

Mahindra
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MAHINDRA COMPOSITES LTD
31ST ANNUAL REPORT 2012 - 13

Systech Sector Overview



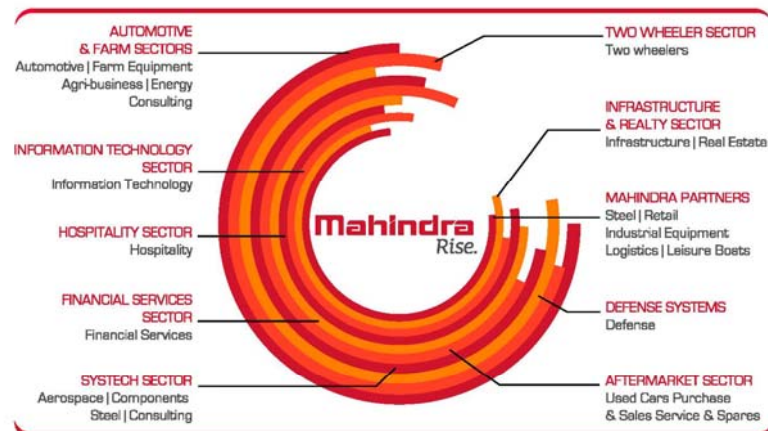
Systech was created in 2004 to capitalise on the opportunities presented by the growth of the Indian automobile component industry as a result of increasing domestic vehicle production as well as the growing emphasis on Low Cost Country (LCC) sourcing for Global Automotive OEMs.

With the promise of creating an automotive supplier that could lead in "Systems and Technologies", Systech was formed by combining a few Mahindra group companies with a series of acquisitions in India and around the world. As part of the Mahindra Group, Systech not only benefits from the automotive heritage of its parent and access to world-class resources, but also inherits Mahindra's principled approach to corporate governance

and management processes.

Today, Systech offers a variety of components and services to the automotive and other ground-based mobility industries around the world. Our portfolio includes Castings, Forgings, Stampings, Gears, Rings, Magnetic Products, Steel, Composites, Engineering and Contract Sourcing services. Our network of plants and offices around the world services customers located in North America, Europe and Asia.

With INR 5000 Crores (USD 926 M / EUR 725 M) in 2012 - 2013 Sales, we are one of India's largest automotive component groups and a global leader in automotive forgings.





Dear Shareholder:

Last year in my message, we observed that the world economy was going through an uncertain phase, but we still remained optimistic about the future. The year gone by was even more turbulent than the one before it. Our key markets — Europe and India — were especially impacted; Europe is still trying to resolve its economic challenges and India needs a boost of confidence and investor-friendly moves from the government to restore the country to a faster growth trajectory.

As a result of the underlying economic factors, Systech India business growth in F13 was relatively flat and continued uncertainty in Europe made for a challenging business environment there. As we look to the coming year, we hope to see a positive trend in India but Europe will remain an uncertain marketplace.

In the "OneSystech" automotive component businesses, our focus for India remains on business growth built around capacity investment and a strong operational excellence model. Our Forgings and Castings businesses are stepping up their operational performance while Stampings and Gears are investing for growth with new manufacturing facilities. Across the board, we are focused on cost containment in order to improve profitability. And the results are showing.

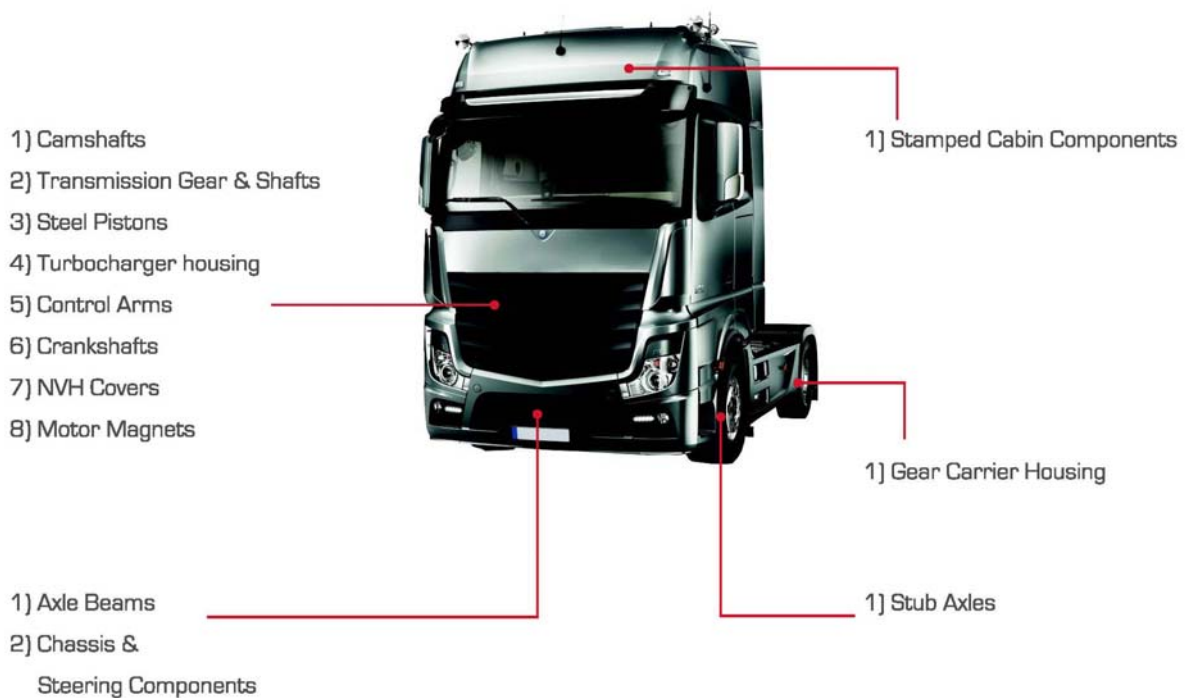
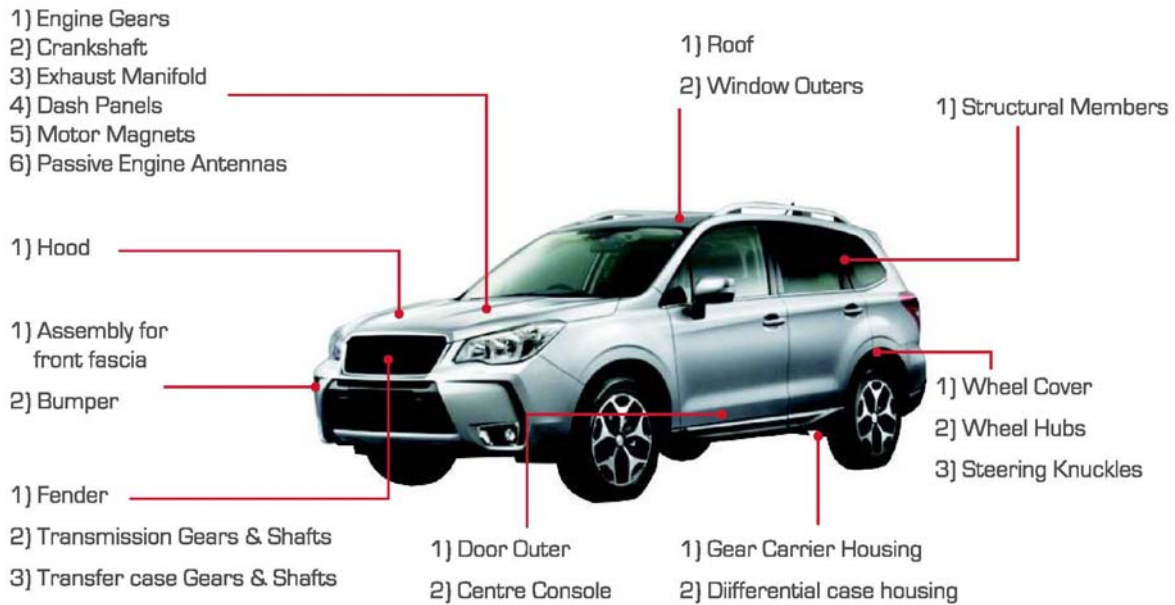
In Europe, we will need to consolidate our operations in order to manage the challenge of sudden changes in business conditions. We are seeing closer cooperation between our Europe and India teams and they are accelerating their efforts to transfer appropriate products from Europe to India to leverage the India cost advantage. We expect to see our European operations to bring the India team's cost reduction approach to their operations in order to restore health.

Last year, we announced the investment by Mitsui and Sanyo into our MUSCO Steel business. I am happy to report that we are making good progress on making Mahindra Sanyo a leader in the Special Steel market in India.

As you can plainly see, the last year has been an eventful one for us at Systech and we are thankful to the scores of employees who put in the hard work to sell, design, produce, and deliver our products. We also want to thank you for investing with us and your confidence in us.

Yours sincerely

Hemant Luthra
President, Systech Sector



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Board of Directors

Hemant Luthra - Chairman

B. M. Kataria

C. S. Devala

Dhananjay Mungale

R. R. Krishnan

Romesh Kaul

(Appointed w.e.f. 6th February, 2013)

Chief Operating Officer

Mahadev Shinde

Compliance Officer

Vijayandra Kolambkar - Chief Financial Officer

Committees of the Board

Audit Committee

B. M. Kataria

C. S. Devala

Dhananjay Mungale

R. R. Krishnan

Remuneration / Compensation Committee

B. M. Kataria

Dhananjay Mungale

Shareholders' / Investors'

Grievance Committee

R. R. Krishnan

B. M. Kataria

C. S. Devala

Registered Office

145, Nehru Nagar Road,

Off. Mumbai - Pune Road,

Pimpri, Pune - 411 018, India.

Tel. : (020) 2742 5265 / 2742 5266.

Fax : (020) 2742 5272

Plant Locations

Plant - 1

Survey No.178/D, Village Sale,

Taluka : Mangron, Dist. Raigad 402 104.

Tel. : (02140) 263 112 / 263 129

Fax : (02140) 263 145

Plant - 2 & HD

145, Nehru Nagar Road,

Off. Mumbai - Pune Road,

Pimpri, Pune - 411 018.

Tel. : (020) 2742 5265 / 2742 5266

Fax : (020) 2742 5272

Auditors

M/s. Deloitte Haskins & Sells

Chartered Accountants

706, 'B' Wing, 7th Floor, ICC Trade Tower,

Senapati Bapat Road, Pune - 411 018.

Bankers

HDFC Bank Ltd.

Citibank N.A.

Registrar and Share Transfer Agents

M/s. Sharepro Services (India) Private Limited

13 AB, Samhita Warehousing Complex, 2nd Floor

Near Saki Naka Telephone Exchange

Andheri-Kurla Road, Saki Naka, Andheri (East)

Mumbai - 400 072.

Tel. : (022) 6772 0300 / 6772 0400

Fax : (022) 2859 1568 / 2850 8927

E-mail : sharepro@shareproservices.com

NOTICE

Notice is hereby given that **Thirty-first Annual General Meeting** of the Members of **MAHINDRA COMPOSITES LIMITED** will be held on Friday, 27th day of September, 2013 at 11.00 a.m. at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway, Pimpri, Pune - 411 018 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2013 and Statement of Profit & Loss for the year ended on that date together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. R. R. Krishnan who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Dhananjay Mungale who retires by rotation and being eligible, offers himself for re-election.
4. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Romesh Kaul who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice from a member in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Register of Members and Share Transfer Books of the Company will remain closed from Monday, 23rd September, 2013 to Friday, 27th September, 2013 (both days inclusive).
3. In order, proxies to be effective, the proxy forms must be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
4. Members are requested to intimate immediately change of address, if any, to the Company's Registrar – Sharepro Services (India) Private Limited, 13 AB, Samhita Warehousing Complex, 2nd Floor, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072.
5. Members are requested to send their queries at least 10 days before the day of meeting so that the information can be made available at the meeting.
6. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
7. Members are requested to bring their copy of Annual Report, as the copies of the same will not be distributed at the time of meeting as a measure of economy.
8. Equity shares of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. The Company has paid the Annual Listing fees for financial year up to 2012-2013.
9. Re-appointment of Directors:

At the ensuing Annual General Meeting Mr. R. R. Krishnan and Mr. Dhananjay Mungale retire by rotation and being eligible, offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under the code of Corporate Governance are as under:

Mr. R. R. Krishnan has been with the Mahindra Group for close to 52 years and has held several senior positions. He was Senior Advisor in Mahindra & Mahindra Limited. He is Director of Mahindra Ugin Steel Company Limited and also member of Audit Committee.

He is not holding any shares in the Company.

