



SANGHVI
FORGING & ENGINEERING LTD.

November 15, 2016

1. BSE Ltd. (022) 2272 3121/1278/1557/3354/3577
Corporate Relationship Department, 1st Floor,
New Trading Ring, Rotunda Building,
P.J. Towers,
Dalal Street, Fort,
Mumbai 400 001 **Code No. 533411**

2. The Manager (022) 2659 8237/8238
Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
C/1, Block G,
Bandra-Kurla Complex,
Bandra (E),
Mumbai 400 051 **Symbol "SANGHVIFOR"**

Dear Sir/Madam,

Sub: Submission of Presentation made to analysts/Investors

We are enclosing herewith a copy of presentation made to analysts and investors on unaudited standalone results of the Company for the Quarter Ended September 30, 2016.

Please take the same on your records.

Yours truly,


For Sanghvi Forging and Engineering Limited

Keval Thakkar
Company Secretary
ICSI Mem. No. :- 39127

Encl: As above.

Investor Presentation

Q2 FY 2016-17

SANGHVI FORGING & ENGINEERING LIMITED

Contents

COMPANY OVERVIEW

INDUSTRY OVERVIEW

WHY INVEST IN US

FINANCIAL HIGHLIGHTS

QUARTERLY HIGHLIGHTS

A value-added heavy forging company in non-auto segment

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State of the art manufacturing with capacity of 18,500 MT; 15,000 MT open-die heavy forging commissioned in FY2013



Specializes in customized forging from 1 MT to 40 MT (single piece)



Diversified operations in Oil & Gas, Defense and Power



Over 80+ product approvals received from marquee clients in domestic and international markets



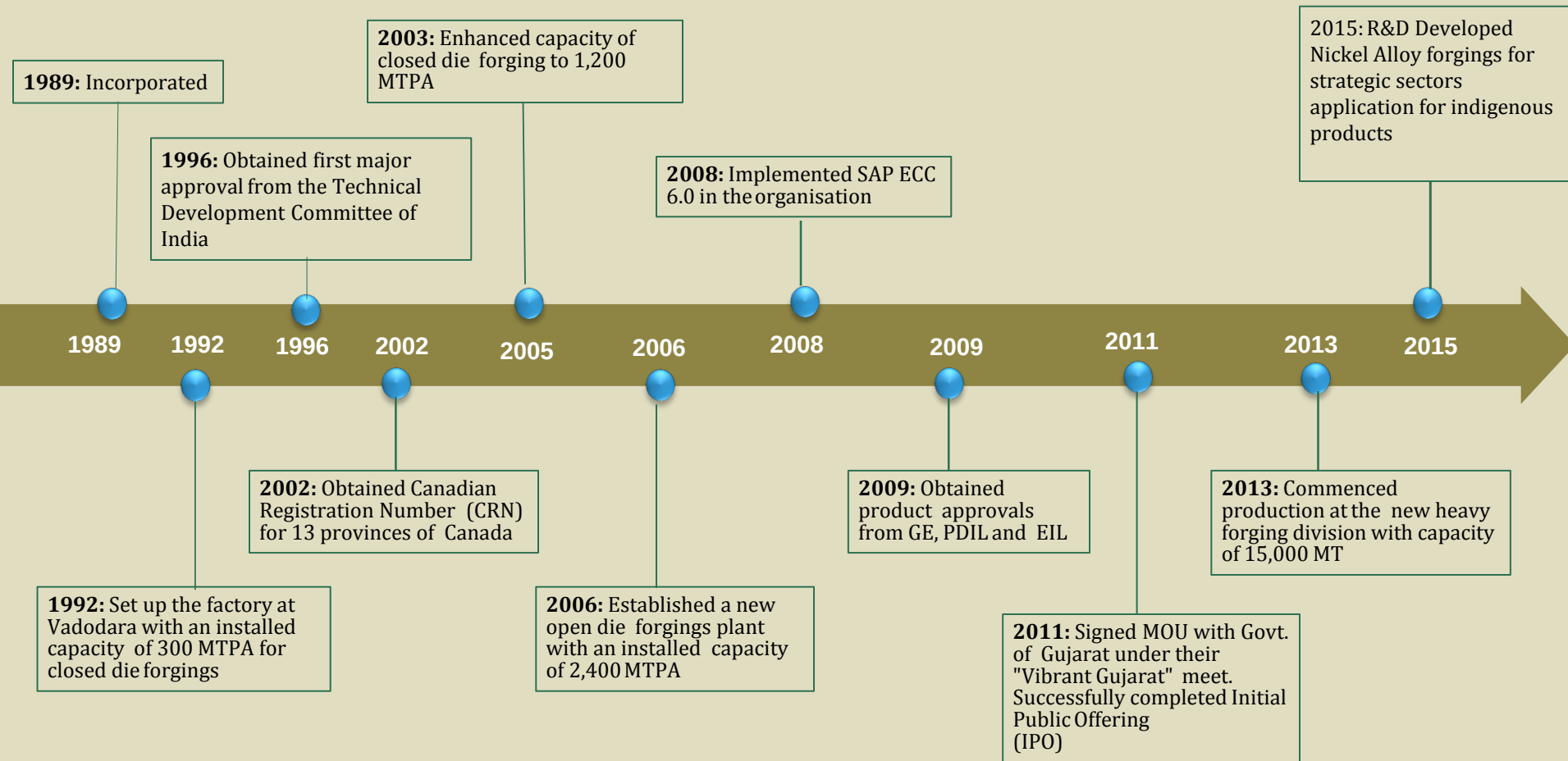
International presence with clients across 20 countries



FY12-FY16 Revenue CAGR: 6.1%
FY12-FY16 EBITDA CAGR: 10%

Company evolution

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Major domestic customers

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HYDRIL PRESSURE CONTROL
a GE Oil & Gas business



Major international customers

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Mec - Weld A/S

Rovenveien 125 Tlf.: 63 88 98 40
1900 Fetsund Fax.: 63 88 98 41



DOEDIJNS

Technip

KROHNE

ANDRITZ
Hydro



sasol

GEA



DRESSER-RAND

elstar

VOITH



KNPC
Kuwait National
Petroleum Company

NOV
NATIONAL
OILWELL
VARCO

تكرير
TAKREER
شركة أبوظبي لتكرير النفط

We **Refine** Right

weg

SAINT-GOBAIN



SANGHVI
FORGING & ENGINEERING LTD.

