee and Shareholders/Investors' Grievance Committee of only other Public Limited Companies.
- None of the Directors except Mr. Mahabir Prasad Jalan and Mr. Naresh Jalan are related to any other Director.
- None of the Directors have any business relationship with the Company.
- None of the Directors received any loans and advances from the Company during the year.
- None of the Directors hold Directorship in more than 15 Indian Public Limited Companies.
- All the Directors have certified that the disqualifications mentioned under Section 274(1)(g) of the Companies Act, 1956 do not apply to them.

### Role of Independent Directors

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

### Board Meetings

During the financial year 2011-2012 the Company has held six Board meetings. The gap between two meetings did not exceed four months. The details of the Board meetings are as follows :



# Corporate Governance Report

for the year 2011 - 2012

Sl. No.	Dates	Strength	Presence of Directors
1	04.04.2011	9	6
2	12.05.2011	9	8
3	30.07.2011	9	9
4	19.08.2011	9	6
5	05.11.2011	8	7
6	11.02.2012	8	8

### 3. COMMITTEES OF THE BOARD

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

#### A) Audit Committee

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

#### Composition

Presently the Audit Committee consists of three Non- Executive Directors out of which two are Independent Directors namely :

- 1) Mr. Surendra Mohan Lakhotia Chairman
- 2) Mr. Satish Kumar Mehta Member
- 3) Mr. Subhasis Majumdar Member
- 3) Mr. Ramprasad Saraf \* Member

\* Mr. Ramprasad Saraf resigned from Audit Committee w.e.f. 20.08.2011.

The Audit Committee meetings were also attended by the Finance Director, Chief Financial Officer (CFO), the respective Departmental Heads, if required, the Statutory Auditors and the Internal Auditors. The Company Secretary is the Secretary of the Committee.

#### Terms of Reference

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

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position, sufficient and credible.
- b) Recommending to the Board the appointment, reappointment and, if required, replacement or removal of the Statutory Auditors and the fixation of audit fees.
- c) Approval of the payment to Statutory Auditors for any other service rendered by them.

## Corporate Governance Report

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- d) Reviewing with the management the Annual Financial Statement before submission to the Board focusing primarily on :
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - Change in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on exercise of judgement by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statement.
  - Disclosure of any related party transactions.
  - Qualifications in the draft audit report.
  - The going concern assumption.
- e) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- f) Reviewing with the management, performance of Statutory and Internal Auditors and adequacy of internal control systems.
- g) Reviewing the adequacy of the Internal Audit function, coverage and frequency of the internal audit.
- h) Discussion with the Internal Auditors about any significant findings and follow-up thereon.
- i) Reviewing the findings of the internal investigations by the Internal Auditors into the matters where there is a suspected fraud or irregularity or the failure of internal control systems of a material nature and reporting the matter to the Board.
- j) Discussion with the Statutory Auditors before the audit commences, nature and the scope of the audit as well as post - audit discussions to ascertain any area of concern.
- k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- l) Reviewing the functioning of the Whistle Blower Mechanism, in case the same is existing.
- m) Reviewing with the Management the statement of uses/application of funds raised through issue (Public, Rights, Preferential etc), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- n) Approval of appointment of CFO or any other person heading the finance function or discharging that function after assessing the qualifications, experience & background, etc. of the candidate.

The Audit Committee inter alia has reviewed the following information :

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



# Corporate Governance Report

for the year 2011 - 2012

6. The Quarterly/Half yearly/Annual financial performance of the Company before being presented to the Board.
  7. Status of the compliance of the statutory payments of the Company.
  8. Payments made to the Statutory Auditors.
  9. Matters required to be included in the Director's Responsibility Statement as per Section 217 Clause (2AA) of the Companies Act, 1956.
  10. Compliance with listing and other legal requirements.
  11. Reviewing with the Management the statement of uses / application of funds raised through Preferential issue.
- The Chairman of the Audit Committee briefs the Board about the significant discussions of Audit Committee meeting.

## Meetings and Attendance

During the year 2011-2012 the Committee has met four times.

1. The details of the Audit Committee meetings held during the Financial Year 2011-2012 are as follows :

Sl. No.	Dates	Strength	Presence of Directors
1	12.05.2011	4	4
2	30.07.2011	4	4
3	05.11.2011	3	2
4	11.02.2012	3	3

2. Attendance record at the Audit Committee meeting :

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

\* Mr. Ram Prasad Saraf resigned from Committee Membership w.e.f. 20.08.2011.

The necessary quorum was present at all the meetings.

## B) Remuneration and Compensation Committee

### Composition

The Remuneration and Compensation Committee of the Board comprises of two Non-Executive Directors/Independent Directors namely :

- 1) Mr. Satish Kumar Mehta                      Chairman
- 2) Mr. Surendra Mohan Lakhotia              Member
- 3) Mr. Ramprasad Saraf \*                      Member

\* Mr. Ramprasad Saraf resigned from Remuneration and Compensation Committee w.e.f 20.08.2011.

### Terms of Reference

Terms of reference of Remuneration and Compensation Committee broadly includes the roles, powers and duties as vested under Schedule XIII to the Companies Act, 1956, and Clause 49 of the Listing Agreement with Stock Exchanges and for the



## Corporate Governance Report

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implementation, administration and superintendence of the ESOP scheme(s) of the Company through a trust. It also comprises decision for remuneration payable to managerial personnel from time to time, deciding remuneration policy of the Company.

### The Committee is responsible to :

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

### Meetings and Attendance

During the year 2011-2012 the Committee has met two times.

1. The details of the Remuneration and Compensation Committee meetings held during the Financial Year 2011-2012 are as follows :

Sl. No.	Dates	Strength	Presence of Directors
1	12.05.2011	3	3
2	30.07.2011	3	3

2. Attendance record at the Remuneration and Compensation Committee meeting :

Name	Category	No. of Meetings held during the year	No. of Meeting(s) Attended
Mr. Satish Kumar Mehta	Independent	2	2
Mr. Surendra Mohan Lakhotia	Independent	2	2
Mr. Ram Prasad Saraf*	Independent	2	2

\* Mr. Ram Prasad Saraf resigned from Remuneration and Compensation Committee Membership w.e.f. 20.08.2011.



# Corporate Governance Report

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## Details of Remuneration to Managing/Wholetime Directors

The details of the remuneration paid to the Managing/Wholetime Directors for the year 2011-2012 are as follows :

(₹ in Lakhs)

Sl. No.	Name of Director	Salary	Others	Total
1	Mr. Mahabir Prasad Jalan	89.36	61.48	150.84
2	Mr. Naresh Jalan	75.42	45.75	121.17
3	Mr. Pawan Kumar Kedia	8.40	7.54	15.94
	<b>Total</b>			<b>287.95</b>

### Note :

Salary represents basic salary and dearness allowance. Others include house rent allowance and other allowances, medical reimbursement, LTA, encashment of leave, commission and contribution to provident fund but exclude provision for leave encashment and gratuity which is based on actuarial valuation provided on overall basis in the books of accounts.

The Company has Stock Option Scheme only for its permanent employees and a director including wholetime director, but does not include the promoters of the company.

In response to an application made by the Company to the Central Government for approval of payment of increased remuneration to Chairman cum Whole Time Director and the Managing Director from 1st April, 2008 to 31st March, 2011 the Central Government, has vide its letter dated 29th February, 2012 assented to payment of remuneration of ₹ 48,30,000 from 1st April, 2008 to 31st March, 2009 and ₹ 84,00,000 from 1st April, 2009 to 31st March, 2010 to Managing Director and ₹ 84,00,000 from 1st April, 2008 to 31st March, 2010 to Chairman cum Whole Time Director. Based on the above approval, remuneration paid to the Chairman cum Whole Time Director and the Managing Director is in excess by ₹ 38,36,400 and by ₹ 50,96,400 for the year 2008-09 and 2009-10 respectively. The Company has again represented to the Central Government for reconsideration of its application and to accord its approval for payment of remuneration as proposed in the said application. The said representation is pending for reconsideration of the Central Government. However the remuneration paid during the year 2011-12 to Chairman cum Whole Time Director and the Managing Director is within the limits as laid down in Section 309(3) read with schedule XIII of the Companies Act 1956.

## Details of Sitting Fees to Non-Executive Directors

The details of the Sitting fees paid to the Non-Executive Directors for attending Board & Committee Meetings for the year 2011-2012 are as follows.

(₹ in Lakhs)

Sl. No.	Name of the Director	Sitting Fees
1	Mr. Ram Prasad Saraf	0.70
2	Mr. Padam Kumar Khaitan	0.50
3	Mr. Satish Kumar Mehta	0.90
4	Mr. Subhasis Majumder	0.60
5	Mr. Surendra Mohan Lakhota	1.10
6	Mr. Laxmi Narayan Jhavar	0.40
	<b>Total</b>	<b>4.20</b>

# Corporate Governance Report

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## Details of Shareholding in the Company of Directors

Details of shares of the Company held by the Directors as on 31st March, 2012 are as below :-

Sl. No.	Name of Director	No. of shares held in individual Capacity	% of Total Holding
1	Mr. Mahabir Prasad Jalan	4,51,000	2.49
2	Mr. Naresh Jalan	2,85,750	1.57
3	Mr. Pawan Kumar Kedia	35,250	0.19

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

## Service Contracts, Severance Fees & Notice Period

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

## C. Management and Finance Committee

### Composition

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

- 1) Mr. Mahabir Prasad Jalan
- 2) Mr. Naresh Jalan and
- 3) Mr. Ramprasad Saraf\*
- 3) Mr. S. M. Lakhotia \*\*

\*\*Mr. S. M. Lakhotia was appointed w.e.f. 19.08.2011.

\*Mr. Ramprasad Saraf resigned w.e.f. 20.08.2011.

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

### Terms of Reference

The Committee will act in accordance with the provisions of the Companies Act, Listing Agreement and any other applicable laws and also monitoring and reviewing day-to-day financial and legal matters of the Company. The Minutes of the Committee is placed at the subsequent Board Meeting for approval.

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

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



# Corporate Governance Report

for the year 2011 - 2012

## D. Shareholders'/Investors' Grievance Committee

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

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

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

Name	Category
Mr. Ram Prasad Saraf**	Independent, Non-Executive
Mr. Satish Mehta	Independent, Non Executive
Mr. Surendra Mohan Lakhotia*	Independent, Non Executive

\*\*Mr. Ram Prasad Saraf resigned from the Committee membership w.e.f. 20.08.2011.

\* Mr. Surendra Mohan Lakhotia was appointed in the Committee on 19.08.2011.

### Compliance Officer

Mr. Rajesh Mundhra, Company Secretary, who is the Compliance Officer, can be contacted at :

#### Ramkrishna Forgings Ltd.

"Ramkrishna Chambers"

72, Shakespeare Sarani

Kolkata - 700 017

### Details of complaints received and redressed :

The details regarding complaints received and resolved during the financial year 2011-2012 are as follows :

Opening Balance	Received during the year	Resolved during the year	Closing Balance
0	26	26	0

## 4. GENERAL BODY MEETINGS

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

Financial Year	Details of Location	Date	Time	No. of Special Resolution Passed
2010-2011	Bharatiya Bhasha Parishad Kolkata - 700017	30.06.2011	11.45 A.M.	2
2009-2010	Gyan Manch, 11 Pretoria Street Kolkata - 700 071	22.08.2010	11.45 A.M.	4
2008 - 2009	Gyan Manch, 11 Pretoria Street Kolkata - 700 071	22.08.2009	11.45 A.M.	4

No Special resolution was passed in the year 2011-2012 through Postal Ballot and hence the provisions relating to the Postal Ballot were not applicable. None of the business proposed to be transacted in the ensuing Annual General Meeting requires passing a special resolution through Postal Ballot. The Company shall comply with the requirements of the Postal Ballot as and when required.

# Corporate Governance Report

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## 5. DISCLOSURES

### a) Disclosure on materially significant Related Party Transactions :

Your Company places the statement of the related party transactions at every Audit Committee meeting. The Register of Contracts containing the transactions in which the Directors are interested are placed at the Board meetings. The disclosures of the related party transaction as per the Accounting Standard **(AS-18)** are set out in **Note. 33 of the Notes to the Accounts**. However, these transactions are not likely to have any conflict with the Company's interest.

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

The Company has complied with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to the capital market during 2009-10, 2010-11 and 2011-2012.

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

### c) Code of Conduct :

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

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

In accordance with the clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliances with the Code of Conduct of the Company for the year ended 31st March, 2012.

