

Leveraging Global Integration



Poised to excel



Mahindra Forgings Limited is among the largest forging companies in the world. Its Indian operations at Chakan, Pune with a state-of-the-art plant having excellent manufacturing facilities, cater to the requirements of leading Indian auto OEMs as well as overseas customers. The Indian operations enjoy the highest market share for passenger car crankshafts in the country.



BOARD OF DIRECTORS

Anand G. Mahindra Chairman

Hemant Luthra

Zhooben Bhiwandiwalla

R. R. Krishnan

V. K. Chanana

Mohit Burman

Fali P. Mama

Nikhilesh Panchal

Harald Korte

Oliver Scholz

COMMITTEES OF THE BOARD

Audit Committee

V. K. Chanana

Mohit Burman

R. R. Krishnan

Nikhilesh Panchal

Fali P. Mama

Remuneration / Compensation Committee

Mohit Burman

Anand G. Mahindra

Hemant Luthra

V. K. Chanana

Nikhilesh Panchal

Share Transfer and Shareholders'/ Investors' Grievance Committee

R. R. Krishnan

V. K. Chanana

Fali P. Mama

COMPANY SECRETARY & GM - LEGAL

Krishnan Shankar

REGISTERED OFFICE

Mahindra Towers, P. K. Kurne Chowk
Worli, Mumbai – 400 018.

FACTORY

Gat No. 856 to 860
Chakan Ambethan Road
Taluka: Khed, Dist. Pune -410 501.

AUDITORS

B. K. Khare & Co.
Chartered Accountants
706/708, Sharda Chambers
Mumbai – 400 020

BANKERS

State Bank of India
Axis Bank Limited
HDFC Bank Limited

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DIRECTORS' REPORT TO THE SHAREHOLDERS

To The Members, Mahindra Forgings Limited

Your Directors have pleasure in presenting the 9th Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31st March, 2008.

Financial Highlights

	(Rs. in lakhs)	
	2007-08	2006-07
Gross Income	22,096	21,701
Profit before Interest, Depreciation, Goodwill, Contingency and tax	2,337	2,440
Less : Depreciation	1,159	891
Profit before Interest, Goodwill, Contingency and tax	1,178	1,549
Less : Interest and Finance cost	1,289	753
Profit/(Loss) before Goodwill, Contingency and tax	(111)	796
Less : Goodwill	1,739	1,739
Less : Contingency provision	0	45
(Loss) before tax & before prior period expenses	(1,850)	(988)
Less : Provision for tax including FBT and Deferred Tax	(498)	230
(Loss) after tax & before prior period expenses	(1,352)	(1,218)
Less : Prior Period Expenses	65	35
(Loss) for the year	(1,417)	(1,253)
Add: Brought forward losses from earlier years	(2,448)	(1,195)
Add: Brought forward losses from amalgamated companies (taken over)	(17)	-
(Loss) carried to Balance Sheet	(3,882)	(2,448)

Scheme of Arrangement / Amalgamation

In order to build a robust, global scale business in forging and to reap the benefits of operational synergy and enhance stakeholder value, the forging entities of the group namely, Stokes Group Limited, Jeco Holding AG and Schoeneweiss & Co. GmbH were integrated by way of a Scheme of Arrangement between Mahindra Stokes Holding Company Limited, Mahindra Forgings Mauritius Limited and Mahindra Forgings Overseas Limited with your Company. The Scheme which was approved by the Honourable Bombay High Court on 23rd November, 2007, was made Effective on 27th December, 2007 and the appointed date for the same was 1st April, 2007.

The shareholders of Transferor companies were allotted 4,05,47,150 equity shares of Rs. 10/- each, as of 27th December, 2007 (i.e. the Effective Date of the Scheme). Consequent upon the allotment the paid up share capital of the Company stands increased to Rs.68,56,77,360/- comprising of 6,85,67,736 equity shares of Rs. 10 each.

In accordance with the Scheme, the authorised share capital of your Company stands increased from Rs. 78,94,26,386/- to Rs. 117,94,26,386/-.

Consequent upon allotment of equity shares by the Company to the shareholders of the Transferor Companies, the shareholding of Mahindra & Mahindra Limited (M&M) stands increased to 60.56% of the Company's enhanced equity capital as a result of which your Company has become a subsidiary of M&M effective from 27th December, 2007.

The merger strengthens your Company and all its constituent companies and enables them to compete more effectively in the global market place by capitalizing on their collective presence in both developed and developing countries with the respective advantage of sophisticated technology and lower cost.

Financials

During the year under review, your Company registered a total income of Rs.22,096 Lakhs and an operating profit of Rs.2,337 Lakhs. The net loss before taxes stood at Rs.1,850 Lakhs. The non operating expenses during the year include amortisation of Goodwill of Rs.1,739 Lakhs. The gross income of the Company has grown by 1.82 % over the previous year.

Operations

Your Company's operations were hampered due to major breakdown of 5000 ton press which adversely affected the operating profits.

The said press is being overhauled thoroughly and will be operational by end September, 2008. The commissioning of two 4000 tons press and one 6300 tons press during the first quarter of the current year would provide necessary back up and your Company expects to compensate the loss of production and revenue in the first half of the FY 2008-09 resulting from the break down of 5000 ton press.

The Company has also set up a World class Tool Room and Die shop to upgrade operations. The effective capacity of the machine shop has also been enhanced significantly.

Management Discussion and Analysis

A detailed analysis of the Company's performance is contained in the Management Discussion and Analysis Report which forms part of the Annual Report.

Dividend

In view of the net loss for the year your Directors do not recommend any dividend.

Stock Options

Pursuant to the authority of the members granted at the last Annual General Meeting of your Company held on 25th July, 2007, the Remuneration/Compensation Committee of the Board of Directors of the Company ("the Committee") has formulated Mahindra Forgings Limited Employee's Stock Option Scheme. On the recommendation of the Committee your Company has granted 7,87,000 options to Eligible 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 I to this Report.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and of the loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

Directors

Mr. S. Ravindran resigned as Managing Director of the Company with effect from 22nd April, 2008. The Board has placed on record

its appreciation of the services rendered by Mr. Ravindran during his tenure as Managing Director of the Company.

Mr. Oliver Scholz was appointed as an Additional Director by the Board of Directors at its meeting held on 9th May, 2008. He holds office up to the date of the forthcoming Annual General Meeting. The Company has received a Notice from a Member signifying his intention to propose Mr. Scholz as a Director of the Company at the forthcoming Annual General Meeting.

Mr. Nikhilesh Panchal, Mr. V. K. Chanana, and Mr. Zhooben Bhiwandiwalla, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

Auditors

Messrs. B. K. Khare & Co., Chartered Accountants retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

Industrial Relations

Industrial Relations generally remained cordial and harmonious throughout the year. The Management Discussion and Analysis gives an overview of the developments in Human Resource / Industrial Relations during the year.

Safety, Health and Environment Performance

Your Company has undertaken various initiatives on safety, health and environmental issues to ensure optimum safety of the employees and plant & equipment of the Company. Your Company has also taken steps for imparting training to its employees, carrying out safety audits of the various facilities of the Company, conducting regular medical checkups of its employees and promoting eco-friendly activities.

The requirements relating to various environment legislations and environment protection have been duly complied with by your Company.

Subsidiary Companies

Pursuant to the Scheme of Arrangement (the Scheme) Mahindra Stokes Holding Company Limited (MSHCL), Mahindra Forgings Overseas Limited (MFOL), Mahindra Forgings Mauritius Limited (MFML) (MSHCL, MFOL and MFML jointly referred to as "Transferor Companies") were amalgamated with your Company. Consequent upon the amalgamation the following subsidiary companies of Transferor companies became subsidiaries of your company:

1. Stokes Group Limited 2. Stokes Forgings Dudley Limited
3. Jensand Limited 4. Stokes Forgings Limited 5. Mahindra Forgings International Limited 6. Mahindra Forgings Europe AG
7. Gesenkschmiede Schneider GmbH 8. Jeco-Jellinghaus GmbH
9. Falkenroth Umformtechnik GmbH 10. Mahindra Forgings Global Limited 11. Schoeneweiss & Co. GmbH.

These subsidiaries are moving from strength to strength and contributing to the overall growth of the Company.

The Statement pursuant to Section 212 of the Companies Act, 1956 containing details of Company's subsidiaries is attached.

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard AS21 form part of the Annual Report.

The Company has made an application to the Central Government seeking exemption from attaching the accounts, etc., of its subsidiary companies with the Balance Sheet of the parent company. If, in terms of approval granted by the Central government, the accounts, etc., of the subsidiary companies are not required to be attached with the Balance Sheet of the parent company, these documents will be submitted on request to any member wishing to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

Public Deposits and Loans/Advances

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

The particulars of loans/advances and investments in its own shares by listed companies, their subsidiaries, associates, etc. required to be disclosed in the Annual Accounts of the company pursuant to Clause 32 of the Listing Agreement are furnished separately.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

The particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the

Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are provided in the Annexure II to this Report.

Particulars of Employees

As required under Section 217 (2A) of the Companies Act, 1956 and Rules thereunder a statement containing particulars of Company's employees who are in receipt of remuneration of not less than Rs.24,00,000/- during the year ended 31st March, 2008 or not less than Rs.2,00,000/- per month during any part of the said year is given in the Annexure III to this report.

Acknowledgement

Your Directors wish to place on record their sincere appreciation of the financial institutions and consortium of banks led by State Bank of India and Company's customers, vendors and investors for their continued support during the year.

The Directors also wish to place on record their appreciation for the dedication and contribution made by employees at all levels and look forward to their support in future as well.

For and on behalf of the Board

Hemant Luthra	Zhooben Bhiwandiwal
Director	Director

Mumbai, 9th May, 2008.

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

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	7,87,000		
(b) The pricing formula	1 st Tranche	2 nd Tranche	
	3,84,000 Options granted at a fixed price of Rs. 197/- per share.	3,91,000 Options granted at a fixed price of Rs. 83/- per share.	12,000 Options granted at a fixed price of Rs. 197/- per share.
	<ul style="list-style-type: none"> The Options for the 1st tranche were granted at the Remuneration/ Compensation Committee Meeting held on 26th October, 2007. 		
	<ul style="list-style-type: none"> The Options for the 2nd tranche were granted at the Remuneration/ Compensation Committee Meeting held on 26th February, 2008. 		
(c) Options vested	Nil		
(d) Options exercised	Not Applicable		
(e) The total number of shares arising as a result of exercise of Option	Not Applicable		
(f) Options lapsed	47,000		
(g) Variation of terms of Options	Nil		
(h) Money realised by exercise of Options	Nil		
(i) Total number of Options in force	7,40,000		
(j) Employee-wise details of Options granted to :			
(i) Senior managerial personnel	As per statement attached.		
(ii) Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during the year.	Nil		
(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.	Nil		
(k) Diluted Earnings Per Share (EPS) pursuant to issue of share on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'.	Rs. (2.07)		
(l) 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 adopted the intrinsic value method of accounting for determining compensation cost for its stock based on compensation plan. Had the Company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by Rs. 10.32 Lakhs, Profit after tax higher by Rs. 10.32 Lakhs, and the basic and diluted earning per share would have been higher by Rs. 0.02.		
(m) 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.	Options Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)
	26 th October, 2007	197/-	103.95/-
	26 th February, 2008	197/-	105.72/-
	26 th February, 2008	83/-	148.25/-

(n) 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:	The fair value of stock Options granted on 26 th October, 2007 and 26 th February, 2008 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows :		
	Options Grant Date - 26/10/07	Options Grant Date - 26/02/08	Options Grant Date - 26/02/08
(i) risk-free interest rate,	7.64%	7.41%	7.41%
(ii) expected life	3.5 years	3.5 years	3.5 years
(iii) expected volatility	44.84%	44.84%	44.84%
(iv) expected dividends, and	NIL	NIL	NIL
(v) the price of the underlying share in market at the time of option grant.	Rs.195	Rs.197.90	Rs.197.90

STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

Name of the Senior Managerial Persons of the Company to whom Stock Options have been granted	Number of Options granted
Hemant Luthra	2,00,000
S. Ravindran	40,000
R. R. Krishnan	10,000
Zhooben Bhiwandiwalla	10,000
Nikhilesh Panchal	10,000
V. K. Chanana	10,000
Fali Mama	10,000
Mohit Burman	10,000

For and on behalf of the Board

Hemant Luthra
Director

Zhooben Bhiwandiwalla
Director

Mumbai, 9th May, 2008.

ANNEXURE II TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008.

A. CONSERVATION OF ENERGY

(a) During the year, the Company has taken the following initiatives for conservation of energy:

Electrical Energy

1. Completion of Centralised Air Management with installation of energy efficient screw compressors. The latest addition is oil free, giving an additional saving in running costs which is also more environment friendly.
2. The new air ring main will provide a more constant and controlled volume to all areas of the plant.
3. The induction heaters installed on the new press lines are more efficient and will have lower power consumption per Kg.
4. The new water cooling towers do not require an electrical motor driven fan, therefore power consumption is eliminated. In addition, there will be a reduction in the water lost due to evaporation. A new ring main has also been installed to control volumes and reduce stoppages.
5. Energy efficient 3T gas fired heat treatment furnace is complete and the same conversion will be carried out on the 2T and 1T furnaces.
6. The introduction of the 132 KV power stations will provide a more stable supply, thus eliminating fluctuations that results in lost production and process losses.
7. Controlled cooling conveyors are installed on all press lines for micro alloy forging.
8. The new Rosler shot blasting machine is installed and operational.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

1. Improvement actions will be taken to reduce the number of billets that are heated but not forged. (Commonly called, dropouts). These actions will be driven by the introduction and adherence to the correct process controls.
2. Greater emphasis will be given to making quality parts that will not require additional operations. (Elimination of rework).
3. All die and tooling designs will be interrogated to identify ways to improve yield and reduce the number of defectives being produced.
4. Training will be given to all employees associated with the production process in order that they can contribute to the reduction in waste, improvements in quality, and productivity.
5. Preventive maintenance will be carried out on all press lines to reduce lost time and identify when corrective actions will be required.

(c) Impact of the measures taken / to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The measures taken as mentioned in (a) & (b) above have resulted in lower energy consumption.

(d) Total energy consumption and energy consumption per unit of production as per Form - A of the Annexure to the Rules in respect of Industries specified in the Schedule.

Power & Fuel consumption		2007-08	2006-07
1 Electricity Purchased			
Quantity (KWH in Lakhs)		320.56	289.55
Total Amount (Rs. in Lakhs)		1,539.90	1,336.81
Average Rate Per Unit (Rs)		4.87	4.62
2 Furnace Oil			
Quantity (Lakhs of Litres)		0.00	0.99
Total Amount (Rs. in Lakhs)		0.00	19.34
Average Rate per Litres (Rs.)		0.00	19.57
3 Light Diesel Oil			
Quantity (KL.)		1,796.84	2,115.55
Total Amount (Rs. in Lakhs)		481.24	627.09
Average Rate per KL.(Rs)		26,782.00	29,641.94
4 Consumption per unit of Production			
Production (Tons)		24,636	23,674
Fuel Used	Units		
Electricity	KWH/Ton	1,300.44	1,223.08
Furnace Oil	Lit/Ton	0.00	4.17
Light Diesel Oil	Lit/Ton	72.94	89.36

B. TECHNOLOGY ABSORPTION

I Research & Development :

Areas in which Research & Development is carried out :

- Investigate the benefits of cavity welding of dies.
- Standardisation of dies and tools.

