

OPPORTUNITY GROWTH CAPABILITY

CONVERGENCE

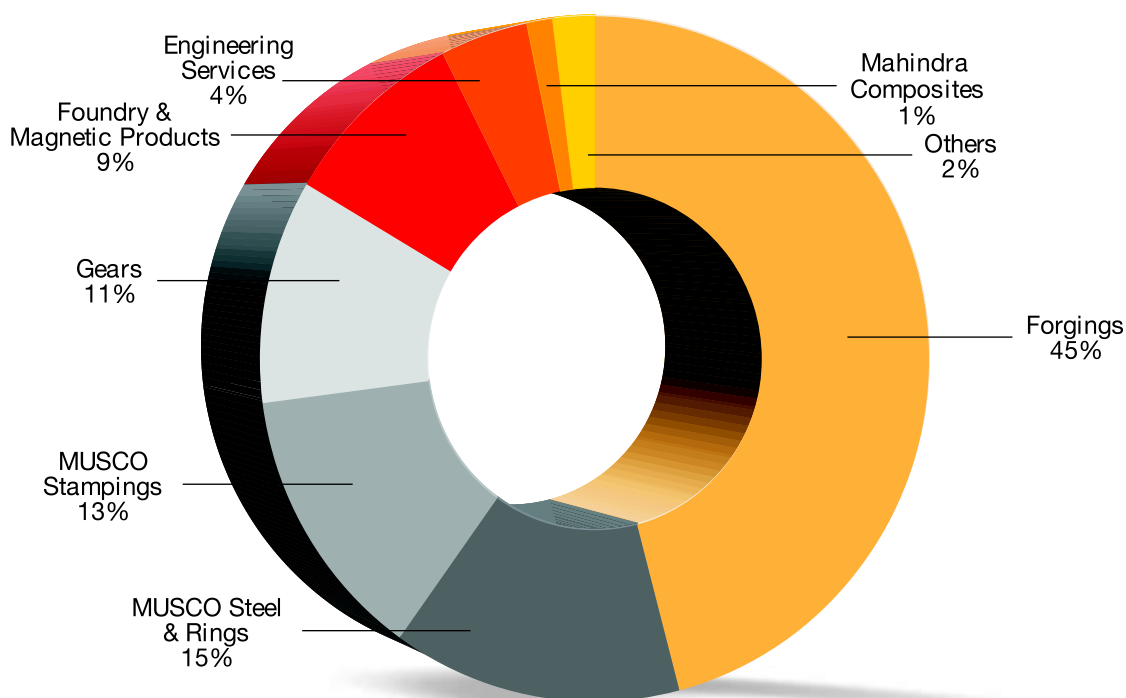
VISION One Goal. One Systech.

Contents

Sector President's Note	1
Systech Products & Applications	2
Board of Directors	4
Notice	5
Directors' Report	8
Management Discussion & Analysis	12
Report on Corporate Governance	16
Disclosure regarding Corporate Governance	22
Compliance Certificate	23
Auditors' Certificate on Corporate Governance	26
Auditors' Report	27
Balance Sheet	30
Profit & Loss Account	31
Cash Flow Statement	32
Notes forming part of Financial Statement	33
Proxy Form	Attached

Systech Sector Overview

Mahindra Systech was established in 2004 by the M&M Group. M&M entered into the components industry as India's global competitiveness took off. Leveraging our domain expertise in the automotive and farm equipment sectors, and with a series of acquisitions, we have grown rapidly in skill and scale.



Rising through convergence



Dear Shareholder,

In India and around the world, last year was marked by growth tempered with uncertainty.

In the US, we all saw people protesting against a political and economic model that seems to be leaving many behind. In Europe, differences in economic conditions and political responses at a national level has created anxious moments for the Euro Zone while at the same time Germany experienced healthy growth and remarkably low unemployment levels. In India, inflation-fighting interest rates and political challenges resulted in moderating growth rates. China seems to be heading towards a more stable and moderate growth rate after over a generation of rapid growth.

Despite the headwinds in the near term, we maintain a positive outlook for the global economy in general and the automotive industry in particular.

The automotive industry continues to see convergence worldwide as OEMs globalise operations and platforms, and regulations continue to emphasise improving fuel efficiency and reducing tailpipe emissions.

This convergence drives us to create growing commonality in our businesses between Europe and India and also makes us seek opportunities where we can take advantage of these changes in the marketplace.

We continue to progress on our vision of "One Systech" where the different constituent companies of the Systech Sector leverage their synergies across operations, product lines, and geographies. And this work will continue alongside the more fundamental goals of improving customer satisfaction, revenue growth and profitability in our business operations.

Best Regards,

A handwritten signature in black ink, appearing to read 'Hemant Luthra'.

Hemant Luthra
President
Systech Sector

Crankshafts



Composite Covers



Synchro Sleeves



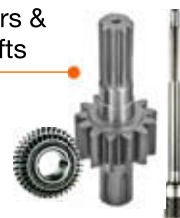
Stampings



Axle & Transmission Castings



Gears & Shafts



Turbo Charger Housings



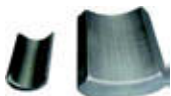
Stamped Panels



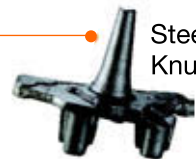
Crankshafts



Motor Magnets



Steering Knuckles



Passive Entry Antennas



Composite Covers

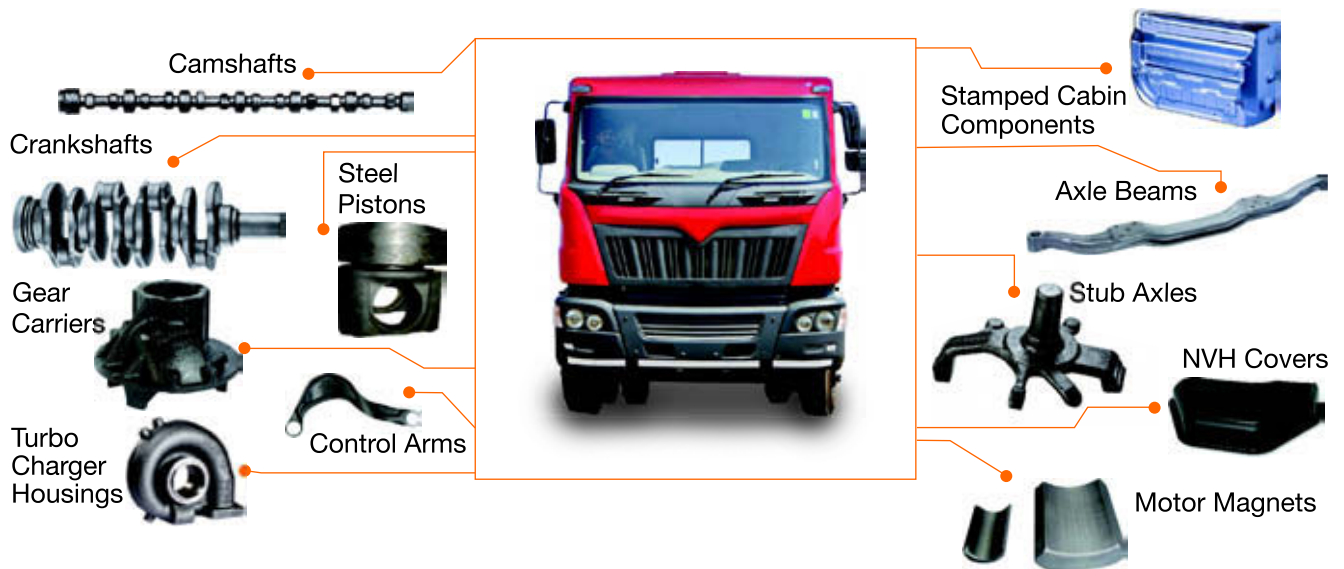


CNG Tank Covers



Stampings





■ Board of Directors

Hemant Luthra - Chairman

R. R. Krishnan

C. S. Devale

M. R. Joshi - Deceased on 05.12.2011

B. M. Kataria

Dhananjay Mungale

Chief Executive Officer

Rajiv Satoor

Advisor

Mr. Ajit Lele

Compliance Officer

Vijayendra Kolambkar - Chief Financial Officer

■ Registered Office

145, Mumbai - Pune Road,

Pimpri, Pune 411 018

Tel.: (020) 2742 5265 / 2742 5266

Fax: (020) 2742 5272

■ Plant Locations

Plant 1

Survey No.178/0, Village Sale,

Taluka: Mangaon, Dist. Raigad - 402 104

Tel.: (02140) 263 112 / 263 129

Fax: (02140) 263 145

Plant 2 & HO

145, 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 - 411 016

■ Bankers

HDFC Bank Limited

Citibank N. A.