For **RAMKRISHNA FORGINGS LIMITED**

**Naresh Jalan**  
(Managing Director)

### d) Proceeds of the Preferential Issue

The Company has issued 10,00,000 warrants to Ms. Lata Bhanshali and 29,00,000 warrants to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group on a preferential basis at a price of ₹ 107.50/- per warrant during the year 2009-2010, The warrants could be converted into equity shares of ₹ 10/- each at a premium of ₹ 97.50/- within 18 months from the date of allotment i.e. 20th February, 2010.

The Company has received 25% of the issue price for 39,00,000 warrants at the time of allotment of the warrants as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 during the year 2009-2010.

During the year 2010-11 the Company received an application alongwith the balance consideration for conversion of 9,50,000 warrants into Equity Shares. The Company at its Board Meeting held on 4th April, 2012 allotted 9,50,000 equity shares of ₹ 10/- each by conversion of 9,50,000 warrants to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group.

During the year the Company had further received a request for the conversion of 7,70,000 warrants into equity shares from M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group, along with the balance consideration of 75% of the issue price amounting to ₹ 620.81 Lakhs. The Company at its Board Meeting held on 19th August, 2011 has allotted 7,70,000 equity shares of ₹ 10/- each to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited), Promoter group by conversion of 7,70,000 warrants into equity shares of ₹ 10/- each.



# Corporate Governance Report

for the year 2011 - 2012

During the year the Company has forfeited 10,00,000 warrants issued to Mrs. Lata Bhanshali and 11,80,000 warrants issued to M/s. Eastern Credit Capital (P) Limited (formerly Eastern Credit Capital Limited).

The utilisation of the outstanding preferential issue proceeds, if any, is provided at every meeting of the Audit Committee and the utilisation as on 31st March, 2012 is disclosed in **note no. 2(i) of the notes to Accounts**.

e) **Disclosure of Accounting Treatment**

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

f) **CEO/CFO Certification**

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

g) **Risk Management**

Risk evaluation and management is an ongoing process within the organisation and is periodically reviewed by the Board of Directors.

h) **Management Discussion and Analysis Report**

It forms part of the Annual Report.

i) **Secretarial audit for Reconciliation of Share Capital**

The Securities and Exchange Board of India has directed vide **Circular No. CIR/MRD/DP/30/2010 dated 6th September, 2010** that all issuer companies shall submit a '**Certificate of Reconciliation of Share Capital**' reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued/paid-up capital.

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

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

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

Directors seeking re-appointment at the ensuing Annual General Meeting :

**Mr. Pawan Kumar Kedia**

Mr. Pawan Kumar Kedia is a Bachelor of Commerce with a Diploma in Taxation. He possesses an experience of about 25 years in various companies. He started his career as an Article clerk in M/s C. L. Saraf & Co. and then worked as Commercial Manager in M/s Vishnu Straw Board and Indana Group for five to ten years respectively. Before joining the company in 1998, he worked with M/s Khaitan India Limited as an Internal Auditor for two years.

He does not hold Directorship or Committee Positions in any other Company.

He holds 35,250 shares in the Company.

## Corporate Governance Report

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□ **Mr. Padam Kumar Khaitan**

He is an Attorney-at-Law. He is about 53 years of age and started his career as an Article clerk in M/s. Khaitan & Co, leading Advocates, Notaries, patent and trademark Attorneys and graduated to become a Partner of M/s. Khaitan & Co. His rich experience of more than 31 years in the legal profession will greatly help the Company.

He is a director in the following Companies as listed below :

Asian Hotels (East) Ltd.

Cheviot Company Ltd.

GJS Hotels Ltd.

Khaitan Consultants Ltd.

Kilburn Engineering Ltd.

Manjushree Plantations Ltd.

McNally Sayaji Engineering Ltd.

Rungamatee Tea & Industries Ltd.

R. V. Investments & Dealers Ltd.

Upper Ganges Sugar & Industries Ltd.

Williamson Magor & Co. Ltd.

Auro Holdings Pvt. Ltd.

Cheviot Agro Industries Pvt. Ltd.

ITSA Warehouse Pvt. Ltd.

Nott Investments Pvt. Ltd.

Time Leverage Instruments (P) Ltd.

He is a Chairman in the following Committees in other Companies :

1. Shareholders'/Investors' Grievance Committee of Manjushree Plantations Ltd.
2. Share Transfer & Shareholders'/Investors' Grievance Committee of Asian Hotels (East) Ltd.
3. Shareholders'/Investors' Grievance-cum-Share Transfer Committee of Kilburn Engineering Ltd.
4. Borrowing Committee of Kilburn Engineering Ltd.

He is a Member in the following Committees in other Companies :

1. Audit Committee of Williamson Magor & Co. Ltd.
2. Shareholders' Grievance Committee of Williamson Magor & Co. Ltd.
3. Remuneration and Compensation Committee of Williamson Magor & Co. Ltd.
4. Remuneration and Compensation Committee of Asian Hotels (East) Ltd.
5. Shareholders' Grievance Committee of McNally Sayaji Engineering Ltd.
6. Audit Committee of McNally Sayaji Engineering Ltd.
7. Remuneration and Compensation Committee of McNally Sayaji Engineering Ltd.

He does not hold any share in the Company.



# Corporate Governance Report

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## Directors seeking Appointment at the ensuing Annual General Meeting :

### □ Mr. Yudhisthir Lal Madan

A retired banker with 38 years of rich and varied experience in the field of General Banking, with expertise in corporate finance, retail finance, SME lending, Risk Management with focus on credit monitoring, nursing and recovery of assets. He possesses strong analytical skills with business wisdom to positively contribute to the organization's objectives.

He has a very good understanding of the international and domestic economic scenario, business environment and of the factors affecting various business segments. He is good in Human Resources Development, Corporate Lending with special focus on SME lending, Retail Lending, Management, monitoring and recovery of distressed assets. He is qualified as MBA (Finance) - FMS, Delhi University, M.Sc (Physics), Delhi University, B.Sc. (H) (Physics), Delhi University, CAIIB, Indian Institute of Bankers, Mumbai.

He is a director in INTEC CAPITAL LIMITED and does not hold any Committee Positions in any other Company.

He does not hold any shares in the Company.

### □ Mr. Ram Tawakya Singh

He did his B.Sc. Engineering in Metallurgy from R.I.T. Jamshedpur with First class Distinction. He joined Tata Motors, Jamshedpur as Graduate Trainee in 1969 and rose to the level of Vice President. He was one of the key team member which helped Tata Motors, to improve the productivity of the plant.

In 2003, he was given additional responsibility as Independent Director of H V Axles Company where he stressed upon institutionalising the business strategy in every board meeting. As a consultant & Advisor he helped to enhance the Defence Business of Tata Motors.

He does not hold Directorship or Committee Positions in any other Company.

He does not hold any share in the Company.

### k) Code of Conduct for Prevention of Insider Trading

The Board has approved a comprehensive Ramkrishna Forgings Limited Code on Prevention of Insider Trading (hereinafter referred as Code of Conduct) in pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The objective of the Code is to prevent an insider viz. Directors, Officers and Designated Employees from dealing in shares of the Company on the basis of Unpublished Price Sensitive Information. The trading window is closed on the occurrence of events as specified in the Code. Permission of Compliance Officer is required for dealing in shares beyond specific limit. The Company obtains declaration from the designated employee and the Directors on a Quarterly/Annual basis under the Code and places the same before the Board. The Company Secretary is the Compliance officer under the Code.

## 6. MEANS OF COMMUNICATION

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

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

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

The Company has not made any presentations to the institutional investors or to the analysts during the financial year 2011-2012.



# Corporate Governance Report

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## 7. GENERAL SHAREHOLDERS INFORMATION

### a) Annual General Meeting :

Date : 28th day of July, 2012  
 Time : 11.00 A.M.  
 Venue : Gyan Manch  
 11, Pretoria Street, Kolkata - 700 071

### b) Financial Calendar :

The Financial Year of the Company is April 2012 to March 2013.

The probable dates for the publication of the quarterly results for the Financial Year 2012-13 will be within 45 days following the respective quarter and the Audited Financial Results for the year will be published within 60 days from the end of the financial year.

### c) Date of Book Closure : 21st July, 2012 to 28th July, 2012 (Both Days Inclusive).

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

The Company confirms that it has paid the Annual Listing Fees to both the Stock Exchanges and the Depositories for the year 2012-13.

### e) Stock Code : The Scrip code as provide by Bombay Stock Exchange Limited is **532527**

The symbol as provided by National Stock Exchange is **RKFORGE**

The ISIN no. as provided by the depositories is **INE399G01015**

### f) Market Price Data and the performance in comparison to NSE (NIFTY) and BSE (Sensex) :

The high and low closing prices during each month of the year 2011-2012 at NSE and BSE and the NSE NIFTY AND SENSEX are as given below :

(Amount in ₹)

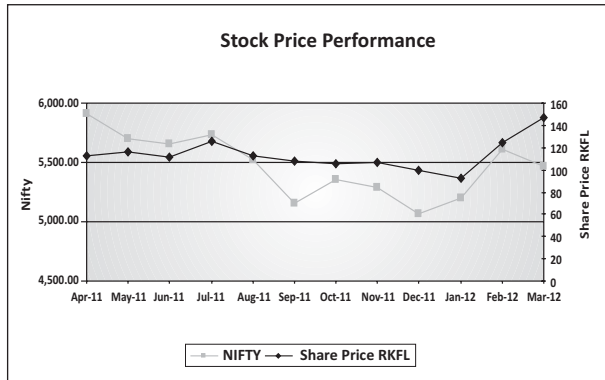
Months	SHARE PRICE NSE		SHARE PRICE BSE		S & P CNX NIFTY		SENSEX	
	High Price	Low Price	High Price	Low Price	High	Low	High	Low
April, 11	112.20	103.25	111.60	102.80	5911.50	5729.10	19701.73	19091.17
May, 11	116.50	102.50	115.05	102.50	5701.30	5348.95	18998.02	17847.24
June, 11	112.00	100.80	114.95	102.00	5647.40	5257.90	18845.87	17506.63
July, 11	125.35	110.45	125.00	110.00	5728.95	5482.00	19078.30	18197.20
August, 11	113.05	100.00	116.00	100.10	5516.80	4747.80	18314.33	15848.83
September, 11	107.90	100.25	109.90	100.55	5153.25	4835.40	17165.54	16051.10
October, 11	105.70	97.00	107.90	97.50	5360.70	4751.30	17804.80	15792.41
November, 11	106.45	96.10	104.95	96.10	5289.35	4706.45	17569.53	15695.43
December, 11	100.00	81.00	101.85	81.05	5062.60	4544.20	16877.06	15175.08
January, 12	93.00	80.15	96.95	80.50	5204.70	4636.75	17233.98	15517.92
February, 12	124.60	88.35	123.90	87.80	5607.15	5235.70	18428.61	17300.58
March, 12	147.30	112.45	144.70	113.05	5463.90	5178.85	17919.3	17052.78



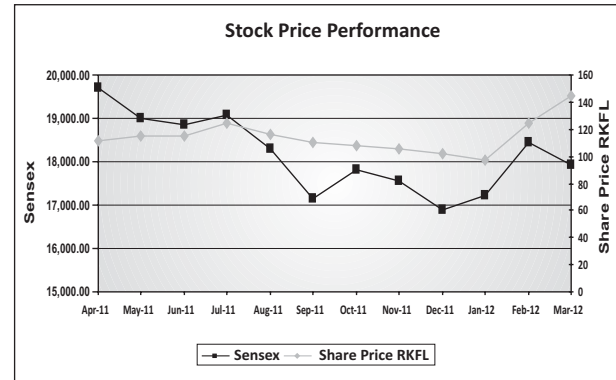
# Corporate Governance Report

for the year 2011 - 2012

Comparison chart of price performance of the Company with S&P CNX Nifty



Comparison chart of price performance of the Company with Sensex



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

**i) Share Transfer System :**

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

Share transfers are affected in time and all physical share certificates are dispatched to the transferees immediately after affecting the transfer. All Kinds of investors' related services both for physical as well as electronic segments are provided from the Share Registrar.

Half-yearly certificate on compliance of Share Transfer formalities obtained from Practising Company Secretary pursuant to Clause 47 C of the Listing Agreement with Stock Exchanges and file a copy of the certificate with the Stock Exchanges in time.