Our business strategy

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High-end complex customized forgings - better profitability

- Focus on 4MT to 40 MT single piece, value add forged components
- Upsell to existing customer base
- Improve utilization at new heavy forging plant from 25% to 70%

Building product approval pipeline for order book visibility

- Received over 80 product approvals of which 35 for heavy forging since 2014
- Approval process of anywhere from 6 months to 2 years depending upon product complexity and client

Import substitution - leverage price differential

- 80 -90% of forging components in non-auto are currently imported
- Import duty of 10-12%
- Reduce lead time for customers from 6-8 months to 4 months

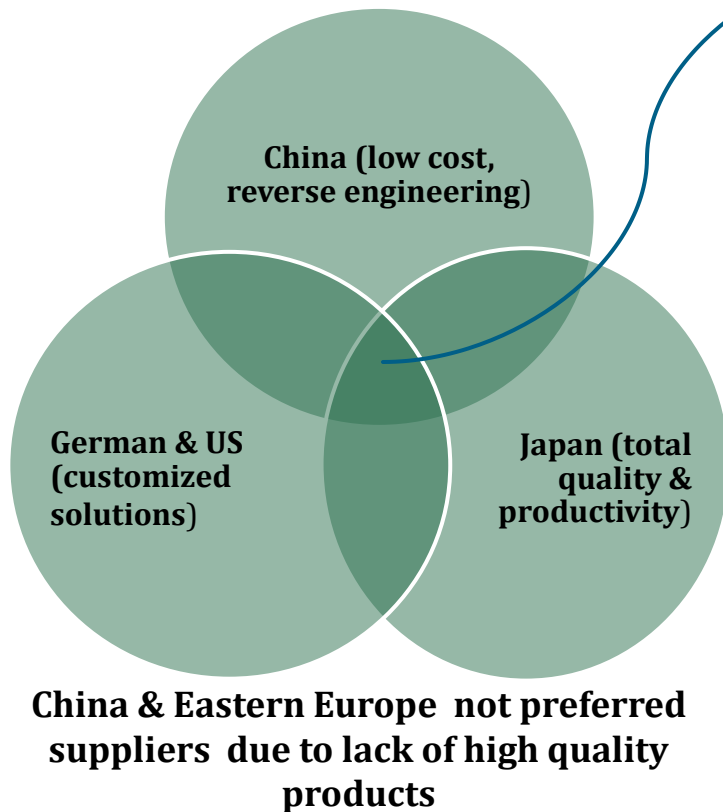
Export focus

- Focusing on Middle-East oil & gas market
- Warehouse in Netherlands to supply European customers
- Selling agents in key regions

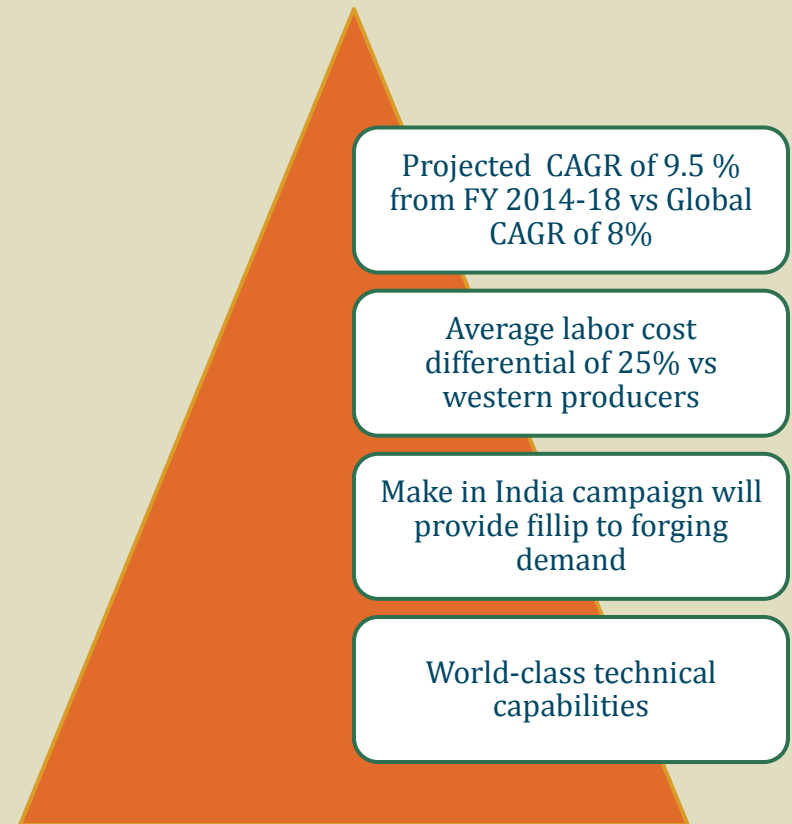
Indian forging industry tactically positioned with low cost and high technical capabilities

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Global Forging Scenario



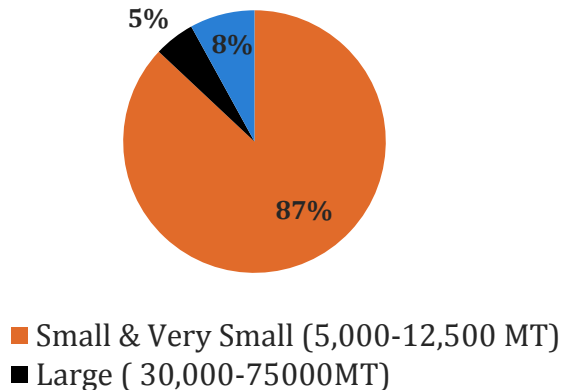
Indian Forging Advantages



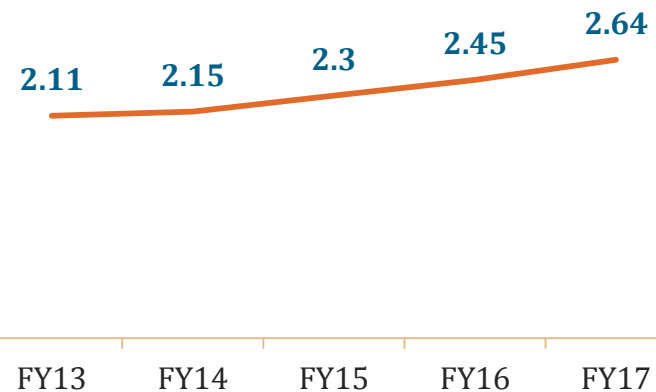
Fragmented market; steady growth

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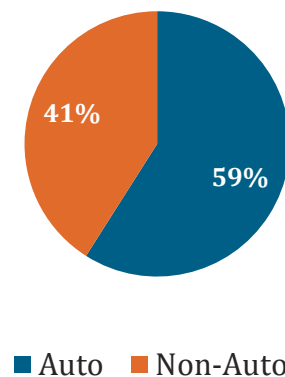
Industry by Capacity