II Benefits derived as a result of the above efforts :

- Die life improvement and less die cost per ton.
- Reduction in set up time and contingencies planning.

III Future plan of action :

- Provide training and coaching in Lean Manufacturing.
- Promote a Team working culture.
- Create a Total Quality approach to everything we do.
- Provide a safe and ordered working environment.
- Encourage ideas and invention at all levels of the workforce.
- Make quality parts in the required numbers, on time, at the right cost.

IV Expenditure on R&D :

(a) Capital	NIL
(b) Recurring	NIL
(c) Total	NIL
(d) Total R&D expenditure as a percentage of total turnover.	NIL

V Technology absorption, adaptation and innovation :

- Fully automated line for crankshaft having descaler, auto transfer system, robots and vertical cooling systems.

VI Imported Technology for the last 5 years :

NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. in lakhs)

	2007-08	2006-07
Total Foreign Exchange earned	607.38	687.87
Total Foreign Exchange used	97.30	192.23

For and on behalf of the Board

Hemant Luthra
Director

Zhooben Bhiwandiwalla
Director
Mumbai, 9th May, 2008.**ANNEXURE III TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008**

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008.

Name	Designation	Qualification	Date of Commencement of Employment	Age/ (Experience) in years	Remuneration (Subject to tax)	Last Employment held (Designation/ Organisation)
Mr. S. Ravindran	Managing Director	B.E & PGDBM	27th July, 2006	60(37)	Rs. 72.11 Lakhs	Managing Director/ GKN Driveline Limited
Mr. U. S Prasad *	V.P. Operations	B.Sc. B.E. (MECH.)	1st April 2007	55 (31)	Rs. 22.00 Lakhs	V.P/Bharat Forge Ltd.

* employed for part of the year.

Notes:

1. Nature of employment is contractual, subject to termination on one month's notice on either side.
2. None of the above employees is related to any Director of the Company.
3. Gross remuneration received as shown in the statement includes salary, house rent allowance or value of perquisites for accommodation, car perquisite value/allowance, as applicable, employers' contribution to Provident Fund, Leave Travel facility, reimbursement of medical expenses, performance pay and all other allowances/perquisites and terminal benefits.
4. No employee holds by himself or alongwith his spouse and dependent children 2% or more of the equity shares of the Company.
5. Terms and conditions of employment are as per Company's rules.

For and on behalf of the Board

Hemant Luthra
Director

Zhooben Bhiwandiwalla
Director
Mumbai, 9th May, 2008.

Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement.

Loans and advances in nature of loans to subsidiaries:

Name of the Company	Balances as on 31st March, 2008	Maximum outstanding during the year
Mahindra Forgings International Limited	Nil	Euro 312.36 Lacs (Rs. 17,798.63 Lacs)
Mahindra Forgings Global Limited	Nil	Euro 206.20 Lacs (Rs. 11,749.93 Lacs)

Management Discussion and Analysis

STRATEGY

The management of Mahindra & Mahindra's (M&M's) SysTech Sector had enunciated a vision of creating one of the leading forging companies in the world by 2010. Mahindra Forgings Limited ('Mahindra Forgings', 'MFL' or 'the Company') is already among the five largest forging companies in the world.

We are pursuing a three phased approach towards becoming one of the world's best forging companies. (Figure 1)

Figure 1 : Mahindra Forgings Strategy



PH. I (2005-06) :
Build Capacity

PH. II (2006-07) :
Build Capability

PH. III (2007-) :
Build Global Company

Phase I : Conception

In the first phase, we made systematic international acquisitions in India, UK and Germany (Figure 2)

Figure 2: List of Acquisitions

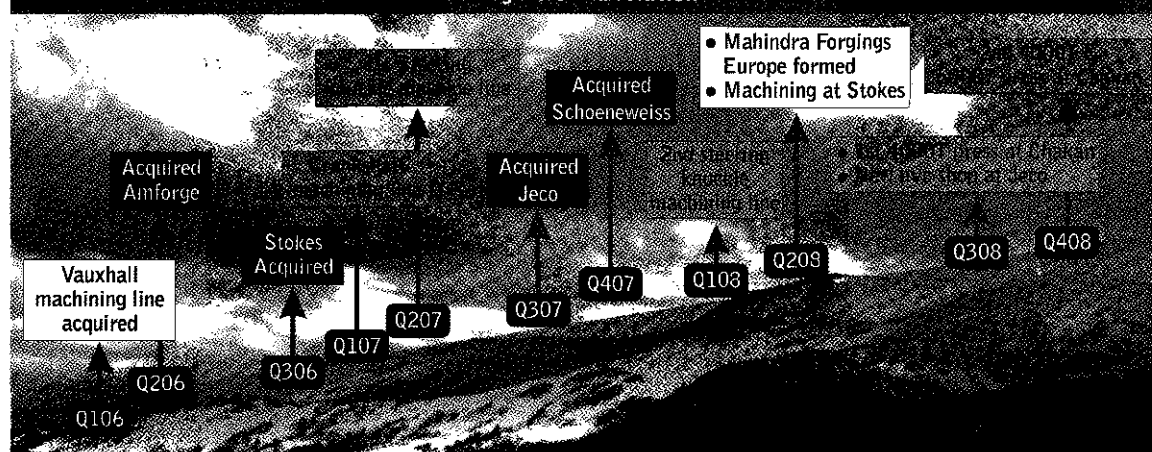
Acquisition	Date	Stake Acquired
Amforge, Chakan Unit, India	April 2005	100%
Stokes, UK	January 2006	99.5%
Jeco Holdings, Germany	November 2006	67.9%
Schoeneweiss, Germany	December 2006	90.47%

The focus was on acquiring companies that had excellent manufacturing facilities, high technological content, complementary product portfolios, strong management, healthy order books especially from marquee clients and a track record of consistent growth.

These acquisitions have been buttressed by investments made in machining at Chakan, Stokes and Jeco as well as expansion of forging capacity at Chakan and Schoeneweiss.

Our global customers are increasingly demanding scale, an insurance of international quality wherever they go and a confidence that they have a well capitalized partner. We have invested in anticipation of their need (Figure 3) and expect to harvest the fruits as we go forward.

Figure 3 : Evolution



Vision -

**Create one of
the world's
leading forging
Companies**

**Acquisition
led growth
strategy**

**Every Quarter
has been a
leap forward**

Consolidation enables integration

Phase II : Consolidation

In the second phase, the company consolidated all the acquisitions into one listed entity, a process which culminated in Dec 2007 (Figure 4).

The consolidation was done to align all shareholder interests and make the structure friendlier to minority shareholders, allowing them to participate in a global business. The consolidated entity is well positioned to make decisions on efficient utilization of resources without any conflict of interests. The consolidation also enhances the ability of the company to talk to global OEMs / Tier 1 suppliers as a 'one stop shop' with multi-locational advantages.

One Company - One Culture

Aiming to match the world's best

Phase III : Growth into a world class company

In the third phase, we aim to improve profitability to match the world's best. We are targeting significant y-o-y improvements in EBITDA margins over the period FY09-11. These improvements will be achieved by pursuing a multi pronged approach (Figure 5):

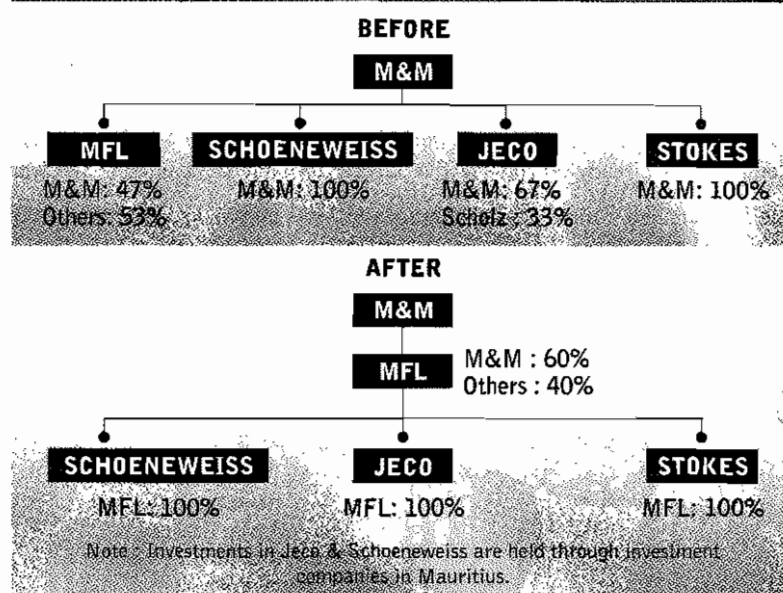
- Rigorously implement the integration plan: an integration team, spread across the European and Indian operations and monitored from the head office, has been created which is constantly tracking the initiatives and targets of the plan
- Ensure that the Indian operations achieve the operating standards of their European counterparts. To achieve this, the company has transferred key European managers to the Chakan factory
- Constantly evaluate other low cost country options (e.g. China and South Africa) in order to improve the company's cost position

Among the top five global forging companies

COMPANY OVERVIEW

Our organic growth and acquisitions have propelled the company to be among the top five global forging companies with a turnover of ~400 million Euros. We have a global manufacturing footprint with 7 plants in Germany, 3 in UK and 1 in India (Figure 6).

Figure 4 : Consolidation



We have developed a detailed blueprint for integrating all our acquired companies. During the process of integration, we also engaged Boston Consulting Group (BCG), leading management consultants, who identified significant potential synergies across our plants. These include cross selling, common procurement to secure cost efficiencies in sourcing raw material, sharing of engineering services and integrated selling. We have created a common 'Mahindra Forgings' brand which is now used by plants across the globe.

Figure 5 : Matching the global best - Our 'Trident' Approach

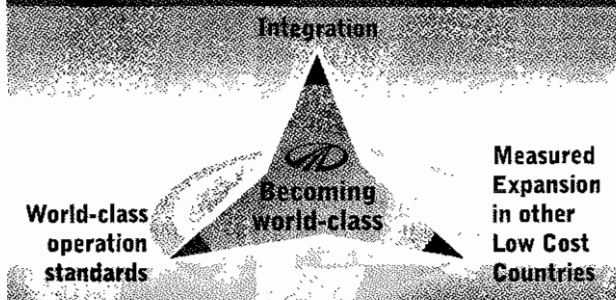
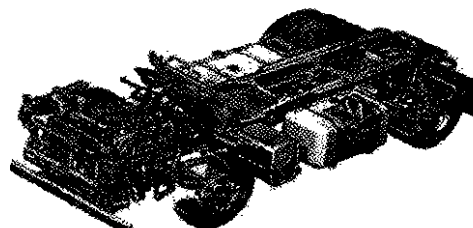


Figure 6 : Capacity

INDIA 1 Plant	UK 3 Plants	GERMANY 4 Plants	GERMANY 3 Plants

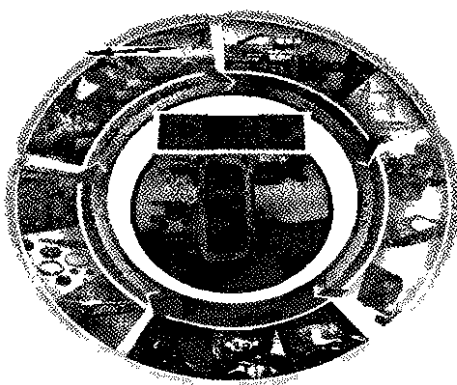
Figure 7: Diversified Product Portfolio: Car & Truck

Schoeneweiss	Jeco	Stokes	MFL India
• Links/Arms	• Links/Arms	• Hubs/Spindles	• Crankshafts
• Knuckles	• Piston	• Links/Arms	• Knuckles
• Wheel Carriers	• Knuckles	• Shafts/Gears	• Con Rods
• Spindles	• Ball Joints	• Flanges/Yokes	• Links/Arms
• Shafts	• Axle Shafts	• Levers/Bracket	



Schoeneweiss	Jeco	Stokes	MFL India
• Front Axle Beams	• Front Axle Assly.	• Hubs/Spindles	• Knuckles
• Crankshafts	• Links/Arms	• Links/Arms	• Con Rods
• Camshafts	• Piston	• Shafts/Gears	• Links/Arms
• Knuckles/Spindles	• Knuckles	• Flanges/Yokes	• Shafts
• Wheel Carriers	• Ball Joints	• Levers/Bracket	• Stub Rods
• Brackets	• Axle Shafts		
• Con Rods			

**Diversified
product
portfolio**



The company has a diversified and complementary product portfolio (Figure 7) in both the passenger car and truck segments. Between all its plants, we are capable of producing most of the forging components in a car or a truck but consciously focus on the latter as the models are more stable and partnerships more enduring. Jeco is a full range provider of forging products to its customers and produces more than 250 products. Schoeneweiss is one of the top four axle beam manufacturers in the world and specializes in suspension and engine parts. Stokes has expertise in producing 'flashless' parts while the Indian operations has expertise in design, development & machining of crankshafts.

Awards providing value added products, we have a value proposition that emphasizes 'design to delivery'. We are trusted partners in the new product development process for most of our OEM customers. Our value proposition is backed by a strong team of forging professionals with decades of expertise.

**Value
Proposition:
Design to
Delivery**

■ EUROPE

We are a leading forgings player in Europe where we are focused on the truck (commercial vehicle) segment (Figures 8, 9). In the truck market, we are the largest European player. There is a higher level of stability in prices and share of business in this segment compared to others.

Figure 8 : MFL, Europe - Key Highlights

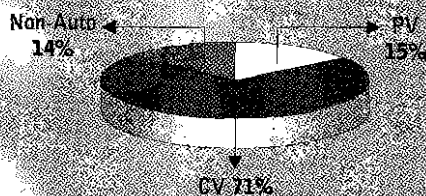
90% of MFL revenues

12% of addressable market

70% of revenues from the truck segment

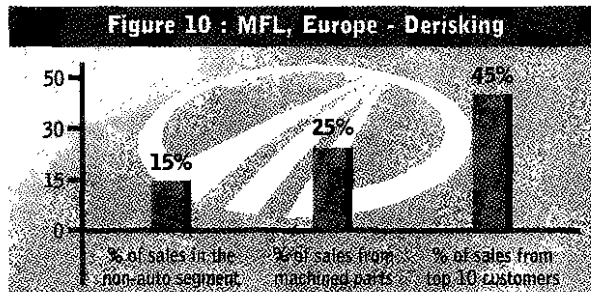
62,300 sales in the truck segment

**Leading player
in Europe**

Figure 9 : MFL, Europe - Revenue Breakup

MFL, Europe is also diversifying its revenue base through its presence in the non auto market, and by moving up the value chain via value added products like complex and machined forgings. The company is sufficiently de-risked through a diversified customer base. Some of the marquee names in the auto industry are our customers with DaimlerAG being the largest.