**j) Distribution of shareholding as on 31st March, 2012 :**

Category (Shares)	No. of Holders	No. of Shares	% of Total Shares
0001 - 500	2,766	3,25,137	1.79
0501 - 1000	196	1,57,485	0.87
1001 - 2000	84	1,31,650	0.72
2001 - 3000	42	1,12,916	0.62
3001 - 4000	20	73,847	0.41
4001 - 5000	12	57,184	0.32
5001 - 10000	28	2,13,583	1.18
10001 and above	38	1,70,76,738	94.09
<b>TOTAL</b>	<b>3,186</b>	<b>1,81,48,540</b>	<b>100.00</b>

## Corporate Governance Report

for the year 2011 - 2012

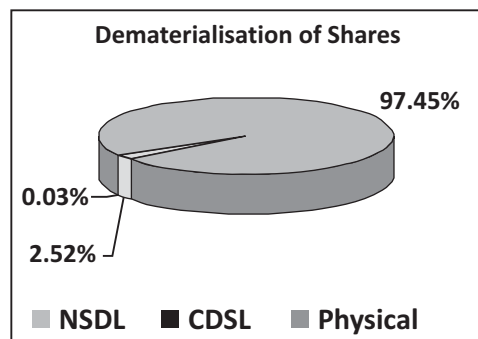
### Pattern of Shareholding as on 31st March, 2012

Sl. No	Category	No. of Shares Held	%
1	Promoters Group	95,55,677	52.65
2	Mutual Funds	36,37,444	20.04
3	HUF	86,698	0.48
4	Foreign Institutional Investor	2,52,828	1.39
5	Non Resident Indians	5,735	0.03
6	Bodies Corporates	12,90,668	7.11
7	Indian Public/Others	33,18,884	18.29
8	Clearing Members	606	0.01
	<b>TOTAL</b>	<b>1,81,48,540</b>	<b>100.00</b>

### k) Dematerialisation of Shares as on 31st March, 2012 :

Description	No. of Shareholders	Shares	%
PHYSICAL	14	5,139	0.03
NSDL	2,294	1,76,86,643	97.45
CDSL	878	4,56,758	2.52
<b>TOTAL</b>	<b>3,186</b>	<b>1,81,48,540</b>	<b>100.00</b>

The shares of the Company are traded only in dematerialised form. 1,81,43,401 shares, which consist of about 99.97% of paid up Equity Share Capital of the Company are held in a dematerialised form as on 31st March, 2012.



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

There is no Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity as on 31st March, 2012.

### m) Plant Locations :

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



# Corporate Governance Report

for the year 2011 - 2012

**n) Address for correspondence :**

i) For shares held in physical and demat form :

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

Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081

Andhra Pradesh, India

Tel : +91 40 2342 0815 - 28, Fax : +91 40 2342 0814

E mail : mailmanager@karvy.com, Website: www.karvycomputershare.com

ii) For General Information :

**M/s. Ramkrishna Forgings Limited**

"Ramkrishna Chambers", 72, Shakespeare Sarani, Kolkata - 700017, West Bengal

Tel : +91 33 3984 0900, Fax : +91 33 3984 0998

E mail : neha.gupta@ramkrishnaforgings.com

Website: www.ramkrishnaforgings.com

## NON-MANDATORY REQUIREMENTS

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

## Auditor's Certificate on Corporate Governance

To the Members of  
**Ramkrishna Forgings Ltd.**

We have examined the compliance of the conditions of Corporate Governance by RAMKRISHNA FORGINGS LIMITED for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

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

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

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

1B, Old Post Office Street  
Kolkata - 700 001  
Dated : the 12th day of May, 2012

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



# Auditors' Report

To the Members of

## RAMKRISHNA FORGINGS LIMITED

1. We have audited the attached Balance Sheet of **RAMKRISHNA FORGINGS LIMITED** (the Company) as at 31st March 2012, the Statement of Profit & Loss and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *In response to an application made by the Company to the Central Government for approval of payment of increased remuneration to Chairman cum Whole Time Director and the Managing Director from 1st April, 2008 to 31st March, 2011 the central government, has vide its letter dated 29th February, 2012 assented to payment of remuneration of ₹ 48,30,000 from 1st April, 2008 to 31st March, 2009 and ₹ 84,00,000 from 1st April, 2009 to 31st March, 2010 to Managing Director and ₹ 84,00,000 from 1st April, 2008 to 31st March, 2010 to Chairman cum Whole Time Director which ever is higher. Based on the above approval remuneration paid to the Chairman cum Whole Time Director and the Managing Director is in excess by ₹ 38,36,400 and by ₹ 50,96,400 for the year 2008-09 and 2009-10 respectively. The Company has again represented to the Central Government for reconsideration of its application and to accord its approval for payment of remuneration as proposed in the said application. The said representation is pending for reconsideration of the Central Government.*
5. Further to our comments in the Annexure referred to above, we report that :
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii) The Balance Sheet and Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
  - iv) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - v) On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said account, **subject to our remark in paragraph 4 above**, read with Significant Accounting Policies and Notes to Account in **Note No. 1** give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

## Auditors' Report

- (a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2012.
- (b) in the case of the Statement of Profit & Loss, of the PROFIT for the year ended on that date; and
- (c) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **SINGHI & CO.**

*Chartered Accountants*

Firm Registration No. 302049E

**Rajiv Singhi**

*(Partner)*

Membership No.53518

1B, Old Post Office Street

Place : Kolkata

Dated, the 12th day of May, 2012.

### **Annexure to the Auditors' Report**

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

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased program of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to size of the Company and nature of its business.
- (c) There was no substantial disposal of fixed assets during the year.
- ii. (a) The inventories have been physically verified at reasonable intervals during the year by the management except materials lying with third parties, where confirmations are obtained.
- (b) In our opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories. The discrepancies between the physical stocks and book stocks, which are not significant, have been properly dealt with in the books of account.
- iii. (a) As per the information furnished, the Company has not granted any loans secured or unsecured to Companies, firms or other parties covered in the Register maintained U/S 301 of the Companies Act, 1956. Hence Clauses 3(b), (c) and (d) of the order are also not applicable to the company.
- (e) As per the information furnished, the Company has taken interest bearing unsecured loan from two companies covered in the Register maintained U/S 301 of the Companies Act, 1956. In respect of the said loans, the maximum amount outstanding at anytime during the year was ₹ 1847.99 lacs and the year end balance is ₹ 864.98 lacs.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans taken by the Company, are not prima facie prejudicial to the interest of the Company.
- (g) The principal amount of the loan is repayable on demand and interest thereon is paid regularly as per the stipulated terms.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books of accounts and according to the information and explanation given to us, we have not come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control system.



## Auditors' Report

- v. a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies act, 1956 have been so entered.
- b) As per the information and explanations give to us there are no contract or arrangements made for transactions exceeding Rupees 5,00,000 in respect of each party, for sale and purchase of goods and services in pursuance of Section 301 of the Company's Act,1956.
- vi. The Company has not accepted any fixed deposit from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made there under.
- vii. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and nature of its business.
- viii. As per the Companies (Cost Accounting Records) Rules, 2011 (published vide G.S.R. 430 (E) dated 3rd June, 2011) the company is required to maintain Cost Records effective from 1st April, 2011 during the period under audit, for the products of the company. As confirmed by the management the above required records are maintained by them.
- ix. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amount payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues were outstanding as at 31st March, 2012 for a period of more than six months from the date they became payable.

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

Name of the status	Nature of Dues	Amount (₹ in lacs)	Period to which amount relates	Forum where dispute is pending
Income Tax Act,1961	Income Tax	11.99	2007-08 and 2008-09	CIT (Appeal) Kolkata
Service Tax under finance act 1994	Service Tax	35.98	2004-05 to2006-07	CESTAT Kolkata
		23.50	2006-07 to 209-10	The Additional Commissioner of Service Tax, Kolkata
WB Value Added Tax Act, 2003	Sales Tax	1.63	2007-08	The Joint Commissioner of Sales Tax, Kolkata

- x. The Company has no accumulated losses as at 31st March 2012 and has not incurred cash losses in the current financial year ended on that date and in the immediately preceding financial year.
- xi. Based on our audit procedures and on the basis of information and explanations given to us the Company has not defaulted in repayment of dues to Financial Institutions or Banks.
- xii. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



## Auditors' Report

- xiii. Provisions of any special statute applicable to chit fund are not applicable to the company.
- xiv. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. The Company has maintained proper records of transactions and contracts in respect of Shares, Securities, Debentures and other Investments and timely entries have been made therein. The Shares, Securities, Debentures and other Investments have been held by the Company, in its own name except to the extent of exemption granted under Section 49 of the Companies Act, 1956.
- xv. As per the information the Company has not given any guarantee for loans taken by others from Bank or Financial Institutions.
- xvi. According to the information and explanations given to us the Company has applied term loans for the purpose for which they were obtained during the year.
- xvii. On the basis of our examination of the Balance Sheet and Cash Flow Statement and according to the information and explanations given to us, the fund raised on Short Term basis, during the year, have not been used for Long Term investments.
- xviii. During the year under Audit, the Company has made preferential allotment of equity shares on conversion of warrants, to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The price at which the shares have been issued has been determined as per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulation 2009, which in our opinion is not prejudicial to the interest of the Company.
- xix. The Company has not issued debentures during the year.
- xx. The Company has not raised any money by Public Issue during the year.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practice in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor we have been informed of such cases by the management.

1B, Old Post Office Street  
Place : Kolkata  
Dated : 12th day of May, 2012

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



## Balance Sheet as at 31st March, 2012

		(₹ in Lakhs)	
	Note No.	As at 31st March, 2012	As at 31st March, 2011
<b>EQUITY AND LIABILITIES</b>			
Shareholders' Funds			
Share Capital	'2'	1,814.85	1,642.85
Reserves and Surplus	'3'	17,028.20	11,890.20
Money received against Share Warrants		–	1,814.06
		<b>18,843.05</b>	<b>15,347.11</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	'4'	8,206.12	6,966.74
Deferred Tax Liabilities	'5'	2,528.80	2,443.28
Long-Term Provisions	'6'	41.82	60.42
		<b>10,776.74</b>	<b>9,470.44</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	'7'	7,099.44	9,960.67
Trade Payables	'8'	7,888.54	4,133.95
Other Current Liabilities	'9'	4,186.88	3,929.59
Short-Term Provisions	'10'	466.82	416.13
		<b>19,641.68</b>	<b>18,440.34</b>
<b>TOTAL</b>		<b>49,261.47</b>	<b>43,257.90</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets			
Tangible Assets	'11'	24,447.29	20,165.35
Intangible Assets	'11'	189.26	211.28
Capital Work-in-Progress		360.71	2,251.37
Intangible Assets under Development		53.44	–
Non-Current Investments	'12'	0.50	141.91
Long-Term Loans and Advances	'13'	1,563.67	1,137.15
Other Non-Current Assets	'14'	98.50	86.88
		<b>26,713.37</b>	<b>23,993.93</b>
<b>Current Assets</b>			
Inventories	'15'	13,100.75	11,494.49
Trade Receivables	'16'	7,067.66	5,758.71
Cash and Bank Balances	'17'	30.00	226.33
Short-Term Loans and Advances	'18'	1,015.73	749.24
Other Current Assets	'19'	1,333.96	1,035.19
		<b>22,548.10</b>	<b>19,263.96</b>
<b>TOTAL</b>		<b>49,261.47</b>	<b>43,257.90</b>
<b>Significant Accounting Policies</b>	'1'		
<b>Accompanying Notes are integral part of the financial statement.</b>			

As per our attached report of even date

For **Singhi & Co.**  
Chartered Accountants  
**Rajiv Singhi**  
(Partner)  
Membership No. 53518

Dated : 12th day of May, 2012  
1B, Old Post Office Street, Kolkata - 700 001

For and on behalf of the Board

**Mahabir Prasad Jalan**  
(Chairman)

**Naresh Jalan**  
(Managing Director)

**Pawan Kumar Kedia**  
(Finance Director)

**Alok Kumar Sharda**  
(Chief Financial Officer)

**Rajesh Mundhra**  
(Company Secretary)

## Statement of Profit &amp; Loss for the year ended 31st March, 2012

(₹ in Lakhs)