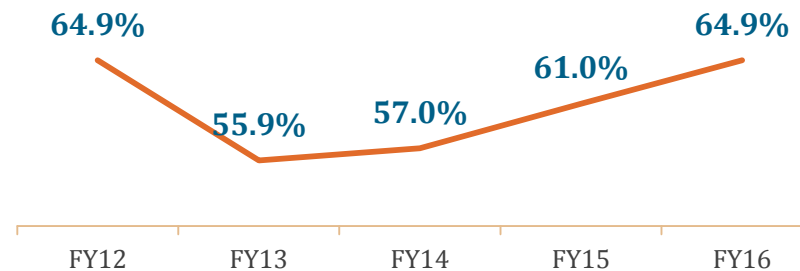
Production (MMT)



Industry by customer segments



Improved Capacity Utilization



Source: AIFI

Industry peer comparison

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Sanghvi Forging is securely placed in the industry vis-à-vis its peers-

- World class equipment
- Customized forging capabilities
- Growing kitty of approvals along with spare capacity

FY16	Sanghvi Forgings	Bharat Forge	MM Forgings	RK Forgings	Mahindra CIE
Capacity(MT)	18,600	5,60,000	45,000	1,50,000	42,000
Sector	Non-Auto	Auto/Non-Auto	Auto/Non Auto	Auto/Non Auto	Auto
Capacity Utilization	Old Plant -65%, New Plant -25%	62.60%	80%	80%	65%
Operating Margins	22.95%	18.48%	22.44%	19.70%	7.85%

Source: Co. Annual Reports

Why invest in us

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▶ Value added forged products

- ▶ Playing a niche – open die heavy forging for non-auto segment
- ▶ Supplying critical components for Oil & Gas, Defence and Power sectors

▶ Increasing order book size

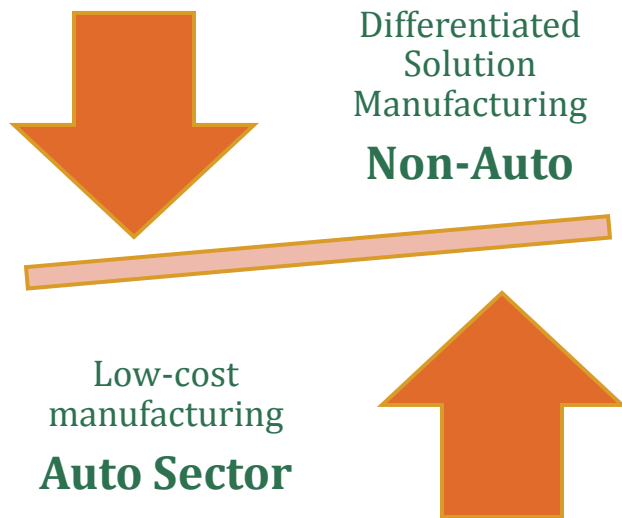
- ▶ Growing end-markets
- ▶ Make in India initiative

▶ Improving Fundamentals

- ▶ Product approvals → order book
- ▶ High growth potential

Heavy Forging for non-auto – a niche

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- In non-auto sector, **heavy forgings** from 4 MT to 40 MT is a specialised segment → **higher margin**
- Heavy forging requires **track record and expertise** to gain product approvals → **limits competition**
- Competition is primarily from **higher priced imports** with long lead times → **substitution is ongoing**

	Market share	Pricing power	Expertise	Competition	Gross margin	Business model
Auto	60%	Low	Standard	High	30-35%	Repeat orders
Non-Auto	40%	Higher	High	Low	45-50%	Project+ repeat orders

Supplying critical components for Oil & Gas, Defence and Power Sectors

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Sector	Oil & Gas Chemical, Fertiliser	Power Hydro, Wind, Thermal, Nuclear	Defence Aerospace, Ordnance
Products	Flanges, Valve Bodies Casing spool. BOP, Fluid Ends, Nozzles, Drill Collar, Tube sheet, Shell	Shaft Rotor, Coupling, Thrust Block, Pelton Runner, Generator Shaft	Landing Gear, Nozzle, Armour Plate, Gun Barrel, Shaft, Drive shaft, Propeller, Rudder, Propeller ach block
Key Clients	HP, Bharat Petroleum, ONGC, Indian Oil, Kuwait Refinery, Technimount, Samsung, Godrej etc.	Voith, Andritz, Weg, NPCIL, IGCAR, TDPS, etc.	DCNS France, Mazagaon dockyards, DRDO, DMRL, ISRO, etc.

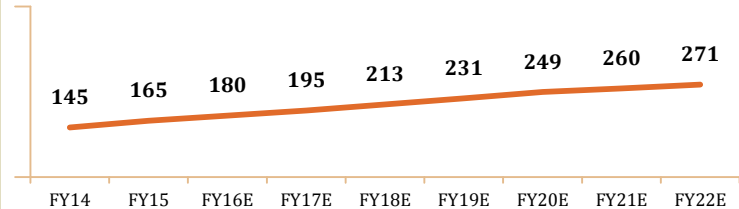
Growing end markets...