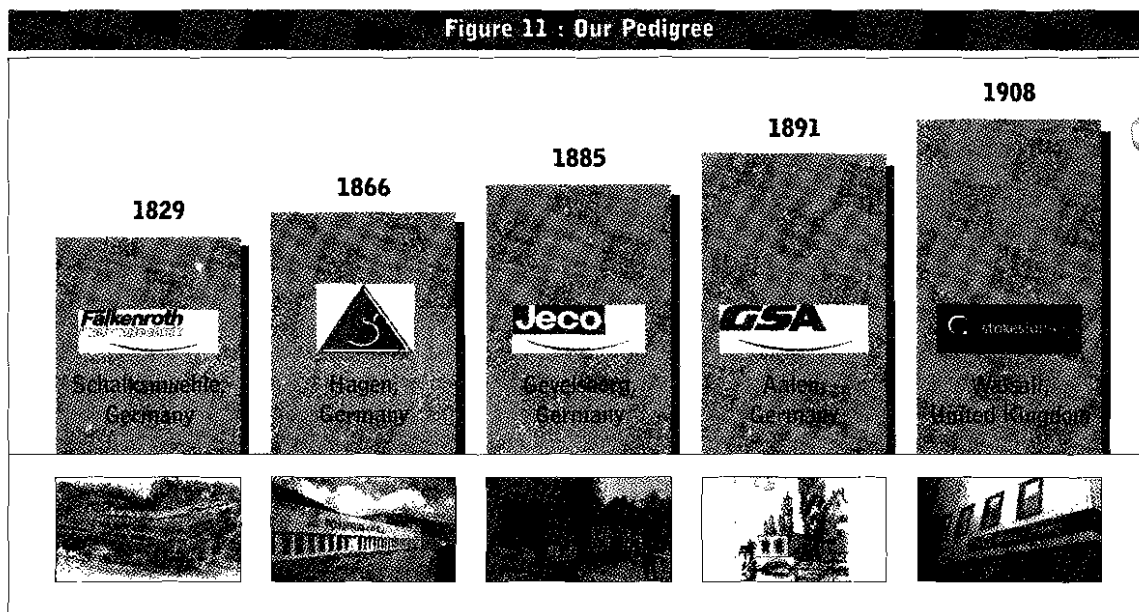
Figure 10 : MFL, Europe - Derisking



It is also a matter of pride that some of our plants have been in existence and have had customer relationships for more than 100 years (Figure 11). We work along with our customers from the new product development stage and are trusted co-development partners. The innovation culture is underlined by the fact that we have recently acquired a joint patent along with a customer for a new friction welded product.

**Strong
customer
relationships**

Figure 11 : Our Pedigree



■ INDIA

MFL, India is one of the largest forgings operations in India with revenues of ~ Rs 200 cr. Our product portfolio is diversified (Figure 12) and we plan to further improve our presence in the non auto segment beyond tractors.

We have a very close association with leading Indian auto OEMs with Tata Motors, Maruti Udyog and Mahindra & Mahindra being our largest customers. We have the highest market share for passenger crankshafts in India.

■ MFL United

Our consolidated operations thus provide a unique mix of diversified product portfolio, diversified customer base, global footprint, customer focused value proposition, innovation culture and a strong management team. We believe that this combination is going to be a winner in the years to come (Figure 13).

Figure 12 : Breakup of MFL, India Revenues (FY08)

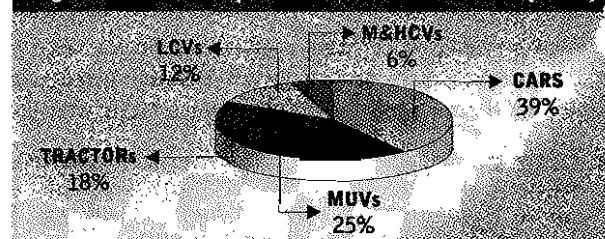
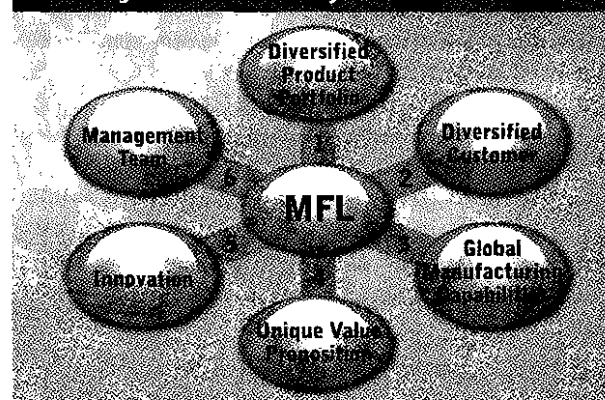


Figure 13 : MFL - Key Business Themes



**Winning
combination of
business
drivers**

INDUSTRY STRUCTURE AND INDUSTRY DEVELOPMENT

■ EUROPE

Europe is the largest producer of forgings (including open die forgings) in the world accounting for roughly a third of the world production. Germany is the largest producer of forgings in Europe accounting for roughly half of Europe's production. Forgings production in Europe has grown in the last few years on the back of increased demand from the automotive industry.

Figure 14 : European Auto Production

Segment	Production Numbers ('000)			Growth (%)	
	2006	2007	2008 (E)	06-07	07-08(E)
Passenger Cars	16143	16514	16893	2.2%	2.2%
Heavy Trucks	592	632	676	6.75%	7.0%

Source : <http://www.acea.be/statistics> (figures for truck production include light commercial vehicles, heavy trucks, buses & coaches)

From 2006 to 2008, the passenger car production in Europe has grown at a compounded annual growth rate (CAGR) of 2-2.5% while the commercial vehicle production has grown at a CAGR of ~ 7% (Figure 14). This growth is expected to sustain at least for the next few years because of sustained demand from East European consumers. In the case of commercial vehicles, the demand is further strengthened by the increased focus on Just in Time transportation among European producers. We are well positioned to take advantage of this growth in demand by pooling the capacities of all our European plants.

■ INDIA

The domestic sales of passenger and commercial vehicles decelerated in 2007-08 after a period of robust growth in years 2005-06 and 2006-07. The sharp increase in interest rates over the last twelve months has impacted the growth adversely (Figure 15).

The medium term outlook for the automotive industry remains positive with the passenger car and light commercial vehicle market expected to grow at a CAGR of ~10% over the next five years while the heavy commercial market is expected to experience a CAGR of ~5% in the same time period. The reduction in excise duty on small cars and increased exports will drive demand in the

Figure 15: Indian Auto Production

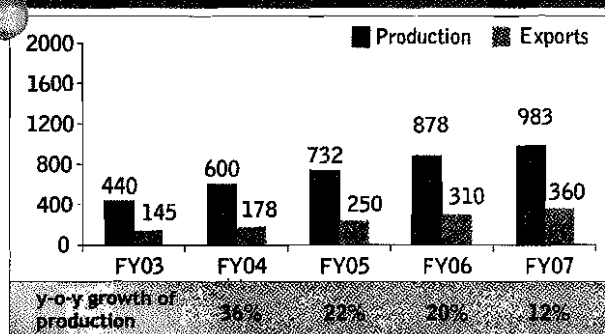
Segment	Production Numbers ('000)			Growth (%)	
	05-06	06-07	07-08	06-07	07-08
Passenger Cars	1309	1545	1762	18.0%	14.0%
M/HCVs	219	294	291	34.2%	-1.0%
LCVs	171	226	254	31.4%	12.6%
Overall CVs	391	520	545	33.0%	4.9%

Source : M&M Research (figures for passenger cars include those for UVs and MPVs)

passenger car market while the emergence of the <3T market will drive the commercial vehicle market. In the short term, growth in demand will be tempered by the high interest rates and the increase in inflation.

While following the pattern of the auto market, the growth of forgings has outstripped that of automobiles (Figure 16). This is mainly due to a significant growth in exports - driven by both the technological capabilities of Indian companies and competitive cost advantages.

Figure 16: Forgings Production In India ('000MT)



We are responding to the slowdown in the Indian automobile market through a three pronged strategy:

■ New Customers:

- Actively increase customer list beyond the three largest customers, viz. M&M, Tata Motors & Maruti Udyog, both in India & overseas.
- Export - for FY07, exports constituted 4% of net sales of MFL, India and are expected to rise further. We are exporting to U.S.A, Germany and Italy and have a large order from a European Auto Major.

■ New Products:

- Substantially increase machining capacities for crankshafts and axle parts.

**European
auto market
growing
steadily**

**Indian
auto market
growth slowing
but still healthy**

**Forgings
production in
India growing
spectacularly**

- Develop strategy to increase sales in the non auto space.

■ Integration:

- Upgrade Indian operations to facilitate cross selling from Europe.- a plan has been worked out to transfer technical expertise from operations in Europe to India.

OPPORTUNITIES AND THREATS

■ EUROPE

The commercial vehicle market in Europe is expected to keep growing at a healthy rate in the next few years. At the same time, the amount of forgings (in kgs / vehicle) in a typical truck is slated to increase as with use of more complex forgings. We are well poised to take advantage of this growth opportunity. Integration with MFL India will also allow our European operations to present lower cost options to their customers.

Imports of forgings and castings from low cost countries (like China) into Europe have been increasing and growing at a CAGR of ~10% between 2001 and 2005. This has led to the no. of forging units in Europe reducing from 690 in 2005 to 610 in 2006. At the same time, competing technologies like aluminium forgings and castings are also making inroads especially in the passenger car market. Key input costs like steel and energy are expected to increase in the future. In order to counter the above scenario, our European operations are constantly moving up the value chain by focusing on machined and complex forgings.

■ INDIA

The growth in the Indian automobile market is expected to remain healthy in the medium term and this is expected to drive demand for forgings. As we start delivering the new export orders, the increased exposure and global brand presence is expected to open up several opportunities to provide cost effective forgings solutions in the international markets.

While focusing on developing these opportunities, we are conscious of the threats facing the Company. The Company operates in a very competitive market. There is stiff competition from other Indian forging companies and from companies with manufacturing facilities in other low cost countries like China. The pressure on costs primarily due to increase in input costs and competition from China in particular, remains a threat. We are stressing on enhancing customer care, meeting delivery schedules, continuous commitment to quality and constant endeavour to reducing costs in order to meet these challenges.

OPERATIONS

■ EUROPE

The company's plants in Europe operate at world class levels. The yield % (output to input ratio in terms of tons) at all our plants in Europe exceeded 75% while capacity utilization at the German plants is in excess of 70%. All this has resulted in excellent productivity levels at the European plants (Figure 17).

In order to meet the growing demands in Europe, the company installed a 12000T press at Schoeneweiss and set up a new machining plant at Jeco during FY08 at a cost of approx. 10 million Euros in each case.

■ INDIA

FY08 was a difficult year for the Indian operations with a major failure of our workhorse, the 5000T press. This led to a loss of production of ten weeks and flat revenues in FY08. Fortunately, we had ordered extra presses for increased production and backup and these have been commissioned in Q109. The extra capability should compensate for the downtime in the 5000T press which should come back into production by Q209.

Figure 17 : Productivity (FY08)

Parameter	MFL, Europe	MFL, India	MFL
Tons/ man / year	78	35	67
Revenue / man / year ('000 Euros)	200	50	160

**Adding
new customers
& products
to meet
challenges**

**Constantly
improving
operations**

**MFL European
operations
achieves
world-class
levels**

**Increased
capacity.
World-class
Plants.**

At MFL, India the capacity has been doubled to 86,000T by adding three presses to the existing four presses. All the three presses, one 6,300 MT press and two 4,000 MT presses, are expected to be fully operational by the first quarter of FY09. The effective capacity of the machine shop has also been enhanced significantly. We have installed a world-class tool room and die shop to upgrade our operations.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

With the objective of achieving optimal resource effectiveness, the Company has been focusing on four major HR levers: organisation structures, performance management system, a reward and recognition system and communication. All this ensured that industrial relations during the year were cordial.

During 2007-08, the Company also designed an Employee Stock Option Scheme (ESOS). Under the ESOS, stock options have been granted to certain eligible employees of MFL as well as certain designated employees of the holding company M&M. We believe that ESOS will help to motivate and retain our employees. The permanent employees strength of the Company as on 31st March, 2008 was 422.

**Employee
Stock Options
used as a
motivational tool**

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Figure 18 gives the standalone (MFL, India) & consolidated profit and loss account for Mahindra Forgings for 2006-07 (FY07) and 2007-08 (FY08). MFL's consolidated financial performance for FY08 is not comparable with financials for FY07 as it for the first time includes the financials of our European acquisitions.

Figure 18 : MFL's abridged P&L Statement for 2007-08 (Rs million)

Rs. Million	2007-08 Standalone	2006-07	2007-08 Consolidated
Income			
Gross Sales	2452.0	2,458.8	23498.2
Less: Excise Duty	310.8	344.8	310.8
Net Sales	2141.3	2,114.0	23187.5
Other Income	68.2	56.1	122.5
Total Income	2209.6	2,170.1	23309.9
Expenditure			
Material Consumption	1263.2	1,260.1	11192.7
Personnel Expenses	135.7	103.5	5583.9
Other Expenses	577.0	562.7	4458.7
Total Expenditure	1975.9	1926.2	21235.3
Profit before depreciation, interest and tax (PBDIT), and before Goodwill, Contingency provisions and others	233.7	243.9	2074.6
Depreciation	115.9	89.1	1048.7
Profit before interest and tax (PBIT), and before Goodwill Contingency provisions and others	117.8	154.8	1025.9
Interest & Finance cost	128.9	75.3	465.2
Profit Before Goodwill, Contingency Provision and Tax	(11.1)	79.5	560.7
Less : Goodwill Amortisation	180.4	173.9	246.4
Contingency Provision & Others	-	7.90	-
Profit / (Loss) before Tax (PBT)	(191.5)	(102.2)	314.3
Less: Provision for Tax			
Current Tax	(4.2)	4.4	283.1
Deferred Tax	(47.3)	17.7	(128.4)
Fringe Benefit Tax	1.7	1.0	1.7
Profit / (Loss) after Tax (PAT)	(141.7)	(125.3)	157.9

On a standalone basis, the net income of the company grew by 1.8% in FY08. This reflects the slow down in the automotive market as well as breakdown of some of our key equipment, most notably the 5000T press. Material costs as % of net income decreased from 58% in FY07 to 57.1% in FY08 inspite of increase in price of some key inputs like steel. Personnel costs as % of net income increased from 4.8% in FY07 to 6.1% in FY08 while interest costs as % of net income increased from 3.5% in FY07 to 5.8% in FY08. This was because of investments in presses to increase capacity as well recruitment of people for these presses.

On a consolidated basis, material costs as % of net income in FY08 was 47.95%, much lower than in India alone reflecting the higher realization for the overseas operations.

Some of the information for our Indian and overseas operations are summarized in Figure 19:

Figure 19 : Segment-wise results	
Particulars	Rs. Million
Segment Revenue	
a. Indian	2107.09
b. Overseas	21189.98
c. Unallocated	-
Less: Inter segment revenues	(14.39)
Net sales/ income from operations	23282.68
Segment Profit/(loss) before Tax and Interest	
a. Indian	(1.20)
b. Overseas	777.50
c. Unallocated	3.26
Total	779.57
Less: Unallocable expenditure net off	486.49
Unallocable income	(21.25)
Total Profit before tax	314.32
Capital Employed	
a. Indian	2793.75
b. Overseas	7899.34
c. Unallocated	-
Total	10693.09

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. Under the supervision of M&M's Central Management Services (CMS) internal audit of Chakan unit is conducted by leading independent Chartered Accountants firm. This provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The Company has also implemented all modules SAP-ECC 6.0 across the plant and office. The Corporate Governance practices instituted by the Company are discussed in detail in the chapter on Corporate Governance which forms part of the Annual Report.