Mr. Dhananjay Mungale is Chartered Accountant and a law graduate, has spent the major part of his career in corporate and investment banking in India and Europe with Bank of America and DSP Merrill Lynch Limited. He is presently acting as advisor to select corporations in India and in Europe.

Presently he is Director of Inestor Advisors Private Limited, Mentor Technologies Private Limited, Snowcem Paints Private Limited, J. P. Morgan Asset Management India Private Limited, LICHFL Trustee Company Private Limited, Lavgan Dockyard Private Limited, LIC Housing Finance Limited (also Member of Audit Committee), M & M Financial Services Limited (also Chairman of Audit Committee and member of Compensation Committee and Chairman of ALCO Committee), Chowgule Steamships Limited (also Chairman of Audit Committee and member of Compensation Committee), Kalpataru Limited (also member of Audit Committee and Compensation Committee), National Organic Chemical Limited (also member of Audit Committee and member of Compensation Committee), Tamilnadu Petroproducts Limited, Samson Maritime Limited (also member of Audit Committee and Compensation Committee), L&T Infrastructure Finance Company Limited and Sicagen India Limited (also Member of Audit Committee and Compensation Committee).

Mr. Dhananjay Mungale is not holding any shares in the Company.

By order of the Board
MAHINDRA COMPOSITES LIMITED

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Romesh Kaul was appointed as an Additional Director of the Company by the Board of Directors on 6th February, 2013 by circular resolution and according to the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company, he holds office of Director only up to the date of the ensuing Annual General Meeting.

As required by Section 257 of the Companies Act, 1956, the Company has received notice from a member signifying his intention to propose the candidature of Mr. Romesh Kaul for the appointment as a Director of the Company at the forthcoming Annual General Meeting.

Mr. Romesh Kaul is Graduate in Mech. Engg. from R.E.C. Srinagar, J&K and Masters from IIT Delhi. He joined Mahindra Systech in December, 2004 as Head of Projects for the Systech Sector. In September 2008, he took over as "Global CEO" of the "Gears" vertical within Systech Sector.

He is Group Executive Board Member since 1st April, 2010 of Mahindra & Mahindra Ltd.

Presently he is Director of Mahindra Gears & Transmissions Private Limited, Metalcastello SpA, and Creast Geartech Private Limited.

Mr. Romesh Kaul is not holding any shares in the Company.

The Board considering the varied experience of Mr. Romesh Kaul, thought it is desirable that the Company should continue to avail the services of Mr. Romesh Kaul.

Except the aforesaid Director, no other Director of the Company is concerned or interested in this resolution.

By order of the Board
MAHINDRA COMPOSITES LIMITED

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

DIRECTORS' REPORT

The Directors are pleased to present herewith the Thirty-first Annual Report and the Audited Accounts for the year ended 31st March, 2013 of your Company.

1. FINANCIAL RESULTS:

	(Rupees in Lakhs)	
	Year ended 31st March, 2013	Year ended 31st March, 2012
Gross income	5680.63	6268.58
Profit before depreciation and interest	190.07	442.18
Interest.....	112.43	98.41
Depreciation.....	172.50	145.35
Profit/(loss) before tax	(94.86)	198.42
Provision for taxation:		
– Current	–	59.00
– Deferred	3.00	14.00
– Short provision for earlier years	–	2.34
	3.00	75.34
Exceptional item	–	214.00
Net profit/(loss) after tax	(97.86)	(90.92)
Balance in profit & loss account – B/F	856.94	947.86
	759.08	856.94
Appropriation recommended by the Directors:		
Proposed dividend.....	Nil	Nil
Income tax on distributed profit.....	Nil	Nil
Transfer to general reserve.....	–	–
Balance in profit & loss account	759.08	856.94
	759.08	856.94

2. OPERATIONS:

Sales of the Company were lower by 11% in F13. The continued slowdown in Construction, Engineering, Infrastructure, Automobile, Electrical Switchgear industries impacted both the compound and component sales.

Company produces SMC/DMC compounds and sells them to Electrical Switchgear OEMs and their moulding vendors. The Company itself moulds a portion of these compounds to produce automotive components and own products like 'Electra' and 'Sarovar'. Component business was down by 19% and the compound business by 6%. However Company could retain the overall market share in the business.

Though the component business was significantly lower than the previous year, Electra received better orders and as a result its sales grew by 16%. Last year's investment to increase product range is giving results. However some of the orders received have been postponed to next year due to slow movement in

infrastructural development in the country. Electra is being used in 8 states and is reaching the mark of 300,000 units sold.

Company has launched new product, SMC Panel Water Tank with brand name 'Sarovar' on Mahindra Group's founder day 2nd October, 2012. During Q4, we bagged substantial orders which will fructify into sales next year.

Rising input cost and rupee depreciation continue to reduce margins. Although initiatives of using alternative materials and sources resulted in limiting this impact, reduced volumes in market did not allow passing on all the cost increase to customers. The precision dispensing system has been commissioned for reducing waste and increasing consistency of product performance.

The Company has emphasized sustainability and both the plants have been certified for ISO 14001 and OHSAS 18001. This is helping to control wastages.

3. DIVIDEND:

In view of inadequate profits during the year under review your Directors do not recommend any payment of dividend.

4. DIRECTORS:

The Board has appointed Mr. Romesh Kaul as an Additional Director of the Company on 6th February, 2013. He holds office up to the forth coming Annual General Meeting. The Company has received notice from member signifying his intention to propose Mr. Romesh Kaul as Director of the Company.

Mr. R. R. Krishnan and Mr. Dhananjay Mungale, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

5. AUDITORS:

M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai retire and are eligible for re-appointment.

6. COST AUDIT REPORT:

M/s. Dhananjay V. Joshi & Associates, Cost Accountants, Pune, (Firm Registration No. 000030) conducted the audit of Cost Accounting Records maintained by the Company for the Financial Year 2011-12 and submitted their report to the Central Government, Ministry of Corporate Affairs, New Delhi. They were reappointed to conduct the Audit of the Cost Accounting Records maintained by for Company for the Financial Year 2012-13. The Cost Auditors shall forward their report to the Central Government, Ministry of Corporate Affairs, New Delhi for the Financial Year 2012-13 within the prescribed time.

As required under the provisions of Section 224(1B) read with Section 233B(2) of the Companies Act, 1956, the Company has obtained a written confirmation from M/s. Dhananjay V. Joshi & Associates to the effect that they are eligible for re-appointment as Cost Auditors under the above-mentioned sections. The Audit Committee has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company.

7. PUBLIC DEPOSITS AND LOANS / ADVANCES:

Your Company has not accepted any deposits from the public or its employees during the year under review.

8. INFORMATION UNDER SECTION 217(1)(e) THE COMPANIES ACT, 1956:

Information required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 and also forming part of this report is given in the enclosed annexure 'A'.

9. PARTICULARS OF EMPLOYEES:

Information required in terms of Section 217 (2A) of the Companies Act, 1956, read with amended

Companies (Particulars of Employees) Rules, 1975 and forming part of this Report is not enclosed as none of the employees is covered under these rules.

10. DIRECTORS RESPONSIBILITY STATEMENT:

Directors hereby state that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently and made judgment 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 and of the profit or loss of the Company for that year.
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have prepared the annual accounts on a going concern basis.

11. CORPORATE GOVERNANCE:

The Company has obtained a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance. The same is annexed to this Report.

12. COMPLIANCE CERTIFICATE:

As per the requirement of Section 383A of the Companies Act, 1956 a Certificate from a Secretary stating that the Company has complied with all the provisions of this Act is attached to this report.

13. RIGHTS ISSUE / PIPE PROJECT:

The slowdown in the country's infrastructure development and hence recessionary trend in the business is continued for another year. Power projects, water supply schemes, etc. are moving slow or on hold for various reasons. Looking at this situation and excess capacity in the Pipe segment, Company decided to hold the proposal and hence the rights issue.

14. SCHEME OF AMALGAMATION:

As a part of Mahindra Group Strategy to consolidate the auto components business and formation of global alliance with CIE Automotive, Spain, the Board of Directors of the Company at their meeting held on June 15, 2013, duly considering the recommendation of the Audit Committee and subject to regulatory approvals, have approved a Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956, involving the Company, the Mahindra Forgings Limited ("Transferee Company"), with effect from 1st October, 2013. ("The Scheme").

The Scheme is the second step in the formation of the global alliance and will be filed post the completions of the conditions precedents to the relevant agreements and the closing of the share transfer of three companies viz. Mahindra Forgings Limited, Mahindra Hinoday Industries Limited and Mahindra Composites Limited by Mahindra and Mahindra Limited to CIE Group. The Scheme once filed will be subject to the requisite approvals. M/s. N M Raiji & Co, Chartered Accountants and M/s. S R Batliboi & Co. LLP have recommended a share exchange ratio of 90 Equity shares of Rs.10/- each in Mahindra Forgings Limited for every 100 Equity shares of Rs.10/- each held by the shareholders of Mahindra Composites Limited. SBI Capital Markets, Merchant Bankers have provided the fairness opinion on the share exchange ratio.

15. STOCK OPTIONS:

The Remuneration / Compensation Committee of your Company have not granted any Stock Options to the employees during the year under review.

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure 1 to this Report.

16. ENVIRONMENT & HEALTH :

Mahindra Composites Limited, Mangaon unit took measures to conserve Energy. Successful efforts were taken to reduce hazardous waste by controlling process loss.

17. INDUSTRIAL RELATIONS :

During the year under review, industrial relations remained satisfactory.

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

ANNEXURE “A” TO THE DIRECTORS’ REPORT

Particulars as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors’ Report.

COMPOUND MANUFACTURING

1. The Company obtained UL approval against new customer requirements.
2. Company developed SMC for Oil Sump and potable SMC for Sarovar Panel Tank for water storage.

A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Mahindra Composites Ltd. has launched a new product “Sarovar” – SMC Panel Water Tank this year
2. **Expenditure on R & D:**

	2012–2013	2011–2012
	Rs. in lakhs	Rs. in lakhs
(a) Capital	Nil	Nil
(b) Recurring.....	28.00	26.97
Total.....	28.00	26.97
Total R&D Expenditure as % of Total turnover	0.56%	0.48%

B. FOREIGN EXCHANGE EARNINGS & OUTGO:

Total Foreign Exchange Earnings and Outgo:

	2012–2013	2011–2012
	Rs. in lakhs	Rs. in lakhs
Earnings.....	430.54	452.12
Outgo.....	663.57	765.95

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

ANNEXURE 1 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2013.

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

(a)	Options granted.....	: 90,000
(b)	The pricing formula	: Exercise Price of Rs.47.40 is calculated at a discount not higher than 15% of the average of the daily high and low of the price for the company's equity shares quoted on the Bombay Stock Exchange Ltd. during the 15 days preceding the Grant of the Options.
(c)	Options vested	: 30,003
(d)	Options exercised.....	: Nil
(e)	The total number of shares arising as a result of exercise of options	: Nil
(f)	Options lapsed	: Nil
(g)	Variation of terms of options.....	: Nil
(h)	Money realized by exercise of options.....	: Nil
(i)	Total number of options in force.....	: 90,000
(j)	Employee-wise details of options granted to:	
	(i) Senior managerial personnel.....	: As per list attached.
	(ii) Any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year.	: None
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	: None

Diluted Earnings per Shares (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'..... : (Rs.2.22)

Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.

: The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs.2.03 lakhs, profit after tax would have been lower by Rs.2.03 lakhs & both the basic and diluted earning per share would have been lower by Rs.0.05.

Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock..... : -

A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:

- | | |
|--|-----|
| (i) risk free interest rate | : - |
| (ii) expected life | : - |
| (iii) expected volatility | : - |
| (iv) expected dividends, and..... | : - |
| (v) the price of the underlying share in market at the time of option grant..... | : - |

During the year the Company has not granted any options to employees or senior managerial persons.

Statement attached to Annexure 1 to the Directors' Report for the year ended 31st March, 2013:

Name of the Senior Management Persons of the Company to whom Stock Options have been granted	Number of Options granted in 2009-10
Mr. B. M. Kataria.....	2,500
Mr. R. R. Krishnan.....	2,500
Mr. C. S. Devale.....	2,500

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Mahindra Composites Limited (MCL) is one of India's leading players in the field of composites supplying SMC/DMC compounds and components to the electrical switchgear, power distribution, automotive and medical equipment industry. MCL operates out of two plants, one at Mangaon, Dist. Raigad and the other in Pimpri, Pune. The plant at Mangaon has a capacity of 15000 MT of SMC/DMC compound manufacturing. The SMC/DMC component manufacturing plant at the same location has 6 compression moulding presses ranging from 100 MT to 500 MT capacities. There are also 3 RTM stations and hand-lay up setup to manufacture components. The plant at Pimpri houses additional 6 compression moulding presses along with an innovation lab which focuses on product concept, design and engineering.