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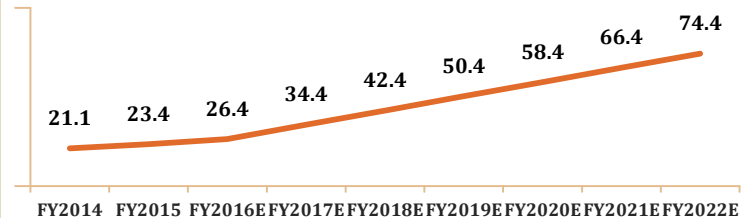
Power

- Around 293 global and domestic companies will generate 266 GW of solar, wind, hydel and biomass-based power in India over the next 10 years
- The initiative would entail an investment of about US\$ 310–350 billion
- Share of renewable in India's electricity demand to rise from 4% currently to 13% by 2022
- India to double its nuclear power generation capacity to more than 10,000 MW over the next five years
- Nuclear Power Plant and Advanced Ultra Super critical Power Projects will require Large ber of critical Forgings

Coal / Lignite Based Installed Capacity (GW)

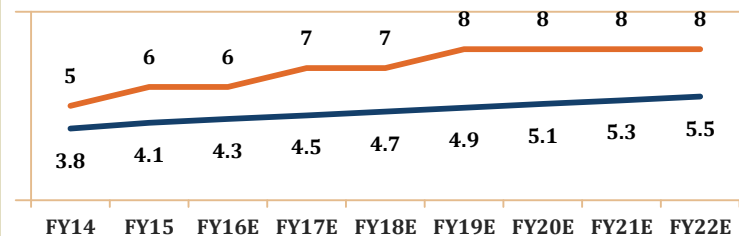


Wind based Installed Capacity (GW)



Nuclear based Installed Capacity (GW)

Small Hydro Based Installed Capacity (GW)



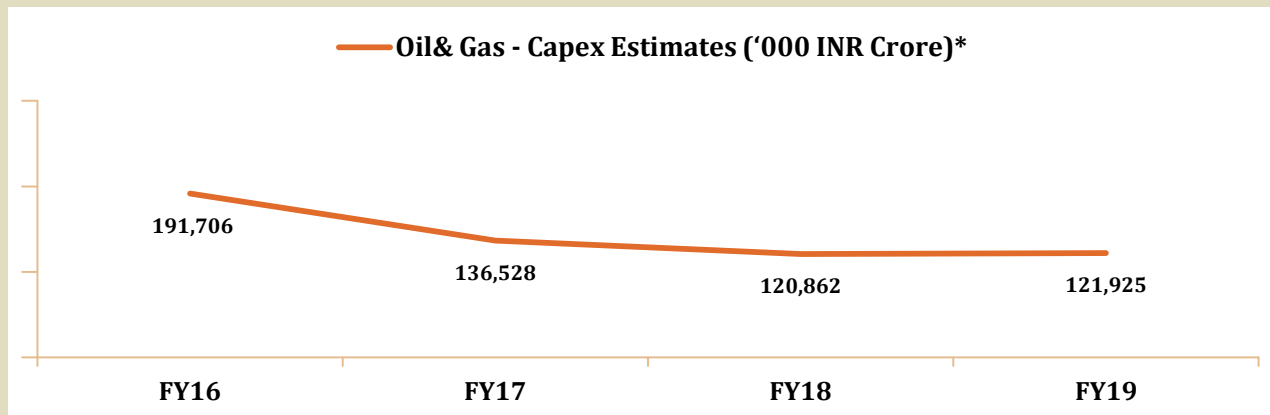
Source: BNP Paribas

Growing end markets...

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Oil and Gas

- ONGC developing offshore projects in Mumbai and eastern offshore fields
- ~1000 kbd refining capacity to be added till 2020
- India's oil demand expected to grow at a CAGR of 3.6% to 458 (MTOE) by 2040
- Gas production expected to touch 90 (BCM) by 2040, natural gas demand to grow at a CAGR of 4.6 % to touch 149 MTOE.
- 22 % of the country's sedimentary basins have been explored, series of large deep water blocks untouched.
- Government awarded 247 total blocks over the last 13 years, only 16 of the blocks have been developed.
- New projects expected in Middle East region



Source: BNP Paribas

* Includes figures for Reliance Jio, Estimates for major Indian upstream companies

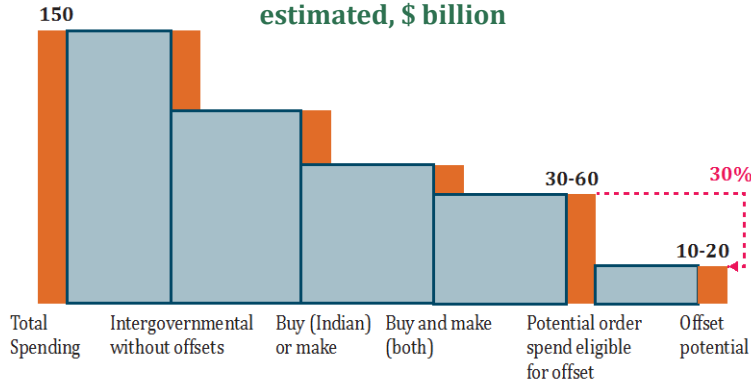
Growing end markets

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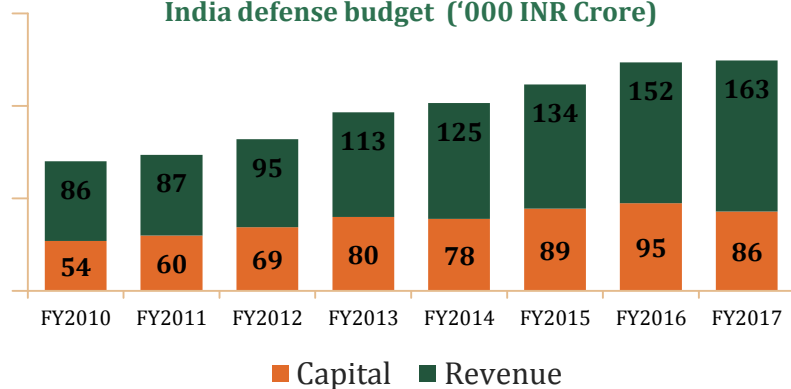
Defence

- Half of \$620 bn India's defence spend from 2014-2020 on capex
- Thrust on make in India & Import Substitution
- Min 30% defence offset obligation requirement
- Compulsory industrial licensing for most of the components and raw materials used in defense production has been scrapped
 - *This means such components or raw materials required in castings, forgings, production machinery, testing equipment have been taken out of the purview of industrial licensing.*
- Indian private sector has also been allowed to receive maintenance transfer of technology (MToT) in 'Buy (Global)' cases

Defense spending eligible for offsets through 2017, estimated, \$ billion



India defense budget ('000 INR Crore)



Make in India Initiative – A big push

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Make in India initiative will position India as a global manufacturing hub by encouraging multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and developing the manufacturing sector

Defense

- **Contractual offset** obligations worth approximately **4.5\$ Bn**
- **60% of defense** related equipment are met by imports which offer a huge opportunity for **import substitution**
- Defense allocation in the Union budget is approx **\$35 Bn**, **1/3rd** of which would be spent on **capital acquisitions**.