■ Registrars & Share Transfer Agents

M/s. 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) 6772 0300 / 6772 0400

Fax: (022) 2859 1568 / 2850 8927

E-mail: sharepro@shareproservices.com

NOTICE

Notice is hereby given that **Thirtieth Annual General Meeting** of the Members of **MAHINDRA COMPOSITES LIMITED** will be held on Saturday, 29th day of September, 2012 at 3.30 p.m. at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway Road, 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, 2012 and Profit & Loss Account for the year ended on that date together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. B. M. Kataria who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. C. S. Devale 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 as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and Rules framed there under and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the existing Articles of Association of the Company be amended as under:

- i) The following Article be inserted after the existing Article 63 as Article 63A :

Service of documents through Electronic Mode:

- 63A. Notwithstanding anything contrary contained in the Articles of Association, a document may be served by the Company on any Member by any electronic mode of communication and in such manner as is/may be permitted by any law. Where a document is served by any such electronic mode, the service thereof shall be deemed to be effected in the manner as is/may be provided by any law.

FURTHER RESOLVED that the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee or any person which the Board may constitute/nominate to exercise its powers, including the powers by this Resolution) be authorised to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

- ii) The following Article be inserted after the existing Article 64 as Article 64A:

Participation in General Meetings through Electronic Mode:

- 64A. Notwithstanding anything contrary contained in the Articles of Association, the Company may provide Video Conference facility and/or other permissible electronic or virtual facilities for communication to enable the Shareholders of the Company to participate in General Meetings of the Company. Such participation by the Shareholders at General Meetings of the Company through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

- iii) The following Article be inserted after the existing Article 109 as Article 109A:

Participation in Board Meetings through Electronic Mode:

- 109A. Notwithstanding anything contrary contained in the Articles of Association, the Director(s) may participate in Meetings of the Board and Committees thereof, through Video Conference facility and/or other permissible electronic or virtual facilities for communication. Such participation by the Director(s) at Meetings of the Board and Committees thereof, through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

- iv) The following Article be inserted after the existing Article 110 as Article 110A:

Participation through Electronic Mode considered for quorum:

- 110A Director participating in a Meeting through use of Video Conference or any other permissible electronic mode of communication shall be counted for the purpose of quorum, notwithstanding anything contrary contained in the Articles of Association.

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 Tuesday, 25th September, 2012 to Friday, 28th September, 2012 (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 upto 2011-2012.
9. Re-appointment of Directors:

At the ensuing Annual General Meeting Mr. B. M. Kataria and Mr. C. S. Devale 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. Kataria did his B.Tech (Metallurgy) from IIT Kharagpur in 1962. He post-graduated in Management Development from Cambridge in 1978. Additionally, he did his post-graduation in Competition & Strategy from Harvard Business School in 1995. Mr. Kataria joined Mahindra Sintered Products Ltd. as an Asst. Metallurgist in 1963. He later rose to the rank of Managing Director in June, 1979. He retired in July, 2004 from GKN Sinter Metals Ltd. (formerly Mahindra Sintered Products Limited).

Mr. Kataria was also on the Board of Mahindra Ugine Steel Company Limited as a Director from April, 1996 to July, 2002 and as Chairman in Siro Plast Limited from February, 1992 to July, 2002.

He was also a Board member in the Management Board Member Committees of Mahindra & Mahindra Limited since January, 1995 to September, 2002.

Presently he is Director of Emitec Emission Control Technologies India Private Limited and Knowledge Township Limited (also member of Audit Committee).

He is holding 1,666 shares in the Company and has been granted 2,500 options.

Mr. Devale has been the Director of the Company since 1998. He was earlier the head of the Pune unit of Mahindra Defense Systems. He has also worked as the Chief Executive of Mahindra Composites Limited. Moreover, he was also the Executive Director of MECPL Limited. He is DME, PD Prod.E. AMI Prod. E. Mr. Devale has over 36 years of experience and has worked in senior positions at companies such as L&T. He is holding 1,426 shares in the Company and has been granted 2,500 options.

By order of the Board
MAHINDRA COMPOSITES LIMITED

HEMANT LUTHRA
Chairman

Mumbai: 30th July, 2012.

EXPLANATORY STATEMENT**PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 5**

The Ministry of Corporate Affairs ("MCA"), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated 20th May, 2011 and Circular No.35/2011 dated 6th June, 2011 has permitted companies to hold Board Meetings and Shareholders Meetings through Video Conference facility, as part of the Green Initiatives under Corporate Governance. Further, MCA vide Circular No.72/2011 dated 27th December, 2011 made the Video Conference facility at the Shareholders Meetings optional to the listed companies.

Section 53 of the Companies Act, 1956 and Articles 206(1) and (2) provide for modes of service of documents on a Member of the Company. The MCA has vide Circular No. 17/2011 dated 21st April, 2011 stated that a company would have complied with Section 53 if the service of a document has been made through electronic mode, provided the company has obtained e-mail addresses of its Members for sending Notices/Documents through e-mail by giving an advance opportunity to every Shareholder to register their e-mail addresses with the company. Clause 32 of the Listing Agreement of the Stock Exchanges also permits a company to send soft copies of full Annual Reports, Balance Sheet, Profit and Loss Account and Directors' Report to all Shareholders who have registered their e-mail addresses for the purpose.

It is proposed to carry out necessary amendments in the existing Articles of Association of the Company by inserting appropriate enabling provisions as set out in the Special Resolution under Item No.5 to give effect to the above Circulars of MCA.

In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company. A copy of the existing Memorandum and Articles of Association of the Company along with the proposed draft amendments to the Articles of Association is available for inspection by any Member at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on all working days (except Saturdays, Sundays and Public Holidays).

The Directors recommend the passing of the Resolution at Item No.5 as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in this item of business.

By order of the Board
MAHINDRA COMPOSITES LIMITED

HEMANT LUTHRA
Chairman

Mumbai: 30th July, 2012.

DIRECTORS' REPORT

The Directors are pleased to present herewith the Thirtieth Annual Report and the Audited Accounts for the year ended 31st March, 2012 of your Company.

1. FINANCIAL RESULTS:

	(Rupees in Lakhs)	
	Year ended 31st March, 2012	Year ended 31st March, 2011
Gross income	6268.58	5771.67
Profit before depreciation and interest	442.18	567.95
Interest.....	98.41	86.39
Depreciation.....	145.35	106.68
Profit before tax	198.42	374.88
Provision for taxation:		
– Current	59.00	124.00
– Deferred	14.00	7.00
– Short provision for earlier year	2.34	0.52
	75.34	131.52
Exceptional items.....	214.00	–
Net profit after tax	(90.92)	243.36
Balance in profit & loss account – B/F	947.86	825.12
	856.94	1068.48
Appropriation recommended by the Directors:		
Proposed dividend.....	–	88.08
Income tax on distributed profit.....	–	14.29
Transfer to general reserve.....	–	18.25
Balance in profit & loss account	856.94	947.86
	856.94	1068.48

2. OPERATIONS:

The Company grew marginally by 7%. This year rising interest costs had slowed down the construction industry which reflected in the lower than projected off take of the switch gear industry. This did affect the sale of compound.

But the component business grew by 13% YoY and “Electra” had a major contribution. “Electra” sales grew by 65% over previous year. “Electra” is now being sold in over 7 states in India. MCL’s “Electra” sales are a small % of the market and the Company has invested in additional moulds to increase reach and volumes in these markets. The production and procurement teams are geared up to deliver “Electra” with minimum inventory and low lead time.

Rising input costs and forex fluctuation continue to pose a threat to margin but your Company had taken the initiative to develop alternatives for local and foreign suppliers. This will help us sustain the competitive environment. The precision dispensing

system has been commissioned reducing waste & increasing consistency. The Company has actively participated in the Corporate Initiative of Sustainability and plants wear a new look, with awareness throughout the cadres. The Mangaon plant has been certified for ISO 14001 and OHSAS 18001. The Pimpri plant is also recommended for certifications.

The existing business will continue to grow and we will reinforce our position in the Electrical Segment through prudent investments which will give a quantum jump in sales and increase our reach to new customers and new processes.

The Company has acquired the status of an approved vendor to VOLVO and F13 will see a beginning of a long relationship with VOLVO. The Wind Mill Blade production has grown over 4 times to Schneider and is compensating the drop in Hand lay up sales in GE.

The spirit of RISE continues to pervade across the organisation.

3. DIVIDEND:

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

4. DIRECTORS:

With profound grief, the Director's inform about the sad demise of Mr. M.R. Joshi, Director, Mahindra Composites Ltd. on 5th December, 2011. Directors wish to place on record the valuable contribution made by Mr. Joshi during his tenure as a Director of the Company. The Board appreciates the valuable services rendered by him.

Mr. B. M. Kataria and Mr. C. S. Devale, 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. INFORMATION UNDER SECTION 217(1)(e) OF 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'.

7. 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.

8. 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.

9. 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.

10. 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.

11. RIGHTS ISSUE / PIPE PROJECT:

Due to unfavorable market conditions, it is decided to currently defer the proposed issue of Rights Shares.

The Company had obtained the approval from the Board of Directors and the Shareholders for an investment in the GRP Pipe Project to meet the anticipated demand in infrastructure projects. Given the current slow down 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 holding of the same are being provided for.