We sell SMC/DMC compounds to electrical switchgear OEMs like L&T, Schneider, Legrand, Siemens and ABB etc. who in turn sell switchgears largely to the construction industry. The electrical switchgear industry is the key end user of the company's products and accounts for almost 70% of MCL's revenue.

We sell moulded components to the power distribution industry, under the brand name '*Electra*'.

We sell moulded body parts with and without painting to Auto & Tractor OEMs. The component business for both the electrical and automotive market has been developed in the last few years.

Industry Outlook

F13 saw a slow down as it was in F12 in the Electrical Switch Gear Industry influenced mainly by the slow down in the Construction Industry and new industrial projects getting stalled or postponed. This phenomenon is expected to reduce growth of the domestic switchgear market in the coming years. The sales of leading electrical switchgear OEMs have also been impacted. There is also increasing competition in this market with the entry of new manufacturers of SMC/DMC compounds with the latest manufacturing know-how.

The power distribution market remained flat during the year. Consequently, the implementation of power infrastructure projects is slowing down.

The automotive market is accepting new applications of composites products but as an industry it also slowing down resulting in postponement of development and new launches by OEMs.

Performance

Due to slowdown in our target industries (electrical switchgear, power distribution & automotive industries) our compound and component volumes were low as compared to F12. However, Company has retained overall market share in spite of increased competition.

We have launched new product panelled water tank named "Sarovar" in Indian market and bagged good orders for F14.

Given the current and expected slowdown in the approval of infrastructure projects, the GRP Pipe Project was put on hold and as a matter of abundant precaution the expected expenses as a result of holding of a project were already provided for in F12. Since there is no change in market situation, we will continue with our decision.

Strategy, Opportunities & Threats

We will continue to consolidate our core business of SMC/DMC compounds for the switchgear industry by improving our manufacturing efficiency and product reliability with the aim of optimising our margins in this segment as far as possible. For example, we have commissioned the precision dispensing system to reduce waste and increase consistency.

As the business of compounds stagnates, we are focusing on expanding our moulded components business. The '*Electra*' ranges of products are a key focus area and additionally we have launched panelled water tank named "Sarovar" in India and bagged good orders for F14. Efforts are also on to increase acceptance of composite parts in the automotive market. The exterior body panel business for the Truck industry is a good platform for growth and we will leverage our expertise to grow in this business. We will continue to scan for and evaluate opportunities that can help us move up the value chain from compounds to components in an accelerated manner. In this regard, we are open to global strategic partnerships that can improve our technical capabilities and expand our product portfolio.

We have also created an innovation lab within the Company which keeps on experimenting with new composite products for different end user applications, the details of which are explained in the next section.

Innovation & Technology Development

The seamless carbon fiber wind mill blade which won accolades from ICERP-JEC last year has been successfully put into production and significant quantities are sold. However the sales have been lower than envisaged due to change in Govt. Policy towards small wind mills during the year.

The formulation R&D team continues its innovation efforts and contributes to protecting margins in a competitive environment. The efforts resulted in generating alternative materials and sources which helped to limit cost increase effect on our margins. We will continue our association with the R&Ds of our reputed suppliers to develop state of art products for our customers.

Outlook F-14

Your Company has taken up a modest target for growth.

Electrical Switch Gear OEMs have predicted almost flat sales as F13 and we will focus on optimising profitability in this segment. However there are new entrants in this market whom MCL had approached for product approvals and successfully obtained and it will ensure that there is growth in the medium term.

In F14 we will ensure that the "*Electra*" orders in hand are pushed to the market in the power distribution segment. The "Channel Partner" network to sale "Sarovar" will be increased to cover the sales in country and significant revenue will be added during F14.

Risks and Concerns

Foreign Raw Material suppliers are setting up plants in India and this will reduce Imports. The Company has a planned strategy to develop local sources to reduce the risk of currency fluctuations. However commodity (petro based RM) price variation will continue to be a risk

The Company will invest in new business segments to grow the company and this strategy is accompanied by the inevitable risk of entering new markets with limited knowledge. However these efforts will see the benefits in medium terms as we are experienced in 'Electra' and 'Sarovar'. The Company will raise finance through long term debts to meet its needs for adding assets to enable growth.

Internal Control Systems and Their Adequacy

In the opinion of the Management, the Company has an adequate internal audit and control systems to ensure that all transactions are authorised, recorded and reported correctly. The internal control systems comprise extensive internal and statutory audits.

The internal audit of our operations is conducted by M & M's Corporate Management Services (CMS) regularly. This provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The QHS certifications will ensure continuous improvement in each of these areas. The Company is also committed to achieve its TS 16949 certification next year. Both plants continue to be fully operational under ERP facilitating MIS.

Human Resources and Management Systems

Your Company continues to implement the Mahindra Annual Planning Cycle which facilitates Senior Management reviews and actions in Operation and Strategy.

The Company has a programme called "BINDAAS BOL" (Speak your mind) aimed at encouraging all the employees to contribute their knowledge and experience in areas outside their own immediate duties by making suggestions for improvements.

There is increased participation across all levels in the implementation of initiatives for continuous improvement. A leadership development program has been instituted to develop young leaders to be able to take on higher positions in the growth of the Company.

Your Directors place on record their appreciation for contributions made by employees at all levels and for cordial relations through out the year.

Sustainability

In the assessment of DNV and the Mahindra Quality Way, MCL has upgraded its Quality and Environment and Health Management Systems and will continue to improve and drive excellence in its internal manufacturing and business processes. Rain water harvesting system is being rejuvenated to improve its benefit to the plant by reducing water costs at Mangaon plant. Key initiatives also reduced the power and fuel consumption during the year. With an eye on sustainability we will continue to measure and optimise consumption of resources to stay competitive and promote a green planet. In pursuit of this both our plants have been certified for ISO 14001 & OHSAS 18001 standards.

Synergies with Parent

Synergies within Mahindra Systech

MCL is part of the Mahindra Systech sector in the Mahindra group, which aims to leverage the global competitiveness of Indian Companies. Companies within Mahindra Systech are present across three groups:

- (a) components – forgings, castings, stampings, ferrites, composites & gears
- (b) alloy steel and rings manufacturing
- (c) services – engineering and design services and contract sourcing.

The sector derives significant advantages of synergies and cross selling because of its presence in multiple component technologies. The sector is able to provide a basket of products and services to customers, largely OEMs or tier 1 suppliers, thereby enabling it to differentiate itself from competitors. A unified business development structure has been created by which Systech - wide key account managers have been assigned to large customers. The efforts of all Systech companies around web presence, collaterals, event planning etc have been harmonized. Systech companies also regularly explore synergies in areas of procurement, sourcing and product development. For example, Mahindra Systech made a joint presentation of abilities to Ordnance Factories and located potential for composite moulded products for defense. There is a regular exchange of best practices across Systech companies in areas like Finance, HR and Administration. The management of Mahindra Systech is contemplating bringing together all its component companies to create a large listed multi technology firm.

Relationship with Mahindra Group

Mahindra & Mahindra Limited, MCL's parent Company and the flagship Company of the Mahindra group is one of the leading automotive manufacturers in India. M&M is an anchor customer but there is an arms-length relationship between M&M and the Systech companies. Association with the Mahindra Group aids MCL in winning new businesses and obtaining financial assistance. MCL adheres to the corporate values, principles and established corporate governance practices of the Mahindra Group.

In January 2011, the Mahindra Group launched a new brand identity "Rise" which rests on three brand pillars: accepting no limits, alternative thinking, and driving positive change. MCL is using the idea of 'RISE' to invigorate its employees and achieve its long term goals. RISE provides a clear guide for business decisions by catalyzing ambitious and innovative internal growth.

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai: 24th July, 2013.

MANAGEMENT DISCUSSION & ANALYSIS

(Rs. in lakhs)

A) MAJOR HIGHLIGHTS	Year ended 31st March, 2013	Year ended 31st March, 2012	Change
Sales & other income.....	5,040.64	5,671.71	(11.13%)
Operational profit/(loss)	(94.90)	198.37	(147.84%)
Profit/(loss) before tax	(94.86)	198.42	(147.81%)
Return on capital employed	(6.06%)	11.83%	(151.23%)
Operating cash flow	354.22	138.25	156.22%
B) FINANCIAL POSITION AT A GLANCE			
Asset (owned & leased)			
Fixed assets (net).....	1,028.29	1,040.49	
Investment.....	–	–	
Non - current assets / (liabilities) (net)	23.92	53.68	
Current assets / (liabilities) (net)	512.26	582.73	
	1,564.47	1,676.90	
Financed by:			
Long term borrowings	101.25	115.82	
Net worth	1,463.22	1,561.08	
	1,564.47	1,676.90	
Represented by:			
Share capital	441.39	441.39	
ESOP outstanding	9.62	9.62	
Retained earnings	1,012.21	1,110.07	
	1,463.22	1,561.08	
C) DISTRIBUTION OF INCOME			
Material consumed.....	3,487.51	69.19%	3,776.50 66.58%
Employee cost	496.93	9.86%	561.54 9.90%
Other expenses	866.13	17.18%	891.49 15.72%
Finance cost	112.43	2.23%	98.41 1.74%
Depreciation	172.50	3.42%	145.35 2.56%
Exceptional item	–	0.00%	214.00 3.77%
Provision for taxation.....	3.00	0.06%	75.35 1.33%
Current	–	0.00%	59.00 1.04%
Deferred	3.00	0.06%	14.00 0.25%
Short provision for earlier years	–	0.00%	2.35 0.04%
Tax on dividend	–	0.00%	– 0.00%
Dividend	–	0.00%	– 0.00%
Retained earnings	(97.86)	(1.94%)	(90.93) (1.60%)
	5,040.64 100.00%	5,671.71 100.00%	

(Figures of previous year have been regrouped to match the current year's basis)

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS

1. Company's philosophy of Corporate Governance

Mahindra Composites Limited looks on Corporate Governance as a necessary tool for achieving all round business excellence reflected in enhanced shareholder value, without compromising on the needs and interests of other stakeholders. For the Company, the essence of corporate governance is to ensure transparency in its business operations.

Recognising that good corporate governance begins with Company's own internal policies and practices, your Company is focusing on a wide spectrum of activities, covering various business areas, through a combination of good practices and legal compliance, in a manner that would spell corporate fairness, transparency and accountability, because this is what Corporate Governance is all about.

A report on the implementation of the Code of Corporate Governance introduced by the Securities and Exchange Board of India and incorporated in the Listing Agreement is given below.

2. Board of Directors

(a) Composition:

The Board of Directors comprises of six directors, all of whom are non-executive directors.

More than one-third of the Board comprises of the independent directors. The independent directors have confirmed that they satisfy the criteria for an independent director as stipulated in Clause 49 I(A)(iii) of the listing agreements.

The directors bring to the Board a wide range of experience and skills. The composition of the Board is in conformity with the listing agreements. Independent directors play a key role in the decision-making process of the Board as they approve the overall strategy of the Company and oversee the performance of management. The independent directors are committed to acting in what they believe is in the best interest of the Company and its stakeholders.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM):

Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM
Mr. Hemant Luthra	Chairman – NED	1	No`
Mr. C. S. Devale	NED	4	Yes
Mr. R. R. Krishnan	NED – I	3	No
Mr. B. M. Kataria	NED – I	4	Yes
Mr. Dhananjay Mungale	NED – I	2	No
Mr. Romesh Kaul (Appointed w.e.f. 6th February, 2013)	NED	Nil	NA

NED – Non-Executive Director

NED-I – Non-Executive Director – Independent

(c) Number of other Companies or Committees the Director of the Company is a Director / Member / Chairman:

Name of Director	No. of Directorships in other Boards*	No. of Memberships in other Board Committees #	No. of Chairmanships in other Board Committees #
Mr. Hemant Luthra	14	3	NIL
Mr. C. S. Devale	NIL	NIL	NIL
Mr. R. R. Krishnan	1	1	NIL
Mr. B. M. Kataria	1	1	NIL
Mr. Dhananjay Mungale	15	8	2
Mr. Romesh Kaul (Appointed w.e.f. 6th February, 2013)	3	NIL	NIL

* Directorships in Foreign Companies and Private Limited Companies are included in the above table.

Memberships in Committees other than Audit Committee / Shareholders' Grievance Committee of all Public Limited Companies and all Committees of Private Limited / Foreign Companies are excluded in the above table.

- (d) Details of Board Meetings held during the year under review:

Sr. No.	Date
1.	26th April, 2012
2.	30th July, 2012
3.	23rd October, 2012
4.	22nd January, 2013

The Board has met four times in the year with a gap of less than four months between any two meetings.