Risks of market slowdown and currency fluctuation

RISKS AND CONCERNS

Other than the operational and business risks, our company faces two important risks:

■ Market Risk

Our operations are spread across Germany, UK and India and more than 80% of the consolidated revenues come from the automotive market. The company is exposed to the risk of an economic slowdown in a particular geography or a slowdown in the automotive industry. As risk mitigation, we are focusing on the non auto segment in order to ameliorate the effects of a slow down in the automotive sector. Acquisitions in other low cost countries like China are also being evaluated to further diversify the geographic markets.

■ Currency Risk

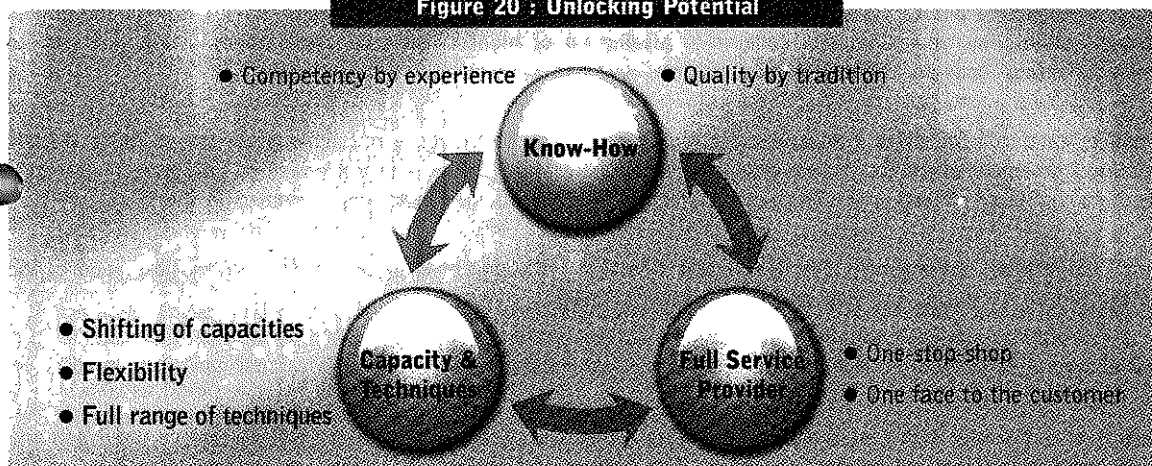
The company is exposed to currency fluctuations of Indian rupee, Euro, British Pound and US dollar among each other. There is a natural hedge to the European operations as greater than 80% of its revenues are generated in the Euro zone. As exports from India increase, the Indian operations will be faced by the currency risk from both the Euro and the US dollar. The company is evaluating various medium to long term steps, which will provide hedge and mitigate the impact of the currency fluctuation to the extent possible.

OUTLOOK

Our strategy has been driven by the aim to provide the best returns to our shareholders. We have created an integrated, commonly aligned international management team which can leverage all the synergies across the different locations. The intent is to fully utilise our wide product portfolio to secure larger orders from clients across different geographies and execute them in the most optimal, cost competitive manner. Thus we aim to fully unlock the potential of our business (Figure 20).

**Outlook -
Unlock our
potential**

Figure 20 : Unlocking Potential



■ Capacity & Technique Development

We have scaled up capacity at both the Indian and European operations. In order to have a greater emphasis on higher value added production, we have enhanced our machining capability. We can use our enhanced operational capabilities to provide the best possible 'one stop shop' solution to our customers.

■ Know How

Since it is our intent to rapidly morph from being a component supplier to a technology driven solutions provider, each of our facilities must use best-in-class technology, and we must possess a large and growing arsenal of proprietary IPR. In order to do so, we constantly identify best practices and transfer the same across all our locations.

■ Full Service Provider

With its wide range of products, the company is well positioned to become a 'one stop shop' for forging solutions. The company's different plants have complementary products and capabilities and the 'Mahindra Forgings' brand name helps present one face to the customer.

Mahindra Forgings has set itself a target of achieving world class profitability levels. Achieving this target will certainly require full fledged attention to integration and getting the best return on the existing employed capital. It may also need one or more value enhancing strategic acquisitions. The management of Mahindra Forgings reiterates its commitment to make the company one of the best forging companies in the world while leveraging the synergies across geographies, products and other verticals of Mahindra Systech.

Cautionary Statement:

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the automobile industry - global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.

CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is based on preserving core beliefs and ethical business conduct while maintaining a strong commitment to maximise long-term shareholder value. Your Company is focussed towards bringing transparency in all its dealings, adhering to well-defined corporate values and leveraging the corporate resources for long-term value creation.

Your Company is committed to moulding corporate governance practices in line with the Mahindra Group's core values, beliefs and ethics. Following the Mahindra Group's philosophy, your Company believes in attainment of highest levels of transparency in all facets of its operations and maintains an unwavering focus on imbibing good corporate governance practices.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges. As a Company which believes in implementing corporate governance practices that go beyond meeting the letter of law, your Company has comprehensively adopted practices mandated in the Clause 49.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with the Clause 49 during the year ended 31st March, 2008.

BOARD OF DIRECTORS

The composition of the Board is in conformity with Clause 49 of the Listing Agreement. The Company has a Non-Executive Chairman and more than one-third of the Board comprises of independent Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors.

The management of the Company is entrusted in the hands of Key Management Personnel, who operate under the supervision and control of the Board. The Board reviews and approves strategy and oversees the results of management to ensure that the long term objectives of enhancing stakeholder value are met.

Mr. Anand G. Mahindra, Chairman of the Company, Mr. Hemant Luthra and Mr. Zhooben Bhiwandiwalla, Non-Executive Directors of the Company, are in whole time employment of the Promoter Company, Mahindra & Mahindra Limited (M&M) and draw remuneration from it. Mr. R. R. Krishnan, a Non-Executive Director of your Company, is a consultant with M&M and receives fees from it.

Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that these Directors would be entitled to under the Companies Act, 1956 as Non-Executive Directors and the remuneration that some of the Directors may receive for professional services rendered to the Company or through a firm in which one of them is a partner, none of these Directors has any other material pecuniary relationships or transactions with the Company, its Promoters, its Directors, its Senior Management or its subsidiaries which in their judgment would affect their independence. Messrs. Khaitan & Co., Advocates & Solicitors, in which Mr. Nikhilesh Panchal, Non-Executive Director is a partner, received professional fees of Rs.23.30 Lakhs.

The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company which could have potential conflict of interest with the Company at large.

COMPOSITION OF THE BOARD

As on 31st March 2008 the Company's Board comprised of ten Directors including the Managing Director. The Chairman is a Non-Executive Director and is a professional Director in his individual capacity. There are five Non-Independent, Non-Executive Directors, including the Chairman. The remaining four Non-Executive Directors are Independent Directors and professionals, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields.

The names and categories of Directors, the number of Directorships and Committee positions held by them in the companies are given below. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the Companies in which he is a Director. The details are presented in table 1.

Table 1: Composition of the Board of Directors

Directors	Category	Total number of Committee memberships + of public companies as on 31 st March, 2008	Total number of Chairmanships of Committees + of public companies as on 31 st March, 2008	Total number of Directorships* of public companies as on 31 st March, 2008
NON – EXECUTIVE				
Mr. Anand G. Mahindra	Non-Independent	1	Nil	13
Mr. Hemant Luthra	Non-Independent	3	Nil	9
Mr. R. R. Krishnan	Non-Independent	3	1	3
Mr. Zhooben Bhiwandiwalla	Non-Independent	3	Nil	8
Mr. Mohit Burman	Independent	2	Nil	10
Mr. V. K. Chanana	Independent	2	1	1
Mr. Nikhilesh Panchal	Independent	1	Nil	2
Mr. Fali P. Mama	Independent	3	Nil	2
Mr. Harald Korte **	Non- Independent	Nil	Nil	1
Mr. Oliver Scholz #	Non – Independent	Nil	Nil	1
EXECUTIVE				
Mr. S. Ravindran @	Managing Director	Nil	Nil	1

* Excludes Directorships in private limited companies, foreign companies, Section 25 companies, government bodies and alternate Directorships but includes Additional Directorship and Directorship in Mahindra Forgings Limited .

+ Committees considered are Audit Committee and Share Transfer and Shareholders'/Investors' Grievance Committee, including that of Mahindra Forgings Limited.

@ Resigned as Managing Director and as a Director with effect from 22nd April, 2008.

Appointed as an Additional Director with effect from 9th May, 2008.

** Appointed as a Director with effect from 25th July, 2007.

BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every meeting of the overall performance of the Company, followed by presentations by the other senior executives of the Company. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, review of major legal issues, adoption of quarterly/half-yearly/annual results, significant labour issues, transactions pertaining to purchase / disposal of property, major accounting provisions and write-offs, corporate restructuring, Minutes of Meetings of the Audit and other Committees of the Board, minutes of Board meeting of unlisted subsidiary companies, information on recruitment of officers just below the Board level, including the Company Secretary and Compliance Officer.

NUMBER OF BOARD MEETINGS, ATTENDANCE RECORD OF THE DIRECTORS AT MEETINGS OF THE BOARD AND AT THE LAST ANNUAL GENERAL MEETING.

The Board of Directors met six times during the year on the following dates i.e. 26th April, 2007, 5th June, 2007, 25th July, 2007, 26th October, 2007, 24th January, 2008 and 26th February, 2008. The gap between two meetings was not more than four months.

The eighth Annual General Meeting (AGM) was held on 25th July, 2007.

Attendance of the Directors at these meetings is presented in table 2.

Table 2: Number of Meetings and Attendance

Director	No. of Board Meetings Attended	Attendance at the AGM
Mr. Anand G. Mahindra	3	Yes
Mr. Hemant Luthra	5	Yes
Mr. R. R. Krishnan	5	Yes
Mr. Zhooben Bhiwandiwalla	4	Yes
Mr. Mohit Burman	2	No
Mr. V. K. Chanana	6	Yes
Mr. Nikhilesh Panchal	6	Yes
Mr. Fali P. Mama	5	Yes
Mr. Harald Korte (1)	1	No
Mr. S. Ravindran (2)	5	Yes
Mr. Oliver Scholz (3)	Nil	NA

(1) Appointed as a Director with effect from 25th July, 2007.

(2) Resigned as Managing Director and as a Director with effect from 22nd April, 2008.

(3) Appointed as an Additional Director with effect from 9th May, 2008.

DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

Mr. Nikhilesh Panchal, Mr. V. K. Chanana, and Mr. Zhooben Bhiwandiwalla retire by rotation and being eligible have offered themselves for re-appointment.

Mr. Oliver Scholz was appointed as an Additional Director on the Board of the Company with effect from 9th May, 2008. He holds office up to the date of the forthcoming Annual General Meeting. A Notice has been received from a Member proposing his candidature for the office of Director at the said Meeting.

A brief resume of these Directors is presented below:

(i) Mr. Nikhilesh Panchal

Mr. Nikhilesh Panchal has Master's Degree in Law and is a Solicitor and Advocate by profession. He is a partner of Messrs. Khaitan & Co., Advocates & Solicitors. He has been practicing as a Solicitor and Advocate in India for over 15 years. Mr. Panchal has vast legal experience with particular emphasis on corporate and commercial law, and legislation related to securities.

Mr. Panchal is on the Boards of Bhalak Realtors Private Limited, Bhalak Commercial Developers Private Limited, Trump Properties Limited, Santa Fe Relocations Services (India) Private Limited and Mahindra Forgings Limited.

Mr. Panchal is a member of the following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee Remuneration/Compensation Committee	Member Member

Mr. Nikhilesh Panchal does not hold equity shares in the Company.

(ii) Mr. V. K. Chanana

Mr. V. K. Chanana is a retired IAS officer. He was nominated by Unit Trust of India as a Director on the Board of Mahindra & Mahindra Limited in 2002. Mr. Chanana has worked with UNIDO for ten years at its Head Quarters at Vienna. His responsibilities included formulation and implementation of programmes for strengthening private sector development, investment promotion and development of industrial infrastructure in developing countries. He was earlier working in the field of industrial development in the state of UP and Ministry of Industries for nearly twenty five years.

Mr. Chanana is on the Boards of Amira Foods Private Limited and Mahindra Forgings Limited.

Mr. Chanana is a member of the following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee Remuneration/Compensation Committee	Chairman Member

Mr. Chanana does not hold equity shares in the Company.

(iii) Mr. Zhooben Bhiwandiwalla

Mr. Zhooben Bhiwandiwalla, a Chartered Accountant by qualification, has over 20 years of experience in the areas of finance, legal HR, marketing, strategy and other commercial functions.

Mr. Bhiwandiwalla is Sr. Vice President – Corporate Affairs in Mahindra & Mahindra Limited. He was the CFO of Bristlecone Inc. in the US, prior to which he was based in London representing Mahindra Intertrade Limited. He has spent around 7 years on deputation to international assignments in the UK and US and has been intimately involved in several of the international start-ups acquisitions.

Mr. Bhiwandiwalla is on the Board of The Indian & Eastern Engineering Company Limited, Mahindra & Mahindra Contech Limited, Albertville Exports Private Limited, Prudential Management & Services Private Limited, Mahindra Intertrade Limited, Bristlecone India Limited, Mahindra MiddleEast Electrical Steel Service Centre FZC, Mahindra Overseas Investment (Mauritius) Limited, Mahindra Europe Srl., MW.Com (India) Private Limited, Stokes Group Limited, Jensand Limited, Stokes Forgings Dudley Limited, Stokes Forgings Limited, Mahindra Forgings International Limited, NBS International Limited, Mahindra Forgings Europe AG, Mahindra Engineering & Chemical Products Limited, Mahindra Retail Private Limited, Mahindra SAR Transmission Private Limited, Mahindra Castings Private Limited, Mahindra Hinoday Industries Limited and Mahindra Forgings Limited.

Mr. Bhiwandiwalla is a member of the following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra Intertrade Limited	Audit Committee	Member
2.	Bristlecone India Limited	Audit Committee	Member
3.	Mahindra Hinoday Industries Limited	Audit Committee	Member
4.	Mahindra Hinoday Industries Limited	Remuneration Committee	Member
5.	Mahindra Castings Private Limited	Audit Committee	Member

Mr. Bhiwandiwalla does not hold equity shares in the Company.

(iv) Mr. Oliver Scholz

Mr. Oliver Scholz is graduate and holds the qualification of Master of Business Administration (BA).

Mr. Scholz joined Scholz AG in 1993. Initially he was responsible for the development and integration of the newly acquired operations in Eastern Germany. Mr. Scholz became a board member of Scholz AG in 1999 and was the driving force for the strategic reorientation of Scholz-Group between 1999 and 2001.

Mr. Scholz is on the Board of Scholz AG and Green Metals Poland Sp. z o.o.

Mr. Scholz is not holding any committee position in the Company.

Mr. Scholz does not hold equity shares in the Company.