Oil & Gas

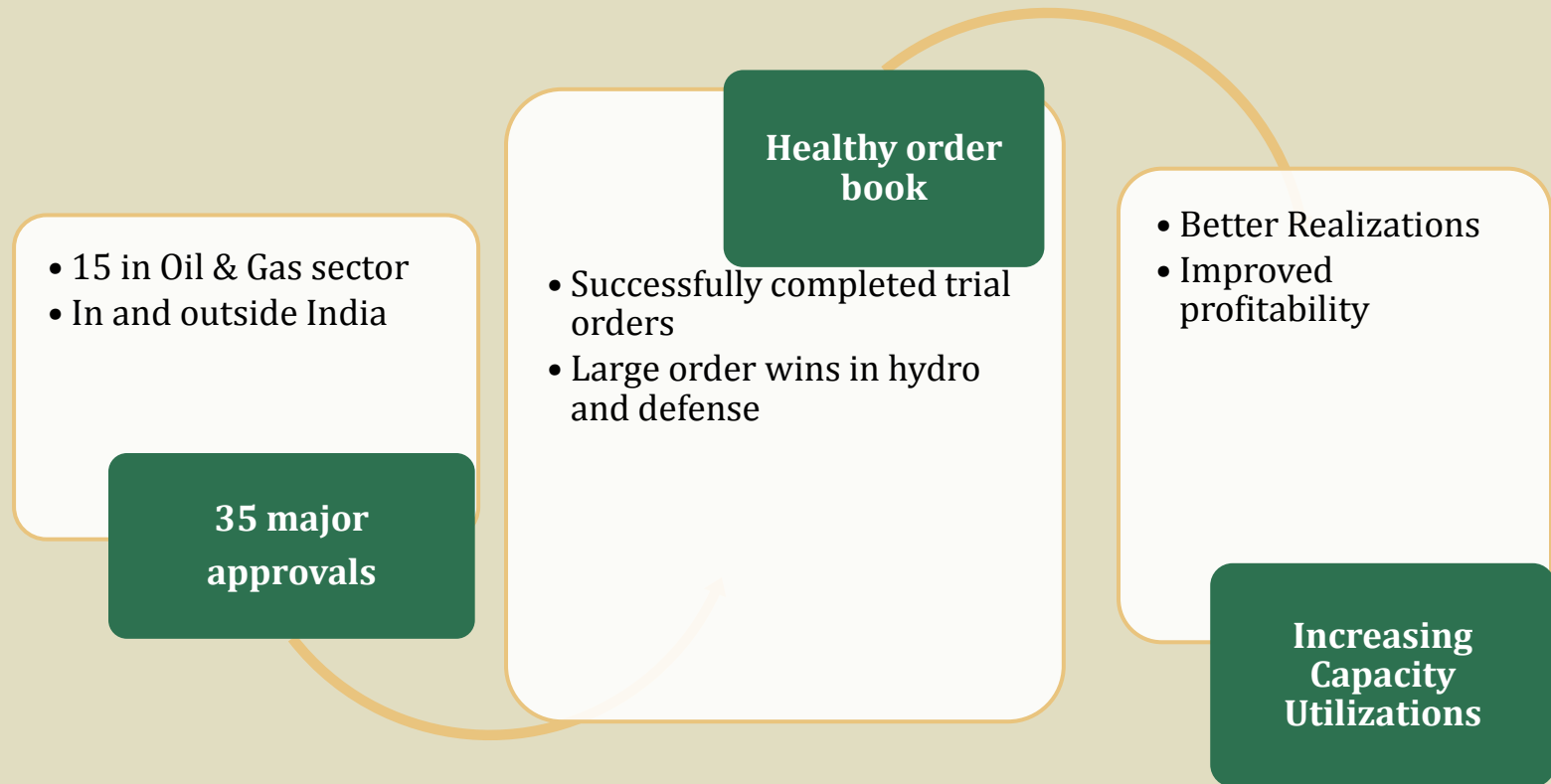
- 60% of the prognosticated reserves of **28,000 MMT** are yet to be harnessed
- Investment opportunities are in **upstream, gas pipeline, city gas distribution network**, LNG terminal, petrochemical & refinery
- Completion of national gas grid by construction of another **15,000 km of gas pipeline network**,

Power

- Indian Govt. has a target of adding **175 GW of renewable energy** by 2022
- Small hydro has installed capacity of **8.062 GW** with potential of **22.5 GW**
- Govt. of India has taken initiatives to set up **Ultra Mega Power Projects of 4000 MW capacity**