	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
<b>REVENUES</b>			
Revenue from Operations (Gross)	'20'	54,631.00	44,537.75
Less : Excise Duty		4,504.71	3,569.14
<b>Revenue from Operations (Net)</b>		<b>50,126.29</b>	<b>40,968.61</b>
Other Income	'21'	65.30	146.38
<b>Total Revenues</b>		<b>50,191.59</b>	<b>41,114.99</b>
<b>EXPENSES</b>			
Cost of Raw Materials Consumed	'22'	28,724.08	23,911.26
Changes in Inventories	'23'	(956.39)	(998.27)
Employee Benefits Expenses	'24'	2,680.45	2,194.30
Power & Fuel		4,648.02	3,553.25
Finance Costs	'25'	1,878.89	1,649.26
Depreciation and Amortization Expenses	'26'	2,706.74	2,097.89
Other Expenses	'27'	6,925.28	5,375.87
<b>Total Expenses</b>		<b>46,607.07</b>	<b>37,783.56</b>
<b>Profit before tax</b>		<b>3,584.52</b>	<b>3,331.43</b>
<b>Tax Expense :</b>			
Current tax		1,049.00	924.00
Tax adjustments for earlier years (Net)		21.10	7.50
Deferred tax		85.50	194.00
<b>Profit/(Loss) for the period</b>		<b>2,428.92</b>	<b>2,205.93</b>
<b>Earnings per Share (EPS) (Weighted Average) :</b>			
Basic EPS (in ₹)		13.61	13.43
Diluted EPS (in ₹)		13.61	13.06
<b>Significant Accounting Policies</b>	'1'		
<b>Accompanying Notes are integral part of the financial statement.</b>			

As per our attached report of even date

For **Singhi & Co.**  
Chartered Accountants  
**Rajiv Singhi**  
(Partner)  
Membership No. 53518

Dated : 12th day of May, 2012  
1B, Old Post Office Street, Kolkata - 700 001

For and on behalf of the Board

**Mahabir Prasad Jalan**  
(Chairman)

**Naresh Jalan**  
(Managing Director)

**Pawan Kumar Kedia**  
(Finance Director)

**Alok Kumar Sharda**  
(Chief Financial Officer)

**Rajesh Mundhra**  
(Company Secretary)



## Cash Flow Statement for the year ended 31st March, 2012

(₹ in Lakhs)

Particulars	2011 - 12	2010 - 11
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET (LOSS)/PROFIT BEFORE EXTRAORDINARY ITEM AND TAXES</b>	3,584.51	3,331.42
<b>Adjustments for :</b>		
Depreciation	2,706.74	2,097.89
Sundry Balance written (back)/Off	9.33	8.15
(Profit)/Loss on sale of Fixed Assets/Discarded Assets	7.84	17.39
Employees Stock Option Expenses	67.01	95.29
Interest income	(49.26)	(37.80)
Interest expense	1,878.89	1,649.26
(Profit)/Loss on sale of Mutual Fund/Shares	29.77	8.21
Provision for Diminution in Current Investments	–	10.65
Bad Debts Written Off	72.06	246.96
Effect of Exchange rate change (Net)	56.21	–
Dividend income	(15.56)	–
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>8,347.54</b>	<b>7,427.42</b>
<b>Movements in Working Capital :</b>		
Decrease/(Increase) in Trade receivable	(1,387.84)	(1,563.26)
Decrease/(Increase) in Loans & Advances & Others Current Assets	(421.90)	(466.15)
Decrease/(Increase) in Inventories	(1,606.26)	(1,539.69)
(Decrease)/Increase in Trade Payables	3,695.89	770.63
(Decrease)/Increase in Loans & Others Current Liabilities	726.22	370.77
Direct Tax paid	(798.64)	(649.87)
	<b>207.47</b>	<b>(3,077.57)</b>
<b>Net Cash from/(used in) Operating Activities (A)</b>	<b>8,555.01</b>	<b>4,349.85</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets(Including Capital Work in Progress)	(5,117.23)	(3,964.34)
Proceeds from Sale of Fixed Assets	67.32	8.25
Purchase of Investments	–	(277.19)
Advances Recoverable from ESOP Trust	(191.09)	(147.25)
Sale of Investments	111.64	116.93
Interest Received	36.49	43.00
Dividend Received	15.56	–
<b>Net Cash Outflow from Investing Activities (B)</b>	<b>(5,077.31)</b>	<b>(4,220.60)</b>

## Cash Flow Statement for the year ended 31st March, 2012

(₹ in Lakhs)

Particulars	2011 - 12	2010 - 11
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceed from Issue of Shares on conversion of Warrants	620.81	-
Warrant Allotment Money Received	-	765.94
Capital Subsidy against Sales Tax Paid	174.06	-
Proceeds from Long Term Borrowings	4,683.68	3,176.91
Repayment of Long Term Borrowings	(3,902.68)	(2,099.80)
Short Term Borrowings (Net)	(2,861.23)	(12.72)
Interest Paid	(1,984.70)	(1,604.99)
Dividend including Dividend Tax	(403.97)	(192.21)
<b>Net Cash Inflow from Financing Activities (C)</b>	<b>(3,674.03)</b>	<b>33.13</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(196.33)</b>	<b>162.38</b>
Cash and Cash Equivalents as at 01-04-2011	226.33	63.95
Cash and Cash Equivalents as at 31-03-2012	30.00	226.33
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(196.33)</b>	<b>162.38</b>

**Notes :**

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

**c) Cash and Cash Equivalents Include :**

	2011 - 12	2010 - 11
- Cash in hand	8.06	4.75
<b>- With Scheduled Bank</b>		
a) Fixed deposit Account	15.00	215.10
b) Current Account	6.94	6.48
	<b>30.00</b>	<b>226.33</b>

- d) Closing Cash and Cash Equivalents represents "Cash & Bank Balance" except ₹ 2,41,828/- lying in Current Account with schedule bank on account of unclaimed dividends which are not available for use by the Company.
- e) Closing Cash and Cash Equivalents represents "Cash & Bank Balance" except ₹ 15,00,000/- lying in Fixed Deposit with schedule bank which has been pledged as security and are not available for use by the Company.

As per our attached report of even date

For **Singhi & Co.**  
Chartered Accountants  
**Rajiv Singhi**  
(Partner)  
Membership No. 53518

Dated : 12th day of May, 2012  
1B, Old Post Office Street, Kolkata - 700 001

For and on behalf of the Board

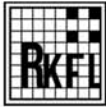
**Mahabir Prasad Jalan**  
(Chairman)

**Naresh Jalan**  
(Managing Director)

**Pawan Kumar Kedia**  
(Finance Director)

**Alok Kumar Sharda**  
(Chief Financial Officer)

**Rajesh Mundhra**  
(Company Secretary)



## Notes to the Financial Statements for the year ended 31st March, 2012

### 1. Significant Accounting Policies

#### a. Accounting Convention

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

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

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

#### b. Use of Estimates

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

#### c. Fixed Assets

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost includes cost of acquisition, construction and improvement made, which are inclusive of freight, duty (net of Cenvat), taxes, incidental expenses, interest and fund raising cost and other pre-operative expenses apportioned.
- (ii) Capital work-in-progress are stated at cost including interest, fund raising cost and related expenses incurred during construction or pre-operative period.
- (iii) Machinery spares which can be used only in connection with an item of Fixed Asset and whose use as per technical assessment is expected to be irregular are capitalised and depreciated prospectively over the residual life of the respective assets.

#### d. Depreciation and Amortization

- (i) Depreciation on tangible fixed assets is provided during the year on straight line method (SLM) at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956.
- (ii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis.
- (iii) Depreciation on change in the value of fixed assets due to exchange rate fluctuation has been provided prospectively over the residual life of the respective assets.
- (iv) Leasehold lands are amortized over the lease period.
- (v) Intangible Assets are amortized over their useful life on straight line basis.

#### e. Impairment of Assets

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

## Notes to the Financial Statements for the year ended 31st March, 2012

f. **Inventories**

Inventories are valued at lower of cost or net realisable value after providing for obsolescence, if any. Cost of inventories comprises of all cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated cost necessary to make the sale. Costs of Inventories of Raw Materials, Stores and Spares and fuel are determined on Weighted average method. Inventories of Finished Goods and Work in Progress are valued at weighted average method which includes material cost, cost of conversion, depreciation and other overheads to the extent applicable. Scrap is valued at net realisable value.

g. **Investments**

- (i) Long Term investments are stated at cost less provisions, if any for diminution in value, which are considered to be other than temporary in nature.
- (ii) Current Investments are stated at lower of cost or fair value.

h. **Foreign Currency Transactions**

- (i) Foreign Currency transactions are recorded at the exchange rate prevailing on the date of transaction. Year end balance of foreign currency transaction is translated at the year end rate.
- (ii) Any Income or Expense on account of exchange rate difference either on settlement or on translation is recognized in the Statement of Profit & Loss except in case of long term borrowings relating to acquisition of fixed assets where resultant exchange rate difference has been adjusted to the carrying cost of such assets.
- (iii) In respect of transactions covered under forward foreign exchange contracts, the difference between the forwards rate and the exchange rate at the inception of contract is recognized as income or expense over the life of the contract.

i. **Employee benefits**

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

j. **Employee Stock Option Scheme/Share-based payments**

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



## Notes to the Financial Statements as at 31st March, 2012

k. **Revenue Recognition**

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

Dividend income on investment is accounted for when the right to receive the payment is established.

l. **Borrowing Cost**

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

m. **Government Grant**

Government grants are recognised when there is a reasonable assurance that the same will be received. Revenue grants are recognised in the Statement of Profit & Loss. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to Capital Reserve.

n. **Taxation**

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

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

o. **Excise Duty**

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

p. **Earning per Share**

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

q. **Provisions, Contingent Liabilities and Contingent Assets Impairment of tangible and intangible assets excluding goodwill**

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



## Notes to the Financial Statements as at 31st March, 2012

### 2. Share Capital :

	As at			
	31/03/2012		31/03/2011	
	Numbers	(₹ in Lakhs)	Numbers	(₹ in Lakhs)
<b>Authorized :</b>				
Equity Shares of ₹ 10/- each	21,000,000	2,100.00	21,000,000	2,100.00
		<b>2,100.00</b>		<b>2,100.00</b>
<b>Issued :</b>				
Equity Shares of ₹ 10/- each	18,148,540	1,814.85	20,328,540	2,032.85
		<b>1,814.85</b>		<b>2,032.85</b>
<b>Subscribed and Paid-up :</b>				
Equity Shares of ₹ 10/- each fully paid-up	18,148,540	1,814.85	16,428,540	1,642.85
		<b>1,814.85</b>		<b>1,642.85</b>

- i) The Company had issued 10,00,000 warrants to Ms. Lata Bhanshali and 29,00,000 warrants to M/s. Eastern Credit Capital (P) Limited (Formerly Eastern Credit Capital Limited), Promoter group on a preferential basis at a price of ₹ 107.50 per warrants during the year 2009-2010. The warrants could be converted into equity shares of ₹ 10/- each at a premium of ₹ 97.50 within 18 months from the date of allotment i.e 20th February 2010.

During the year 2010-11 the company received an application alongwith balance consideration for conversion of 9,50,000 warrants into equity shares. The company, at its Board Meeting held on 4th April, 2011, has allotted 9,50,000 equity shares of ₹ 10 each by conversion of 9,50,000 warrants to M/s. Eastern Credit Capital (P) Limited (Formerly Eastern Credit Capital Limited), Promoter group.

During the year the Company has further received a request for the conversion of 7,70,000 warrants into equity shares from M/s. Eastern Credit Capital (P) Limited (Formerly Eastern Credit Capital Limited), Promoter group, along with the balance consideration of 75% of the issue price of ₹ 107.50 amounting to ₹ 620.81 Lakhs. The Company at its Board Meeting held on 19th August, 2011 has allotted 7,70,000 equity shares of ₹ 10 each to M/s. Eastern Credit Capital (P) Limited (Formerly Eastern Credit Capital Limited), Promoter group by conversion of 7,70,000 warrants into equity shares of ₹ 10 each. Out of ₹ 620.81 Lakhs, ₹ 179.79 Lakhs was used for working capital purpose and ₹ 441.02 Lakhs was used for general corporate purpose.

The unspent amount of ₹ 765.95 Lakhs received last year for conversion of 9,50,000 warrants into equity shares has been utilised for working capital.

The Company has forfeited ₹ 585.87 Lakhs being 25% of the consideration received in respect of 21,80,000 warrants issued during the year 2009-10 on expiry of 18 months from the date of allotment and credited the amount to Capital Reserve.

#### a. Reconciliation of the number of Shares outstanding :

Equity Shares	As at	
	31/03/2012	31/03/2011
Outstanding at the beginning of the year	16,428,540	16,428,540
Add : Shares issued on conversion of warrants	1,720,000	—
Outstanding at the end of the year	18,148,540	16,428,540

- b. The Company does not have any Holding Company.