CODE OF CONDUCT

The Board has laid down two separate Codes of Conduct - one for Board members and other for designated Senior Management and Employees of the Company. These Codes have been posted on the Company's website www.mahindraforgings.com. All Board Members and Senior Management Personnel have affirmed compliance with the Codes of Conduct. In the absence of the Managing Director, the Board has authorised Mr. Hemant Luthra, Director to sign the necessary declaration. The said declaration signed by Mr. Hemant Luthra, Director to this effect is enclosed at the end of this report.

REMUNERATION/COMPENSATION POLICY

While deciding on the remuneration for Directors, the Board, Remuneration/Compensation Committee (Committee) considers the performance of the Company, the current trends in industry, the qualification of the appointee(s), their experience, past performance and other relevant factors. The Board / Committee regularly keeps track of the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

REMUNERATION/COMPENSATION PAID TO DIRECTORS

Non-Executive Directors are paid sitting fee of Rs.2500/- for every meeting of the Board, Audit Committee, Remuneration/Compensation Committee, Share Transfer and Shareholders'/Investors' Grievance Committee attended. The details are presented in table 3. The remuneration to the Managing Director is fixed by the Remuneration/Compensation Committee and is subsequently approved by the Board of Directors and Shareholders at a General Meeting.

Table 3: Details of remuneration paid to Directors including Managing Director for 2007-08

(Rs.)

Name of the Director	Sitting Fees	Salary and Perquisites	Contribution to Provident and Other Funds*	Performance Linked Incentive	Total	No. of Options granted in October, 2007@	No. of Options granted in February 2008@@
Mr. Anand G. Mahindra	NA	NA	NA	NA	NA	NA	NA
Mr. Hemant Luthra	17,500	NA	NA	NA	17,500	NIL	200,000
Mr. R. R. Krishnan	27,500	NA	NA	NA	27,500	8,000	2,000
Mr. Zhooben Bhiwandiwalla	10,000	NA	NA	NA	10,000	8,000	2,000
Mr. Mohit Burman	15,000	NA	NA	NA	15,000	8,000	2,000
Mr. V. K. Chanana	37,500	NA	NA	NA	37,500	8,000	2,000
Mr. Nikhilesh Panchal	37,500	NA	NA	NA	37,500	8,000	2,000
Mr. Fali P. Mama	27,500	NA	NA	NA	27,500	8,000	2,000
Mr. Harald Korte**	2,500	NA	NA	NA	2,500	—	—
# Mr. S. Ravindran (Managing Director)	NA	4,796,510	614,667	1,800,000	7,211,177	40,000	NIL

* Aggregate of the Company's contributions to Superannuation Fund, Provident Fund, Gratuity Paid and Privilege Leave Encashment.

** Appointed as a Director with effect from 25th July, 2007.

Resigned as Managing Director and as a Director with effect from 22nd April, 2008.

@ These Options would vest in four equal instalments in October, 2008, October, 2009, October, 2010 and October, 2011 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price Rs. 197/- per share.

@@ These Options would vest in four equal instalments in February, 2009, February, 2010, February, 2011 and February, 2012 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price of Rs. 197/- per share, except for Mr. Hemant Luthra who was granted Options at an exercise price of Rs. 83/-per share.

The Company did not advance loans to any of its Directors. The contract with the Managing Director was for a period of three years with effect from 27th July, 2006 to 26th July, 2009.

Notes:

- a) Notice period applicable to the Managing Director - one month.
- b) No severance fees and no commission.

RISK MANAGEMENT

Your Company follows well-established and detailed risk assessment and minimisation procedures. The risk assessment and mitigation procedures are reviewed by the Board periodically.

COMMITTEES OF THE BOARD

Your Company has constituted Board-level Committees to delegate particular matters that require greater and more focussed attention in the affairs of the Company. These Committees prepare the ground-work for decision making and report to the Board.

All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of service for Committee members are taken by the Board of Directors. Details regarding the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit Committee

The Audit Committee comprises of the following Non-Executive Directors viz., Mr. V. K. Chanana, Mr. Mohit Burman, Mr. R. R. Krishnan, Mr. Nikhilesh Panchal and Mr. Fali P. Mama. Except Mr. R. R. Krishnan, all the Directors are independent Directors. Mr. V. K. Chanana is the Chairman of the Committee.

All the members of the Audit Committee have strong accounting knowledge and expertise in financial management.

Mr. Krishnan Shankar, Company Secretary & GM - Legal acts as a Secretary to the Audit Committee.

The terms of reference of this Committee are very wide.

The Committee acts as a link between the Statutory Auditors, the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors. The Committee is empowered to review the remuneration payable to Statutory Auditors and to recommend a change in Auditors, if felt necessary. It also empowered to inter alia review Financial Statements, Management Discussion & Analysis, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, all items listed in Clause 49 II D of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II C of the Listing Agreement.

The Committee held 4 meetings during the year 2007-08 on the following dates, i.e. 26th April, 2007, 25th July, 2007, 26th October, 2007 and 24th January, 2008. The time gap between two meetings was less than four months. The details are presented in table 4.

The meeting of the Audit Committee were also attended by the Managing Director, Chief Financial Officer, Company Secretary & GM - Legal, the Statutory Auditors and the Internal Auditors. Mr. V. K. Chanana, Chairman of the Committee was present at the Annual General Meeting of the Company held on 25th July 2007.

Table 4: Attendance record of Audit Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. V. K. Chanana	Independent Director	Chairman	4
Mr. Mohit Burman	Independent Director	Member	2
Mr. R. R. Krishnan	Non-Independent Non-Executive Director	Member	4
Mr. Nikhilesh Panchal	Independent Director	Member	4
Mr. Fali P. Mama	Independent Director	Member	4

b) Remuneration/Compensation Committee

The function of the Remuneration/Compensation Committee is to look into the entire gamut of remuneration package for Managing Director. The Committee also has powers to formulate Employees Stock Option Scheme and attend to such other matters as may be required from time to time.

The Remuneration/Compensation Committee comprises of Mr. Anand G. Mahindra, Mr. Hemant Luthra, Mr. V. K. Chanana, Mr. Mohit Burman and Mr. Nikhilesh Panchal. Mr. Mohit Burman is the Chairman of the Committee.

The Committee held 3 meetings during 2007-08 on the following dates, i.e. 26th April, 2007, 26th October, 2007 & 26th February, 2008. The details are presented in table 5.

Table 5: Attendance details of Remuneration/Compensation Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Mohit Burman	Independent Director	Chairman	2
Mr. Anand G. Mahindra	Non-Independent Non-Executive Director	Member	Nil
Mr. Hemant Luthra	Non-Independent Non-Executive Director	Member	2
Mr. V. K. Chanana	Independent Director	Member	3
Mr. Nikhilesh Panchal	Independent Director	Member	3

The Remuneration/Compensation Committee of the Company recommends to the Board the compensation payable to the Managing Director.

c) Share Transfer and Shareholders' / Investors' Grievance Committee

The Company's Share Transfer and Shareholders'/Investors' Grievance Committee comprises of Mr. R. R. Krishnan, Mr. V. K. Chanana and Mr. Fali P. Mama, all Non-Executive Directors. Mr. R. R. Krishnan, is the Chairman of the Committee. Mr. Krishnan Shankar, Company Secretary & GM – Legal is the Compliance Officer of the Company.

The Committee meets as and when required, to deal with matters relating to transfers / transmission of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance-sheet etc. With a view to expedite the process of share transfers, Mr. R. R. Krishnan, the Chairman of the Committee, is authorised to approve of transfers of shares which are upto 5,000 in number.

The Committee held two meetings during the year under review on 12th September, 2007 and 24th January, 2008. All the meetings were well attended.

During the year, no complaints were received from the shareholders.

As of date, there are no pending share transfers pertaining to the year under review.

Shares held by the Non-Executive Directors

As on 31st March 2008, Mr. Mohit Burman alongwith his relatives held 1,01,528 equity shares and Mr. Fali P. Mama held 2,220 equity shares of the Company. Apart from them, no other Non-Executive Director held any shares or convertible instruments of the Company as on 31st March, 2008.

Subsidiary Companies

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediate preceding accounting year. Under this definition, the Company does not have any "material non-listed Indian subsidiary" during the year under review.

Disclosures

Disclosures of Transactions with Related Parties

During the Financial Year 2007-08 there were no materially significant transactions entered into between the Company and its promoters, Directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. Details of related party transactions are provided in Note "21" in Part B of Schedule 15 to Annual Accounts of the Annual Report.

Disclosure of accounting treatment in preparation of Financial Statements

Your Company has followed the guidelines of Accounting Standards laid down by The Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Code for prevention of Insider-Trading practices

In compliance with SEBI's regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of Company, and cautioning them of the consequences of violations.

ADDITIONAL SHAREHOLDERS INFORMATION

Annual General Meeting

Date : 29th July, 2008
 Time : 3.30 p.m.
 Venue : Amar Gian Grover Auditorium,
 Lala Lajpat Rai Memorial Trust,
 Lala Lajpat Rai Marg, Haji Ali,
 Mumbai – 400 034

Book Closure

The dates of book closure will be from 21st July 2008 to 29th July 2008 inclusive of both days.

Dividend Payment

The Board of Directors of the Company has not recommended a dividend for the year 2007-08.

Financial Year

Financial year covers the period from: 1st April to 31st March

For the year ending 31st March 2009, results will be tentatively announced by

- End July, 2008 : First quarter
- End October, 2008: Half yearly
- End January, 2009: Third quarter
- End April, 2009 or May, 2009: Fourth quarter and annual

Registered Office Address:

Mahindra Towers,
 P. K. Kurne Chowk,
 Worli,
 Mumbai – 400 018.
 Maharashtra

Listing

At present, the equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

The requisite listing fees have been paid in full to BSE and NSE.

Stock codes

	Stock Code
Bombay Stock Exchange Limited	532756
National Stock Exchange of India Limited	MAHINDFORG
Demat International Security Identification Number in NSDL & CDSL for Equity Shares	ISIN- INE536H01010

Stock Market Data

Table 6: High and low price of Company's shares for 2007-08 at BSE

	Bombay Stock Exchange Limited	
	High (Rs.)	Low (Rs.)
April-2007	256.00	225.55
May-2007	236.00	200.00
June-2007	337.60	225.05
July-2007	311.00	245.00
August-2007	263.00	218.05
September-2007	245.00	212.00
October-2007	233.40	180.25
November-2007	219.00	179.20
December-2007	285.00	219.80
January-2008	380.20	200.00
February- 2008	263.00	187.20
March- 2008	229.00	125.00

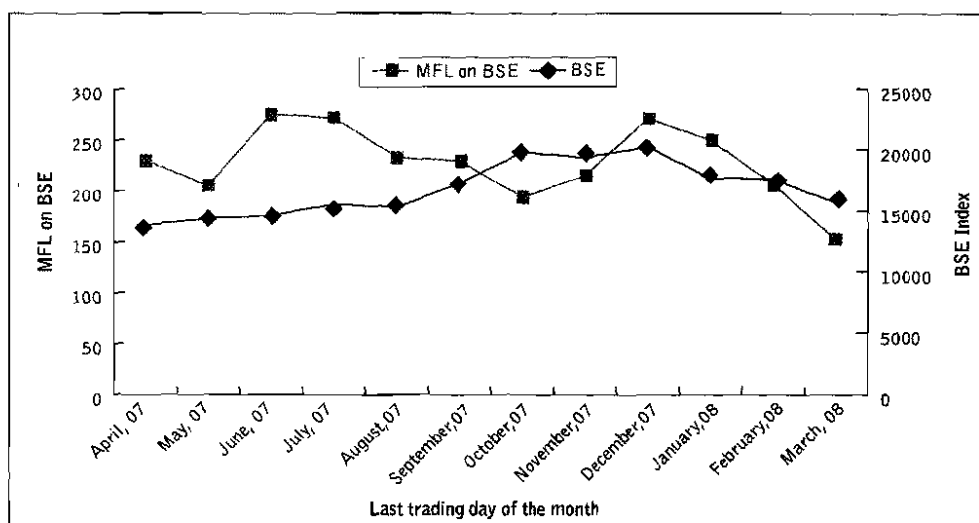
Table 7: High and low price of Company's shares for 2007-08 at NSE

	National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)
August-2007	246.40	215.55
September-2007	242.75	210.10
October-2007	244.65	180.10
November-2007	224.00	178.05
December-2007	300.00	232.75
January-2008	384.10	193.00
February-2008	286.00	170.05
March-2008	230.00	127.40

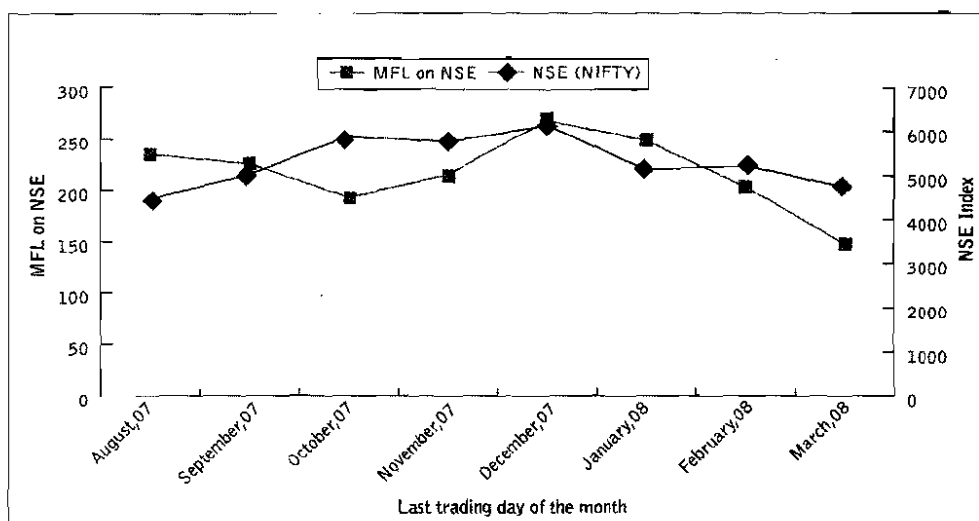
Equity shares of the Company were listed on NSE on 30th August, 2007.

STOCK PERFORMANCE

The performance of the Company's shares relative to the BSE Sensitive Index is given in the chart below :



The performance of the Company's shares relative to the NSE Sensitive Index (S&P CNX Nifty Index) is given in the chart below:



Note: The Equity Shares of the Company were listed on National Stock Exchange of India Limited on 30th August, 2007.

Registrar and Transfer Agents

Karvy Computershare Private Limited.
Unit: Mahindra Forgings Limited
"Karvy House" 46 Avenue 4
Street No. 1, Banjara Hills
Hyderabad - 500 034.
Tel. No. + 91 - 040 - 23420815 to 820
Fax No. + 91 - 040 - 23420814/57
E-mail krishnans@karvy.com

Share Transfer System

Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman of the Share Transfer and Shareholders'/Investors' Grievance Committee is authorised to approve of transfers of shares upto 5,000 in number. The Share Transfer and Shareholders'/Investors' Grievance Committee meets as and when required to consider the other transfer proposals and attend to shareholder grievances.