12. STOCK OPTIONS:

The Remuneration/Compensation Committee of the Board of Directors of the Company ("the Committee") has allotted 9,082 equity shares to the permanent employees and 833 equity shares to non-executive Directors of the Company under Employee's Stock Options Scheme. 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.

13. ENVIRONMENT & HEALTH:

Mahindra Composites Mangaon unit has been certified for ISO 14001 & OHSAS 18001 standards.

14. INDUSTRIAL RELATIONS:

During the year under review industrial relations remained satisfactory.

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 26th April, 2012.

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. Check Weigher System commissioned to handle Fine Organic Chemicals through CNC, material handling losses and human error on account of omissions has been overcome.
2. Dust extraction system has been commissioned at dissolver station.
3. Dehumidifiers have been commissioned in material handling area for quality consistency during monsoon.

A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Mahindra Composites has developed Conductive Compound for Bipolar Cells.

2. Expenditure on R & D:

	2011-2012	2010-2011
	Rs. in lacs	Rs. in lacs
(a) Capital.....	Nil	Nil
(b) Recurring	26.97	23.07
Total.....	26.97	23.07
Total R&D expenditure as % of total turnover	0.48%	0.44%

B. FOREIGN EXCHANGE EARNINGS & OUTGO:**Total Foreign Exchange Earnings and Outgo:**

	2011-2012	2010-2011
	Rs. in lacs	Rs. in Lacs
Earnings.....	452.12	301.90
Outgo	765.95	842.12

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 26th April, 2012.

ANNEXTURE 1 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2012.

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.....	: 9,915
(e)	The total number of shares arising as a result of exercise of options.....	: 9,915
(f)	Options lapsed.....	: Nil
(g)	Variation of terms of options.....	: Nil
(h)	Money realized by exercise of options.....	: Rs.4,69,971
(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 obtain 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.2.06)

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 lacs, profit after tax would have been lower by Rs.2.03 lacs & 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, 2012:

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
Mr. M. R. Joshi *	2,500

* Deceased on 5th December, 2011.

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 and the other in Pimpri, Pune. The plant at Mangaon has a capacity of 15,000 MT of SMC/DMC compound manufacturing based on technology acquired from Menzolit Fibron. The SMC/DMC component manufacturing plant at the same location has 6 compression moulding presses ranging from 100 MT to 500 MT capacity. There are also 3 RTM stations and hand-layup setup to manufacture components. The plant at Pimpri houses additional compression moulding capacity along with an innovation lab which focuses on product concept, design and engineering.

We sell SMC/DMC compounds to OEMs like L&T, Schneider, Legrand, Siemens, 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 60% of MCL's revenue. We sell moulded components to the power distribution industry, under the brand name "Electra" and to auto & tractor OEMs for whom we make body parts. The component business for both the electrical and automotive market has been developed in the last few years.

Industry Outlook

F12 saw a slow down in the Electrical Switch Gear Industry influenced mainly by the slow down in the Construction Industry and new industrial projects getting stalled postponed. This phenomenon is expected to reduce growth of the domestic switchgear market in the coming years. The leading electrical switchgear OEMs have projected flat sales in F13. 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 has grown and is further expected to grow in the future as the central and state governments push the implementation of rural electrification programs. The turnkey contractors who implement these programs have also accepted the "Electra" products vis-a-vis existing metal products. On the other hand, the automotive market is growing but the acceptance of composites products by auto OEMs has been slow.

Performance

Due to the slowdown in the switchgear industry, there was negligible growth in the Compound business in F12. On the other hand, component sales grew by 13%. "Electra" increased its market presence and grew 65% compared to the last year. The available capacity on the 2,000 T moulding press has helped to get the business of large parts from one of the truck OEMs.

As a diversification exercise, the Company had obtained the approval of both the Board and the Shareholders for an investment in GRP Pipes to meet the anticipated demand of composite pipes in infrastructure projects. Given the current slowdown in the approval of infrastructure projects, the GRP Pipe Project is being put on hold and as a matter of abundant precaution the expected expenses as a result of holding of the same are being provided for.

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 the expected growth of power distribution projects is expected to boost sales in this segment. 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.

In addition, we are also looking at diversification away from the electrical (switchgear & power distribution) and automotive markets. In this context, we had prepared the plan to enter GRP pipes which is now under reconsideration, as stated earlier. 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 fibre wind mill blade which won accolades from ICERP-JEC last year has been successfully put into production and promises to open up a new market. The R&D team has successfully designed and developed small moulded components for the construction industry and is establishing initial sales in India and there is also potential to export these products. We also target to launch large liquid storage tanks for the construction industry in F13. MCL is an approved vendor to Philips and has successfully designed and developed machine covers for their Medical Equipments. These are now in production at Mangaon.

The formulation R&D continues its innovation and contributes to protecting margins in a competitive environment. We will continue our association with the R&Ds of our reputed suppliers to develop state of art products for our customers.

Outlook F-13

Your Company has taken up a modest target for growth.

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

In F13, we will seek growth in the power distribution segment through our "Electra" products. We will also introduce new products in F13 with continued investment to grow.

Risks and Concerns

Foreign 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.

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. The Company will raise finance through equity and long term debt 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. 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, Mangaon plant is certified for ISO 14001 & OHSAS 18001 and Pimpri Plant will be certified by June, 2012.

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: 26th April, 2012.

MANAGEMENT DISCUSSION & ANALYSIS

(Rs. in lakhs)

A) MAJOR HIGHLIGHTS	Year ended 31st March, 2012	Year ended 31st March, 2011	Change
Sales & Other Income.....	5,671.71	5,295.17	7.11%
Operational Profits.....	198.37	373.01	(46.82)%
Profit before Tax	198.42	374.88	(47.07)%
Return on Capital Employed	11.83%	21.20%	(44.20)%
Operating Cash Flow	125.11	327.58	(61.81)%
B) FINANCIAL POSITION AT A GLANCE			
Asset (Owned & Leased)			
Fixed Assets (Net)	1,040.49	938.43	
Investment	—	—	
Non - Current Assets / (Liabilities) (Net)	12.04	(4.80)	
Current Assets / (Liabilities) (Net)	624.37	834.54	
	1,676.90	1,768.17	
Financed by:			
Long Term Borrowings	115.82	120.86	
Net Worth	1,561.08	1,647.31	
	1,676.90	1,768.17	
Represented by:			
Share Capital	441.39	440.40	
ESOP Outstanding	9.62	11.10	
Retained Earnings	1,110.07	1,195.81	
	1,561.08	1,647.31	
C) DISTRIBUTION OF INCOME			
Material Consumed	3,776.50	66.58%	3,502.87 66.15%
Employee Cost.....	561.54	9.90%	462.38 8.73%
Other Expenses.....	905.07	15.96%	784.57 14.82%
Interest.....	84.83	1.50%	63.79 1.20%
Depreciation.....	145.35	2.56%	106.68 2.01%
Exceptional Items.....	214.00	3.77%	— 0.00%
Provision for Taxation.....	75.35	1.33%	131.52 2.48%
Current	59.00	1.04%	124.00 2.34%
Deferred	14.00	0.25%	7.00 0.13%
Short Provision for Earlier Years.....	2.35	0.04%	0.52 0.01%
Tax on Dividend.....	—	0.00%	14.29 0.27%
Dividend	—	0.00%	88.08 1.66%
Retained Earnings	(90.93)	(1.60)%	140.99 2.66%
	5,671.71	100.00%	5,295.17 100.00%

(Figures of previous year's 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 five 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 1(A) (iii) of the listing agreement.

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	4	Yes
Mr. C. S. Devale	NED	4	Yes
Mr. R. R. Krishnan	NED – I	3	Yes
Mr. M. R. Joshi (Deceased on 5th December, 2011)	NED – I	2	No
Mr. B. M. Kataria	NED – I	2	No
Mr. Dhananjay Mungale	NED – I	2	No

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	5	1
Mr. C. S. Devale	NIL	NIL	NIL
Mr. R. R. Krishnan	1	1	NIL
Mr. M. R. Joshi (Deceased on 5th December, 2011)	NIL	NIL	NIL
Mr. B. M. Kataria	1	1	NIL
Mr. Dhananjay Mungale	15	10	3

* 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, 2011
2.	29th July, 2011
3.	21st October, 2011
4.	18th January, 2012

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 CEO confirms compliance with the Code of Conduct by the Directors and Senior Management is enclosed.

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, 2011
2.	29th July, 2011
3.	21st October, 2011
4.	18th January, 2012

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 #	3
2.	Mr. C. S. Devale	4
3.	Mr. M. R. Joshi (Deceased on 5th December, 2011)	3
4.	Mr. Dhananjay Mungale	1
5.	Mr. R. R. Krishnan (w.e.f. 21st October, 2011)	1

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 not present at the Annual General Meeting held on 29th July, 2011 as he was out of station. However, the other members of the committee were present.

- (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. M. R. Joshi – (Deceased on 5th December, 2011)

Mr. Dhananjay Mungale

A meeting of Remuneration Committee Meeting was held on 29th August, 2011.