- (e) Code of Conduct:

The Board has laid down a code of conduct for all Board Members and senior management of the Company. The code of conduct is posted on the website of the Company. The certificate from the COO confirms compliance with the Code of Conduct by the Directors and Senior Management is enclosed.

- (f) As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Chief Operating Officer and Chief Financial Officer of the Company have certified to the Board regarding the financial statements, and matters related to internal controls in the prescribed format for the year ended 31st March, 2013.

3. Audit Committee

- (a) Composition, No. of meetings and Attendance:

Details of Audit Committee Meetings held during the year under review–

Sr. No.	Date
1.	26th April, 2012
2.	30th July, 2012
3.	23rd October, 2012
4.	22nd January, 2013

The Audit Committee has met four times in the year with a gap of less than four months between any two meetings.

Sr. No.	Name of Director	No. of Meetings attended
1.	Mr. B. M. Kataria #	4
2.	Mr. C. S. Devale	4
3.	Mr. Dhananjay Mungale	2
4.	Mr. R. R. Krishnan	4

Chairman

All members of Audit Committee are non-executive directors. Majority of members of the Audit Committee are Independent Directors; Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Internal Auditors and Statutory Auditors are invitees to the meetings. The Company Secretary acts as the secretary to the Committee. The Chairman of the Audit Committee Meeting was present at the Annual General Meeting held on 29th September, 2012.

- (b) Terms of Reference:

A qualified and independent audit committee has been set up. The Chairman of the Audit Committee is an independent director. The members of the Audit Committee are financially literate and the Chairman of the Audit Committee has accounting and related financial management expertise.

The Committee recommends to the Board, the appointment or re-appointment of the Statutory Auditors and the audit fees payable. The Audit Committee and statutory auditors discuss the nature and scope of audit prior to the commencement of the audit and areas of concern, if any, arising post audit. In addition, the Committee approves payment of fees for other services rendered by the statutory auditors.

The responsibility of the Committee is to also review the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the Board.

The Committee reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the Management on observations and recommendations made by the respective auditors.

4. Remuneration Committee

(a) Terms of Reference:

To frame Company's Remuneration Policy on behalf of the Board and on behalf of the shareholders on specific remuneration packages for Directors including pension rights, ESOP and any compensation payment.

(b) Composition:

Members of the Committee are

Mr. B. M. Kataria – Chairman

Mr. Dhananjay Mungale

No meeting of Remuneration Committee Meeting was held during the year.

(c) Remuneration of Directors:

Presently Company is not having any Executive Director.

(d) The Board of Directors decides the remuneration of non-executive directors, which consists of sitting fees as well as commission based on the net profits of the Company, payable to certain directors.

Details of Remuneration paid/payable to Non-Executive Directors during the year are as follows:

Name of the Director	Directors' Fees	Commission
Mr. B. M. Kataria	33,000/-	Nil
Mr. Dhananjay Mungale	20,000/-	Nil
Mr. R. R. Krishnan	28,000/-	Nil
Mr. C. S. Devale	30,000/-	Nil

Employee Stock Option Scheme (ESOS)

During the year Company has not allotted any Equity shares to the permanent employees and to non-executive Directors of the Company.

The disclosure in respect of ESOS as required under Clause 12.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchases Scheme) Guidelines, 1999 as amended, have been made in the Directors' Report.

5. Shareholders' / Investors' Grievance Committee

(a) Composition:

Members of the Committee are:

Mr. R. R. Krishnan – Chairman

Mr. B. M. Kataria

Mr. C. S. Devale

A Meeting of Shareholders' / Investors' Grievance Committee was held on 26th April, 2012.

(b) Compliance Officer:

Mr. Vijayendra Kolambkar – GM – Finance & Accounts.

(c) Complaints:

One Complaint was received during the year under review. This complaint has been resolved.

As on 31st March, 2013 there were no transfers of shares pending for execution.

6. General Body Meetings

(a) Location and time where last three Annual General Meetings were held:

Financial Year	Date	Time	Venue	Any special resolution passed
2009-2010	23rd July, 2010	4.00 p.m.	Hotel Panchshil, Chinchwad, Pune-19.	No
2010-2011	29th July, 2011	3.00 p.m.	Hotel Panchshil, Chinchwad, Pune-19.	Yes
2011-2012	29th Sept., 2012	3.30 p.m.	Citrus Hotels, Pimpri, Pune-18.	Yes

(b) Postal Ballot:

No resolution was required to be passed by means of a postal ballot during the year.

7. Disclosures

- (a) Mr. C. S. Devale (Non-executive Director) holds 1,426 fully paid equity shares of Rs.10/- each in the capital of the Company.
- (b) Mr.B. M. Kataria (Non-executive Director Independent) holds 1,666 fully paid equity shares of Rs.10 each in the capital of the Company.
- (c) Commission and sitting fees is paid to certain non-executive directors.
- (d) Full disclosures on related party transactions, as per the Accounting Standard 18 referred to in section 211(3C) of the Companies Act, 1956, is given under Note 28, Schedule XIII of the Annual Accounts.
- (e) Details of non-compliance, penalties, and strictures imposed on the Company by the Stock Exchanges/SEBI/Statutory Authorities on matters relating to capital markets during the last three years:
The Company has complied with the requirements of regulatory authorities on capital markets and no penalties / strictures have been imposed against it in the last three years.
- (f) The Company has a Risk Management Framework in place. The Company has established procedures to periodically place before the Board the Risk assessment and minimization procedures being followed by the Company and steps taken by it to mitigate these risks.
- (g) The Company has followed the Guidelines of Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) in the preparation of its financial statements.

8. Means of Communication

i. Half-yearly report sent to each household of shareholders	No, as the results of the Company are published in the Newspapers every quarter.
ii. Quarterly Results published in newspapers	Yes. Indian Express – Pune Edition Loksatta – Pune Edition
iii. Any website, where results or official news are displayed	Yes: www.mahindracomposites.com
iv. The presentations made to Institutional investors or to the Analysts	No presentation has been made to Institutional Investors or to the Analysts.
v. Whether Management Discussion and Analysis is a part of Annual Report or not	Yes.

9. General Shareholder Information

AGM : Date, Time and Venue	On Friday, 27th September, 2013 at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway, Pimpri, Pune - 411 018 at 11.00 a.m.
Financial calendar (Tentative)	The financial year under review covers period from 1st April, 2012 to 31st March, 2013. The next financial year would be from 1st April, 2013 to 31st March, 2014. i) First Quarter Results – last week of July ii) Half-yearly Results – last week of October iii) Third Quarter Results – last week of January iv) Results for the year ending 31st March, 2014 – last week of April, 2014.
Date of Book Closure	Monday, 23rd September, 2013 to Friday, 27th September, 2013 (both days inclusive)
Dividend Payment date	Not Applicable.
Listing on Stock Exchanges	Bombay Stock Exchange Limited The Company has paid the listing fees for the year 2012-2013.
Stock Code – Physical ISIN Number for NSDL & CDSL	524138 on Bombay Stock Exchange Limited INE219G01015
Market Price Data: High, Low during each month in last financial year	Please see Annexure – A

Stock Performance	Please see Annexure – A
Registrar and Transfer Agents	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2nd floor, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Andheri (East), MUMBAI - 400 072. Tel- 022– 67720300 / 67720400 Fax- 022– 28591568 / 28508927 Email- sharepro@shareproservices.com
Share Transfer System	The share transfers for the period from 1st April, 2012 to 31st March, 2013 were processed by Sharepro Services (India) Private Limited. All the share transfers were approved by the Senior Executives of the Company.
Distribution of Shareholding and share holding pattern as on 31.03.2013	Please see Annexure – B
Dematerialisation of shares and liquidity	92.45% of the Paid-up Capital has been dematerialised as on 31.03.2013.
Outstanding GDRs/ADRs/Warrants or any convertible instruments conversion date and likely impact on equity	Not issued
Plant Locations	The Company's plants are located at Mangaon, District - Raigad and at Pimpri, Dist. Pune.
Address for correspondence	Mahindra Composites Limited 145, Nehru Nagar Road, Off Mumbai-Pune Road, Pimpri, Pune – 411 018.

B. NON-MANDATORY REQUIREMENTS

(a) Chairman of the Board – Re: Non-executive Chairman:

Chairman of the Board is a Non-executive Director. However, he does not maintain any office at the Company's expense.

(b) Re: Remuneration Committee:

The Company has formed a Remuneration Committee of three non-executive independent directors. The Chairman of the Remuneration Committee Meeting was present at the Annual General Meeting held on 29th September, 2012.

(c) Shareholders' Rights – Re: half yearly results:

Under Review

(d) Training of Board Members:

Under Review

(e) Mechanism for evaluating non-executive Board Members:

Under Review

(f) Whistle Blower Policy:

Under Review

(g) Tenure of Independent Directors:

Under Review

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 30th April, 2013.

ANNEXURE – A
Market Price Data & Stock Performance

Month/Year	Bombay Stock Exchange Limited		Sensex, Bombay Stock Exchange Limited	
	High (Rs.)	Low (Rs.)	High	Low
April, 2012	57.10	44.15	17664.10	17010.16
May, 2012	52.50	39.10	17432.33	15809.71
June, 2012	52.45	38.10	17448.48	15748.98
July, 2012	60.10	43.65	17631.19	16598.48
August, 2012	49.00	41.30	17972.54	17026.97
September, 2012	48.70	39.60	18869.94	17250.80
October, 2012	50.45	43.10	19137.29	18393.42
November, 2012	46.50	39.30	19372.70	18255.69
December, 2012	49.80	40.50	19612.18	19149.03
January, 2013	46.45	38.80	20203.66	19508.93
February, 2013	41.70	31.50	19966.69	18793.97
March, 2013	38.70	30.00	19754.66	18568.43

ANNEXURE – B
Distribution of shareholding as on 31st March, 2013

Number of shares held	Members		Shares	
	Number	%	Number	%
1– 500	4,534	88.28	693,872	15.72
501– 1,000	302	5.89	247,414	5.60
1,001– 2,000	141	2.75	210,272	4.76
2,001– 3,000	52	1.01	132,429	3.00
3,001– 4,000	27	0.53	94,992	2.15
4,001– 5,000	21	0.40	98,688	2.24
5,001– 10,000	28	0.54	201,219	4.56
10,001 and above	31	0.60	2,734,038	61.97
TOTAL	5,136	100.00	4,413,924	100.00

Shareholding pattern as on 31st March, 2013

Category	No. of members	No. of Shares held	% to the Capital
Indian Promoters	3	1,977,203	44.79
Foreign Promoters	Nil	Nil	Nil
Mutual Funds & UTI.....	Nil	Nil	Nil
Banks, Financial Institutions & Insurance Companies	1	1,600	0.03
Foreign Institutional Investors.....	1	2,050	0.05
Private Corporate Bodies	143	192,052	4.35
Indian Public.....	4,934	2,199,557	49.84
Foreign Nationals / NRIs.....	54	41,462	0.94
Total.....	5,136	4,413,924	100.00

DISCLOSURE REGARDING CORPORATE GOVERNANCE

Non-Executive Directors:

None of the Non-Executive Directors has any material pecuniary relationship or transaction with the Company.

The Company pays sitting fees of Rs. 5,000 per meeting to its Non-Executive Directors (NEDs) for attending meeting of the Board and other Committees of the Board. The shareholders have at the Annual General Meeting held on 21st July, 2008 of the Company approved of payment of Commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company, if the Company has a Managing Director / Whole-time Director / Manager or 3% of the net profits of the Company in any other case, as computed under the applicable provisions of the Companies Act, 1956. The said commission will be decided each year by the Board of Directors and distributed amongst the NEDs based on their attendance and contribution at Board and certain Committee Meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

CHIEF OPERATING OFFICER'S CERTIFICATE

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS

AND

SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for all the Board Members and the Senior Management Personnel of the Company. The Code is available on the Company's website.

I confirm that the Company has, in respect of the financial year ended 31st March, 2013, received from all the Board Members and the Senior Management Personnel an affirmation of compliance with the Code.

Mahadev Shinde
Chief Operating Officer

Place: Mumbai
Date: 30th April, 2013.

COMPLIANCE CERTIFICATE

For the Financial year 1st April, 2012 to 31st March, 2013

To,
The Members
MAHINDRA COMPOSITES LIMITED

I have examined the registers, records, books and papers of Mahindra Composites Limited as required to be maintained under the Companies Act, 1956. (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2013. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company, being a public limited company, has the minimum prescribed paid-up capital.
4. The Board of Directors duly met 4 times respectively on 26-04-2012, 30-07-2012, 23-10-2012 and 22-01-2013 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 25th September, 2012 to 28th September, 2012 and necessary compliance of Section 154 of the Act has been made.
6. The annual general meeting for the financial year ended on 31st March, 2012 was held on 29th September, 2012 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary Meeting(s) was/were held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government, as the case may be.
12. The Board of Directors, or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
13. The Company has;
 - (i) delivered all the certificates on allotment of securities and on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act ;
 - (ii) the Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) the Company has not posted warrants to any member of the Company as no dividend was declared during the financial year
 - (iv) transferred the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
 - (v) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointments of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made.
15. The Company has not appointed any Managing Director /whole time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.