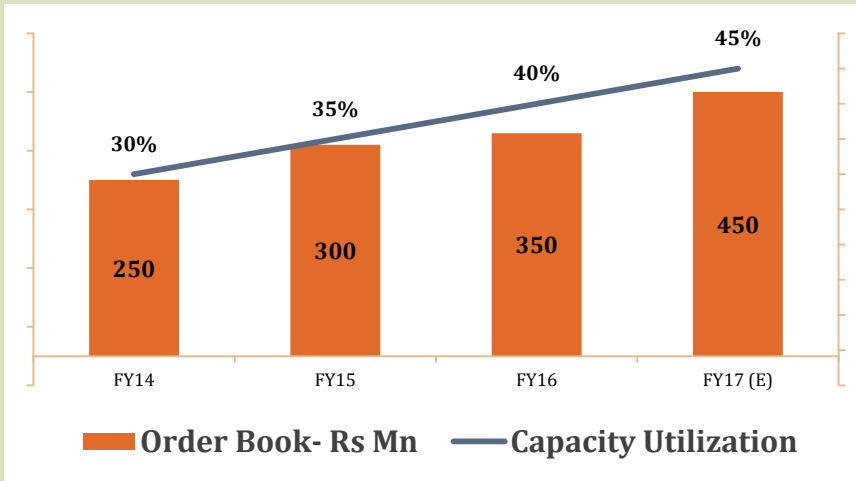
Improving fundamentals

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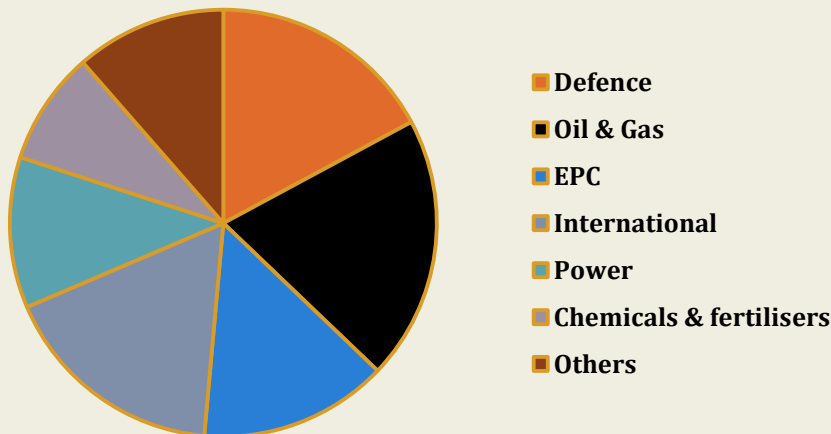
Gaining approvals, growing order book

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- Order book at end of Q2 FY17 is at its highest level
- Well balanced portfolio with project-based and repeat, short-lead time orders

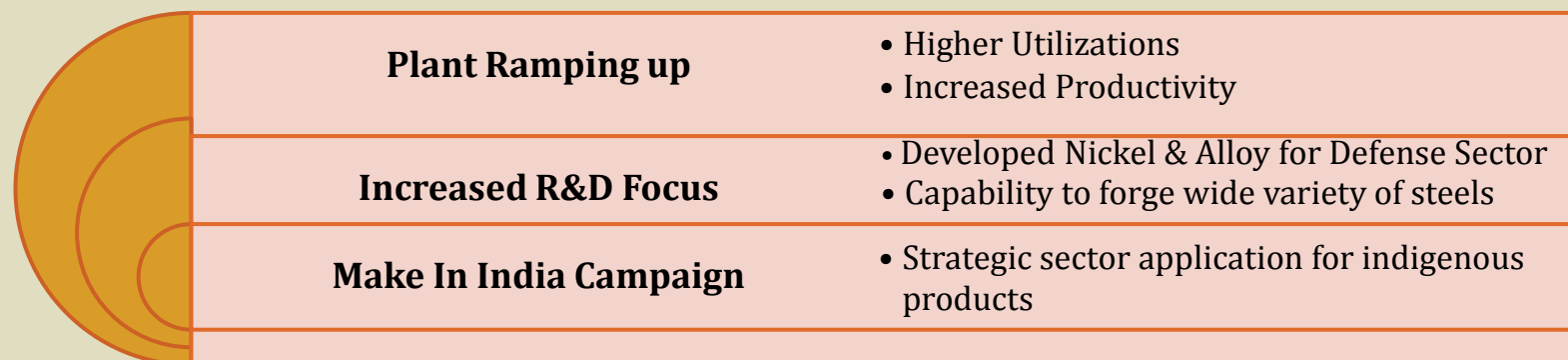
Approvals by Sector



- Secured 35 new approvals for heavy forging since 2014
- Approvals a precursor to higher order book
- Approvals evenly split across key end-markets