(c) Attendance :

Mr. B. M. Kataria and Mr. M. R. Joshi were present in the Meeting.

(d) Remuneration of Directors:

Presently Company is not having any Executive Director.

(e) 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. M. R. Joshi (Deceased on 5th December, 2011)	6,000/-	Nil
Mr. B. M. Kataria	6,000/-	Nil
Mr. Dhananjay Mungale	3,000/-	Nil
Mr. R. R. Krishnan	2,000/-	Nil

Employee Stock Option Scheme (ESOS)

During the year Company allotted 9,082 Equity shares to the permanent employees & 833 Equity shares to non-executive Directors of the Company at the price of Rs.47.40 per share under Employee Stock Option Scheme (ESOS)

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 29th July, 2011.

(b) Compliance Officer:

Mr. Vijayendra Kolambkar – GM – Finance & Accounts.

(c) Complaints:

Three Complaints were received during the year under review. All these complaints have been resolved.

As on 31st March, 2012 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
2008-2009	31st July, 2009	3.30 p.m.	Hotel Panchshil, Chinchwad, Pune-19.	Yes
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

(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. Devala (Non-executive Director) holds 1,426 fully paid equity shares of Rs.10/- each in the capital of the Company. The Company has paid dividend of Rs.2,852/- during the year.
- (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. The Company has paid dividend of Rs.1,666/- during the year.
- (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.
- (f) 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.

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 Only official news are displayed.
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 29th September, 2012 at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway Road, Pimpri, Pune - 411 018 at 3.30 p.m.
Financial Calendar (Tentative)	The financial year under review covers period from 1st April, 2011 to 31st March, 2012. The next financial year would be from 1st April, 2012 to 31st March, 2013. 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, 2013 – last week of April, 2013.
Date of Book Closure	Tuesday, 25th September, 2012 to Friday, 28th September, 2012 (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 2011-2012.
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, 2011 to 31st March, 2012 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 31.03.2012	Please see Annexure – B
Dematerialisation of shares and liquidity	92.33% of the Paid-up Capital has been dematerialised as on 31.03.2012.
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, 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 expenses.

(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 not present at the Annual General Meeting held on 29th July, 2011 as he was out of station.

(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: 26th April, 2012.

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, 2011	65.90	51.00	19811.14	18976.19
May, 2011	66.25	52.70	19253.87	17786.13
June, 2011	64.50	54.70	18873.39	17314.38
July, 2011	63.20	56.50	19131.70	18131.86
August, 2011	61.70	44.00	18440.07	15765.53
September, 2011	55.00	45.00	17211.80	15801.01
October, 2011	57.45	47.00	17908.13	15745.43
November, 2011	54.40	38.35	17702.26	15478.69
December, 2011	48.40	38.05	17003.71	15135.86
January, 2012	50.40	41.25	17258.97	15358.02
February, 2012	51.90	45.15	18523.78	17061.55
March, 2012	49.80	42.05	18040.69	16920.61

ANNEXURE – B

Distribution of shareholding as on 31st March, 2012

Number of shares held	Members		Shares	
	Number	%	Number	%
1– 500	4,694	88.08	716,338	16.23
501– 1,000	315	5.91	260,952	5.91
1,001– 2,000	155	2.91	230,803	5.23
2,001– 3,000	48	0.90	119,263	2.70
3,001– 4,000	26	0.49	90,372	2.05
4,001– 5,000	24	0.45	113,062	2.56
5,001– 10,000	40	0.75	291,512	6.60
10,001 and above	27	0.51	2,591,622	58.72
TOTAL	5,329	100.00	4,413,924	100.00

Shareholding pattern as on 31st March, 2012

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.....	1	2,050	0.05
Banks, Financial Institutions & Insurance Companies	1	1,600	0.03
Foreign Institutional Investors.....	Nil	Nil	Nil
Private Corporate Bodies	145	179,744	4.07
Indian Public	5,125	2,210,751	50.10
Foreign Nationals / NRIs.....	54	42,576	0.96
Total.....	5,329	4,413,924	100.00

DISCLOSURES 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.1,000 per meeting to its Non-Executive Independent Directors (NEIDs) 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 EXECUTIVE 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, 2012, received from all the Board Members and the Senior Management Personnel an affirmation of compliance with the Code.

Rajiv Satoor
Chief Executive Officer

Mumbai: 26th April, 2012.

COMPLIANCE CERTIFICATE

For the Financial Year 1st April, 2011 to 31st March, 2012

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, 2012. 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 26th April, 2011, 29th July, 2011, 21st October, 2011, and 18th January, 2012 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 22nd July, 2011 to 29th July, 2011 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, 2011 was held on 29th July, 2011 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. One extra ordinary meeting was held during the financial year after giving due notice to the members of the Company and the resolution passed thereat was duly recorded in the Minutes Book maintained for the purpose.
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) deposited the amount of dividend declared including interim dividend in a separate bank account on 30th July, 2011 which is within five days from the date of declaration of such dividend;
 - (iii) paid/posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with HDFC Bank Limited on 22nd September, 2011;
 - (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 issued 9,915 shares during the financial year and complied with the provisions of the Act.
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 altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny and complied with the provisions of the Act.
30. The Company has altered its articles of association after obtaining approval of members in the general meeting held on 19th April, 2011 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: 26th April, 2012.

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, 2012.

1. Form No.66 (Compliance) as on 31st March, 2011 filed under Section 383A.
2. Form No.23AC & 23ACA (Annual Report) as on 31st March, 2011 filed under Section 211.
3. Form No.20B (Annual Return) filed on 14th September, 2011 filed under Section 159.
4. Form No.32 filed on 30th December, 2011 under Section 303.
5. Form No.1 INV as per Investor Edu. & Protection Fund Rules, 2001.
6. Form No.23 filed on 10th August, 2011 under Section 192.
7. Form No.5 filed on 13th August, 2011 under Section 95.
8. Form No.2 filed on 1st October, 2011 under Section 75(1).

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, 2012, 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: 26th April, 2012.

AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA COMPOSITES LIMITED

1. We have audited the attached Balance Sheet of Mahindra Composites Limited as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

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

Mumbai: 26th April, 2012.

ANNEXURE TO THE AUDITORS' REPORT

(Referred in 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) There are no fixed assets disposed off during the year.
- (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, 2012 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, 2012 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	
Service Tax	21,212	2011–2012	Assistant Deputy Commissioner of Central Excise, Mahad
Service Tax	35,894	2010–2011	
Service Tax	25,147	2010–2011	
Excise Duty	242,078	2010–2011	
Service Tax	41,159	2011–2012	
Income Tax Appeal for AY 07–08	299,648	2006–2007	Commissioner of Income Tax (A) III (Pune)

- (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: 26th April, 2012.

BALANCE SHEET AS AT 31st MARCH, 2012

Particulars			As at 31st March, 2012	As at 31st March, 2011
	Note No.	Rupees	Rupees	Rupees
I. EQUITY AND LIABILITIES				
(1) Shareholders' funds				
(a) Share capital.....	2	44,139,240		44,040,090
(b) Reserves and surplus.....	3	111,968,976		120,690,853
			156,108,216	164,730,943
(2) Non-current liabilities				
(a) Long-term borrowings	4	7,482,269		9,386,442
(b) Deferred tax liabilities (net)	5	4,100,000		2,700,000
(c) Long-term provisions	6	5,414,296		4,400,183
			16,996,565	16,486,625
(3) Current liabilities				
(a) Short-term borrowings.....	7	76,889,394		46,248,023
(b) Trade payables.....	8	63,604,484		64,062,624
(c) Other current liabilities	9	14,642,326		13,861,443
(d) Short-term provisions	10	23,228,441		12,394,221
			178,364,645	136,566,311
Total.....			351,469,426	317,783,879
II. ASSETS				
(1) Non-current assets				
(a) Fixed assets				
(i) Tangible assets.....	11	102,593,377		91,958,874
(ii) Intangible assets	12	1,326,182		105,876
(iii) Capital work-in-progress		130,000		1,778,044
			104,049,559	93,842,794
(b) Long-term loans and advances	13	6,259,322		3,292,046
(c) Other non-current assets.....	14	358,800		627,900
			6,618,122	3,919,946
(2) Current assets				
(a) Inventories	15	38,367,033		40,150,435
(b) Trade receivables.....	16	180,347,177		149,884,769
(c) Cash and cash equivalents.....	17	2,965,965		6,761,719
(d) Short-term loans and advances	18	18,852,470		22,955,116
(e) Other current assets.....	14	269,100		269,100
			240,801,745	220,021,139
Total.....			351,469,426	317,783,879

See accompanying notes forming part of the financials statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered AccountantsZ. F. Billimoria
Partner

Mumbai: 26th April, 2012.