17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures and securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The amount borrowed by the Company from Directors, Members, Public, Financial Institutions, Banks and others during the financial year ending are within the borrowing limits of the Company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened annual general meeting.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has altered its articles of association after obtaining approval of members in the general meeting held on 29/09/2012 and the amendments to the articles of association have been duly registered with the Registrar of Companies.
31. There were no prosecution initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employees and employers contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

I. U. THAKUR
Company Secretary
C. P. No.: 1402

Pune: 30th April, 2013.

Annexure A

Registers as maintained by the Company

1. Register of Members – under Section 150
2. Register of Directors – under Section 303
3. Register of Directors' shareholding – under Section 307
4. Minutes Books of General Meetings – under Section 193
5. Minutes Books of Board Meetings – under Section 193
6. Books of Accounts – under Section 209
7. Register of Charges – under Section 143
8. Register of Contracts – under Section 301
9. Proxy Register

OTHER REGISTERS

1. Register of Shareholders' Attendance
2. Register of Directors' Attendance
3. Register of Investors Complaints

Annexure B

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31st March, 2013.

1. Form No.66 (Compliance) as on 31st March, 2012 filed under Section 383A.
2. Form No.23AC & 23ACA (Annual Report) as on 31st March, 2012 filed under Section 211.
3. Form No.20B (Annual Return) filed on 25th October, 2012 filed under Section 159.
4. Form No.32 filed on 13th February, 2013 under Section 303.
5. Form No.1 INV as per Investor Edu. & Protection fund Rules, 2001.
6. Form No.23 filed under Section 192.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To The Members of
Mahindra Composites Limited**

We have examined the compliance with conditions of Corporate Governance by **MAHINDRA COMPOSITES LIMITED** ("the Company") for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.

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

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

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

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117365W)

Z. F. Billimoria

Partner

Membership No.: 42791

Mumbai: 30th April, 2013.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA COMPOSITES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **MAHINDRA COMPOSITES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the Directors as on 31st March, 2013 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117365W)

Z. F. Billimoria
Partner
(Membership No. 42791)

Mumbai: 30th April, 2013.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, etc. clauses (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The Fixed Assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals (except for items lying with third parties for which confirmations have been obtained as at the year end).
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventory followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that most of the items purchased are of a special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) Based upon the audit procedures performed and according to the information and explanations given to us, during the year there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of Statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable.

- (c) Details of the dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2013 on account of disputes are given below:

Nature of the dues	Amounts Involved (dues quantified to the extent not deposited) (Rs.)	Period to which the amount relates	Forum where dispute is pending
Excise duty	189,106	1999–2000	Assistant Deputy Commissioner of Central Excise, Mahad
Service tax	207,889	2005–2006	Assistant Deputy Commissioner of Central Excise, Mahad
Excise duty	154,867	2012-2013	Assistant Deputy Commissioner of Central Excise, Mahad
Total.....	551,862		

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions. There are no dues to debenture holders.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117365W)

Z. F. Billimoria
Partner
(Membership No. 42791)

Mumbai: 30th April, 2013.

BALANCE SHEET AS AT 31st MARCH, 2013

Particulars	Note No.		As at 31st March, 2013	As at 31st March, 2012
		Rupees	Rupees	Rupees
I. EQUITY AND LIABILITIES				
(1) Shareholders' funds				
(a) Share capital.....	2	44,139,240		44,139,240
(b) Reserves and surplus.....	3	102,182,736		111,968,976
			146,321,976	156,108,216
(2) Non-current liabilities				
(a) Long-term borrowings	4	5,724,611		7,482,269
(b) Deferred tax liabilities (net)	5	4,400,000		4,100,000
(c) Long-term provisions.....	6	—		1,250,050
			10,124,611	12,832,319
(3) Current liabilities				
(a) Short-term borrowings.....	7	66,807,691		76,889,394
(b) Trade payables.....	8	75,120,538		63,604,484
(c) Other current liabilities	9	19,797,762		14,642,326
(d) Short-term provisions	10	23,804,741		27,392,687
			185,530,732	182,528,891
Total.....			341,977,319	351,469,426
II. ASSETS				
(1) Non-current assets				
(a) Fixed assets				
(i) Tangible assets.....	11	93,911,572		102,593,377
(ii) Intangible assets.....	12	977,490		1,326,182
(iii) Capital work-in-progress		7,939,628		130,000
			102,828,690	104,049,559
(b) Long-term loans and advances	13	2,301,912		6,259,322
(c) Other non-current assets.....	14	89,700		358,800
			2,391,612	6,618,122
(2) Current assets				
(a) Inventories	15	57,386,026		38,367,033
(b) Trade receivables	16	147,326,213		180,347,177
(c) Cash and cash equivalents.....	17	3,762,879		2,965,965
(d) Short-term loans and advances.....	18	28,012,799		18,852,470
(e) Other current assets.....	14	269,100		269,100
			236,757,017	240,801,745
Total.....			341,977,319	351,469,426

See accompanying notes forming part of the financials statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra

Chairman

R. R. Krishnan

C. S. Devale

B. M. Kataria

D. N. Mungale

Romesh Kaul

Directors

Mumbai: 30th April, 2013.

Mumbai: 30th April, 2013.

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2013

Particulars	Note No.	For the year ended 31st March, 2013	For the year ended 31st March, 2012
		Rupees	Rupees
I. Revenue from operations—(gross)		567,442,675	622,079,803
Less: Excise duty		63,998,889	59,686,587
Revenue from operations—(net)	19	503,443,786	562,393,216
II. Other income	20	620,107	4,777,936
III. Total revenue (I + II)		504,063,893	567,171,152
IV. Expenses:			
Cost of materials consumed	21	357,754,205	376,657,510
Changes in inventories of finished goods and work-in-progress	22	(9,003,251)	992,819
Employee benefit expenses	23	49,693,487	56,153,459
Finance costs	24	11,243,013	9,841,188
Depreciation and amortisation expenses	11 & 12	17,250,069	14,535,262
Other expenses	25	86,612,610	89,149,169
Total expenses		513,550,133	547,329,407
V. Profit/(loss) before exceptional items and tax (III – IV)		(9,486,240)	19,841,745
VI. Exceptional items		–	21,400,000
VII. Profit/(loss) before tax (V – VI)		(9,486,240)	(1,558,255)
VIII. Tax expense:			
(1) Current tax		–	5,900,000
(2) Deferred tax	5	300,000	1,400,000
(3) Short/(excess) provision for current tax in respect of earlier year(s)		–	234,443
		300,000	7,534,443
IX. Profit/(loss) for the year (VII – VIII)		(9,786,240)	(9,092,698)
X. Earnings/(loss) per equity share (face value per share Rs.10):			
(1) Basic	30	(2.22)	(2.06)
(2) Diluted	30	(2.22)	(2.06)

See accompanying notes forming part of the financials statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra

Chairman

R. R. Krishnan
C. S. Devale
B. M. Kataria
D. N. Mungale
Ramesh Kaul

Directors

Mumbai: 30th April, 2013.

Mumbai: 30th April, 2013.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

Particulars	Year ended 31st March, 2013		Year ended 31st March, 2012	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(loss) before tax.....		(9,486,240)		(1,558,255)
Adjustment for:				
Depreciation/amortisation.....	17,250,069		14,535,262	
Interest expense.....	11,243,013		9,841,188	
(Profit)/loss on sale of fixed assets.....	(61,252)		-	
Interest income.....	(4,366)		(5,476)	
Unrealised exchange (gain)/loss.....	(60,012)		231,205	
Provision for employee benefits.....	(30,57,334)		1,014,113	
		25,310,118		25,616,292
Operating profit before working capital changes.....		15,823,878		24,058,037
Adjustments for changes in working capital				
Long-term loans and advances.....	(291,859)		197,059	
Inventories.....	(19,018,993)		1,783,402	
Trade receivables.....	32,729,564		(30,462,408)	
Short-term loans and advances.....	(5,160,291)		6,952,421	
Trade payables.....	11,696,786		(458,140)	
Other current liabilities.....	4,991,356		(493,331)	
Short-term provisions.....	(1,780,662)		21,071,119	
Other non-current assets.....	269,100		269,100	
Restricted cash balance.....	163,127		(107,548)	
		23,598,128		(1,248,326)
Cash generated from operations.....		39,422,006		22,809,711
Income taxes paid.....		(4,000,038)		(8,984,218)
Net cash from operating activities.....		35,421,968		13,825,493
B. CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets:				
Capital expenditure on fixed assets, CWIP including capital advances.....	(12,247,390)		(27,287,883)	
Proceeds from sale of fixed assets.....	379,777		-	
Investments:				
Fixed deposit with bank withdrawn/(placed) (under lien).....	(33,659)		(5,379)	
Interest received.....	4,366		5,476	
Net cash used in investing activities.....		(11,896,906)		(27,287,786)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital.....	-		469,971	
Proceeds from long term borrowings.....	2,151,000		1,747,183	
Repayment of long term borrowings.....	(3,908,658)		(3,651,356)	
(Repayment)/proceeds from short term borrowings (net).....	(9,911,023)		30,410,166	
Interest paid.....	(10,766,872)		(9,293,101)	
Dividend paid.....	(163,127)		(10,129,251)	
Net cash from/used in financing activities.....		(22,598,680)		9,553,612
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS.....		926,382		(3,908,681)
CASH AND CASH EQUIVALENTS – [Refer Note (ii) below]:				
Cash and cash equivalents (Opening balance).....		1,550,056		5,458,737
Cash and cash equivalents (Closing balance).....		2,476,438		1,550,056
		926,382		(3,908,681)

See accompanying notes forming part of the financials statements

Notes:

i) Figures in brackets represent outflows of cash and cash equivalents

ii) Cash and cash equivalents comprise of:

Cash on hand.....	
Balances with banks: in current account.....	
Add : in dividend account (restricted).....	
in deposits (under lien).....	
Cash & cash equivalents at the end of the period as per Note 17.....	

As at 31st March, 2013

Rupees
11,250
2,465,188
2,476,438
1,190,305
96,136
3,762,879

As at 31st March, 2012

Rupees
26,095
1,523,961
1,550,056
1,353,432
62,477
2,965,965

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra
R. R. Krishnan
C. S. Devale
B. M. Kataria
D. N. Mungale
Ramesh Kaul

Chairman

Directors

Mumbai: 30th April, 2013.

Mumbai: 30th April, 2013.