Distribution of Shareholding**Table 8: Distribution of shareholding as on 31st March, 2008**

Number of shares held	Number of shareholders	% of shareholders	Total shares	% of shareholding
1 to 5000	17,972	96.59%	10,45,890	1.53%
5001 to 10000	270	1.45%	2,22,487	0.32%
10001 to 20000	139	0.75%	2,12,283	0.31%
20001 to 30000	64	0.34%	1,66,845	0.24%
30001 to 40000	20	0.11%	72,737	0.11%
40001 to 50000	31	0.17%	1,51,901	0.22%
50001 to 100000	40	0.21%	2,87,982	0.42%
100001 & above	71	0.38%	6,64,07,611	96.85%
Total	18,607	100%	6,85,67,736	100.00%

Shareholding pattern**Table 9: Shareholding pattern as on 31st March, 2008**

Category of Shareholders	Number of Equity Shares held	Percentage (%)
Promoter & Promoter group	4,15,26,339	60.56%
Mutual Fund/UTI	9,16,081	1.34%
Financial Institutions/Banks	90	0.00%
Insurance Companies	27,855	0.04%
Foreign Institutional Investors	24,11,199	3.52%
Bodies Corporate	72,57,586	10.59%
Resident Individuals	46,08,693	6.72%
NRIs	1,26,004	0.18%
Clearing Members	1,973	0.00%
Foreign companies	1,16,91,916	17.05%
Total	6,85,67,736	100.00%

Dematerialisation of Shares

As on 31st March 2008, 83% of the total Equity Capital was held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Outstanding GDRs/ADRs/Warrants

NIL

Plant Location:

Gat No. 856 to 860
Chakan Ambethan Road
Tal. Khed
Dist. Pune - 410 501.
Maharashtra

Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Computershare Private Limited.

Unit: Mahindra Forgings Limited

"Karvy House" 46 Avenue 4

Street No. 1, Banjara Hills

Hyderabad – 500 034.

Tel. No. + 91 - 040 - 23420815 to 820

Fax No. + 91 - 040 - 23420814/57

E-mail krishnans@karvy.com

on all matters relating to transfer/dematerialisation of shares, payment of dividend and any other query relating to shares of the Company.

The Company has also designated mfl.investors@mahindra.com as an email ID for the purpose of registering complaints and the same has been displayed on the Company's website.

Shareholders would have to correspond with the respective Depository Participants for shares held in demat mode.

For all investor related matters, the Company Secretary & GM – Legal can be contacted at Gat No. 856 to 860, Chakan Ambethan Road, Taluka.; Khed, District : Pune – 410501. Tel No. + 91 - 02135 - 663307 Fax No. + 91 - 02135 - 663302 e-mail : krishnan.shankar@mahindra.com.

The Company can also be visited at its website: <http://www.mahindraforgings.com>.

OTHER DISCLOSURES**General Body Meetings**

Tables 9 and 10 give the details of the last three years' General Meetings.

Table 9: Annual General Meetings held during the past three years

Year	Date	Time	Special Resolution passed
2005	28 th July, 2005	11.00 a.m.	NIL
2006	19 th May, 2006	11.00 a.m.	Change of name of the Company from 'Mahindra Automotive Steels Ltd.' to 'Mahindra Forgings Ltd'.
2007	25 th July, 2007	3.30 p.m.	1. Appointment and remuneration of Mr. S. Ravindran, Managing Director. 2. Approval of Employee Stock Option Scheme for designated employees of the Company. 3. Approval of Employee Stock Option Scheme for designated employees of holding and subsidiary company(ies).

Table 10: Extra-ordinary General Meetings held during the past three years

Year	Date	Time	Special Resolution passed
2005	19 th April 2005	11.00 a.m.	i. Alteration of Memorandum of Association ii. Commencement of Business
2005	12 th December 2005	10.00 a.m.	i. Loans to companies/investment of surplus funds
2006	24 th March 2006	2.00 p.m.	i. Alteration of Articles of Association ii. Conversion from Private Limited to a Public Limited Company. iii. Adoption of new set of Articles iv. Change in name of the Company from 'Mahindra Automotive Steels Private Limited' to 'Mahindra Automotive Steels Limited'.

All the meetings except the Annual General Meeting dated 25th July, 2007 were held at Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018. The last Annual General Meeting was held on 25th July, 2007 at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai - 400 034.

Postal Ballot

No resolutions were passed by postal ballot in the year under review. No special resolution is proposed to be conducted through Postal Ballot.

Details of non-compliance by the Company

Your Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed/passed on the Company by Stock exchanges or SEBI or any other statutory authority on any matter related to capital markets since the listing of the Company's shares.

Means of Communication with Shareholders

The quarterly, half yearly and yearly results are published in Business Standard & Sakal which are national and local dailies, these are not sent individually to shareholders. The Company results and official news release are displayed on the Company's website <http://www.mahindraforgings.com>.

Presentations are also made to international and national institutional investors and analysts which have also been put up on the website of the Company.

The Company also regularly posts information relating to financial results and shareholding pattern on the SEBI EDIFAR Website at www.sebiedifar.nic.in

Management Discussion and Analysis

Management Discussion and Analysis forms part of the Directors Report and is appearing elsewhere in the Annual Report.

Compliance**Mandatory requirements**

The Company is fully compliant with the applicable mandatory requirements of the Clause 49.

Adoption of non-mandatory requirements

Although it is not mandatory, the Board of Directors of the Company has constituted a Remuneration/ Compensation Committee. Details of the Committee have been provided under the Section 'Committees of the Board'. Additionally, the Company's financial statements are free from any qualifications by the Auditors.

The Company has not adopted the other non-mandatory requirements as specified in Annexure ID of Clause 49.

Mumbai, 9th May, 2008.

DECLARATION AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT**To,****The Members of Mahindra Forgings Limited**

I, Hemant Luthra, Director of Mahindra Forgings Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Codes of Conduct for the year ended 31st March, 2008.

Hemant Luthra
Director

Mumbai, 9th May, 2008

CERTIFICATE**To****The Members of Mahindra Forgings Limited.**

We have examined the compliance of conditions of Corporate Governance by Mahindra Forgings Limited, for the year ended 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

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

We state that in respect of investor grievance received during the year 31st March, 2008, no investor grievances are pending against the Company as per records maintained by the Company and presented to the Share Transfer and Shareholders'/Investors' Grievance Committee of the Company.

We further state 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 B.K. Khare & Co
Chartered Accountants

Padmini Khare Kaicker
Partner
M.No. 44784

Place: Mumbai,
Dated: 9th May, 2008

AUDITORS' REPORT

To the Members of Mahindra Forgings Limited,

We have audited the attached Balance Sheet of Mahindra Forgings Limited as at 31st March 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;

- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) On the basis of the written representations received from the Directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and the Notes thereto, 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 on 31st March, 2008;
 - ii) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **B.K. Khare & Co.**
Chartered Accountants

Padmini Khare Kaicker
(Partner)
M.No.44784

Place : Mumbai
Dated : 9th May 2008

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date :

- i (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All major assets have been physically verified by the management during the year. There is a regular programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on verification.
- (c) During the year, Company has not disposed of any substantial/major part of fixed assets.
- ii (a) The Management has conducted physical verification of inventory at reasonable intervals. In respect of inventories lying with third parties, confirmations have been received in respect of major portion of such inventories. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found 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 explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- iii. According to the information and explanations given to us and to the best of our knowledge, the Company has neither granted nor taken any loans, whether secured or unsecured to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- v (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956.
- vii. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii. We have broadly reviewed the books of accounts maintained by the Company relating to the manufacture of forgings pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix (a) According to the records of the Company and information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service-Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities during the year. According to information and explanations given to us, there are no arrears of outstanding statutory dues as mentioned above as at 31st March 2008 for a period of more than six months from the date they became payable.
- (b) As on 31st March 2008, according to the records of the Company and information and explanations given to us, following are particulars of disputed dues on account of Excise Duty and Cess that have not been deposited

Name of statute	Nature of dues	Amount in Rs lakhs	Period to which amount relates	Forum where pending
Central Excise Act	Excise duty	24.00	2003-04	CESTAT, Mumbai
Central Excise Act	Excise duty	60.98	2003-04	CESTAT, Mumbai

- x. The Company has accumulated losses, as at the end of the year, which are not more than 50% of its net worth as on 31.3.08. The Company has not incurred any cash losses in the current and the immediately preceding financial year.
- xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies.
- xiv. The company is not dealing or trading in shares, securities or any other investments.

- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions, except against loans including interest thereon amounting to Rs.139.79 lakhs for which the company has made adequate provision in the books of account in view of the likely default by the principal debtor.
- xvi. As informed to us the term loans availed by the Company were applied for the purposes for which the loans were obtained.
- xvii. According to information and explanation given to us, on an overall examination of the Balance Sheet and the Cash Flow Statement of the company, we report that funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- xviii. The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, the company has not issued any debentures during the year.
- xx. The Company has not raised money by making any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For B.K. Khare & Co.
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No.: 44784

Place : Mumbai
Dated : 9th May 2008

Balance Sheet as at 31st March, 2008

	Schedule	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
I SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS			
Share Capital	1	6,856.77	2,802.06
Employee Stock Options outstanding	1A	23.09	—
Reserves & Surplus	2	73,425.70	11,480.99
Deferred Tax Liability		—	158.40
		80,305.56	14,441.44
LOAN FUNDS			
Secured Loans	3	18,990.12	8,013.87
Unsecured Loans	4	1,994.65	1,994.65
		20,984.77	10,008.52
		101,290.33	24,449.97
II APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block		24,776.79	19,919.36
Less : Depreciation		8,553.89	5,656.92
Net Block		16,222.90	14,262.44
Capital Work-in-Progress		12,787.91	4,127.02
Total Fixed Assets	5	29,010.81	18,389.46
INVESTMENTS	6	66,824.11	558.19
DEFERRED TAX ASSET		513.87	—
CURRENT ASSETS, LOANS AND ADVANCES	7, 8		
Inventories		2,498.49	2,370.09
Sundry Debtors		2,605.71	2,797.01
Cash and Bank Balances		277.78	406.89
Loans & Advances		1,161.27	964.63
		6,543.26	6,538.61
Less : CURRENT LIABILITIES & PROVISIONS	9		
Current Liabilities		5,230.45	3,251.42
Provisions		252.88	232.73
		5,483.34	3,484.14
NET CURRENT ASSETS		1,059.93	3,054.47
PROFIT & LOSS ACCOUNT		3,881.62	2,447.85
		101,290.33	24,449.97
NOTES TO ACCOUNTS	15		

As per our Report of even date
For **B. K. Khare & Company**
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784

Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
Director

R. R. Krishnan
Director

Nikhilesh Panchal
Director

Fali P. Mama
Director

Krishnan Shankar

Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
Director

Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Profit & Loss Account for the year ended 31st March, 2008

	Schedule	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
I INCOME :			
Gross Sales*		24,520.82	24,587.75
Less : Excise duty on Sales		3,107.50	3,447.94
Net Sales		21,413.32	21,139.80
Other Income	10	682.37	561.10
		<u>22,095.68</u>	<u>21,700.90</u>
II EXPENDITURE :			
Material Consumption	11	12,632.32	12,599.25
Personnel Expenses	12	1,356.95	1,035.07
Other Expenses	13	5,769.68	5,627.04
Interest & Finance cost	14	1,288.57	752.69
Depreciation		1,159.36	891.19
		<u>22,206.87</u>	<u>20,905.24</u>
Profit Before Goodwill, Contingency Provision & Tax		(111.19)	795.66
Less : Goodwill Amortisation (Note A (iii) (c) of Sch 15) ..		1,738.53	1,738.53
Contingency provision		—	44.71
Profit / (Loss) before tax		<u>(1,849.72)</u>	<u>(987.58)</u>
Less : Provision for tax			
Current Tax		(43.00)	43.00
Wealth Tax		1.00	0.50
Deferred Tax		(92.13)	176.57
Prior period adjustments for Deferred Tax (Net) ...		(381.22)	—
Fringe Benefit Tax		17.55	10.20
Profit / (Loss) after Tax		<u>(1,351.92)</u>	<u>(1,217.85)</u>
Less : Prior Period Expenses (net) (Note B-24 of Sch 15)		65.27	35.26
Profit / (Loss) for the year		<u>(1,417.19)</u>	<u>(1,253.11)</u>
Balance of Profit & Loss Account brought forward		(2,447.85)	(1,194.73)
Movement during the period (Ref Note B-1 of Sch 15)		(16.58)	—
Balance of Profit & Loss Account carried to Balance Sheet		<u>(3,881.62)</u>	<u>(2,447.85)</u>
Earning per Share (Note B-22 of Sch 15)			
(Face value of Rs. 10 Per Share)			
Basic		(2.07)	(4.97)
Diluted		(2.07)	(4.97)

*Sale includes Rs. 602.87 Lakhs from sale of forgings produced on 4000 Ton press during trial run. Net income of Rs. 8.37 Lakhs arising from trial run has been credited to CWIP.

NOTES TO ACCOUNTS 15

As per our Report of even date
For **B. K. Khare & Company**
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784

Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
Director

R. R. Krishnan
Director

Nikhilesh Panchal
Director

Fali P. Mama
Director

Krishnan Shankar

Company Secretary & GM - Legal

Zhooben Bhiwandiwal
Director

Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Cash Flow Statement for the year ended 31st March, 2008

	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax after prior period adjustments	(1,914.99)	(1,022.85)
Add : Adjustment for		
Depreciation, Amortisation and expenditure as ESOP	2,921.02	2,579.72
Provision for doubtful debts/ write off's	62.57	72.86
Interest (Expenses)	1,754.11	752.69
Leave encashment	—	1.14
Gratuity	—	4.82
Loss on sale of Fixed Assets	6.78	—
Sundry balances Written Off	2.20	—
Contingency	—	(779.44)
Misc Expenses Write Off	—	(200.00)
Sub-Total	2,831.69	1,408.94
Less : Adjustments for		
Interest / Dividend Income	565.27	193.63
Profit on sale of Fixed Assets	—	67.18
Profit / Loss on sale of investment	22.64	111.62
Credit Balances Written Back	—	151.37
Unrealised Foreign Exchange gain	124.29	—
Sub-Total	712.20	523.80
Operating Profit before Working Capital changes	2,119.49	885.14
Adjustments for		
Trade & Other receivables	17,816.74	(1,099.94)
Inventories	(128.40)	1,249.01
Trade Payables	1,116.47	(2,966.12)
Other Liabilities	—	613.68
Loans & advances	—	172.09
Cash generated from Operations	18,804.81	(2,031.28)
Direct Taxes Paid	(22.34)	(144.49)
Net cash from Operating Activities	20,901.96	(1,290.63)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(12,063.84)	(4,658.00)
Sale of Fixed Assets	2.55	133.56
Purchase of Investments	(1,889.63)	(282.46)
Profit / (Loss) on sale of investment	—	111.62
Interest Dividend received	371.51	193.63
Net Cash from Investing Activities	(13,579.40)	(4,501.65)

Cash Flow Statement for the year ended 31st March, 2008 (Contd.)