For and on behalf of the Board

Hemant Luthra Chairman

R. R. Krishnan
C. S. Devale
B. M. Kataria } Directors

Mumbai: 26th April, 2012.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
		Rupees	Rupees
I. Revenue from operations – (gross)		622,079,803	571,094,560
Less: Excise duty		59,686,587	47,649,857
Revenue from operations – (net)	19	562,393,216	523,444,703
II. Other income	20	4,777,936	6,072,277
III. Total revenue (I + II).....		567,171,152	529,516,980
IV. Expenses :			
Cost of materials consumed	21	376,657,510	351,768,661
Changes in inventories of finished goods and work-in-progress	22	992,819	(1,482,143)
Employee benefit expenses	23	56,153,459	46,237,937
Finance costs	24	9,841,188	8,638,905
Depreciation and amortisation expenses	11 & 12	14,535,262	10,667,703
Other expenses.....	25	89,149,169	76,197,704
Total expenses		547,329,407	492,028,767
V. Profit before exceptional items and tax (III – IV).....		19,841,745	37,488,213
VI. Exceptional items.....	40	21,400,000	–
VII. Profit /(loss) before tax (V – VI).....		(1,558,255)	37,488,213
VIII. Tax expense:			
(1) Current tax.....		5,900,000	12,400,000
(2) Deferred tax.....		1,400,000	700,000
(3) Short/ (excess) provision for current tax in respect of earlier year(s).		234,443	52,344
		7,534,443	13,152,344
IX. Profit /(loss) for the year (VII–VIII).....		(9,092,698)	24,335,869
X. Earnings /(loss) per equity share (face value per share Rs.10):			
(1) Basic.....	30	(2.06)	5.53
(2) Diluted	30	(2.06)	5.50

See accompanying notes forming part of the financials statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered AccountantsZ. F. Billimoria
Partner

Mumbai: 26th April, 2012.

For and on behalf of the Board

Hemant Luthra Chairman

R. R. Krishnan
C. S. Devale
B. M. Kataria } Directors

Mumbai : 26th April, 2012.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	Year ended 31st March, 2012		Year ended 31st March, 2011	
	Rupees	Rupees	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(loss) before tax.....		(1,558,255)		37,488,213
Adjustment for:				
Depreciation/amortization	14,535,262		10,667,703	
Interest expense	9,841,188		8,638,905	
Interest income	(5,476)		(187,379)	
Unrealised exchange (gain)/loss	231,205		(75,210)	
Provision for employee benefits	1,014,113		(503,836)	
		25,616,292		18,540,183
Operating profit before working capital changes		24,058,037		56,028,396
Adjustments for changes in working capital				
Long-term loans and advances	197,059		(1,591,757)	
Inventories	1,783,402		1,585,330	
Trade receivables	(30,462,408)		(17,693,498)	
Short-term loans and advances	6,952,421		(1,868,644)	
Trade payables	(458,140)		11,665,774	
Other current liabilities	(493,331)		5,755,317	
Short-term provisions	21,071,119		1,357,322	
Other non-current assets	269,100		(897,000)	
Restricted cash balance	(107,548)		(42,634)	
		(1,248,326)		(1,729,790)
Cash generated from operations		22,809,711		54,298,606
Income taxes paid		(8,984,218)		(16,879,841)
Net cash from operating activities.....		13,825,493		37,418,765
B. CASH FLOW FROM INVESTING ACTIVITIES				
Fixed assets:				
Purchase	(27,287,883)		(22,988,019)	
Investments:				
Fixed deposit with bank withdrawn/(placed) (under lien).....	(5,379)		4,893,092	
Interest received	5,476		187,379	
Net cash used in investing activities		(27,287,786)		(17,907,548)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital.....	469,971		746,455	
Proceeds from long-term borrowings.....	1,747,183		11,466,427	
Repayment of long-term borrowings	(3,651,356)		(4,391,753)	
Repayment/proceeds from short-term borrowings (net).....	30,410,166		(5,826,580)	
Interest paid	(9,293,101)		(8,583,829)	
Dividend paid.....	(10,129,251)		(10,225,436)	
Net cash from/used in financing activities.....		9,553,612		(16,814,716)
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS.....		(3,908,681)		2,696,501
CASH AND CASH EQUIVALENTS – [Refer Note (ii) below]:				
Cash and cash equivalents (Opening balance).....		5,458,737		2,762,236
Cash and cash equivalents (Closing balance).....		1,550,056		5,458,737
		(3,908,681)		2,696,501

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:

	As at 31st March, 2012	As at 31st March, 2011
	Rupees	Rupees
Cash on hand.....	26,095	14,356
Balances with banks : in current account.....	1,523,961	5,444,381
	1,550,056	5,458,737
Add : in dividend account (restricted)	1,353,432	1,245,884
in deposits (under lien).....	62,477	57,098
Cash and cash equivalents at the end of the period as per note.....	2,965,965	6,761,719

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mumbai: 26th April, 2012.

Hemant Luthra

R. R. Krishnan
C. S. Devale
B. M. Kataria

For and on behalf of the Board

Chairman

Directors

Mumbai : 26th April, 2012.

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 includes 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 Profit & Loss Statement.

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 Profit and Loss Statement.

g) GOVERNMENT GRANTS

Government grants of 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.

2. SHARE CAPITAL

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Authorised:		
15,000,000 (Previous year 5,000,000) equity shares of Rs.10 each.....	150,000,000	50,000,000
	150,000,000	50,000,000
Issued:		
4,414,974 (Previous year 4,405,059) equity shares of Rs.10 each.....	44,149,740	44,050,590
	44,149,740	44,050,590
Subscribed and paid up:		
4,413,924 (Previous year 4,404,009) equity shares of Rs.10 each fully paid up. (excluding 1,050 shares not allotted but held in abeyance)	44,139,240	44,040,090
Total.....	44,139,240	44,040,090

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

Particulars	As at 31st March, 2012		As at 31st March, 2011	
	Number of shares	Amount (Rs.)	Number of shares	Amount (Rs.)
No of shares outstanding at the beginning of the year ..	4,404,009	44,040,090	4,388,261	43,882,610
Add: Additional shares issued during the year under Employee stock option scheme	9,915	99,150	15,748	157,480
Number of shares outstanding at the end of the year....	4,413,924	44,139,240	4,404,009	44,040,090

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, 2012		As at 31st March, 2011	
	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	30.45%
Azrael Investments Limited	416,000	9.42%	416,000	9.45%

- 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.

3. RESERVES AND SURPLUS

Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
		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		824,408	—
Additions on shares issued during the year under the employee stock option schemes	31	519,050	824,408
		1,343,458	824,408
Share options outstanding account:			
As per last balance sheet		1,110,067	1,345,500
Less: Options exercised under the employee stock option schemes	31	148,229	235,433
		961,838	1,110,067
General Reserve:			
As per last balance sheet		21,469,950	19,644,759
Add: Transfer from profit & loss statement		—	1,825,191
		21,469,950	21,469,950
Surplus i.e. balance in profit & loss statement:			
As per last balance sheet		94,786,428	82,512,649
Add: Profit /(loss) for the year		(9,092,698)	24,335,869
Less : Appropriations			
Proposed dividend	10 & 39	—	8,808,018
Tax on proposed dividend		—	1,428,881
Transfer to general reserve		—	1,825,191
		85,693,730	94,786,428
Total.....		111,968,976	120,690,853

4. LONG TERM BORROWINGS

Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
		Rs.	Rs.
Term loans			
From banks: Secured			
(i) Secured by hypothecation of vehicles purchased out of the said loan.....	4a	351,432	1,379,255
(ii) Secured by hypothecation of equipments purchased out of the said loan	4c, 4d	7,130,837	7,984,308
		7,482,269	9,363,563
From other parties: Secured			
Secured by hypothecation of vehicles purchased out of the said loan.....	4b	–	22,879
		–	22,879
Total.....		7,482,269	9,386,442
Lender		As at 31st March, 2012	As at 31st March, 2011
		Rs.	Rs.
4a HDFC Bank Limited			
Vehicle loan payable in 60 equal monthly installments @ 13% p.a. balance pertains to 9 monthly installments due from April 2013 (Previous year balance pertains to 21 installments).....		79,126	173,365
Vehicle loan payable in 36 equal monthly installments @ 9.25% p.a. balance pertains to 5 monthly installments due from April 2013 (Previous year balance pertains to 17 installments).....		121,791	395,711
Vehicle loan payable in 36 equal monthly installments @ 9.25% p.a. balance pertains to 7 monthly installments due from April 2013 (Previous year balance pertains to 19 installments).....		150,515	390,446
Vehicle loan payable in 36 equal monthly installments @ 11.5% p.a. (Previous year balance pertains to 1 installment)		–	16,824
Vehicle loan payable in 36 equal monthly installments @ 9% p.a. (Previous year balance pertains to 8 installments)		–	402,909
		351,432	1,379,255
4b 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
4c 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 outstanding payable in 38 monthly installments (Previous year 50 outstanding installments).....		7,130,837	7,620,754
4d Axis Bank Limited			
Equipment Loan payable in 58 equal monthly installments @ 14.75% p.a. (Previous year balance pertains to 11 installments).		–	363,554
		7,130,837	7,984,308

5. DEFERRED TAX LIABILITIES (NET)

(i) Break up of deferred tax liability:

Nature of timing difference	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Provision for depreciation.....	7,500,000	6,600,000
Total.....	7,500,000	6,600,000

(ii) Break up of deferred tax asset:

Nature of timing difference	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Provision for doubtful debts/advances	299,634	1,200,000
Section 43B items	3,100,366	2,700,000
Total.....	3,400,000	3,900,000

(iii) Deferred tax liability (net) (i) – (ii)..... 4,100,000 2,700,000

(iv) Net deferred tax liability charged off..... 1,400,000 700,000

6. LONG-TERM PROVISIONS

Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
		Rs.	Rs.
Provision for employee benefits:			
Provision for gratuity	10 & 26	1,250,050	411,300
Provision for compensated absences	10	4,164,246	3,988,883
Total...		5,414,296	4,400,183

7. SHORT-TERM BORROWINGS

Particulars		As at 31st March, 2012	As at 31st March, 2011
		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).....		51,889,394	46,248,023
From other than related parties-Unsecured			
Inter corporate deposit		25,000,000	–
		76,889,394	46,248,023

8. TRADE PAYABLES

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Payable to suppliers*	54,642,013	55,650,866
Provision for expenses	8,962,471	8,411,758
Total...	63,604,484	64,062,624

* 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.