## Notes to the Financial Statements as at 31st March, 2012

c. **Right, Preference and restrictions attached to Shares :**

The Company has one class of equity shares having a par value of ₹ 10/- per share. Each share holder is eligible for one vote per share held. The dividend proposed by the Board of Director is subject to the approval of the shareholders in the ensuing Annual General meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amount, in proportion to their shareholding.

For the year ended 31st March, 2012, the Board of Directors of the Company has recommended dividend of ₹ 2 per share (Previous year ₹ 2 per share) to equity shareholders aggregating to ₹ 362.97 Lakhs (Previous year ₹ 328.57 Lakhs). The total payout together with the Corporate Dividend Distribution Tax of ₹ 58.88 Lakhs (Previous year ₹ 53.3 Lakhs), will be ₹ 421.85 Lakhs (Previous year ₹ 381.87 Lakhs).

d. No securities convertible into equity/preference shares are issued by the Company during the year.

e. **Shareholder holding more than 5 percent shares of the Company :-**

Name of Shareholder	As at 31/03/2012		As at 31/03/2011	
	Numbers of Shares held	Percentage of Holding	Numbers of Shares held	Percentage of Holding
1 Riddhi Portfolio Private Limited	5,636,037	31.06%	5,966,037	36.32%
2 Eastern Credit Capital (P) Ltd.	2,335,000	12.87%	285,000	1.73%
3 Unit Trust of India Investment Advisory Services Limited TD- A/C Ascent India Limited	2,213,000	12.19%	2,213,000	13.47%
4 Reliance Capital Trustee Co. Ltd. - A/C Reliance Tax Saver (ELSS) Fund	1,424,444	7.85%	1,405,394	8.55%
5 Lata Bhanshali	1,000,000	5.51%	1,000,000	6.09%

f. Share options granted under the employee share option plan (ESOP 2009) through trust route by acquisition of shares from the market. **Refer Note No. 40.**

g. The company has not reserved any shares for issue of option and contract/commitment for sales of shares /disinvestment.

h. The company during the preceding 5 years -

- Has not allotted shares pursuant to contracts without payment being received in cash.
- Has not allotted shares as fully paid up by way of bonus shares.
- Has not bought back any shares.

i. There are no calls unpaid by Directors/Officers.

j. The company has not forfeited any shares.

3. **Reserves and Surplus :**

Reserves and Surplus consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
(a) <b>Capital Reserve</b>		
As per last Financial Statement	554.92	554.92
Add : Forfeiture of Share Warrant Money	585.87	—
Add : Capital Subsidy received	879.02	—
	<b>2,019.81</b>	<b>554.92</b>

## Notes to the Financial Statements as at 31st March, 2012

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
<b>(b) Securities Premium Account</b>		
As per last Financial Statement	4,133.32	4,133.32
Add : On conversion of warrants into equity shares	1,677.00	–
	<b>5,810.32</b>	<b>4,133.32</b>
<b>(c) Employee Stock Options Outstanding</b>		
Employee Stock Options Outstanding	212.02	263.83
Less : Deferred Employee Compensation	48.58	111.53
	<b>163.44</b>	<b>152.30</b>
<b>(d) General Reserve</b>		
As per last Financial Statement	363.15	193.15
Add : On transfer from Profit and Loss Account	185.00	170.00
	<b>548.15</b>	<b>363.15</b>
<b>(e) Surplus in the Statement of Profit and Loss Account</b>		
As per last Financial Statement	6,686.51	5,032.45
Add : Profit for the period	2,428.92	2,205.93
	<b>9,115.43</b>	<b>7,238.38</b>
Less : Dividend & Tax on Dividend paid (2010-11)	22.08	–
Less : Proposed Dividend on Equity Shares	362.97	328.57
Less: Tax on Proposed Equity Dividend	58.89	53.30
Less: Transfer to General Reserve	185.00	170.00
	<b>8,486.49</b>	<b>6,686.51</b>
	<b>17,028.20</b>	<b>11,890.20</b>

**4. Long-Term Borrowings**

(₹ in Lakhs)

	Non Current portion		Current Maturities	
	As at		As at	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
<b>Secured</b>				
From Banks				
Term Loan	7,068.45	6,093.59	2,443.60	2,679.74
Premises Loan	–	666.65	–	222.24
	<b>7,068.45</b>	<b>6,760.24</b>	<b>2,443.60</b>	<b>2,901.98</b>
<b>Unsecured</b>				
From Banks				
Term Loan	1,000.00	–	–	–
VAT Deferment Payment Scheme	137.67	206.50	68.84	68.84
	<b>1,137.67</b>	<b>206.50</b>	<b>68.84</b>	<b>68.84</b>
	<b>8,206.12</b>	<b>6,966.74</b>	<b>2,512.44</b>	<b>2,970.82</b>
<b>Less : Disclosed under the head current liabilities</b>	–	–	2,512.44	2,970.82
	<b>8,206.12</b>	<b>6,966.74</b>	–	–



## Notes to the Financial Statements as at 31st March, 2012

(a) **Securities**

- (i) Term loans from State Bank of India and Standard Chartered bank are secured by first pari-passu charge by way of equitable mortgage by deposit of title deeds of immovable properties (leasehold) at Adityapur Industrial Area, Jamshedpur and 7/40, Duffer Street. Bally Howrah and hypothecation of entire movable assets of the Company and excluding those assets for which there is an exclusive charge of other bankers and subject to charges of the Company's bankers created/to be created in their favour for working capital loans.
- (ii) Term Loan from DCB bank is secured by the subservient charge on the current assets of the company and collateral security of land alongwith building at 72 Shakespeare Sarani, Kolkata - 700 017.
- (iii) Term loan from ICICI Bank is secured by exclusive charge on the assets financed by them and first pari-passu charge by way of equitable mortgage of office at L & T Chambers, 16, Camac Street, 6th Floor, Kolkata-700017 and land measuring around 18 acres at Mouza Bholadih, Thana no. 109, Dist Saraikella, Jharkhand.
- (iv) Term loan from IOB Bank, DBS Bank Ltd and IDBI bank are secured by the specific charge on the assets financed by them.

(b) **Guaranteed by Directors/Others :**

- (i) Term loans from SBI is further secured by the corporate guarantee of M/s. Riddhi Portfolio Private Limited.

(c) **Repayment schedule is as follows :**

(₹ in Lakhs)

	> 1 & <2 Years	>2 & <3 Years	>3 & <4 Years	>4 & <5 Years	>5 & <6 Years	Total
<b>Secured</b>						
Term Loan & Buyer's Credit	2,366.03	2,025.40	1,567.88	812.50	296.64	7,068.45
<b>Unsecured</b>						
Term Loan	1,000.00	–	–	–	–	1,000.00
VAT Deferment Payment Scheme	68.84	68.84	–	–	–	137.67
<b>Total</b>						<b>8,206.12</b>

(d) **Interest Rate**

Term loan from financial institutions carries interest @ 9.95% to 14.50% p.a.

Repayment in monthly/quarterly/half yearly instalments.

VAT Deferment Payment Scheme is interest free and payable in half yearly instalments of ₹ 34.42 Lakhs each.

**5. Deferred Tax**

Major components of Deferred Tax arising on account of temporary timing differences are given below :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
(a) <b>Deferred Tax Liabilities</b>		
Depreciation and Amortization Expenses	2,547.83	2,462.20
	2,547.83	2,462.20
(b) <b>Deferred Tax Assets</b>		
On Retirement benefits expenses as per AS - 15	19.03	15.46
Expenses/ Provisions allowable under Income Tax	–	3.46
	19.03	18.92
<b>Deferred Tax Liabilities (Net)</b>	<b>2,528.80</b>	<b>2,443.28</b>

## Notes to the Financial Statements as at 31st March, 2012

### 6. Long-Term Provisions

Long-Term Provisions consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Provision for Employee Benefits	13.70	13.41
Other liability #	28.12	47.01
# Other liability represents liability towards ESOP Trust	<b>41.82</b>	<b>60.42</b>

### 7. Short-Term Borrowings

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
<b>Secured</b>		
Loans repayable on demand		
From Bank - Working Capital Loan	6,224.68	8,149.58
	<b>6,224.68</b>	<b>8,149.58</b>
<b>Unsecured</b>		
Loans repayable on demand :		
From Bank	9.79	1,511.09
Loans and Advances from Related Parties	864.98	300.00
	<b>874.77</b>	<b>1,811.09</b>
	<b>7,099.44</b>	<b>9,960.67</b>

#### (a) Securities

- (i) Working capital loans from banks are secured by first pari-passu hypothecation of all current assets of the Company and are also further secured by charge on the entire fixed assets located at Adityapur Industrial Area, Jamshedpur and Howrah, subject to prior charges in favour of banks created/to be created in respect of any existing/future financial assistance/accommodation which has been/may be obtained by the Company.
- (ii) Short term loan from SIDBI is secured by a fixed deposit with them.

#### (b) Guaranteed by Directors/Others :

- (i) Working capital loan from SBI is further secured by the corporate guarantee of M/s. Riddhi Portfolio Private Limited.

### 8. Trade Payables

Trade Payables consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Trade Payables (Refer Note 41) for details of due to micro and small enterprises)	7,888.54	4,133.95
	<b>7,888.54</b>	<b>4,133.95</b>



## Notes to the Financial Statements as at 31st March, 2012

**9. Other Current Liabilities**

Other Current Liabilities consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Current maturities of long-term debt	2,512.44	2,970.82
Interest accrued but not due on borrowings	46.81	65.25
Amount shall be credited to Investor's Education and Protection Fund (as and when due)		
Unpaid Dividends	2.42	2.20
Sundry Creditor for Capital Goods	902.89	20.65
Payable to Employees	352.12	289.88
Statutory dues	75.51	153.10
Other Payables #	294.70	427.69
	<b>4,186.88</b>	<b>3,929.59</b>

# Other payable represents Repairs &amp; Maintenance, Carriage Outward Expenses etc.

**10. Short-Term Provisions**

Short-Term Provisions consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
<b>Employee Benefits</b>		
- Gratuity	42.45	32.37
- Leave Encashment	2.51	1.89
Proposed Dividends	362.97	328.57
Tax on Proposed Dividends	58.88	53.30
	<b>466.82</b>	<b>416.13</b>

**11. Tangible Assets**

(₹ in Lakhs)

Items	Land	Factory Shed and Building	Office Building	Plant & Machinery	Vehicles	Furniture & Fixtures	Computer Hardware	Office Equipments	Air Condition Machine	Total
<b>A. Tangible</b>										
<b>Cost</b>										
<b>At 1st April 2010</b>	385.50	2,165.84	670.34	18,278.87	119.11	357.53	273.37	104.44	78.62	22,433.62
Additions	-	317.71	150.21	3,383.96	50.97	72.68	77.51	4.23	11.21	4,068.48
Sales/Adjustment	-	-	-	47.06	-	-	-	1.66	-	48.72
Other Adjustment										
- Exchange Differences	-	-	-	24.29	-	-	-	-	-	24.29
- Borrowing Costs	-	-	-	-	-	-	-	-	-	-
<b>At 31st Mar 2011</b>	<b>385.50</b>	<b>2,483.55</b>	<b>820.55</b>	<b>21,640.06</b>	<b>170.08</b>	<b>430.21</b>	<b>350.88</b>	<b>107.01</b>	<b>89.83</b>	<b>26,477.67</b>
Additions	391.73	139.30	2,057.73	3,273.61	27.57	662.64	75.84	46.75	92.29	6,767.46
Sales/Adjustment	-	-	-	228.68	3.82	-	0.75	11.78	-	245.03
Other Adjustment										
- Exchange Differences	-	-	-	58.16	-	-	-	-	-	58.16
- Block Adjustment	-	56.26	56.26	-	-	-	-	-	-	0.00
- Borrowing Costs	-	-	185.72	2.96	-	-	-	-	-	188.68
<b>At 31st Mar 2012</b>	<b>777.23</b>	<b>2,566.59</b>	<b>3,120.26</b>	<b>24,746.11</b>	<b>193.83</b>	<b>1,092.85</b>	<b>425.97</b>	<b>141.98</b>	<b>182.12</b>	<b>33,246.94</b>

## Notes to the Financial Statements as at 31st March, 2012

(₹ in Lakhs)