	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Term Loans	(11,906.24)	3,110.28
Issue of Share Capital	5,577.54	—
Share Issue Expenses	—	(68.15)
Redemption of Preference Shares	—	(4,545.37)
Working Capital Loan	—	239.73
Repayment of Unsecured Loans	—	(501.43)
Interest Paid	(2,281.63)	(752.69)
Net Cash from Financing Activities	(8,610.33)	(2,517.63)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	(1,287.77)	(8,309.91)
Opening Cash / Bank Balances	406.89	8,716.80
Add: Cash & Bank balances taken over from Amalgamated Companies	1,158.66	—
CLOSING CASH / BANK BALANCES	277.78	406.89

Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Flow statement issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents represents cash and bank balances only
3. During the year, Mahindra Stokes Holding company Limited, Mahindra Forgings Overseas Limited, Mahindra Forgings Mauritius Limited have been merged with the Company by issuing the shares to the shareholders of the merged entities. This being a non cash transaction does not form part of Cash Flow.

As per our Report of even date

For B. K. Khare & Company
Chartered Accountants
Padmini Khare Kaicker
(Partner)
 Membership No. 44784
Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
 Director

R. R. Krishnan
 Director

Nikhilesh Panchal
 Director

Fali P. Mama
 Director

Krishnan Shankar

Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
 Director

Mohit Burman
 Director

Virendra Kumar Chanana
 Director

Harald Korte
 Director

Schedules Annexed to and forming part of financial statements as at 31st March, 2008

	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
SCHEDULE 1		
Share Capital		
Authorised Capital :		
7,20,00,000 (PY 3,30,00,000) Equity shares of Rs 10/- each.	7,200.00	3,300.00
1,48,20,206 (PY 1,48,20,206) 4% Non Cumulative Redeemable Convertible Preference shares of Rs. 31/- each	4,594.26	4,594.26
Total.....	11,794.26	7,894.26
Issued, Subscribed and Paid-up :		
6,85,67,736 Equity shares (PY 2,80,20,586) of Rs 10/-each fully paid up.....	6,856.77	2,802.06
(Of the above shares 5,53,67,356 are allowed as fully paid up pursuant to a contract without payments received in cash) (Refer Note B-1 of Sch 15)		
Total.....	6,856.77	2,802.06
SCHEDULE 1A		
Employee Stock Options outstanding		
Stock Options Outstanding	462.26	—
Less : Deferred Employee Compensation Expenses	(439.18)	—
(Refer Note B-6 of Sch 15)		
Total.....	23.09	—
SCHEDULE 2		
Reserves & Surplus		
Share Premium Account	11,480.99	7,178.81
Additions during the year	—	4,351.98
Add : Transferred on Amalgamation	4,806.54	—
Utilised for writing off - Share Issue Expenses	(532.61)	(49.80)
(Refer note B-1(a) & (k) of Sch 15)		
	15,754.92	11,480.99
General reserve		
Add : Transferred on Amalgamation	57,670.78	—
(Refer Note B-1(h) of Sch 15)		
Total.....	73,425.70	11,480.99
SCHEDULE 3		
Secured Loans		
Term Loan from Banks	16,391.19	5,433.84
Term Loans from Financial Institutions	605.01	772.54
[amount repayable within one year Rs. 1,588 lakhs (PY Rs. 150.02 lakhs)]		
Working Capital Loan from Banks (Note B-2 of Sch 15)	1,993.92	1,807.49
Total.....	18,990.12	8,013.87
SCHEDULE 4		
Unsecured Loans		
Interest free sales tax loan	1,994.65	1,994.65
Total.....	1,994.65	1,994.65

Schedules Annexed to and forming part of financial statements as at 31st March, 2008

SCHEDULE 5

Fixed Assets

(Rs. in lakhs)

Description	Gross Block				Depreciation				Net Block	
	As on 01/04/2007	Additions	Deductions and Adjustments	As at 31/03/2008	As on 01/04/2007	For the Year	Adjustments	As on 31/03/2008	As on 31/03/2008	As on 01/04/2007
Tangible Assets										
Freehold Land	37.53	—	—	37.53	—	—	—	—	37.53	37.53
Building	1,609.94	1,068.12	—	2,678.06	230.96	65.00	—	295.96	2,382.10	1,378.97
Plant & Machinery	9,051.77	3,377.89	10.28	12,419.39	3,577.19	936.44	0.95	4,512.68	7,906.71	5,474.40
Furniture & Fittings	168.87	176.58	—	335.45	35.48	14.69	—	50.17	285.28	123.39
Vehicles	72.77	40.24	—	113.02	9.41	9.70	—	19.11	93.91	63.36
Sub Total (a)	10,930.88	4,662.83	10.28	15,583.44	3,853.05	1,025.82	0.95	4,877.92	10,705.52	7,077.65
Intangible Assets										
Goodwill	8,692.64	—	—	8,692.64	1,738.53	1,738.53	—	3,477.06	5,215.58	6,954.11
Non Compete fees	250.00	—	—	250.00	50.00	50.00	—	100.00	150.00	200.00
Software	46.03	204.68	—	250.71	15.34	83.57	—	98.91	151.80	30.68
Sub Total (b)	8,988.67	204.68	—	9,193.35	1,803.87	1,872.10	—	3,675.97	5,517.38	7,184.79
Grand Total (a + b)	19,919.55	4,867.51	10.28	24,776.79	5,656.92	2,897.92	0.95	8,553.89	16,222.90	14,262.44
Previous Year	14,947.64	5,105.13	133.41	19,919.36	3,094.23	2,629.72	67.03	5,656.92	14,262.44	11,853.41
CAPITAL WORK-IN-PROGRESS										
Plant & Machinery									9,095.89	2,993.63
Building									1,427.04	489.16
Furniture									—	65.80
Capital Advance									1,376.70	91.33
Finance Cost									354.35	17.03
Other expenditure pending allocation									533.93	308.86
SAP implementation									—	161.21
Total CWIP									12,787.91	4,127.02
Total Fixed Assets									29,010.81	18,389.46

Note: Other expenditure pending allocation includes salary, fees of project management consultants, power charges, foreign travel expenses etc.

SCHEDULE 6

2008
(Rs. in lakhs)

2007
(Rs. in lakhs)

Investments

Long Term Investments

(Non Trade, unquoted, valued at cost)

50 fully paid up shares of Rs 10 each in The Saraswat

0.01

0.01

Co-operative Bank Ltd (Previous year 50 shares)

(In Subsidiary Companies)

Non trade, Unquoted, Fully paid

54,65,310 equity shares of GBP 0.10 each in Stokes Group Ltd

5,285.59

—

3,38,49,836 equity shares of EURO 1 each in Mahindra Forgings Global Ltd

19,638.53

—

7,20,00,001 equity shares of EURO 1 each in Mahindra Forgings International Ltd

41,731.40

—

Current Investments

16,84,876 units of face value Rs 10 each of Grindlays Floating Rate Fund (Previous year Nil)

168.58

—

Nil Units of face value of Rs. 1000 each of Franklin Templeton Mutual Fund

(Previous year 51487 Units)

—

558.19

Market value of Investments Rs. 168.58 Lakhs (previous year Rs 570.45 Lakhs)

Total.....

66,824.11

558.19

The following are the movements in investments during the year:

Shares in Subsidiaries	Acquired	Sold
	Shares	Shares
Stokes Group Ltd	5,465,310	—
Mahindra Forgings Global Ltd	33,849,836	—
Mahindra Forgings International Ltd	72,000,001	—
Mutual Funds	Acquired	Sold
	Units	Rs. in lakhs
Franklin Templeton Mutual Fund	—	51,487
Grindlays Floating Rate Fund	1,684,876	169

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Schedules Annexed to and forming part of financial statements as at 31st March, 2008

	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
SCHEDULE 7		
Current Assets		
Inventories [Refer Note A-(v) of Sch.15] (Valued at Cost or net realisable value whichever is lower)		
Raw Material & Components	461.69	684.26
Work-in-progress	1,109.42	726.34
Stores & Spares	385.24	278.84
Die steel blocks	329.68	175.38
Finished Goods	36.73	185.56
Dies	175.74	319.71
Total	2,498.49	2,370.09
Sundry Debtors (Unsecured)		
Outstanding over six months		
Considered Good	140.36	70.22
Considered Doubtful	157.05	107.04
	297.41	177.26
Other Debts Considered Good	2,465.35	2,726.79
Less : Provision for doubtful debts	157.05	107.04
Total	2,605.71	2,797.01
Cash & Bank Balances		
Cash on hand	2.60	3.64
Balances with Scheduled Banks :		
In Current account	59.87	126.27
In Fixed Deposit account	—	48.37
In Margin money Deposit account	214.97	228.61
Balances with Other Banks		
In current account	0.34	—
	0.34	—
Balances with other Banks include balances lying with non-scheduled Banks		
HSBC Bank, Mauritius (Maximum Amount outstanding during the year Rs.4,924.59 lakhs)	0.28	—
Standard Chartered Bank Mauritius (Maximum Amount outstanding during the year Rs.1,119.26 lakhs)	0.06	—
Total	277.78	406.89
Total	5,381.99	5,573.99

SCHEDULE 8**Loans and Advances**

(Unsecured, considered good)

Advances recoverable in cash or kind or for value to be received.

From Subsidiaries	4.47	—
From Others	344.39	203.83
Balance with Excise/Custom/Sales tax authorities	467.46	474.69
Deposits	206.37	195.30
Advance Income Tax (Net of Provision)	138.59	90.80
Total	1,161.27	964.63

Schedules Annexed to and forming part of financial statements as at 31st March, 2008

2008
(Rs. in lakhs) 2007
(Rs. in lakhs)

SCHEDULE 9**Current Liabilities & Provisions****Current Liabilities**

Sundry Creditors (Refer Note B-7 of Sch 15)

a) Total outstanding dues of Micro and Small Enterprises	0.24	—
b) Total outstanding dues of Creditors other than Micro and Small Enterprises	4,039.33	2,149.27
Subsidiary Companies	100.18	—
Interest accrued but not due on loans	0.60	6.12
Other Liabilities	1,090.10	1,096.02
	<u>5,230.45</u>	<u>3,251.42</u>

Provisions

Gratuity	82.73	69.78
Leave Encashment	30.36	23.16
Contingencies	139.79	139.79
	<u>252.88</u>	<u>232.73</u>
Total	<u>5,483.34</u>	<u>3,484.14</u>

SCHEDULE 10**Other Income**

Interest on deposits	19.79	190.58
[Tax Deducted at Source Rs.4.85 lakhs (PY Rs. 40.89 lakhs)]		
Interest Others (Net)	71.35	—
Dividend on Mutual Funds	8.58	3.04
Profit on sale of Short Term Investments	22.64	111.62
Profit on sale of Fixed Assets (Net)	—	67.18
Credit Balances Written Back	—	151.37
Sale of Raw Material	91.68	—
Exchange Rate Fluctuation (Net)	397.56	—
Export Incentives	37.05	20.01
Miscellaneous Income	33.71	17.29
Total	<u>682.37</u>	<u>561.10</u>

SCHEDULE 11**Material Consumption**

Raw Material and Components Consumed	12,866.56	12,601.10
(Increase) / Decrease in Stocks		
Opening stock - Work-in-Progress	726.34	378.39
Scrap	—	2.94
Finished Goods	185.56	528.72
	<u>911.90</u>	<u>910.05</u>
Closing stock - Work-in-Progress	1,109.42	726.34
Finished Goods	36.73	185.56
	<u>1,146.15</u>	<u>911.90</u>
(Increase)/ Decrease in Stocks	<u>(234.24)</u>	<u>(1.85)</u>
Total	<u>12,632.32</u>	<u>12,599.25</u>

SCHEDULE 12**Personnel Expenses**

Salaries, Wages, Bonus etc	1,150.05	877.56
Contribution to Provident & other funds	74.65	50.64
Staff Welfare expenses	132.25	106.87
Total	<u>1,356.95</u>	<u>1,035.07</u>

Schedules Annexed to and forming part of financial statements as at 31st March, 2008

	2008 (Rs. in lakhs)	2007 (Rs. in lakhs)
SCHEDULE 13		
Other Expenses		
Manufacturing Expenses		
Processing Charges	260.30	392.60
Power, Fuel	1,864.07	1,876.73
Dies Consumed / Amortised	970.78	924.64
Stores, Spares & Oil consumed	880.04	1,001.61
Other Manufacturing Expenses	108.80	152.78
Repairs & Maintenance		
- Plant & Machinery	581.54	460.46
- Buildings	31.01	40.12
- Others	85.87	10.61
Total Manufacturing Expenses	4,782.40	4,859.55
Administrative & Selling expenses		
Rent	33.98	25.88
Rates & Taxes	11.85	13.58
Insurance	24.38	27.37
Freight & Packing	367.38	298.18
Printing & Stationery	30.28	20.12
Telephone Expenses	19.84	11.17
Travelling & Conveyance	73.53	60.14
Provision for Doubtful debts	50.01	11.42
Bad Debts Written Off	12.56	8.73
Old Balances Written Off	2.20	52.70
Loss on Sale of Assets	6.78	—
Amalgamation expenses	151.45	—
Other Administrative & Selling Expenses	203.06	199.58
	987.28	728.87
Exchange rate fluctuation	—	12.78
Provision for Diminution in value of CWIP	—	25.85
	—	38.63
Total.....	5,769.68	5,627.05

SCHEDULE 14**Interest & Finance Cost**

On Fixed period loans	731.41	371.75
On Others	402.16	285.91
Cash Discounts	155.00	95.03
Total.....	1,288.57	752.69

SCHEDULE - 15

Notes forming part of the Accounts for the Year ended 31st March, 2008.

A) Significant Accounting Policies**i Method of Accounting**

The financial statements are prepared under the historical cost convention as a going concern and on accrual basis.

ii Fixed Assets and Depreciation

- (a) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities which were until the previous year adjusted to the carrying cost of the respective fixed assets, are charged /credited to the Profit and Loss Account, consequent to the applicability of the Companies (Accounting Standards) Rules, 2006.
- (b) When an asset is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of accounts and resultant profit (including capital profit) or loss, if any, is reflected in the Profit and Loss Account.
- (c) Free hold land is stated at cost.
- (d) Depreciation on assets is calculated on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

iii Intangible Assets

- (a) Intangible Assets except software are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.
- (b) Software expenditure incurred is amortised over three financial years, equally, commencing from the year in which the software is installed.
- (c) Goodwill arising in terms of Scheme of Demerger of Chakan Unit of Amforge Industries Limited (Amforge) with your company is being amortised over five years.
- (d) Non-Compete Fees payable to Amforge and its promoters is being amortised over five years, being the period of contract.

iv Investments

Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

v Inventories

Inventories are stated at cost or net realisable value, whichever is lower. During the year, the company has changed the method of valuation of Raw Material and Die Steel inventory from 'Specific Identification Method' to 'Moving Weighted Average Method' due to implementation of SAP. However it does not have any material impact on profit/loss of the company. Stores & spares are valued on a weighted average method.

In case of WIP & Finished Goods, cost includes material cost, labour, where appropriate, manufacturing overheads & excise duty.