9. OTHER CURRENT LIABILITIES

Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
		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	1,027,823	1,302,251
(ii) Secured by hypothecation of equipments purchased out of the said loan	9c, 9d	2,600,655	2,221,096
From other parties—Secured			
Secured by hypothecation of vehicles purchased out of the said loan...	9b	22,879	127,193
Interest accrued but not due on borrowings		629,615	81,528
Unclaimed dividends #		1,352,432	1,244,784
Other payables : Advances from customers		522,683	2,053,220
: Payables on purchase of fixed assets		1,697,330	1,078,851
: Statutory and other dues		6,788,909	5,752,520
Total...		14,642,326	13,861,443

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

Lender	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
9a HDFC Bank Limited		
Vehicle loan payable in 60 equal monthly installments @ 13% p.a. balance pertains to 12 monthly installments due from April 2012 (Previous year balance pertains to 12 installments)	94,239	82,803
Vehicle loan payable in 36 equal monthly installments @ 9.25% p.a. balance pertains to 12 monthly installments due from April 2012 (Previous year balance pertains to 12 installments)	273,920	249,822
Vehicle loan payable in 36 equal monthly installments @ 9.25% p.a. balance pertains to 12 monthly installments due from April 2012 (Previous year balance pertains to 12 installments)	239,931	218,813
Vehicle loan payable in 36 equal monthly installments @ 11.5% p.a. balance pertains to 1 monthly installment due from April 2012 (Previous year balance pertains to 12 installments)	16,824	189,850
Vehicle loan payable in 36 equal monthly installments @ 9% p.a. balance pertains to 8 monthly installment due from April 2012 (Previous year balance pertains to 12 installments)	402,909	560,963
	1,027,823	1,302,251

Lender	As at 31st March, 2012	As at 31st March, 2011						
	Rs.	Rs.						
9b Tata Motors Finance Limited								
Vehicle loan payable in 60 equal monthly installments @ 13.15% p.a. balance pertains to 2 monthly installments due from April 2012 (<i>Previous year balance pertains to 12 installments</i>)	22,879	127,193						
	22,879	127,193						
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 2012 (<i>Previous year balance pertains to 12 installments</i>).....	2,237,099	1,849,669						
9d Axis Bank Limited								
Equipment loan payable in 58 equal monthly installments @ 14.75% p.a. (<i>Previous year balance pertains to 11 installments</i>).....	363,556	371,427						
	2,600,655	2,221,096						
10. SHORT-TERM PROVISIONS								
Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011					
		Rs.	Rs.					
Provision for employee benefits:								
Provision for gratuity	6 & 26(j)	1,415,000	1,740,000					
Provision for compensated absences.....	6	413,441	417,322					
Provision—others:								
Provision for expected expenses on account of keeping a project on hold	40	21,400,000	—					
Proposed dividend	3 & 39	—	8,808,018					
Tax on proposed dividend	3 & 39	—	1,428,881					
Total.....		23,228,441	12,394,221					
11. FIXED ASSETS – Tangible								
Particulars	Cost		Depreciation/amortization/impairment			Net block		
	As at 31st March, 2011	Additions during the year	As at 31st March, 2012	Upto 31st March, 2011	For the year	Upto 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TANGIBLE ASSETS								
Leasehold land	318,463	—	318,463	85,424	3,375	88,799	229,664	233,039
Improvements to leasehold premises	24,589,381	382,279	24,971,660	5,785,836	1,666,086	7,451,922	17,519,738	18,803,545
Buildings	24,174,499	1,424,615	25,599,114	7,468,935	808,815	8,277,750	17,321,364	16,705,564
Plant & equipment.....	117,345,043	22,644,249	139,989,292	71,083,013	9,859,669	80,942,682	59,046,610	46,262,030
Furniture & fixtures.....	5,234,930	28,153	5,263,083	3,045,912	250,884	3,296,796	1,966,287	2,189,018
Vehicles	6,536,955	—	6,536,955	1,820,440	1,343,984	3,164,424	3,372,531	4,716,515
Office equipment	4,092,740	180,502	4,273,242	1,862,905	159,022	2,021,927	2,251,315	2,229,835
Computers.....	3,767,713	352,578	4,120,291	2,948,385	286,038	3,234,423	885,868	819,328
Total.....	186,059,724	25,012,376	211,072,100	94,100,850	14,377,873	108,478,723	102,593,377	91,958,874
Previous year.....	160,768,804	25,290,920	186,059,724	83,480,371	10,620,479	94,100,850	91,958,874	

12. FIXED ASSETS – Intangible

Particulars	Cost			Depreciation/amortization/ impairment			Net block	
	As at 31st March, 2011	Additions during the year	As at 31st March, 2012	Upto 31st March, 2011	For the year	Upto 31st March, 2012	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
INTANGIBLE ASSETS								
Computer software	1,111,886	1,377,695	2,489,581	1,006,010	157,389	1,163,399	1,326,182	105,876
Total.....	1,111,886	1,377,695	2,489,581	1,006,010	157,389	1,163,399	1,326,182	105,876
Previous year.....	1,111,886	–	1,111,886	958,786	47,224	1,006,010	105,876	

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

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Other than related parties:		
Capital advances	4,844,269	1,679,934
Security deposits.....	1,346,954	1,420,934
Other loans and advances		
Prepaid expenses.....	25,099	5,696
Advance to staff.....	43,000	185,482
Unsecured, considered doubtful.....	–	1,880,000
	68,099	2,071,178
Less : Provision for doubtful advances and loans	–	1,880,000
	68,099	191,178
Total.....	6,259,322	3,292,046

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

Particulars	Note No.	As at 31st March, 2012		As at 31st March, 2011	
		Current	Non Current	Current	Non Current
		Rs.	Rs.	Rs.	Rs.
Deferred employee compensation.....	31	269,100	358,800	269,100	627,900
Total.....		269,100	358,800	269,100	627,900

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

Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
		Rs.	Rs.
Raw materials	15a & 21	18,041,200	19,058,104
Work-in-progress	15b & 22	12,665,014	16,096,847
Finished goods	15c & 22	5,703,679	3,264,665
Stores and spares		1,011,665	1,115,142
Packing materials		945,475	615,677
Total.....		38,367,033	40,150,435

15a Details of raw materials

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Thermo-plastics	4,439,850	1,467,419
Reinforcements.....	792,759	2,704,626
Fillers	1,170,572	1,463,578
Pigments.....	1,400,965	2,010,240
Resin	1,130,276	3,164,000
Others	9,106,778	8,248,241
Total.....	18,041,200	19,058,104

15b Details of work-in-progress

Compounds.....	9,147,372	2,927,457
Components	3,322,584	11,257,534
Others-moulds.....	195,058	1,911,856
Total.....	12,665,014	16,096,847

15c Details of finished goods

Compounds.....	4,801,471	2,803,586
Components	902,208	461,079
Total.....	5,703,679	3,264,665

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

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
1) Trade receivables due for a period exceeding six months:		
Considered good.....	2,770,179	217,007
Considered doubtful	1,173,706	3,527,223
	3,943,885	3,744,230
2) Other trade receivables:		
Considered good.....	177,576,998	149,667,762
Considered doubtful	—	—
	177,576,998	149,667,762
Less : Provision for doubtful debts	1,173,706	3,527,223
Total.....	180,347,177	149,884,769

17. CASH AND CASH EQUIVALENTS

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Balances with banks :		
On current account	1,523,961	5,444,381
On dividend account.....	1,353,432	1,245,884
Deposits (under lien) (more than 12 months)	62,477	57,098
Cash on hand	26,095	14,356
Total.....	2,965,965	6,761,719