Potential to become a world class player

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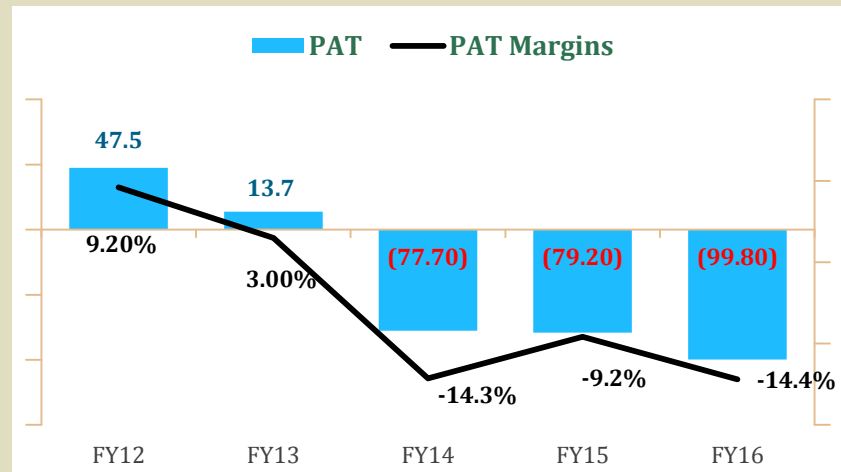
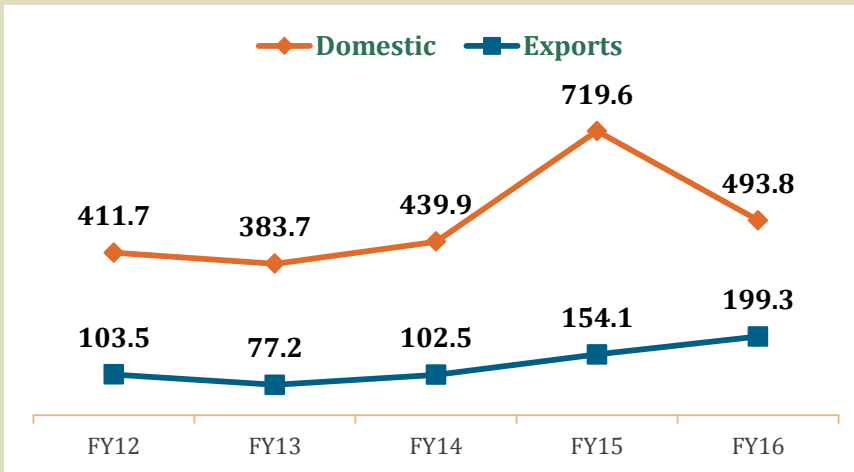
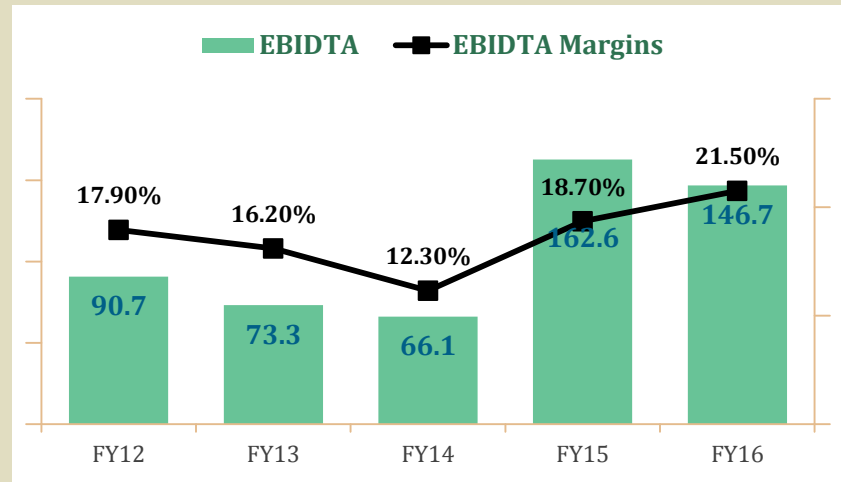
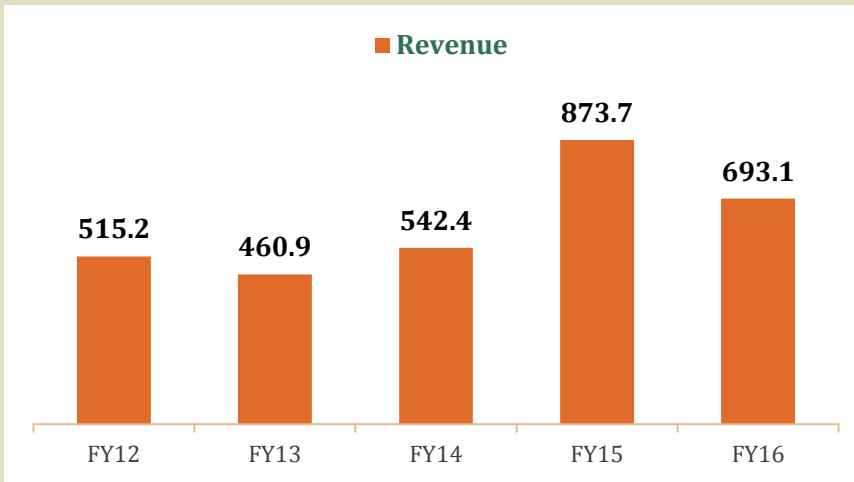
Our company with its world class equipment, state of art technology coupled with an improving global scenario is poised to attain a strong position in the Global Forging Market

	Sanghvi Forgings	Forgiatura Morandini - Italy	Bruck-Germany	Fomas- Italy
Capacity, MT	18,600	75,000	NA	72,000
Press Size, MT	4500	1000-7000	Up to 8000	3,500 – 11,300
Manipulator Size, MT	60	3-300	NA	80-400
Turnover -	693.1 Rs Mn	150 Euro Mn	240 Euro Mn	167 Euro Mn

Financial highlights - Income statement

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In Rs Million except %

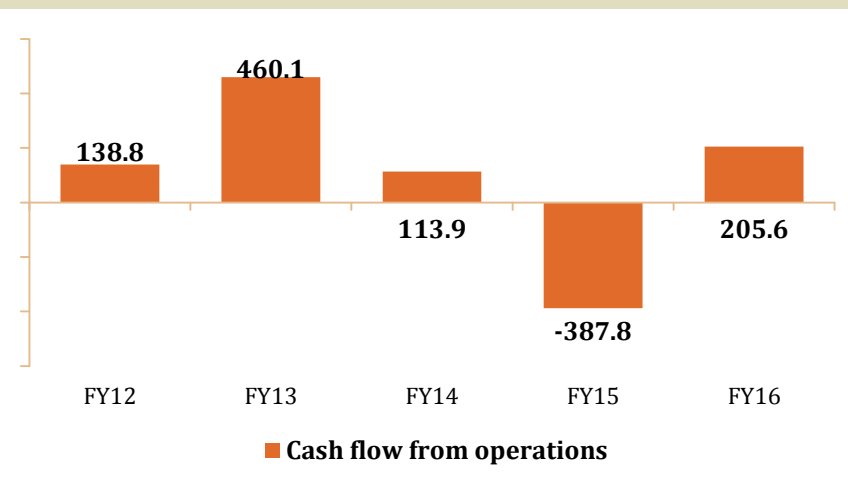
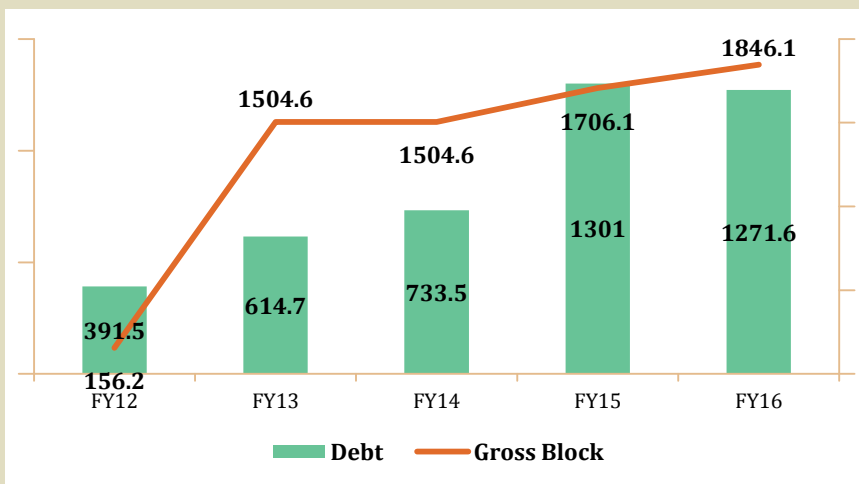