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- a) The Financial Statements have been prepared under the historical cost convention, on an accrual basis and are in compliance with the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006. The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including the contingent liabilities) and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of accounts are prudent and reasonable. The actual results could differ from the estimates.
- b) FIXED ASSETS / INTANGIBLES AND DEPRECIATION / AMORTISATION**
- i) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.
- ii) a) Depreciation on tangible fixed assets is provided for on the straight line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956, except for the following:
- Moulds are depreciated at 33.33% of cost;
 - Vehicles are depreciated at 20% of cost;
 - Assets costing below Rs.5,000/- each are fully depreciated in the year of purchase.
- b) Leasehold land is amortised over the period of lease. Improvements to leased premises are amortised over the period of occupation of premises.
- c) Software is capitalised at the cost of acquisition and amortised on a straight line basis over four years. Any such expenditure on maintenance is charged off.
- c) INVENTORIES**
- Inventories are stated at the lower of cost and net realisable value. In determining the cost of inventories the weighted average method is used. Cost of work-in-progress and finished goods include material cost, labour and factory overheads on the basis of full absorption costing.
- d) REVENUE RECOGNITION**
- Sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyers and there is no uncertainty in the realisation. Interest income is recognised on a time proportion basis.
- e) EMPLOYEE BENEFITS**
- Employee benefits include gratuity, superannuation & provident fund and compensated absences benefits under the approved schemes of the Company. In respect of defined contribution plans, the contribution payable is charged to the Profit and Loss Statement. In respect of gratuity and compensated absences benefit, the employee benefit cost is accounted for, based on an independent actuarial valuation obtained as at the Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss.
- f) FOREIGN CURRENCY TRANSACTIONS**
- Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities are translated at year end exchange rates and the profit/loss so determined and also the realised exchange gains/losses are recognised in the Statement of Profit and Loss.
- g) GOVERNMENT GRANTS**
- Government grants in the nature of promoters' contribution is credited to Capital Reserve.
- h) TAXES ON INCOME**
- Tax expense for the year is included in the determination of the net profit for the year. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax in respect of unabsorbed depreciation and carried forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realise such assets.
- i) BORROWING COST**
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Notes forming part of the Financial Statements

2. SHARE CAPITAL

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Authorised:		
15,000,000 (Previous year 5,000,000) equity shares of Rs.10 each.....	150,000,000	150,000,000
	150,000,000	150,000,000
Issued:		
4,414,974 (Previous year 4,414,974) equity shares of Rs.10 each.....	44,149,740	44,149,740
	44,149,740	44,149,740
Subscribed and paid up:		
4,413,924 (Previous year 4,413,924) equity shares of Rs.10 each fully paid up (excluding 1,050 shares not allotted but held in abeyance)	44,139,240	44,139,240
Total.....	44,139,240	44,139,240

Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	Number of shares	Amount (Rs.)	Number of shares	Amount (Rs.)
No of shares outstanding at the beginning of the year	4,413,924	44,139,240	4,404,009	44,040,090
Add: Additional shares issued during the year under Employee Stock Option Scheme	–	–	9,915	99,150
Number of shares outstanding at the end of the year	4,413,924	44,139,240	4,413,924	44,139,240

Notes:

- i) Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Mahindra & Mahindra Limited.....	1,341,203	30.39%	1,341,203	30.39%
Prudential Management and Services Pvt. Limited .	416,000	9.42%	–	–
Azrael Investments Limited	–	–	416,000	9.42%

- ii) The Company has only one class of shares referred to as equity shares having a face value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends to its shareholders which are proposed by the Boards of Directors and approved by the shareholders at the Annual General Meeting. In the event of liquidation of Company, the equity shareholders will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

- iii) Refer to Note 31 for shares granted and issued under the Employee Stock Option Scheme.

Notes forming part of the Financial Statements

3. RESERVES AND SURPLUS

Particulars	Note No.	As at 31st March, 2013	As at 31st March, 2012
		Rs.	Rs.
Capital reserves (subsidy):			
As per last balance sheet.....	2,500,000		2,500,000
Additions/deductions during the year	—		—
		2,500,000	2,500,000
Securities premium account:			
As per last balance sheet.....	1,343,458		824,408
Additions on shares issued during the year under the employee stock option schemes.....	—		519,050
		1,343,458	1,343,458
Share options outstanding account:			
As per last balance sheet.....	961,838		1,110,067
Less: Options exercised under the employee stock option schemes.....	—		148,229
		961,838	961,838
General reserve:			
As per last balance sheet.....	21,469,950		21,469,950
Additions/deductions during the year	—		—
		21,469,950	21,469,950
Surplus i.e. balance in profit and loss statement			
As per last balance sheet.....	85,693,730		94,786,428
Add: Profit /(loss) for the year.....	(9,786,240)		(9,092,698)
		75,907,490	85,693,730
Total.....		102,182,736	111,968,976

Notes forming part of the Financial Statements

4. LONG-TERM BORROWINGS

Particulars	Note No.	As at 31st March, 2013	As at 31st March, 2012
		Rs.	Rs.
Term Loans			
From Banks: Secured			
(i) Secured by hypothecation of vehicles purchased out of the said loan	4a	1,189,117	351,432
(ii) Secured by hypothecation of equipments purchased out of the said loan	4b	4,535,494	7,130,837
		5,724,611	7,482,269
Total.....		5,724,611	7,482,269
Lender		As at 31st March, 2013	As at 31st March, 2012
4a HDFC Bank Limited			
Vehicle Loan payable in 60 equal monthly installments @ 13% p.a. (Previous year balance pertains to 9 installments).....		–	79,126
Vehicle Loan payable in 36 equal monthly installments @ 9.25% p.a. (Previous year balance pertains to 5 installments).....		–	121,791
Vehicle Loan payable in 36 equal monthly installments @ 9.25% p.a. (Previous year balance pertains to 7 installments)		–	150,515
Vehicle Loan payable in 35 equal monthly installments @ 10.25% p.a. Balance pertains to 23 monthly installments due from April, 2014		525,002	–
Vehicle Loan payable in 36 equal monthly installments @ 10.75% p.a. Balance pertains to 18 monthly installments due from April, 2014		409,460	–
Vehicle Loan payable in 36 equal monthly installments @ 11% p.a. Balance pertains to 14 monthly installments due from April, 2014		254,655	–
		1,189,117	351,432
4b Karur Vysya Bank Limited			
Equipment Loan payable in 55 monthly installments @ 2.5% below the Prime Lending Rate of the Bank, with the minimum of 11% p.a. Balance Outstanding payable in 19 monthly installments (Previous year 38 outstanding installments)		4,535,494	7,130,837
		4,535,494	7,130,837

Notes forming part of the Financial Statements

5. DEFERRED TAX LIABILITIES (NET)

(i) Break up of deferred tax liability:

Nature of timing difference	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Provision for depreciation	7,200,000	7,500,000
Total.....	7,200,000	7,500,000

(ii) Break up of deferred tax asset:

Provision for doubtful debts/advances.....	780,000	299,634
Section 43B items	2,020,000	3,100,366
Total.....	2,800,000	3,400,000

(iii) Deferred tax liability net (i) – (ii) 4,400,000 4,100,000

(iv) Net deferred tax liability charged off..... 300,000 1,400,000

6. LONG-TERM PROVISIONS

Particulars	Note No.	As at 31st March, 2013	As at 31st March, 2012
		Rs.	Rs.
Provision for employee benefits:			
Provision for gratuity.....	10	–	1,250,050
Total...		–	1,250,050

7. SHORT-TERM BORROWINGS

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Loans repayable on demand		
From banks		
Secured		
Working capital demand loan, cash credit and post shipment export credit (secured by hypothecation of movable assets including stocks & book debts)	16,807,691	51,889,394
Unsecured		
From other than related parties		
Inter corporate deposit	50,000,000	25,000,000
	66,807,691	76,889,394

8. TRADE PAYABLES

* Based on the information available with the Company, no parties have been identified as "supplier" within the meaning of The Micro, Small and Medium Enterprises Development Act, 2006.

Particulars	Note No.	As at 31st March, 2013	As at 31st March, 2012
		Rs.	Rs.
Current maturities of long-term debt			
Term loans—from banks—Secured			
(i) Secured by hypothecation of vehicles purchased out of the said loan	9a	1,019,674	1,027,823
(ii) Secured by hypothecation of equipments purchased out of the said loan	9c, 9d	2,582,634	2,600,655
From other parties—Secured			
Secured by hypothecation of vehicles purchased out of the said loan	9b	—	22,879
Interest accrued but not due on borrowings		1,105,756	629,615
Unclaimed dividends #		1,189,305	1,352,432
Other payables : Advances from customers.....		5,245,910	522,683
: Payables on purchase of fixed assets		1,548,396	1,697,330
: Statutory and other dues.....		5,183,341	5,211,096
: Other dues		1,922,746	1,577,813
Total...		19,797,762	14,642,326

There is no amounts which are due and payable to the Investor Education & Protection Fund.

Notes forming part of the Financial Statements

		Lender	As at 31st March, 2013	As at 31st March, 2012						
			Rs.	Rs.						
9b	Tata Motors Finance Limited									
	Vehicle loan payable in 60 equal monthly installments @ 13.15% p.a. (Previous year balance pertains to 2 installments)		–	22,879						
			–	22,879						
9c	Karur Vysya Bank Limited									
	Equipment loan payable in 54 monthly installments @ 2.5% below the prime lending rate of the bank, with the minimum of 11% p.a. balance pertains to 12 monthly installments due from April 2013 (Previous year balance pertains to 12 installments)		2,582,634	2,237,099						
9d	Axis Bank Limited									
	Equipment loan payable in 58 equal monthly installments @ 14.75% p.a. (Previous year balance pertains to 11 installments)		–	363,556						
			2,582,634	2,600,655						
10.	SHORT-TERM PROVISIONS									
Particulars		Note No.	As at 31st March, 2013	As at 31st March, 2012						
			Rs.	Rs.						
Provision for employee benefits:										
Provision for gratuity		6	–	1,415,000						
Provision for compensated absences		6	4,185,403	4,577,687						
Provision–others:										
Provision for expected expenses on account of keeping a project on hold.....		39	19,619,338	21,400,000						
Total.....			23,804,741	27,392,687						
11.	FIXED ASSETS – Tangible									
Particulars	Cost			Depreciation/amortization/impairment				Net Block		
	As at 31st March, 2012	Additions during the year	Disposals during the year	As at 31st March, 2013	Upto 31st March, 2012	For the year	On disposal	Upto 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TANGIBLE ASSETS										
Leasehold land	318,463	–	–	318,463	88,799	3,376	–	92,175	226,288	229,664
Improvements to leasehold premises	24,971,660	–	–	24,971,660	7,451,922	1,704,767	–	9,156,689	15,814,971	17,519,738
Buildings	25,599,114	123,000	–	25,722,114	8,277,750	827,072	–	9,104,822	16,617,292	17,321,364
Plant & equipment	139,989,292	5,200,605	17,680	145,172,217	80,942,682	12,313,745	12,960	93,243,467	51,928,750	59,046,610
Furniture & fixtures	5,263,083	17,000	–	5,280,083	3,296,796	231,125	–	3,527,921	1,752,162	1,966,287
Vehicles	6,536,955	2,856,375	1,331,383	8,061,947	3,164,424	1,351,685	1,074,729	3,441,380	4,620,567	3,372,531
Office equipment	4,273,242	185,111	81,731	4,376,622	2,021,927	167,475	24,580	2,164,822	2,211,800	2,251,315
Computers	4,120,291	109,276	–	4,229,567	3,234,423	255,402	–	3,489,825	739,742	885,868
Total.....	211,072,100	8,491,367	1,430,794	218,132,673	108,478,723	16,854,647	1,112,269	124,221,101	93,911,572	102,593,377
Previous year	186,059,724	25,012,376	–	211,072,100	94,100,850	14,377,873	–	108,478,723	102,593,377	

Notes forming part of the Financial Statements

12. FIXED ASSETS – Intangible

Particulars	Cost			As at 31st March, 2013	Depreciation/amortization/impairment			Upto 31st March, 2013	Net Block	
	As at 31st March, 2012	Additions during the year	Disposals during the year		Upto 31st March, 2012	For the year	On disposal		As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
INTANGIBLE ASSETS										
Computer software.....	2,489,581	46,730	–	2,536,311	1,163,399	395,422	–	1,558,821	977,490	1,326,182
Total.....	2,489,581	46,730	–	2,536,311	1,163,399	395,422	–	1,558,821	977,490	1,326,182
Previous year	1,111,886	1,377,695	–	2,489,581	1,006,010	157,389	–	1,163,399	1,326,182	

13. LONG-TERM LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated):

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Other than related parties		
Capital advances	595,000	4,844,269
Security deposits	1,625,412	1,346,954
Other loans and advances		
Prepaid expenses	81,500	25,099
Advance to staff.....	–	43,000
	81,500	68,099
Total.....	2,301,912	6,259,322

14. OTHER ASSETS (Unsecured, considered good unless otherwise stated)

Particulars	As at 31st March, 2013		As at 31st March, 2012	
	Current	Non Current	Current	Non Current
	Rs.	Rs.	Rs.	Rs.
Deferred employee compensation	269,100	89,700	269,100	358,800
Total.....	269,100	89,700	269,100	358,800

15. INVENTORIES (At cost or net realisable value whichever is lower)

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Raw materials	27,722,996	18,041,200
Work-in-progress.....	22,419,119	12,665,014
Finished goods	4,952,826	5,703,679
Stores and spares.....	1,375,653	1,011,665
Packing materials	915,432	945,475
Total.....	57,386,026	38,367,033

Notes forming part of the Financial Statements

15a Details of raw materials

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Thermo-plastics	3,923,385	4,439,850
Reinforcements	2,766,841	792,759
Fillers	1,840,675	1,170,572
Pigments	1,855,642	1,400,965
Resin	3,478,399	1,130,276
Catalyst	4,752,373	2,468,626
Others	9,105,681	6,638,152
Total.....	27,722,996	18,041,200

15b Details of work-in-progress

Compounds	5,002,431	9,147,372
Components.....	15,665,872	3,322,584
Others-moulds	1,750,816	195,058
Total.....	22,419,119	12,665,014

15c Details of finished goods

Compounds	3,018,245	4,801,471
Components.....	1,934,581	902,208
Total.....	4,952,826	5,703,679