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

Particulars	As at 31st March, 2012	As at 31st March, 2011
	Rs.	Rs.
Loans and advances to other than related parties:		
Prepaid expenses.....	598,646	1,361,137
Tender deposits	2,396,718	1,204,670
Advances to suppliers.....	1,159,454	6,354,921
Advance taxes [net of provisions Rs.66,818,147 (Previous year Rs.60,410,629)].....	9,461,169	6,611,394
Balances with government authorities:		
Sales tax set off receivable.....	354,326	1,052,014
Service tax set off receivable	943,530	1,210,360
CENVAT credit receivable.....	3,938,627	5,160,620
Total.....	18,852,470	22,955,116

19. REVENUE FROM OPERATIONS – NET

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
		Rs.	Rs.
Sale of products	19a	620,430,985	568,300,331
Sale of services	19b	217,684	1,139,638
Other operating revenues: Scrap sales	19c	1,431,134	1,654,591
		622,079,803	571,094,560
Less : Excise duty		59,686,587	47,649,857
Total.....		562,393,216	523,444,703

19a Sale of products comprises:

Manufactured goods	: Compounds.....	351,000,928	336,604,839
	: Components	204,657,977	181,220,092
	: Others–moulds.....	5,085,493	2,825,542
19b Sale of services	: Job work services.....	217,684	1,139,639
19c Other operating revenue	: Scrap sales.....	1,431,134	1,654,591
	Total.....	562,393,216	523,444,703

20. OTHER INCOME

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Interest income on bank deposits.....	5,476	187,379
Net gain on foreign currency transaction and translation	–	98,598
Sundry provisions and credit balances no longer required, written back.....	4,233,518	3,861,751
Others	538,942	1,924,549
Total.....	4,777,936	6,072,277

21. COST OF MATERIALS CONSUMED

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
		Rs.	Rs.
Raw materials consumed			
Opening stock		19,058,104	22,958,546
Add: Purchases		375,640,606	347,868,219
		394,698,710	370,826,765
Less : Closing stock.....		18,041,200	19,058,104
Cost of materials consumed.....	21a, 21b	376,657,510	351,768,661

21a Details of materials consumed

Particulars	Raw Materials Consumed	
	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Broad heads of materials:		
Thermo-plastics	33,529,212	28,277,925
Reinforcements	67,403,062	66,347,288
Fillers	58,085,173	47,401,562
Pigments	22,850,428	18,839,837
Resins	100,352,130	94,908,661
Others	94,437,505	95,993,388
Total.....	376,657,510	351,768,661

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

Particulars	For the year ended 31st March, 2012		For the year ended 31st March, 2011	
	%	Value in Rs.	%	Value in Rs.
Imported.....	21%	77,431,527	29%	100,410,153
Indigenously obtained	79%	299,225,983	71%	251,358,508
	100%	376,657,510	100%	351,768,661

* 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.

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

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
		Rs.	Rs.
Opening stock			
Work-in-progress.....	15	16,096,847	14,714,607
Finished goods	15	3,264,665	3,164,762
		19,361,512	17,879,369
Closing stock			
Work-in-progress.....	15	12,665,014	16,096,847
Finished goods	15	5,703,679	3,264,665
		18,368,693	19,361,512
Total.....		992,819	(1,482,143)

23. EMPLOYEE BENEFIT EXPENSES

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
		Rs.	Rs.
Salaries, wages and bonus.....	31	46,799,567	39,579,802
Contribution to provident and other funds	26	6,146,458	4,055,943
Staff welfare expenses		2,938,334	2,333,092
ESOS compensation expenses.....		269,100	269,100
Total.....		56,153,459	46,237,937

24. FINANCE COSTS

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Interest expense		
– Term loan from banks.....	1,339,723	970,821
– Overdraft from banks.....	6,020,732	4,501,318
– Inter corporate deposits	611,634	355,608
– Others	511,098	551,495
Other borrowing costs	1,358,001	2,259,663
Total.....	9,841,188	8,638,905

25. OTHER EXPENSES

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Consumption of stores and spare parts.....	8,593,055	8,991,555
Power and fuel.....	11,797,867	9,506,194
Rent (net)	3,637,452	3,358,334
Rates & taxes (excluding taxes on income).....	1,982,741	650,564
Excise duty:		
Relating to changes in inventories of finished goods and work-in-progress	(313,407)	26,535
Relating to others	2,202,097	1,295,625
Insurance	987,958	972,590
Repairs and maintenance:		
Buildings.....	565,424	717,292
Machinery	3,588,725	3,299,643
Others.....	7,491,035	6,341,190
	11,645,184	10,358,125
Payment to auditors:		
As auditor	600,000	500,000
For other services.....	400,000	400,000
For reimbursement of expenses	47,860	26,562
	1,047,860	926,562
Professional charges.....	12,737,868	8,996,022
Directors' sitting fees.....	17,000	22,000
Commission to non whole-time directors.....	–	120,000
Packing and forwarding (net)	20,029,764	17,514,975
Net loss on foreign currency transaction and translation	1,343,061	–
Traveling & conveyance	4,335,591	5,185,270
Bad debts written off	2,151,654	2,390,443
Miscellaneous expenses.....	6,953,424	5,882,910
Total.....	89,149,169	76,197,704

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 & loss statement in respect of defined contribution plans is as under:

Particulars	31.03.2012	31.03.2011
	Rs.	Rs.
(a) Provident fund	1,479,410	1,278,916
(b) Family pension fund.....	945,209	700,727
(c) Employee deposit linked insurance	60,543	42,113
(d) Maharashtra labour welfare fund.....	11,556	6,948
(e) Employee state insurance	35,213	74,405
(f) Superannuation fund.....	1,097,551	994,172
Total.....	3,629,482	3,097,281

(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)	
	31.03.2012	31.03.2011
	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	8,763,629	7,251,738
Current service cost	788,883	677,676
Interest cost	779,459	651,362
Actuarial losses/(gains).....	(217,097)	212,853
Liabilities extinguished on settlements	—	—
Losses/(gains) on curtailment	—	—
Benefits paid.....	(269,750)	(30,000)
Past service cost	—	—
Present value of defined benefit obligation at the end of the year.....	9,845,124	8,763,629

(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.....	6,612,329	5,048,577
Expected return on plan assets.....	485,692	391,268
Actuarial gains/(losses).....	(1,334,561)	370,429
Contributions by employer	1,686,364	832,055
Benefits paid.....	(2,69,750)	(30,000)
Fair value of plan assets as on 31st March	7,180,074	6,612,329

(E) Analysis of defined benefit obligation:

Defined benefit obligation as at 31st March	9,845,124	8,763,629
Fair value of plan assets at the end of year.....	7,180,074	6,612,329
Net liability recognised in the balance sheet	2,665,050	2,151,300

Particulars	Gratuity (Funded)				
	31.03.2012	31.03.2011			
	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.....	9,845,124	87,63,629			
Fair value of plan assets.....	7,180,074	6,612,329			
Funded status (deficit).....	(2,665,050)	(2,151,300)			
Unrecognised past service cost.....	—	—			
Net liability recognised in the balance sheet	(2,665,050)	(2,151,300)			
(G) Components of employers expense recognised in the profit & loss statement					
Current service cost.....	788,883	677,676			
Interest cost	779,459	651,362			
Expected return on plan assets.....	(485,692)	(391,268)			
Actuarial (gains)/losses.....	1,117,464	(157,576)			
Past service cost	—	—			
Settlement cost	—	—			
Total expense	2,200,114	780,194			
(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 (%).....	8.65 p.a.	8.30 p.a.			
Expected rate of return on plan assets (%)	7.50 p.a.	7.50 p.a.			
Salary escalation rate (%).....	8.00 p.a.	8.00 p.a.			
(J) Contributions expected to be paid to the plan during the next financial year Rs.1,415,000 (Previous year Rs.17,40,000).					
(K) Other disclosures					
Particulars	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Experience adjustment on plan liabilities.....	185,636	212,853	572,989	197,614	54,183
2. Experience adjustments on plan assets....	(1,334,561)	370,429	(1,405,606)	337,145	(3,908)
3. Defined benefit obligation at the end of the period.....	9,845,124	8,763,629	7,251,738	4,776,842	3,837,533
4. Plan assets at the end of the period.....	7,180,074	6,612,329	5,048,577	4,702,803	3,626,844
5. Funded status.....	(2,665,050)	(2,151,300)	(2,203,161)	(74,039)	(210,689)
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.