Items	Land	Factory Shed and Building	Office Building	Plant & Machinery	Vehicles	Furniture & Fixtures	Computer Hardware	Office Equipments	Air Condition Machine	Total
<b>Depreciation</b>										
<b>At 1st April 2010</b>	<b>26.70</b>	<b>255.17</b>	<b>32.80</b>	<b>3,748.16</b>	<b>33.94</b>	<b>57.79</b>	<b>69.34</b>	<b>10.20</b>	<b>12.28</b>	<b>4,246.38</b>
Charge for the year	4.54	72.37	11.83	1,906.09	14.49	23.50	46.92	5.18	4.10	2,089.02
Sales/Adjustment	-	-	-	22.83	-	-	-	0.25	-	23.08
<b>At 31st Mar 2011</b>	<b>31.24</b>	<b>327.54</b>	<b>44.63</b>	<b>5,631.42</b>	<b>48.43</b>	<b>81.29</b>	<b>116.26</b>	<b>15.13</b>	<b>16.38</b>	<b>6,312.32</b>
Charge for the year	4.54	72.23	24.21	2,363.65	17.09	30.28	135.13	5.10	4.95	2,657.18
Block Adjustment	-	0.24	0.24	-	-	-	-	-	-	0.00
Sales/Adjustment	-	-	-	165.00	2.11	-	-	2.74	-	169.85
<b>At 31st Mar 2012</b>	<b>35.78</b>	<b>399.53</b>	<b>69.08</b>	<b>7,830.07</b>	<b>63.41</b>	<b>111.57</b>	<b>251.39</b>	<b>17.49</b>	<b>21.33</b>	<b>8,799.65</b>
<b>Net Block</b>										
<b>At 31st Mar 2011</b>	<b>354.26</b>	<b>2,156.01</b>	<b>775.92</b>	<b>16,008.64</b>	<b>121.65</b>	<b>348.92</b>	<b>234.62</b>	<b>91.88</b>	<b>73.45</b>	<b>20,165.35</b>
<b>At 31st Mar 2012</b>	<b>741.45</b>	<b>2,167.06</b>	<b>3,051.18</b>	<b>16,916.04</b>	<b>130.42</b>	<b>981.28</b>	<b>174.58</b>	<b>124.49</b>	<b>160.79</b>	<b>24,447.29</b>
<b>B. Intangible</b>										
<b>Cost</b>										
<b>At 1st April 2010</b>	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	220.15	-	-	220.15
Sales/Adjustment	-	-	-	-	-	-	-	-	-	-
<b>At 31st Mar 2011</b>	-	-	-	-	-	-	<b>220.15</b>	-	-	<b>220.15</b>
Additions	-	-	-	-	-	-	27.54	-	-	27.54
Sales/Adjustment	-	-	-	-	-	-	-	-	-	-
<b>At 31st Mar 2012</b>	-	-	-	-	-	-	<b>247.69</b>	-	-	<b>247.69</b>
<b>Depreciation</b>										
<b>At 1st April 2010</b>	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	8.87	-	-	8.87
Sales/Adjustment	-	-	-	-	-	-	-	-	-	-
<b>At 31st Mar 2011</b>	-	-	-	-	-	-	<b>8.87</b>	-	-	<b>8.87</b>
Charge for the year	-	-	-	-	-	-	49.56	-	-	49.56
Sales/Adjustment	-	-	-	-	-	-	-	-	-	-
<b>At 31st Mar 2012</b>	-	-	-	-	-	-	<b>58.43</b>	-	-	<b>58.43</b>
<b>Net Block</b>										
<b>At 31st Mar 2011</b>	-	-	-	-	-	-	<b>211.28</b>	-	-	<b>211.28</b>
<b>At 31st Mar 2012</b>	-	-	-	-	-	-	<b>189.26</b>	-	-	<b>189.26</b>



## Notes to the Financial Statements as at 31st March, 2012

**12. Non-Current Investments**

Non-Current Investments consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
(i) <b>Other than Trade</b>		
Investments in equity Instruments (Unquoted) (at cost)		
Others - Fully paid-up		
(i) 50 Equity Shares (Previous year 50 Equity Shares) of "Adityapur Auto Cluster" of ₹ 1000/- each fully paid up	0.50	0.50
(ii) Equity Shares of "JMT Auto Ltd" of ₹ 10 each fully paid up (Previous year 192000 Equity Shares) (Long Term Investment are stated at cost)	–	141.41
	<b>0.50</b>	<b>141.91</b>

**13. Long-Term Loans and Advances**

Long-Term Loans and Advances consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Loans and advances to Employees #		
- Unsecured, Considered Good	48.79	32.82
Security Deposits #		
- Unsecured, Considered Good	646.02	322.61
Other loans and advances - Advances Recoverable from ESOP Trust #		
- Unsecured, Considered Good	868.87	781.72
	<b>1,563.67</b>	<b>1,137.15</b>

# Doubtful ₹ Nil (Previous year ₹ Nil)

**14. Other Non-Current Assets**

Other non-current Assets consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Prepaid Expenses	46.69	35.06
Claims and Other Receivables	51.81	51.81
	<b>98.50</b>	<b>86.88</b>



## Notes to the Financial Statements as at 31st March, 2012

### 15. Inventories (Valued at lower of cost and Net Realisable Value) :

Inventories consist of the following :

(₹ in Lakhs)

	31/03/2012			31/03/2011		
	In transit	In hand	Total	In transit	In hand	Total
Work-in-Progress	–	6,632.55	6,632.55	–	5,148.49	5,148.49
Raw Materials	–	2,631.72	2,631.72	–	2,483.89	2,483.89
Fuel & Gas	–	114.82	114.82	–	73.67	73.67
Stores and Spares	–	3,568.05	3,568.05	–	3,166.32	3,166.32
Vendor Managed Inventory	82.54	7.95	90.49	129.25	341.97	471.22
Forgings Scrap	–	63.12	63.12	–	150.89	150.89
	<b>82.54</b>	<b>13,018.21</b>	<b>13,100.75</b>	<b>129.25</b>	<b>11,365.24</b>	<b>11,494.49</b>

### 16. Trade Receivables :

Trade Receivables consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Outstanding for a period exceeding six months (from the due date) :		
- Unsecured, Considered Good	64.66	378.66
Outstanding for a period less than six months :		
- Unsecured, Considered Good	7,003.00	5,380.05
	<b>7,067.66</b>	<b>5,758.71</b>

### 17. Cash and Bank Balances :

Cash and Bank Balances consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
<b>Cash and Cash Equivalents</b>		
Balance with Banks :		
- Current Accounts	6.94	6.48
- Cash on hand	8.06	4.75
<b>Balance with Bank</b>		
- Deposits with less than 12 months maturity	15.00	215.10
	<b>30.00</b>	<b>226.33</b>



## Notes to the Financial Statements as at 31st March, 2012

**18. Short-Term Loans and Advances**

Short-Term Loans and Advances consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
<b>Loan and Advance to Employees #</b>		
- Unsecured, Considered Good	56.46	41.50
<b>Loan and Advance for Goods and Services #</b>		
- Unsecured, Considered Good	749.44	535.44
<b>Security and Other Deposits #</b>		
- Unsecured, Considered Good	4.22	14.77
<b>Others-Advances Recoverable from ESOP Trust #</b>		
- Unsecured, Considered Good	205.61	157.53
	<b>1,015.73</b>	<b>749.24</b>

# Doubtful ₹ Nil (Previous year ₹ Nil)

**19. Other Current Assets**

Other Current Assets consist of the following :

(₹ in Lakhs)

	As at	
	31/03/2012	31/03/2011
Accrued Interest	32.46	19.42
Accrued Export and Other Incentives	104.18	310.33
Prepaid Expenses	94.36	84.72
MAT Entitlement Receivable	29.47	299.01
Balance with Customs, Port Trusts, Excise	357.21	208.91
Others #	716.28	112.80
	<b>1,333.96</b>	<b>1,035.19</b>

# Includes Capital subsidy receivable, Insurance claims, Electricity charges receivable etc.

## Notes to the Financial Statements for the year ended 31st March, 2012

### 20. Revenue from Operations :

Revenue from Operations consist of the following :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Sale of Products		
- Steel Forgings	49,625.16	40,528.61
Job Work Sales	1,499.96	959.70
Other Operating Revenues	3,505.87	3,049.44
	<b>54,630.99</b>	<b>44,537.75</b>
Less : Excise Duty Paid	4,504.71	3,569.14
	<b>50,126.29</b>	<b>40,968.61</b>

### 21. Other Income :

Other Income consist of the following :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Interest Income		
On Current Investments	8.85	0.82
On Others	40.41	36.98
Dividend Income		
On Current Investments	15.56	–
Other Non-Operating Income (Net)	0.48	108.58
	<b>65.30</b>	<b>146.38</b>

### 22. Cost of Raw Materials Consumed :

Cost of Raw Materials consumed consist of the following :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Round	17,161.21	14,703.31
Billets	11,906.84	9,207.94
	29,068.05	23,911.26
Less : Stock of Trial run production	343.97	–
	<b>28,724.08</b>	<b>23,911.26</b>



## Notes to the Financial Statements for the year ended 31st March, 2012

**23. Changes in Inventories :**

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Changes in Inventories consist of the following :		
<b>Opening Stock</b>		
Vendor Managed Inventory	471.22	15.18
Work-in-Progress	5,148.49	4,666.19
Forging Scrap	150.89	76.87
	<b>5,770.60</b>	<b>4,758.24</b>
<b>Less : Closing Stock</b>		
Vendor Managed Inventory	90.49	471.22
Work-in-Progress	6,632.55	5,148.49
Forging Scrap	63.12	150.89
	<b>6,786.15</b>	<b>5,770.60</b>
(Increase)/Decrease in Stock	(1,015.55)	(1,012.36)
Add : Excise Duty on (Increase)/Decrease in Stock	6.94	14.09
	<b>(1,008.61)</b>	<b>(998.27)</b>
Add : Stock of Trial run production	52.22	–
	<b>(956.39)</b>	<b>(998.27)</b>

(a) Details of Work-in-Progress Stock under broad heads are given below :

	Year ended 31/03/2012		Year ended 31/03/2011	
	Opening	Closing	Opening	Closing
Steel Forging	5,148.49	6,632.55	4,666.19	5,148.49
	<b>5,148.49</b>	<b>6,632.55</b>	<b>4,666.19</b>	<b>5,148.49</b>

(b) Details of Vendor Managed Inventory under broad heads are given below :

Steel Forging	471.22	90.49	15.18	471.22
	<b>471.22</b>	<b>90.49</b>	<b>15.18</b>	<b>471.22</b>

**24. Employee Benefits Expenses :**

Employee Benefits Expenses consist of the following :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
(a) Salaries, Wages, Bonus, Exgratia, Incentive etc.	2,405.32	1,865.71
(b) Gratuity fund contributions	48.04	35.16
(c) Provident Fund/Employees Pension Fund & E. S. I. Contribution	108.14	125.54
(d) Expense on Employee Stock Option Scheme (ESOP)	67.01	95.29
(e) Staff welfare expenses	148.85	72.60
	<b>2,777.37</b>	<b>2,194.30</b>
Less : Transferred to Capital Work-in-Progress	96.92	–
	<b>2,680.45</b>	<b>2,194.30</b>

## Notes to the Financial Statements for the year ended 31st March, 2012

### 25. Finance Costs :

Finance Costs consist of the following :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Interests Expenses	1,875.47	1,744.26
Other Borrowing Costs	27.26	40.87
Loss on foreign currency transactions and translation as adjusted to Interest Cost	63.52	–
	1,966.25	1,785.13
Less : Transfer to Capital Work-in-Progress	87.36	135.87
	<b>1,878.89</b>	<b>1,649.26</b>

### 26. Depreciation and Amortization Expenses :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Depreciation and Amortization Expenses	2,706.74	2,097.89
	<b>2,706.74</b>	<b>2,097.89</b>

### 27. Other Expenses :

Other Expenses consist of the following :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Carriage Inward Expenses	322.24	130.69
Stores, Spares & Die Blocks Consumed (Including Packing Material)	2,558.44	2,016.90
Processing Charges	1,435.51	1,050.01
Repairs to :-		
- Plant & Machinery	170.52	107.80
- Factory Shed & Building	12.70	64.18
Rent	6.45	5.52
Rates & Taxes	8.26	7.83
Insurance Charges (Including Keyman Insurance)	101.45	75.02
Repairs & Maintenance	201.07	96.55
Miscellaneous Expenses	369.36	267.67
Bank Charges & Commission	130.64	128.29
Postage, Telegraph & Telephone	39.77	43.73
Legal & Professional Expenses	170.06	150.38
Travelling & Conveyance Expenses	193.99	126.42
(Including Directors Travelling ₹ 83.40 Lakhs (Previous year ₹ 59.84 Lakhs))		
Advertisement Expenses	13.71	5.16
Payment to Auditor	18.69	16.59
Brokerage & Commission Expenses	78.79	67.42
Vehicle Running Expenses	41.63	47.83
Carriage Outward Expenses	566.12	386.13
Export Expenses	241.98	260.22