16. TRADE RECEIVABLES (Unsecured, considered good unless otherwise stated)

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
1) Trade receivables due for a period exceeding six months:		
Considered good	5,653,182	2,770,179
Considered doubtful	3,516,568	1,173,706
	9,169,750	3,943,885
2) Other trade receivables:		
Considered good	141,673,031	177,576,998
Considered doubtful	—	—
	141,673,031	177,576,998
Less: Provision for doubtful debts.....	3,516,568	1,173,706
Total.....	147,326,213	180,347,177

Notes forming part of the Financial Statements

17. CASH AND CASH EQUIVALENTS

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Balances with banks:		
On current account	2,465,188	1,523,961
On dividend account	1,190,305	1,353,432
Deposits (under lien) (more than 12 months)	96,136	62,477
Cash on hand.....	11,250	26,095
Total.....	3,762,879	2,965,965

18. SHORT TERM LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)

Particulars	Note No.	As at 31st March, 2013	As at 31st March, 2012
		Rs.	Rs.
Loans and advances to other than related parties:			
Prepaid expenses	26E	1,807,235	598,646
Tender deposits.....		2,307,038	2,396,718
Advances to suppliers		5,995,744	1,159,454
Advances to staff		18,000	-
Advance taxes [net of provisions Rs.66,818,147 (Previous year Rs.66,818,147)]		13,461,207	9,461,169
Balances with government authorities : Sales tax set off receivable.....		354,326	354,326
: Service tax set off receivable.....		1,538,669	943,530
: CENVAT credit receivable		2,530,580	3,938,627
Total.....		28,012,799	18,852,470

19. REVENUE FROM OPERATIONS – NET

Particulars	Note No.	For the year ended 31st March, 2013	For the year ended 31st March, 2012
		Rs.	Rs.
Sale of products	19a	566,268,304	620,430,985
Sale of services.....	19b	184,969	217,684
Other operating revenues.....	19c	989,402	1,431,134
		567,442,675	622,079,803
Less: Excise duty		63,998,889	59,686,587
Total.....		503,443,786	562,393,216

19a Sale of products comprises:

Manufactured goods	: Compounds	315,788,507	351,000,928
	: Components.....	183,222,908	204,657,977
	: Others–moulds	3,258,000	5,085,493

19b Sale of services : Job work services

184,969 217,684

19c Other operating revenue : Scrap sales

989,402 1,431,134

Total..... **503,443,786** **562,393,216**

Notes forming part of the Financial Statements

20. OTHER INCOME

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Interest Income on bank deposits	4,366	5,476
Sundry provisions and credit balances no longer required, written back	102,376	4,233,518
Others	452,113	538,942
Net gain on sale of fixed assets.....	61,252	–
Total.....	620,107	4,777,936

21. COST OF MATERIALS CONSUMED

Particulars	Note No.	For the year ended 31st March, 2013	For the year ended 31st March, 2012
		Rs.	Rs.
Raw materials consumed			
Opening stock.....		18,041,199	19,058,104
Add: Purchases.....		367,436,002	375,640,606
		385,477,201	394,698,710
Less: Closing stock		27,722,996	18,041,200
Cost of materials consumed.....	21a, 21b	357,754,205	376,657,510

21a Details of materials consumed

Particulars	Raw Materials Consumed	
	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Broad heads of materials:		
Thermo-plastics	30,765,118	33,529,212
Reinforcements.....	59,679,402	67,403,062
Fillers.....	54,535,024	58,085,173
Pigments.....	21,254,398	22,850,428
Resins	99,974,179	100,352,130
Catalyst.....	53,663,130	39,549,039
Others	37,882,954	54,888,466
Total.....	357,754,205	376,657,510

21b Value of imported and indigenous raw materials, spare parts and components consumed *

Particulars	For the year ended 31st March, 2013		For the year ended 31st March, 2012	
	%	Value (Rs.)	%	Value (Rs.)
Imported	18%	64,167,564	21%	77,431,527
Indigenously obtained.....	82%	293,586,641	79%	299,225,983
	100%	357,754,205	100%	376,657,510

* In giving the above information, the Company has taken the view that spares and components as referred to in clause 5(Viii)(C) of Part II of Schedule VI covers only such items as go directly on to production.

Notes forming part of the Financial Statements

22. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Particulars	Note No.	For the year ended 31st March, 2013	For the year ended 31st March, 2012
		Rs.	Rs.
Opening stock			
Work-in-progress	15	12,665,015	16,096,847
Finished goods	15	5,703,679	3,264,665
		18,368,694	19,361,512
Closing stock			
Work-in-progress	15	22,419,119	12,665,014
Finished goods	15	4,952,826	5,703,679
		27,371,945	18,368,693
Total.....		(9,003,251)	992,819

23. EMPLOYEE BENEFIT EXPENSES

Particulars	Note No.	For the year ended 31st March, 2013	For the year ended 31st March, 2012
		Rs.	Rs.
Salaries, wages and bonus		44,074,736	46,799,567
Contribution to provident and other funds.....	26	2,288,969	6,146,458
Staff welfare expenses.....		3,060,682	2,938,334
ESOS compensation expenses	31	269,100	269,100
Total.....		49,693,487	56,153,459

24. FINANCE COSTS

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Interest expense		
– Term loans	1,301,464	1,339,723
– Overdraft from banks	2,061,014	6,020,732
– Inter corporate deposits.....	5,627,843	611,634
– Post shipment credit.....	468,941	254,131
– Others	665,152	256,967
Bank charges	1,118,599	1,358,001
Total.....	11,243,013	9,841,188

Notes forming part of the Financial Statements

25. OTHER EXPENSES

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Consumption of stores and spare parts	7,558,632	8,593,055
Power and fuel	11,374,152	11,797,867
Rent (net)	3,587,285	3,637,452
Rates & taxes (excluding taxes on income)	672,771	1,982,741
Excise duty:		
Relating to changes in inventories of finished goods and work-in-progress	(38,050)	(313,407)
Relating to others	4,846,823	2,202,097
	4,808,773	1,888,690
Insurance	966,048	987,958
Repairs and maintenance:		
Buildings	327,011	565,424
Machinery	2,540,695	3,588,725
Others	5,917,114	7,491,035
	8,784,820	11,645,184
Payment to auditors:		
As auditor	600,000	600,000
For other services	400,000	400,000
For reimbursement of expenses	64,784	47,860
	1,064,784	1,047,860
Professional charges	11,810,544	12,737,868
Director's sitting fees	111,000	17,000
Packing and forwarding (net)	20,494,436	20,029,764
Net loss on foreign currency transaction and translation	1,182,077	1,343,061
Travelling & conveyance	4,793,926	4,335,591
Bad debts written off	457,137	2,151,654
Provision for doubtful debts & advances	2,342,862	–
Miscellaneous expenses	6,603,363	6,953,424
Total.....	86,612,610	89,149,169

Notes forming part of the Financial Statements

26. EMPLOYEE BENEFITS:

Details of Employee Benefits as required by the Accounting Standard 15 (Revised) Employee Benefits are as follows:

(A) Defined contribution plan

Amount recognised as an expense in the Profit and Loss Statement in respect of defined contribution plans is as under:

Particulars	31.03.2013	31.03.2012
	Rs.	Rs.
(a) Provident fund	1,720,414	1,479,410
(b) Family pension fund	905,603	945,209
(c) Employee deposit linked insurance.....	54,401	60,543
(d) Maharashtra labour welfare fund.....	9,342	11,556
(e) Employee state insurance.....	79,068	35,213
(f) Superannuation fund.....	1,068,495	1,097,551
Total.....	3,837,323	3,629,482

(B) Defined benefit plan

Defined benefit plan comprises of gratuity. Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of continuous service.

Particulars	Gratuity (Funded)	
	31.03.2013	31.03.2012
	Rs.	Rs.

(C) Changes in the present value of defined benefit obligations representing reconciliation of opening and closing balances thereof are as follows:

Present value of defined benefit obligation as on 1st April	9,845,124	8,763,629
Current service cost	944,073	788,883
Interest cost	924,110	779,459
Actuarial losses/(gains)	(951,174)	(217,097)
Liabilities extinguished on settlements.....	—	—
Losses/(gains) on curtailment	—	—
Benefits paid.....	(238,139)	(269,750)
Past service cost.....	—	—
Present value of defined benefit obligation at the end of the year.....	10,523,994	9,845,124

(D) Changes in fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

Fair value of plan assets as at 1st April	7,180,074	6,612,329
Expected return on plan assets.....	586,817	485,692
Actuarial gains/(losses)	2,196,719	(1,334,561)
Contributions by employer	1,340,871	1,686,364
Benefits paid.....	(238,139)	(2,69,750)
Fair value of plan assets as on 31st March	11,066,342	7,180,074

(E) Analysis of defined benefit obligation:

Defined benefit obligation as at 31st March	10,523,994	9,845,124
Fair value of plan assets at the end of year.....	11,066,342	7,180,074
Net liability/(asset) recognised in the balance sheet.....	(542,348)	2,665,050

Notes forming part of the Financial Statements

Particulars	Gratuity (Funded)				
	31.03.2013	31.03.2012			
	Rs.	Rs.			
(F) Reconciliation of present value of defined benefit obligation and fair value of plan asset showing amount recognised in the balance sheet					
Present value of defined benefit obligation	10,523,994	9,845,124			
Fair value of plan assets	11,066,342	7,180,074			
Funded status (deficit)	542,348	(2,665,050)			
Unrecognised past service cost	—	—			
Net (liability)/asset recognised in the balance sheet	542,348	(2,665,050)			
(G) Components of employers expense recognised in the profit & loss statement					
Current service cost	944,073	788,883			
Interest cost	924,110	779,459			
Expected return on plan assets	(586,817)	(485,692)			
Actuarial (gains)/losses	(3,147,893)	1,117,464			
Past service cost	—	—			
Settlement cost	—	—			
Total expense	(1,866,527)	2,200,114			
(H) In respect of funded benefits with respect to gratuity, the fair value of plan assets represents the amounts invested through "Insurer Managed Funds". However, the nature of assets is not provided by the insurance company.					
(I) Principal actuarial assumptions					
Discount rate (%)	8.10 p.a.	8.65 p.a.			
Expected rate of return on plan assets (%)	7.50 p.a.	7.50 p.a.			
Salary escalation rate (%)	7.00 p.a.	8.00 p.a.			
a) The Discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.					
b) Expected rate of return on plan assets: This is based on our expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.					
c) Salary escalation rate: The estimates of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors.					
The above is as determined by the actuary and relied upon by the auditors.					
(J) Contributions expected to be paid to the plan during the next financial year Rs.63,000 (Previous year Rs.1,415,000).					
(K) Other disclosure					
Particulars	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Experience adjustment on plan liabilities ..	(406,269)	185,636	212,853	572,989	197,614
2. Experience adjustments on plan assets	2,196,719	(1,334,561)	370,429	(1,405,606)	337,145
3. Defined benefit obligation at the end of the period	10,523,994	9,845,124	8,763,629	7,251,738	4,776,842
4. Plan assets at the end of the period	11,066,342	7,180,074	6,612,329	5,048,577	4,702,803
5. Funded status	542,348	(2,665,050)	(2,151,300)	(2,203,161)	(74,039)

Notes forming part of the Financial Statements

27. SEGMENT INFORMATION

Particulars	Polymer Composite Compounds		Polymer Composite Components		Others		Elimination		Total Amount	
	2012-13 Rs.	2011-12 Rs.	2012-13 Rs.	2011-12 Rs.	2012-13 Rs.	2011-12 Rs.	2012-13 Rs.	2011-12 Rs.	2012-13 Rs.	2011-12 Rs.
(A) Primary segments – business segments										
a) Segment revenue										
Sales to external customers	316,606,275	352,266,265	183,394,542	204,823,775	3,442,969	5,303,176	–	–	503,443,786	562,393,216
Inter segment revenue	65,671,025	70,129,095	–	–	–	–	(65,671,025)	(70,129,095)	–	–
Total segment revenue	382,277,300	422,395,360	183,394,542	204,823,775	3,442,969	5,303,176	(65,671,025)	(70,129,095)	503,443,786	562,393,216
b) Segment results	6,366,208	39,100,603	(4,925,693)	(9,323,303)	1,487,679	2,305,283	–	–	2,928,194	32,082,583
Unallocated corporate expenses net of unallocated income	–	–	–	–	–	–			(1,175,784)	(23,805,126)
Interest expense	–	–	–	–	–	–			(11,243,013)	(9,841,188)
Interest income	–	–	–	–	–	–			4,366	5,476
Profit/(loss) before tax	–	–	–	–	–	–			(9,486,237)	(1,558,255)
Income taxes ...	–	–	–	–	–	–			300,000	7,534,443
Profit/(loss) after tax	–	–	–	–	–	–			(9,786,237)	(9,092,698)
c) Segment assets	152,655,275	169,867,164	170,572,781	169,109,903	16,086	65,225			323,244,142	339,042,292
Unallocated corporate assets	–	–	–	–	–	–			18,336,332	12,427,134
Total assets	–	–	–	–	–	–			341,580,474	351,469,426
d) Segment liabilities	53,387,497	61,438,316	39,818,837	18,322,154	–	95,673			93,206,334	79,856,143
Unallocated corporate liabilities	–	–	–	–	–	–			102,052,164	115,505,067
Total liabilities	–	–	–	–	–	–			195,258,498	195,361,210
e) Cost incurred during the period to acquire segment fixed assets	1,445,924	5,331,709	7,092,173	21,058,362	–	–	–	–	8,538,097	26,390,071
f) Depreciation/ amortisation	4,354,241	3,491,976	12,895,828	11,043,286	–	–	–	–	17,250,069	14,535,262
g) Material non-cash expenses other than depreciation/ amortisation (net)	–	1,269,476	2,799,999	882,178	–	–	–	–	2,799,999	2,151,654

Notes:

- Inter-segment transfers have been priced at market rates.
- (a) Polymer composite compounds includes manufacture of all compounds and services in respect thereof.
(b) Polymer composite components includes manufacture of all components and services in respect thereof.
(c) Others represents manufacture of moulds.