Source: Company

Financial highlights - Balance sheet

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In Rs Million except %



Source: Company

Financial metrics

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Rs Mn	FY12	FY13	FY14	FY15	FY16	FY17 (YTD)
Revenue	515.2	460.9	542.4	873.7	693.1	267.82
EBITDA	90.7	73.3	66.1	162.6	146.7	24.92
EBIT	83.6	54.1	(5.4)	(79.1)	(62.5)	(17.83)
PAT	47.5	13.7	(77.70)	(79.20)	(99.80)	(99.70)
Margins(%)						
EBITDA	17.9%	16.2%	12.3%	18.7%	21.5%	9.3%
PAT	9.2%	3.0%	-14.3%	-9.2%	-14.4%	-37.2%
Gross Bloc	156.2	1504.6	1504.6	1706.1	1846.1	1853.5
Total Debt	391.5	614.7	733.5	1301	1271.6	1313.4
Net Worth	594.4	608.1	558.3	506	436.0	340.21
CFO	138.8	460.1	113.9	(387.8)	205.6	36.3

Key Ratios

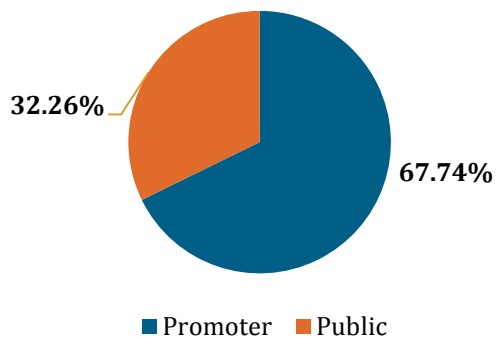
	FY12	FY13	FY14	FY15	FY16	FY17 (YTD)
Leverage & WC Ratios						
Debt to Equity	0.66	1.01	1.33	2.63	2.89	3.8
Current ratio	1.33	0.53	0.34	0.76	0.61	0.58
Performance & Turnover Ratios						
RoCE	9.8%	4.3%	-0.5%	5.5%	4.8%	-1%
RoE	8.0%	2.3%	-14.1%	-16.0%	-22.7%	-29%

Market information

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Shareholding Pattern

As on Sept '16

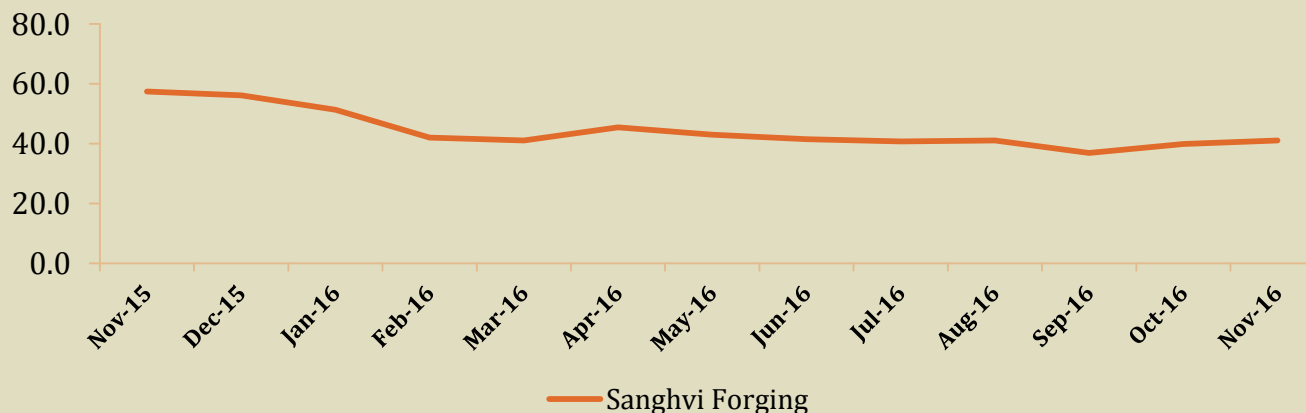


Market Data

As on 12th Nov' 16

Market-Cap (Rs Cr)	57.03
Price (Rs)	39
Face-Value(Rs)	10
52 week high/low	68.5/33.2

Share Price Performance, Monthly (Nov-15 to Nov -16)



Source: BSE

Quarterly Update

Quarterly highlights: Q2 FY17 vs Q1 FY17

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	FY17		% change
	Q2	Q1	
Operational Data			
Capacity Utilization ,%	28.96	20.54	41.0%
Order Book, Rs Mn	450	380	18.4 %
Financial Data			
All numbers in Rs Mn except per share			
Income from operations	170.3	97.5	74.6%
EBITDA	10.4	14.6	-28.3%
Depreciation	22.6	22.3	1.6%
Finance cost	42.0	39.8	5.3%
PBT	(52.9)	(46.6)	Na
PAT	(52.9)	(46.6)	Na
EPS	(3.6)	(3.2)	Na

Quarterly highlights: H1 FY17 vs H1 FY16

	H1 FY17	H1 FY16	% change
Operational Data			
Capacity Utilization %	24.7	31.2	-20.7%
Order Book, Rs Mn	450	250	28.6%
Financial Data,			
All numbers in Rs Mn except per share			
Income from operations	267.8	340.5	-21.3%
EBITDA	24.9	57.0	-56.3%
Depreciation	45.0	41.6	8.1%
Finance cost	81.8	82.4	-0.7%
PBT	(99.7)	(64.3)	Na
PAT	(99.7)	(64.3)	Na
Debt	863.9	940.2	-8%
Net Worth	340.2	441.6	-23%
EPS	(3.6)	(4.6)	Na

Quarterly highlights: Q2 FY17 vs Q2 FY16

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	Q2 FY17	Q2 FY16	% change
Operational Data			
Capacity Utilization %	28.96	38.39	-24.6%
Order Book, Rs Mn (Booked)	450	350	28.6%
Financial Data,			
All numbers in Rs Mn except per share			
Income from operations	170.30	184.3	-7.6%
EBITDA	10.41	39.3	-73.4%
Depreciation	22.67	21.1	7.4%
Finance cost	42.00	41.9	0.1%
PBT	(52.94)	(21.9)	Na
PAT	(52.94)	(21.9)	Na
EPS	(3.63)	(1.58)	Na

Thank you