## Notes to the Financial Statements for the year ended 31st March, 2012

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Discount & Rebate (Net)	126.95	13.39
Cash Discount Paid	4.53	21.00
Exchange Rate Difference	56.21	(4.22)
Sundry Balances Written Off (Net)	9.33	8.15
Loss on Sale of Investment (Net)	29.77	8.21
Provision for Diminution in Current Investment	–	10.65
Discarded Assets	19.04	–
Loss on Sale of Fixed Assets (Net)	(11.20)	17.39
Bad Debts Written Off	72.06	246.96
	6,988.06	5,375.87
Less : Transfer to Capital Work-in-Progress	62.78	–
	<b>6,925.28</b>	<b>5,375.87</b>

**28. Details of payment to Auditor**

Statutory Auditors :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Audit Fees	8.50	8.50
Tax Audit Fees	1.50	1.50
For Other Services	8.50	6.35
Out of Pocket Expenses	0.19	0.24
	<b>18.69</b>	<b>16.59</b>

**29. Miscellaneous Expenses include :**

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
(i) Payment to a firm of solicitors in which Director is a partner	0.84	0.28
(ii) Payment towards technical consultancy charges to a Director	1.92	0.50

(iii) Income (Net) relating to earlier years amounting to ₹ 5.56 Lakhs  
(Previous year Expenses (Net) ₹ 4.39 Lakhs) as per following details

Sl No.	Particulars		
1	Canteen Expenses	–	0.35
2	Dividend Received	(6.08)	–
3	Misc. Expenses	0.52	–
4	Repairs & Maintenance to (Others)	–	0.15
5	Carriage Outwards Expenses	–	0.10
6	Carriage Inwards Expenses	–	3.69
7	Sales Promotion	–	0.10
8	Conveyance Charges	–	–
	<b>Total</b>	<b>(5.56)</b>	<b>4.39</b>

## Notes to the Financial Statements for the year ended 31st March, 2012

**30.** In response to an application made by the Company to the Central Government for approval of payment of increased remuneration to Chairman cum Whole Time Director and the Managing Director from 1st April, 2008 to 31st March, 2011 the Central Government, has vide its letter dated 29th February, 2012 assented to payment of remuneration of ₹ 48,30,000 from 1st April, 2008 to 31st March, 2009 and ₹ 84,00,000 from 1st April, 2009 to 31st March, 2010 to Managing Director and ₹ 84,00,000 from 1st April, 2008 to 31st March, 2010 to Chairman cum Whole Time Director. Based on the above approval remuneration paid to the Chairman cum Whole Time Director and the Managing Director is in excess by ₹ 38,36,400 and by ₹ 50,96,400 for the year 2008-09 and 2009-10 respectively. The Company has again represented to the Central Government for reconsideration of its application and to accord its approval for payment of remuneration as proposed in the said application. The said representation is pending for reconsideration of the Central Government. However the remuneration paid during the year 2011-12 to Chairman cum Whole Time Director and the Managing Director is within the limits as laid down in section 309(3) read with Schedule XIII of the Companies Act 1956.

### **31 Contingent Liabilities and Commitments (to the extent not provided)**

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
<b>A. Contingent Liabilities</b>		
(a) Claims against the company not acknowledged as debt		
(i) Electricity charges demand of Jharkhand State Electricity Board. (Appeal pending before High Court, Jharkhand)	45.24	40.65
(ii) Demand for Income Tax for the AY 2006-07 (Appeal pending before the Commissioner of Income Tax (Appeals), Kolkata) Amount paid ₹ 14.92 Lakhs	–	14.92
(iii) Demand for Income Tax for the AY 2007-08 (Appeal pending before the Commissioner of Income Tax (Appeals), Kolkata)	8.03	8.03
(iv) Demand for Income Tax for the AY 2008-09 (Appeal pending before the Commissioner of Income Tax (Appeals), Kolkata)	3.96	3.96
(v) Demand for Service Tax for the FY 2004-05, 2005-06, 2006-07 (upto July 2006) (Appeal pending before the Excise & Service Tax Appellate Tribunal, Kolkata)	35.98	35.98
(vi) Demand for Service Tax for the FY 2006-07 to 2009-10 (Appeal pending before the The Additional Commissioner of Service Tax, Kolkata)	23.50	–
(vii) Demand for Sales Tax for the FY 2007-08 (Appeal pending before the The Joint Commissioner of Sales Tax, Kolkata)	1.63	–
(b) Bills discounted with Banks	510.27	1,136.32
(c) Custom duty on Capital goods imported under EPCG Scheme/ Advance Licence, against which export obligation of ₹ 11,082.73 Lakhs (Previous year ₹ 11,455.60 Lakhs) is to be fulfilled	1,486.22	1,471.11
<b>B. Commitments</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	611.30	414.48



## Notes to the Financial Statements for the year ended 31st March, 2012

**32. Employee Benefits**

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

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

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
a) Expenses recognized during the year		
Current Service Cost	35.02	29.42
Interest Cost	14.63	10.92
Expected return on plan assets	(11.84)	(5.70)
Actuarial (Gain) / Loss	5.30	(2.26)
Net Cost	43.11	32.38
b) Net Assets/Liability recognized in the Balance Sheet at the year end		
Present Value of Fair value of plan assets at the end of the year	167.91	123.03
Present value of obligation	210.36	155.41
Amount recognized in Balance Sheet	42.45	32.38
c) Reconciliation of opening and closing balances of Defined Benefit obligation		
Present Value of Defined Benefit obligation at the beginning of the year	155.41	117.66
Current Service Cost	35.02	29.42
Interest Cost	14.63	10.92
Actuarial (Gain)/Loss on obligation	5.30	(2.26)
Benefit paid	–	(0.33)
Present Value of Defined benefit obligation at the year end	210.36	155.41
d) Reconciliation of opening and closing balances of fair value of Plan Assets		
Fair value of plan assets at beginning of the year	123.70	113.16
Actual return on plan assets	11.84	5.70
Actuarial Gain / (Loss)	–	–
Employer contribution	32.37	4.50
Benefit Paid	–	(0.33)
Fair value of plan assets at the end of the year	167.91	123.03
e) Investment details		
Insurer Managed Funds    100%	167.91	123.03
f) Actuarial Assumptions		
Mortality Table (LIC)	L.I.C. (1994 - 96), Ultimate Table	L.I.C. (1994 - 96), Ultimate Table
Discount Rate (Per Annum)	8% P.a.	8% P.a.
Rate of escalation in salary (per annum)	6%	5%



## Notes to the Financial Statements for the year ended 31st March, 2012

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

- (ii) Leave salary – Compensated absents : The company also extends defined benefit plans in the form of compensated absences to employees. Provision for compensated absences is made on basis of actuarial valuation at the year end.
- (iii) In respect of Defined contribution Scheme : The company contributes 12% of salary for all eligible employees towards Provident Fund managed by the Central Government. Total expenses recognized towards Employer's contribution to Provident Fund ₹ 104.27 Lakhs (Previous year ₹ 88.44 Lakhs).

### 33. Related Parties

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

- |   |   |
|---|---|
| (i) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence. | (i) M/s. Riddhi Portfolio (P) Ltd.<br>(ii) M/s. Eastern Credit Capital (P) Ltd.<br>(100% subsidiary of Riddhi Portfolio (P) Ltd.) |
| (ii) ESOP Trust of the Company  | M/s Ramkrishna Forgings Employee Welfare Trust  |
| (iii) Key Management Personnel<br>Mahabir Prasad Jalan<br>Naresh Jalan<br>Pawan Kumar Kedia                         | Chairman cum Whole Time Director<br>Managing Director<br>Finance Director   |
| (iv) Relative of Key Management Personnel<br>Rashmi Jalan   | Wife of Mr. Naresh Jalan  |

(b) Transaction with related parties :

Nature of Transaction during the year	(₹ in Lakhs)	
	Year ended 31/03/2012	31/03/2011
<b>(i) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence</b>		
Loan Taken - Riddhi Portfolio (P) Ltd.	1,920.55	597.00
Interest Paid- Riddhi Portfolio (P) Ltd. (TDS of ₹ 1.52 Lakhs, Previous year ₹ 0.03 Lakhs)	15.15	0.34
Loan Repayment - Riddhi Portfolio (P) Ltd.	2,220.55	597.00
Loan Taken - Eastern Credit Capital (P) Ltd.	1,537.00	-
Interest Paid- Eastern Credit Capital (P) Ltd. (TDS ₹ 1.55 Lakhs, Previous year Nil)	15.54	-
Loan Repayment - Eastern Credit Capital (P) Ltd.	672.02	-
Warrant Allotment money received - Eastern Credit Capital (P) Ltd.	620.81*	765.94
Dividend - Riddhi Portfolio (P) Ltd.	119.32	62.47
Dividend - Eastern Credit Capital (P) Ltd.	24.70	-



## Notes to the Financial Statements for the year ended 31st March, 2012

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
<b>(ii) Key Management Personnel</b>		
Managerial Remuneration **		
i) Mahabir Prasad Jalan	140.84	123.37
ii) Naresh Jalan	113.17	97.01
iii) Pawan Kumar Kedia	15.94	11.46
Rent Paid - Naresh Jalan	3.75	3.00
Dividend	23.32	11.66
Commission-Mahabir Prasad Jalan	10.00	—
Commission- Naresh Jalan	8.00	—
<b>(iii) Relative of Key Management Personnel</b>		
Dividend - Rashmi Jalan	8.38	4.19
<b>(iv) Trust of the Company</b>		
Advance paid	240.02	147.25
Repayment/Adjustment	104.79	—
Dividend	21.01	—
<b>Balance outstanding as at 31st March, 2012</b>		
<b>(i) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence</b>		
Warrant Allotment money received - Eastern Credit Capital Pvt. Ltd.	—	1545.32
<b>Loan taken</b>		
- Riddhi Portfolio Pvt. Ltd.	—	300.00
- Eastern Credit Capital Pvt. Ltd.	864.98	—
<b>(ii) Trust of the Company</b>	1,074.47	939.25

Note : \* Amount received being balance amount of 75% of issue price for conversion of 7,70,000 warrants into equity shares.

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

## Notes to the Financial Statements for the year ended 31st March, 2012

### 34. Pre-operative Expenses (Included in Capital Work in Progress)

Details of Pre-operative expenses (Including Trial Run Expenses) are as follows :

(₹ in Lakhs)

Particulars	Year ended	
	31/03/2012	31/03/2011
Salaries, Wages & Allowances	96.92	–
Electricity Charges	13.06	–
Stores, Spares & Die Blocks Consumed	13.18	–
Raw Materials	343.97	–
Travelling Expenses (Foreign)	11.20	–
Professional Fees/Consultancy	38.40	–
<b>Total</b>	<b>516.73</b>	<b>–</b>
Less : Preoperative Income (Including Stock of Scrap)	159.09	–
	<b>357.64</b>	<b>–</b>
Add : Balance brought forward from previous year	–	61.47
	<b>357.64</b>	<b>61.47</b>
Less : Allocated to Fixed Assets	224.03	61.47
<b>Balance Carried forward</b>	<b>133.61</b>	<b>–</b>

### 35. Exchange Rate Difference

Foreign currency exchange difference Loss of ₹ 58.16 Lakhs (Previous year Loss of ₹ 24.29 Lakhs) on long term borrowing for acquisition of Fixed Assets, has been adjusted to carrying cost of fixed assets which is in compliance with the treatment prescribed under AS 11 notification – Companies (Accounting Standards) Amendment Rules, 2009 (G.S.R. 913 (E) dt. 29.12.2011) issued by Ministry of Corporate Affairs.

### 36. Operating Lease

The Company's significant leasing agreements are in respect of lease for lands. These leasing agreements range between 30 to 99 years. The aggregate lease rental payables are charged as rent in Profit & Loss Account.

### 37. Foreign Currency exposures that are not hedged by derivative instrument or otherwise as on 31st March, 2012 are as under :

(in Lakhs)

		Year ended	
		31/03/2012	31/03/2011
i.	Sundry Debtors		
	In USD	5.88	2.27
	In EUR	12.68	12.53
ii.	Foreign Currency Demand Loan		
	In USD	–	23.00
iii.	Buyer's Credit		
	In USD	11.35	11.89
	In JPY	600.00	600.00
	In EUR	2.62	1.65
iv.	PCFC		
	In USD	31.16	34.25
v.	Sundry Creditor		
	In JPY	1,330.00	–
vi.	Vendor Managed Inventory		
	In USD	2.35	10.72



## Notes to the Financial Statements for the year ended 31st March, 2012

**38. Segment information**

a. Primary Segment Information : The Company is operating in a single segment namely Forgings.