Notes forming part of the Financial Statements

(B) Secondary segments – Geographical segments

Particulars	Domestic		Export		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Segment revenue by geographical area based on geographical location of customers	460,389,661	517,181,580	43,054,125	45,211,636	503,443,786	562,393,216

Note: The Company's operating facilities are located in India.

28. RELATED PARTY DISCLOSURES

(A) Name of the related party and nature of relationship where control exists

Name of Related party	Nature of Relationship
N I L	N I L

(B) Other related parties with whom there are transactions:

Name of the Related Party	Description of Relationship	Nature of Transaction	Amount of Transaction		Amount outstanding at the end of the year Debit/(Credit)	
			2012-2013	2011-2012	2012-2013	2011-12
			Rs.	Rs.	Rs.	Rs.
Mahindra & Mahindra Limited	Investing party	Rent paid.....	3,269,100	3,209,160	(1,716,274)	(481,374)
		Sales.....	20,192,922	32,896,156	7,070,092	5,522,189
		Reimbursement of expenses	6,964,329	8,430,057	(6,150,402)	(4,395,512)
		Deputation charges of CEO	869,582	5,208,632	(782,624)	(580,514)

29. OPERATING LEASE

Particulars	2012-2013	2011-2012
	Rs.	Rs.
i) Total of future minimum lease payments under non-cancellable operating lease:		
– not later than one year.....	–	1,697,199
– later than one year and not later than five years	–	–
– later than five years.....	–	–
ii) Lease payments recognised in the statement of profit & loss for the period under rent is Rs.1,697,199 (Previous year: Rs.2,909,484)		
iii) The lease agreement is in respect of land and building for a period of nine years.		

Notes forming part of the Financial Statements

30. EARNINGS PER SHARE

Earnings per share have been computed as under:

Particulars	2012-2013	2011-2012
	Rs.	Rs.
(a) Profit/(loss) after tax as per statement of profit & loss	(9,786,240)	(9,092,698)
(b) Weighted average number of ordinary shares outstanding.....	4,413,924	44,09,849
(c) Effect of potential ordinary shares on employees stock options outstanding	*–	5,248
(d) Weighted average number of ordinary shares in computing diluted earnings per share (b) + (c).....	4,413,924	44,15,097
(e) Earnings/(loss) per share : Basic [(a)/(b)]	(2.22)	(2.06)
: Diluted [(a)/(d)].....	(2.22)	(2.06)

* Anti dilutive

31. EMPLOYEES STOCK OPTIONS SCHEMES (ESOS):

In the Annual General Meeting held on 31st July, 2009, the shareholders have approved a maximum of 90,000 shares to be vested under an 'Employee Stock Options Scheme', for the permanent employees and directors of the Company. Shares to the non-executive directors would be limited to 18,300 equity shares. The stock options were granted at an exercise price of Rs.47.40 per option. The options will vest over a period of one to three years from the date of grant and exercisable over a period of five years from the respective dates of vesting.

The compensation costs of the stock options granted to employees are accounted by the Company using the intrinsic value method.

Summary of Stock Options:	2012-2013	2011-2012
Number of stock options outstanding at the beginning of the year	64,337	74,252
Options granted during the year	Nil	Nil
Options exercised	Nil	9,915
Options forfeited / lapsed	Nil	Nil
Options outstanding at the end of the year.....	64,337	64,337

Out of the options outstanding at the end of the year **64,337** (Previous year 34,343) options have vested, which have not been exercised.

During the current year, no fresh options were granted. Information in respect of options granted during the earlier year is as under:

The fair value of options granted during the previous year on 31st July, 2009 is Rs.26.24 per option.

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard

Grant dated 31st July, 2009

Risk free interest rate	5.97%
Expected life.....	3.50 years
Expected volatility	58.91%
Expected dividend yield	2.98%
Exercise price	Rs.50.45
Stock price.....	Rs.56.20

In respect of options granted under the Employee Stock Option Plan, in accordance with guidelines issued by SEBI, the accounting value of the options is accounted as defined employee compensation, which is amortized on a straight line basis over the period between the date of grant of options and the eligible dates for conversion into equity shares. Consequently, salaries, wages & bonus include **Rs.269,100** (Previous year: Rs.269,100) being the amortization of deferred employee compensation.

Notes forming part of the Financial Statements

Had the Company adopted fair value method in respect of options granted on 31st July, 2009, the total amount that would have been amortised over the vesting period is Rs.2,361,600.

Particulars	2012-2013	2011-2012
	Rs.	Rs.
Increase in employee compensation cost	203,220	203,220
Decrease in profit after tax/(increase) in loss after tax	(203,220)	(203,220)
Decrease in basic earnings/(increase) in loss per share	(0.05)	(0.05)
Decrease in diluted earnings/(increase) in diluted loss per share	(0.05)	(0.05)

32. CONTINGENT LIABILITIES NOT PROVIDED FOR

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Show cause cum demand notice received from excise authorities disputed by the Company pending in appeal.....	551,862	762,485

33. COMMITMENTS

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	775,000	2,273,747

34. CIF VALUE OF IMPORTS

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Raw materials	66,356,561	76,117,218
Components and spare parts.....	–	477,397
Capital goods.....	–	–
Total.....	66,356,561	76,594,615

35. EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
FOB value of exports	43,054,125	45,211,636

36. EXPENDITURE IN FOREIGN CURRENCY

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Travelling expenses	935,173	931,317
Professional fees	646,319	–
Total.....	1,581,492	931,317

Notes forming part of the Financial Statements

37. DERIVATIVE INSTRUMENTS

(a) Details of derivative instruments (for hedging): None

(b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Amount in foreign currency		Equivalent amount in Rs.	
	2012-2013	2011-2012	2012-2013	2011-2012
Trade payables (liability).....	USD 125,826	USD 15,767	6,822,770	812,448
	EURO 19,997	EURO 32,918	1,399,639	2,272,960
Trade receivables (assets).....	USD 245,920	USD 365,780	13,333,762	18,548,695
Post shipment credit (liability).....	USD 245,063	USD 224,860	13,287,304	11,587,022

38. RESEARCH AND DEVELOPMENT EXPENSES

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Research and development expenses charged to the profit and loss statement, based on allocations made and costs estimated by the Company and relied upon by the auditors.....	2,800,170	2,696,802

39. EXPECTED EXPENSES ON ACCOUNT OF KEEPING A PROJECT ON HOLD

During the previous year, the Company had obtained the approval of both Board of Directors and the Shareholders for an investment in GRP pipe project to meet the anticipated demand in infrastructure projects. Given the current slowdown in the approval cycle, the GRP pipe project is being put on hold and as a matter of abundant precaution the expected expenses as a result of the same are being provided for. The movement in the same is shown as under:

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
	Rs.	Rs.
Opening	21,400,000	–
Less: Utilised during the year.....	1,780,662	21,400,000
Closing	19,619,338	21,400,000

40. PREVIOUS YEAR COMPARATIVES

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra Chairman

R. R. Krishnan
C. S. Devale
B. M. Kataria
D. N. Mungale
Romesh Kaul } Directors

Mumbai: 30th April, 2013.

MAHINDRA COMPOSITES LIMITED

Registered & Head Office: 145, Nehru Nagar Road, Off Mumbai–Pune Road, Pimpri, Pune - 411 018, Maharashtra, India.

PROXY

I/We
..... ofbeing
a Member / Members of Mahindra Composites Limited hereby appoint.....
.....of or failing him
.....of.....
on my/our behalf at the Thirty-first Annual General Meeting of the Company, to be held at 11 a.m. on Friday, the 27th September,
2013. AS WITNESS my / our hand / hands this day of 2013.

Please affix
Re.1
Revenue
Stamp
here

Signature(s) of the Member(s) across the stamp.

Note : The proxy must be deposited at the Registered Office of the Company at 145, Mumbai–Pune Road, Pimpri, Pune - 411 018 not less than 48 hours before the time of holding the meeting.

THE ATTENDANCE SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL MAHINDRA COMPOSITES LIMITED

Registered & Head Office : 145, Nehru Nagar Road, Off Mumbai–Pune Road, Pimpri, Pune - 411 018, Maharashtra, India.

I hereby record my presence at the Thirty-first Annual General Meeting at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway, Pimpri, Pune 411 018 at 11 a.m. on Friday, the 27th September, 2013.

Name of the attending Member
(In Block Letters)

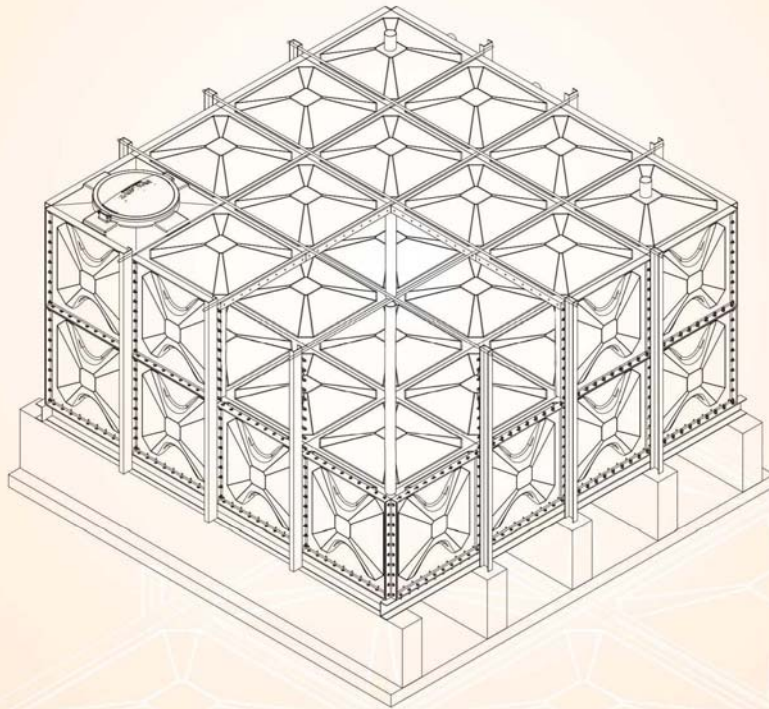
Member's Folio Number

Name of Proxy
(In Block Letters to be filed in, if the Proxy attends instead of Member)

Number of Shares held.....

.....
Member's / Proxy's Signature

WATER FOR THE FUTURE



As India continues to develop its infrastructure to meet the demands of a growing economy, the nation will face an ever-increasing need for water for industrial use, for power generation as well as residential and commercial buildings. This water will come from existing sources such as rivers and reservoirs as well as water-harvesting facilities and desalination plants.

The Sarovar modular tank concept is a water storage solution for India's growing water needs that offers rapidly installed, highly scalable storage without compromising the safety & purity of the water stored.

Based on interconnected composite panels that are mounted on a reinforced base, Sarovar tanks can be installed in a matter of weeks to provide water storage from 30 kilolitres to 1000 kilolitres. If needs change, these tanks can be relocated, reused, resized without sacrificing engineering performance.

We make these ISI-certified tanks from Sheet Moulding Compound (SMC) that has been specially formulated to keep water potable and pure.

These tanks will be sold, installed and serviced through a network of channel partners.



Registered Office:

Mahindra Composites Ltd.

145, Nehru Nagar Road,
Off Mumbai-Pune Road, Pimpri,
Pune 411 018, Maharashtra, India.

Tel.: +91 20 27425265/66

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