27. SEGMENT INFORMATION

Particulars	Polymer Composite Compounds		Polymer Composite Components		Others		Elimination		Total Amount	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
(A) Primary segments – Business segments										
a) Segment revenue										
Sales to external customers.....	352,266,265	338,150,430	204,823,775	182,468,731	5,303,176	2,825,542	–	–	562,393,216	523,444,703
Inter segment revenue.....	70,129,095	54,184,766	–	–	–	–	(70,129,095)	(54,184,766)	–	–
Total segment revenue.....	422,395,360	392,335,196	204,823,775	182,468,731	5,303,176	2,825,542	(70,129,095)	(54,184,766)	562,393,216	523,444,703
b) Segment results	39,100,603	47,564,207	(9,323,303)	(1,492,914)	2,305,283	1,118,137	–	–	32,082,583	47,189,430
Unallocated corporate expenses net of unallocated income.....									(23,805,126)	(1,249,691)
Interest expense									(9,841,188)	(8,638,905)
Interest income									5,476	187,379
Profit/(loss) before tax.....									(1,558,255)	37,488,213
Income taxes...									7,534,443	13,152,344
Profit/(loss) after tax									(9,092,698)	24,335,869
c) Segment assets	169,867,164	150,846,032	169,109,903	150,739,493	65,225	2,825,241	–	–	339,042,292	304,410,766
Unallocated corporate assets									12,427,134	13,373,113
Total assets.....									351,469,426	317,783,879
d) Segment liabilities	61,438,316	56,612,342	18,322,154	22,892,378	95,673	–	–	–	79,856,143	79,504,720
Unallocated corporate liabilities									115,505,067	73,548,216
Total liabilities									195,361,210	153,052,936
e) Cost incurred during the period to acquire segment fixed assets	5,331,709	6,844,571	21,058,362	18,446,349	–	–	–	–	26,390,071	25,290,920
f) Depreciation/ amortisation	3,491,976	2,428,992	11,043,286	8,238,711	–	–	–	–	14,535,262	10,667,703
g) Material non-cash expenses other than depreciation/ amortisation (net)	–	–	–	–	–	–	–	–	–	–

Notes:

1. Inter-segment transfers have been priced at market rates.
2. (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

(B) Secondary segments – Geographical segments

Particulars	Domestic		Export		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Segment revenue by geographical area based on geographical location of customers.....	517,181,580	493,254,944	45,211,636	30,189,759	562,393,216	523,444,703

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
Nil	Nil

(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)	
			2011-2012	2010-2011	2011-12	2010-2011
			Rs.	Rs.	Rs.	Rs.
Mahindra & Mahindra Limited	Investing party	Rent paid	3,209,160	2,909,484	(481,374)	–
		Sales	32,896,156	26,831,491	5,522,189	9,387,000
		Reimbursement of expenses.....	8,430,057	6,762,439	(4,395,512)	(6,744,772)
		Deputation charges of CEO...	5,208,632	3,955,633	(580,514)	(273,267)
		Dividend paid.....	–	2,682,406	–	–

29. OPERATING LEASE

Particulars	2011-2012	2010-2011
	Rs.	Rs.
i) Total of future minimum lease payments under non-cancellable operating lease:		
– not later than one year	1,697,199	2,909,484
– later than one year and not later than five years.....	–	1,697,199
– later than five years	–	–

ii) Lease payments recognised in the statement of profit & loss for the period under rent is **Rs.2,909,484** (Previous year : Rs.2,909,484)

iii) The lease agreement is in respect of land and building for a period of nine years.

30. EARNINGS PER SHARE

Earnings per share have been computed as under:

Particulars	2011-2012	2010-2011
	Rs.	Rs.
(a) Profit /(loss) after tax as per statement of profit & loss.....	(9,092,698)	24,335,869
(b) Weighted average number of ordinary shares outstanding.....	44,09,849	43,97,624
(c) Effect of potential ordinary shares on employees stock options outstanding.....	5,248	26,772
(d) Weighted average number of ordinary shares in computing diluted earnings per share (b) + (c)	44,15,097	44,24,396
(e) Earnings /(loss) per share : Basic [(a) / (b)].....	(2.06)	5.53
: Diluted [(a) / (d)]	(2.06)	5.50

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:	2011-2012	2010-2011
	Rs.	Rs.
Number of stock options outstanding at the beginning of the year.....	74,252	90,000
Options granted during the year	Nil	Nil
Options exercised.....	9,915	15,748
Options forfeited / lapsed	Nil	Nil
Options outstanding at the end of the year	64,337	74,252

Out of the options outstanding at the end of the year **34,343** (Previous year 14,255) 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.

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	2011-2012	2010-2011
	Rs.	Rs.
Increase in employee compensation cost.....	2,03,220	2,03,220
Decrease in profit after tax / increase in loss after tax.....	(2,03,220)	(2,03,220)
Decrease in basic earning / increase in loss per share.....	(0.05)	(0.05)
Decrease in diluted earning / increase in diluted loss per share.....	(0.05)	(0.05)

32. CONTINGENT LIABILITIES NOT PROVIDED FOR

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Show cause cum demand notice received from excise authorities disputed by the Company	762,485	639,073

33. COMMITMENTS

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).....	2,273,747	1,994,386

34. CIF VALUE OF IMPORTS

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Raw materials	76,117,218	82,631,767
Components and spare parts.....	477,397	937,456
Capital goods.....	–	642,720
Total.....	76,594,615	84,211,943

35. EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
FOB value of exports	45,211,636	30,189,759

36. EXPENDITURE IN FOREIGN CURRENCY

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Travelling expenses	931,317	1,939,754

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.	
	2011-2012	2010-2011	2011-12	2010-2011
Trade payables (liability)	USD 15,767	USD 167,467	812,448	7,677,118
	EURO 32,918	EURO 20,745	2,272,960	1,305,904
Trade receivables (assets)	USD 365,780	USD 388,365	18,548,695	17,707,323
Post shipment credit (liability)	USD 224,860	USD 239,382	11,587,022	10,698,334

38. RESEARCH AND DEVELOPMENT EXPENSES

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	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	2,696,802	2,307,402

39. PROPOSED DIVIDEND

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	Rs.	Rs.
Dividend amount proposed to be distributed to shareholders [Rs.Nil per share (Previous year Rs.2 per share)]	Nil	8,808,018

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

During the 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.

41. PREVIOUS YEAR COMPARATIVES

The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board

Hemant Luthra Chairman

R. R. Krishnan	}	Directors
C. S. Devale		
B. M. Kataria		

Mumbai: 26th April, 2012.

Sustainability with Responsibility

Mahindra Composites proves to be a beacon of sustainability initiatives.

Background:

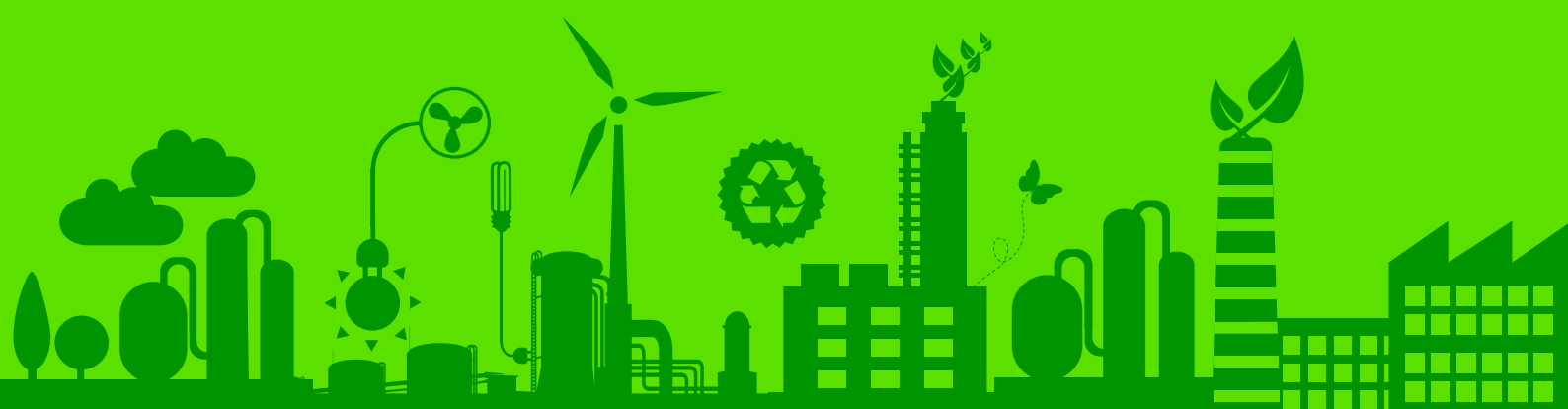
Composites are the materials of the future. They are replacing metals and contribute to preserving the environment by lowering emissions due in part to the lightweight nature of the resultant products without compromising on the required properties for the intended application.

As an organisation that makes products that help the environment, we have also taken up the initiative to build an internal awareness towards sustainability and address critical issues in our operations.

Solution:

Our sustainability drive tackles the issues of energy conservation, reduction in the consumption of critical fuels, capacity enhancement of critical machines, modularisation of tool design, recycling of chemicals and many more high impact processes.

The Mangaon and Pune facilities have seen active employee involvement towards the various initiatives. To ensure the maximum participation and awareness, training programs have been carried out at every level within the organisation. Employees from both of our plants have actively participated in the initiatives to bring in a structured system which will foster a culture of continuous improvement in Environment, Health and Safety. Due to these initiatives it is hardly a surprise that our Mangaon plant is certified for ISO 14001 & OHSAS 18001 and Pimpri plant will be certified by June 2012.



Registered Office:

Mahindra Composites Ltd.

145, Mumbai-Pune Road, Pimpri,

Pune - 411 018, Maharashtra, India.

Tel.: 91-20-27425272

Website: www.mahindracomposites.com

E-mail: info@mahindracomposites.com