Information about Secondary Segments : Geographical

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Revenue by Geographical Market		
India	45,489.29	35,962.17
Outside India	4,637.00	5,006.44
	50,126.29	40,968.61
<b>Carrying Amount of Segment Assets</b>		
Outside India	1,486.75	1,364.83

Note : All the plants of the Company are located in India and accordingly debtors and Stock lying outside India have been considered segment assets outside India.

**39. Earning per share (EPS)**

EPS is calculated by dividing the profit attributable to the equity shareholder by the weighted average number of equity shares outstanding during the year.

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
<b>BASIC :</b>		
Opening number of Equity Shares (Nos)	16,428,540	16,428,540
Total Shares outstanding (Weighted Average) (Nos)	17,846,218	16,428,540
Profit after Taxation before Extra-Ordinary Items	2,428.92	2,205.93
Profit after Taxation after Extra- Ordinary Items	2,428.92	2,205.93
EPS before Extra- Ordinary Item (In ₹) (₹ per Share)	13.61	13.43
EPS after Extra- Ordinary Item (In ₹) (₹ per Share)	13.61	13.43
<b>DILUTED :</b>		
Warrant Option Outstanding (Nos)	–	3,900,000
Total Shares outstanding including Warrants (Weighted Average) (Nos)	17,846,218	16,892,065
EPS before Extra- Ordinary Item (In ₹) (₹ per Share)	13.61	13.06
EPS after Extra- Ordinary Item (In ₹) (₹ per Share)	13.61	13.06
Reconciliation of Basic and Diluted Shares used in computing EPS :		
Number of Shares considered as Basic Weighted Average Shares Outstanding (Nos)	17,846,218	16,428,540
Add : Effect of Dilutive Warrants (Nos)	–	463,525
Number of Shares considered as Diluted weighted Average Shares Outstanding (Nos)	17,846,218	16,892,065

**40. Share Based Payment**

Under the Employee Stock Option Scheme ("ESOS 2006"), the Company has granted number of options to its eligible employees. Each option when exercised would be converted into one fully paid-up equity share of ₹ 10/- of the Company. Options granted under the ESOS 2009 carry no rights to dividends and no voting rights till the date of exercise. At the reporting date, details of outdstanding options held by the employees are as follows :

## Notes to the Financial Statements for the year ended 31st March, 2012

(₹ in Lakhs)

	As at 31/03/2012		As at 31/03/2011	
	Numbers	Average Exercise Price	Numbers	Average Exercise Price
Options Outstanding	317,236	₹ 20	404,114	₹ 20
Options Exercisable	41,001	₹ 20	–	–

### a. Employee stock option scheme

- (i) The shareholders of the Company had approved the ESOP 2009 to grant 15,00,000 stock options convertible into 15,00,000 equity shares of ₹ 10/- each to its permanent employees including Director of the Company whether wholtime or otherwise in one or more tranches and on such terms and conditions as may be fixed or determined by its Board of Directors. The Compensation Committee in its meeting held on 12th September, 2009 has granted 4,68,159 Nos. options to be converted into equivalent number of equity shares. The above scheme is administered through an ESOP trust namely Ramkrishna Forging Employee Welfare Trust.
- (ii) The ESOP Trust has been created to administer the scheme by purchase of shares from the open market, / fresh issue of shares by the Company, in accordance with the approvals from the Remuneration and Compensation Committee of the Company.
- (iii) The options granted under Employee Stock option Scheme 2009 shall vest as under :

Date of Vesting	Eligibility
12-Sep-11	30%
12-Sep-12	30%
12-Sep-13	40%

### b. Movement of Options Granted :

The movement of the options under ESOS 2009 for the year ended 31st March, 2012 are as follows :

	Year ended	
	31/03/2012	31/03/2011
Outstanding at beginning of the year	404,114	424,949
Granted during the year	–	–
Forfeited during the year	–	20,835
Exercised during the year	80,273	–
Lapsed during the year	6,605	–
Outstanding at the end of the year	317,236	404,114
Exercisable at the end of the year	41,001	–

- c. The employee share based payment plans have been accounted based on the intrinsic value method and accordingly ₹ 67.00 Lakhs (Previous year ₹ 95.29 Lakhs) have been charged as employee compensation cost.



## Notes to the Financial Statements for the year ended 31st March, 2012

## d. Fair Valuation :

(a) The impact on the profits and EPS of the fair value method is given in the table below -

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
Reported Net Profit	2,428.92	2,205.93
Add : Compensation cost under ESOS as per intrinsic value	67	95.29
Less : Compensation cost under ESOS as per fair value	38.84	104.31
Proforma Net Profit	2,457.08	2,196.91
<b>Reported Earning per Share (EPS) :</b>		
Basic EPS (in ₹)	13.61	13.43
Diluted EPS (in ₹)	13.61	13.06
<b>Proforma Earning per Share (EPS) :</b>		
Basic EPS (in ₹)	13.77	13.37
Diluted EPS (in ₹)	13.77	13.01

e. The loans advanced to the Trust for purchase of shares from the market as at March 31, 2012, is ₹ 1074.47 Lakhs (Previous year ₹ 939.25 Lakhs). The repayment of the loan by the trust is dependent on the exercise of options by the employees and/or the market price of the underlying equity shares of the unexercised options at the end of the exercise period.

41. Information related to Micro, Small and Medium Enterprises Development Act, 2006 (the Act) is disclosed hereunder. The information given below has been determined to the extent such parties have been identified on the basis of information available with the company :

(₹ in Lakhs)

	Year ended	
	31/03/2012	31/03/2011
(a) (i) Principal amount remaining unpaid to any supplier at the end of the accounting year	8.58	-
(ii) Interest due on above	-	-
<b>Total</b>	<b>8.58</b>	<b>-</b>
(b) Amount of interest paid by the buyer in terms of Section 16 of the Act, along with amount of payment made beyond the appointed date during the year.	-	-
(c) Amount of interest accrued and remaining unpaid at the end of the financial year.	-	-
(d) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.	-	-
(e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Small enterprise, for the purpose disallowance as a deductible expenditure under Section 23 of the Act.	-	-

## Notes to the Financial Statements for the year ended 31st March, 2012

### 42. (a) C.I.F. value of imports by the Company (Including goods in transit and imported items purchased locally) :

	(₹ in Lakhs)	
	Year ended	
	31/03/2012	31/03/2011
Components and Spare parts	157.35	244.05
Capital Goods	1,239.86	709.70

### (b) Expenditure in foreign currency during the year (paid or provided) :

	(₹ in Lakhs)	
	Year ended	
	31/03/2012	31/03/2011
Travelling	87.92	37.77
Foreign Bank Charges	1.74	2.68
Professional and consultation fees	15.02	15.29
Interest	96.21	20.11
Business Promotion	-	2.84
Repair to Plant & Machinery	10.38	-
Claim against export sales	55.71	-

### (c) Total value of imported raw materials, spare parts and components consumed during the year and the total value of indigenous raw materials, spare parts and components consumed and the percentage of each to the total consumption :

	As at 31/03/2012		As at 31/03/2011	
	Qty (MT)	Value	Qty (MT)	Value
i. Consumption		(₹ in Lakhs)		(₹ in Lakhs)
Raw Materials	64,429.45	28,724.08	58,818.33	23,911.26
Imported	-	-	-	-
Indigenous	64,429.45	29,068.05	58,818.33	23,911.26
Less : Stock of Trial Run Production		343.97		-
		<b>28,724.08</b>		<b>23,911.26</b>
Stores and Spare parts		2,545.26		2,016.90
Imported		148.13		176.45
Indigenous		2,410.31		1,840.45
Less : Stock of Trial Run Production		13.18		-
		<b>2,397.13</b>		<b>1,840.45</b>
ii. Percentage of Total Consumption				
Raw Materials	100%	100%	100%	100%
Imported	-	-	-	-
Indigenous	100%	100%	100%	100%
Stores and Spare parts		100%		100%
Imported		5.82%		8.75%
Indigenous		94.18%		91.25%



## Notes to the Financial Statements for the year ended 31st March, 2012

(d) Earnings in Foreign Exchange :

	(₹ in Lakhs)	
	Year ended	
	31/03/2012	31/03/2011
Export of goods calculated on F.O.B. basis	4,534.58	4,870.72
Die design & preparation charged (Recovered)	49.19	12.38
(e) Remittance of Foreign currency on A/c of Dividend to Non-Resident to Shareholders	-	-

43. The financial statements for the year ended 31st March, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements except for accounting for dividend on investments in subsidiaries.

As per our attached report of even date

For **Singhi & Co.**  
Chartered Accountants  
**Rajiv Singhi**  
(Partner)  
Membership No. 53518

Dated : 12th day of May, 2012  
1B, Old Post Office Street, Kolkata - 700 001

For and on behalf of the Board

**Mahabir Prasad Jalan**  
(Chairman)

**Naresh Jalan**  
(Managing Director)

**Pawan Kumar Kedia**  
(Finance Director)

**Alok Kumar Sharda**  
(Chief Financial Officer)

**Rajesh Mundhra**  
(Company Secretary)









## Ramkrishna Forgings Limited

Registered Office : Ramkrishna Chambers, 72 Shakespeare Sarani, Kolkata - 700 017

### ATTENDANCE SLIP

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

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

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

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

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

I hereby record my presence at the 30th Annual General Meeting of the Company to be held at Gyan Manch, 11, Pretoria Street, Kolkata-700071 on Saturday, the 28th day of July, 2012 at 11 A.M.

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

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

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

----- Tear here -----



## Ramkrishna Forgings Limited

Registered Office : Ramkrishna Chambers, 72 Shakespeare Sarani, Kolkata - 700 017

Reg. Folio No./Client ID No	
-----------------------------	--

No. of Shares held	
--------------------	--

### PROXY FORM

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

\_\_\_\_\_ being a member/members of the above named Company

hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or

failing him \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held at Gyan Manch, 11, Pretoria Street, Kolkata - 700 071 on Saturday, the 28th day of July, 2012 at 11 A.M.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012

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

Affix Revenue  
Stamp of  
Re. 1/-

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



## Ramkrishna Forgings Limited

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

Dear Members,

### Sub : Green Initiative in Corporate Governance

As you are aware that the Ministry of Corporate Affairs (MCA) vide their Circulars No.17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 has taken a "Green Initiative" by allowing paperless compliances by Companies to serve the requisite documents to its Members through electronic mode in compliance with Section 53 of the Companies Act, 1956.

Accordingly, we are updating the database of our shareholders holding shares in physical mode by incorporating their designated e-mail address in our records. You are requested to kindly register your e-mail address by filling up and signing at proper place in the E-mail Address Update Form given below and forward the same to our Registrar and Transfer Agents, M/s Karvy Computershare (P) Ltd., Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India. The e-mail address shall be updated after verification of your signature.

Please note that in respect of those shareholders who are holding shares in electronic form and who have not yet registered their e-mail addresses or who wish to change their existing e-mail addresses are requested to submit their e-mail addresses with their Depository Participants.

-----Cut from here-----

### E-MAIL ADDRESS UPDATE FORM

M/s Karvy Computershare (P) Ltd.

**Unit : Ramkrishna Forgings Ltd.**

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad - 500 081

Andhra Pradesh, India

In view of the circulars no. 17/2011 dated 21st April, 2011 and 18/2011 dated 29th April, 2011 issued by The Ministry of Corporate Affairs, I/We \_\_\_\_\_ son/daughter/wife \_\_\_\_\_ of Sri \_\_\_\_\_ holding \_\_\_\_\_ Equity Shares of Ramkrishna Forgings Ltd. under my/our Registered Folio No(s). \_\_\_\_\_ do hereby accord my/our consent to receive all future communication/documents from the Company at my/our e-mail address given below :

E-mail address : \_\_\_\_\_

\_\_\_\_\_  
Signature of the Shareholder(s)



## **RAMKRISHNA FORGINGS LIMITED**

Ramkrishna Chambers, 72 Shakespeare Sarani, Kolkata - 700 017

Phone : (033) 3984 0900/3984 0999 Fax : (033) 3984 0998

Website : [www.ramkrishnaforgings.com](http://www.ramkrishnaforgings.com)