Hitherto, the company followed the policy of writing off cost of dies over a period of two years. The cost of Dies is written off as and when incurred in view of their short life. If such change had not taken place, the profit for the year would have been higher by Rs 485.91 Lakhs

vi Foreign Currency Transactions

- (a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Realised gains and losses and also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Profit and Loss Account.
- (b) Forward exchange contracts are entered as hedge transactions. The premium or discount arising at the inception of forward exchange contract is amortised as income or expense over the life of the contract. Exchange differences are recognized as an income or expense in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or expiry of such forward exchange contract is recognised as income or expense for the period.

vii Revenue recognition

Sales of products and services are recognised when the products are despatched or services rendered. Sales are exclusive of sales tax and net of sales return and trade discounts.

viii Export Benefits

As of the last year, the company followed the policy of recognising export incentives at a point of reasonable certainty of ultimate collection. From the current year, the company recognises the Export Incentives as and when accrued.

ix Retirement Benefits

Retirement Benefits in respect of gratuity and leave encashable at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

(a) Defined Contribution Plans

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare Fund are recognised in the Profit and Loss Account.

(b) Defined Benefit Plan

Company's liabilities towards gratuity, leave encashment are determined using the projected unit credit method which consider each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on straight line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

x Taxation

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

B) Notes to Accounts**1. Share Capital (subsequent to amalgamation)**

- a) The Hon'ble High Court of Judicature at Mumbai, vide its order dated November 23, 2007, sanctioned the scheme of arrangement/ amalgamation of Mahindra Stokes Holding Company Limited (MSHCL) ultimately holding Stokes Group of Companies, Mahindra Forgings Overseas Limited (MFOL) ultimately holding Jeco Group of Companies and Mahindra Forgings Mauritius Limited (MFML) ultimately holding Schoeneweiss Group of Companies, hereinafter referred to as transferor companies, with the Company (MFL). The scheme was operative from the appointed date of April 01, 2007 and had come into effect (effective date) from December 27 2007. All the assets, estates, title, interests, authorities, debts, outstandings, credits, liabilities had been transferred to and vested in the company retrospectively with effect from the appointed date i.e. April 01, 2007. A summary of the assets and liabilities taken over is as follows :

(Rs. In Lakhs)

Particulars	MSHCL	MFOL	MFML	Total
Investments	4,085.55	40,621.00	7,647.92	52,354.47
Current Assets	1,388.33	18,926.00	22,989.11	43,303.44
Total Assets	5,473.88	59,547.00	30,637.03	95,657.91
Less : Current Liabilities	8.95	1.00	3.23	13.18
Total Assets	5,464.93	59,546.00	30,633.80	95,644.73
Less :				
Loans	NIL	17,768.79	11,787.83	29,556.62
Net Assets	5,464.93	41,777.21	18,845.97	66,088.11
Consideration for Amalgamation	212.56	2,938.78	903.38	4,054.72
Net Balance	5,257.37	38,838.43	17,942.59	62,033.39
Less :				
Profit and Loss account	(8.95)	(4.40)	(3.23)	(16.58)
Share Premium	4,379.20	NIL	NIL	4,379.20
Surplus on Amalgamation	882.12	38,842.83	17,945.82	57,670.77

- b) All the transferor companies were investment companies.
- c) To give effect to the scheme of amalgamation, the Authorised Equity Share Capital of the company was increased to Rs. 72 crores, pursuant to the scheme of amalgamation.
- d) The amalgamation was accounted for under the "Pooling of Interest method" as prescribed under Accounting Standard (AS) 14 issued by Institute of Chartered Accountants of India. Accordingly the assets, liabilities and reserves of the transferor companies as at 1st April 2007, were taken over at their book values. As stipulated in the Scheme of Amalgamation, all reserves and surplus of the transferor companies were transferred to and vested in the transferee company in the same form in which they appeared in the books of the transferor companies.
- e) The company issued shares to the shareholders of amalgamating companies in the following ratio:
- 20 equity shares of Rs.10/- each fully paid for every 103 equity shares of Rs.10/- each held by a shareholder of MSHCL.
 - 20 equity shares of Rs.10/- each fully paid up for every 49 equity shares of ₹ 1/- each held by a shareholder of MFOL.
 - 20 equity shares Rs.10/- each fully paid up for every 73 equity shares of ₹ 1/- each held by a shareholder of MFML.
- f) The value of shares issued by the company was as follows:
- 21,25,606 equity shares of Rs.10/- each aggregating to Rs.212.56 lakhs to MSHCL.
 - 2,93,87,755 equity shares of Rs.10/- each aggregating to Rs.2,938.78 lakhs to MFOL.
 - 90,33,789 equity shares of Rs.10/- each aggregating to Rs.903.38 lakhs to MFML.
- g) Consequent upon the issue & allotment of shares the Shareholding of Mahindra & Mahindra Limited, the holding company will increase to 80.56% from existing 47.11%.
- h) The difference between the amount recorded as share capital on issue of equity shares to the shareholders of MSHCL, MFOL and MFML, and the value of net assets taken over from the transferor companies, aggregating to Rs.57,670.77 Lakhs, has been credited to the General Reserve Account.
- i) The transactions arising out of operations of the transferor companies during the Financial Year were incorporated in the respective heads of account.
- j) Consequent to the scheme of amalgamation resulting in merger of MSHCL, MFOL and MFML, following subsidiaries of the transferor companies became subsidiaries of the company w.e.f the appointed date i.e. 1st April 2007.

Name of the entity
Stokes Group Limited
Mahindra Forgings International Limited
Mahindra Forgings Global Limited

- k) Share issue expenses of Rs 731.53 Lakhs including Stamp duty, BSE/NSE Listing fees and ROC registration fees are adjusted against Securities Premium Account, net of deferred tax of Rs. 198.92 lakhs. In addition to the above, Amalgamation expenses of Rs.151.44 lakhs including financial advisory charges (professional services in context of valuation of businesses for amalgamation, determining compensation for minority), Professional Charges in connection with valuation of merger and other related expenses are written off to the Profit and Loss Account.

2. Borrowings and Securities

Name of the Lender	Type of Loan	Repayment Schedule
Industrial Investment Bank of India (IIBI)	Long Term Loan (LTL)	14 equal quarterly installments till September, 2009
Industrial Investment Bank of India (IIBI)	Funded Interest Term Loan (FITL) (0% coupon bonds)	12 equal quarterly installments till March, 2010.
Life Insurance Corporation of India (LIC)	Long Term Loan (LTL)	14 equal quarterly installments till September, 2009
Life Insurance Corporation of India (LIC)	Funded Interest Term Loan (FITL)	14 equal quarterly installments till September, 2009
Life Insurance Corporation of India (LIC)	Funded Interest Term Loan (FITL)	Single bullet payment in December, 2010
State Bank of India	Corporate Loan	13 quarterly installments commencing from April, 2008 to April, 2011
State Bank of India	Term Loan	17 quarterly installments commencing from April, 2008 to April, 2012
Axis Bank	Corporate Loan	16 equal quarterly installments commencing from April, 2008 to March, 2012
State Bank of India	Capex Term Loan	16 quarterly installments commencing from April, 2009 to March, 2013.
Axis Bank	Capex Term Loan	16 quarterly installments commencing from April, 2009 to March, 2013.

- All the term lenders have 1st charge on immovable assets & 2nd charge on movable assets whereas Working Capital lenders have 1st charge on movable assets & 2nd charge on Immovable assets of the company.

3. Contingent Liabilities not provided for

(Rs. in Lakhs)

Particulars	As at 31 st March, 2008	As at 31 st March, 2007
(i) Bank Guarantees outstanding in favour of the Government and other parties	167.13	171.43
(ii) Letters of Credit issued by banks on behalf of the Company and outstanding	1,435.59	1,590.65
(iii) : (a) Towards Excise Duty demands in respect of which the Company has preferred an appeal	120.60	120.60
(b) Towards interest on Excise Duty in respect of which the Company has preferred an appeal	4.79	4.79

- ✓ In addition to the above, the Company has availed Bill Discounting Facilities under Bill Marketing Scheme, during the year from its customers for an amount of Rs. 2,132.31 lakhs. (Previous year Rs. 1,029.06 lakhs).

- The company had imported capital goods under the Export Promotion Capital Goods (EPCG) scheme, of the Government of India, at concessional rates of duty on an understanding to fulfill quantified exports against which future obligation aggregates to USD 214.98 lakhs (Previous Year USD 220.04 Lakhs). Non-fulfillment of such future obligations, if any, entails options/rights to the Government to confiscate capital goods under the said licenses and other penalties under the above referred scheme.

5. Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 4,324.35 lakhs (Previous year Rs. 3,561.38 lakhs).

6. During the year, Employees' Stock Option Scheme (ESOS) was formulated by the Remuneration/Compensation committee of Directors of the Company and approved by it on 26th October, 2007. This was subject to the authority vested in it by the shareholders at the General Meeting of the company held on 25th July, 2007 in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Under this scheme, each option entitled to one equity share of Rs.10/- each fully paid up were granted as follows :

- i 2,96,000 options to the employees of the company at a fixed price of Rs.197 per share on 26th October, 2007.
 - ii 3,91,000 options to the employees of the holding company (M&M) at a fixed price of Rs. 83 per share on 26th February, 2008.
 - iii 88,000 and 12,000 options to the directors of the company at a fixed price of Rs. 197 per share on 26th October, 2007 and 26th February 2008 respectively.
- a) The equity settled options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting. The number of options exercisable in each tranche is between the minimum of 100 options and maximum of the options vested, except in case of the last date of exercise, where the employee can exercise all the options vested but not exercised till that date.

Options granted, vest in 4 equal instalments on the expiry of 12 months, 24 months, 36 months and 48 months respectively.

b) Summary of Stock Options :

	No. of Stock Options	Exercise price (Rs.)
Options Outstanding on 1 st April, 2007	Nil	Nil
Options Granted during the year	3, 96,000 3, 91,000	197 83
Options Forfeited during the year	63,000	197
Options Exercised during the year	Nil	Nil
Options Outstanding on 31 st March, 2008	3, 33,000 3, 91,000	197 83
Options Vested but not Exercised on 31 st March, 2008	Nil	Nil

- c) The company has adopted the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. Had the company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by Rs. 10.32 lakhs, Profit after tax higher by Rs. 10.32 lakhs, and the basic and diluted earning per share would have been higher by Rs.0.02.

- d) In respect of options granted during the period, accounting value of options (equal to intrinsic value) was treated as form of employee compensation, to be amortised on a straight line basis over the vesting period. Unamortised portion was disclosed under the head Employee Stock Options outstanding in Schedule 1A as deferred employee compensation expenses.
- e) The Finance Act, 2007 included Fringe Benefit Tax ("FBT") on Employees Stock Option's Plan (ESOPs). FBT Liability would crystallize on the date of exercise of stock options. Hence during the year, there was no liability to pay FBT.
- f) Information in respect of options outstanding as at 31st March 2008 is as under:-
The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

	Grant dated 26 th Oct 2007	Grant dated 26 th Feb 2008	Grant dated 26 th Feb 2008
Risk free interest rate	7.64%	7.41%	7.41%
Expected Life	3.50 years	3.50 years	3.50 years
Expected volatility	44.84 %	44.84 %	44.84 %
Expected dividend yield	NIL	NIL	NIL
Exercise price	Rs.197	Rs.197	Rs.83
Stock price	Rs.195	Rs.197.90	Rs.197.90
Fair Value of Options Granted	Rs.103.95	Rs.105.72	Rs.148.25

7. The identification of suppliers as Micro and Small Enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" was done on the basis of the information to the extent provided by the suppliers to the Company. Total Outstanding dues of Micro and Small Enterprises, which were outstanding for more than stipulated period are given below :

Rs. In Lakhs

➤ Dues remaining unpaid as at 31 st March, 2008.	
Principal	0.24
Interest	0.01
➤ Interest paid in terms of Sec 16 of the Act.	NIL
➤ Amount of Interest due and payable for the period of delay in payments made beyond the appointed day during the year.	0.59
➤ Amount of interest accrued and remaining unpaid as at 31 st March, 2008.	0.59

8. Other Administrative and selling Expenses include Auditors' Remuneration (Net of Service Tax where applicable)

(Rs. in Lakhs)

	Auditors Remuneration	Current Year	Previous Year
(i)	Audit Fees	6.25	5.00
(ii)	Tax Audit Fees	1.00	1.00
(iii)	Other Services	3.50	3.22
	Total	10.75	9.22

9. Managerial remuneration for directors included in the Profit and Loss Account is Rs 68.85 Lakhs (Previous year Rs 45.22 Lakhs) which includes contribution to provident fund and other funds of Rs 2.88 lakhs (Previous year Rs 1.95 lakhs), perquisites Rs 17.52 Lakhs (Previous year Rs 5.09 lakhs), Variable performance pay Rs 18 lakhs (Previous year Rs 16.28 lakhs) and other allowances Rs. 6.45 lakhs (Previous year Rs 5.62 lakhs) excluding charge for provision for leave encashable on separation as it is accrued for the company as a whole.

10. Capacities and Production of Forging

(Rs. in lakhs)

Forging	Current Year	Previous Year
Unit	M.T.	M.T.
Installed Capacity (3 shifts basis)	48,072	42,765
Production	23,074	23,957

11. Turnover, Opening and Closing Stocks

(Value in Rs. lakhs)

Forging		Current Year		Previous Year	
	Unit	Qty	Value	Qty	Value
Turnover	M.T.	23,247	24,520.82	24,427	24,587.75
Opening Stock	M.T.	227	191.51	697	528.72
Closing Stock	M.T.	5	36.73	227	191.51

12. Raw Materials & Components Consumed

(Value in Rs. lakhs)

Steel	Current Year	Previous Year
M.T.	34,605	34,942
Value	12,866.56	12,601.10

13. Value of Raw Material and Components Consumed

(Value in Rs. lakhs)

Particulars	Current Year		Previous Year	
	Value	%	Value	%
Indigenous	12,782.95	99.35	12,601.10	100.00
Imported	83.61	0.65	-	-
Total	12,866.56	100.00	12,601.10	100.00

14. Value of Stores & Spares Consumed

(Value in Rs. Lakhs)

Particulars	Current Year		Previous Year	
	Rs. in lakhs	%	Rs. in lakhs	%
Indigenous	702.55	79.83	897.63	89.62
Imported	177.49	20.17	103.98	10.38
Total	880.04	100.00	1,001.61	100.00

15. Value of Imports (C.I.F.)

(Value in Rs. Lakhs)

Particulars	Current Year	Previous Year
i) Stores and Spares	224.30	103.98
ii) Capital Goods	3,133.92	679.26
iii) Raw Material	83.61	-
Total	3,441.83	783.24

16. Earnings in Foreign Exchange

(Value in Rs. Lakhs)

Particulars	Current Year	Previous Year
Exports (F.O.B. Value)	607.38	687.87

17. Expenditure in Foreign Currency

(Value in Rs. Lakhs)

Sr.	Particulars	Current Year	Previous Year
i)	Foreign Travel	6.79	37.14
ii)	Technical Consultancy	20.72	155.09
iii)	Installation, Erection and Commissioning charges	66.35	-
iv)	Russian Translation Charges	3.44	-
	Total	97.30	192.23

18. Employee Benefits

(a) Defined Benefit Plan

(Rs. in lakhs)

Particulars	Gratuity		Leave Encashment	
	March 2008	March 2007	March 2008	March 2007
Expense recognised during the period ended March 31, 2008 (Included in Schedule 12: Salary, Wages, Bonus or Personnel Expenses)				
1 Current Service cost	18.90	11.60	12.96	8.02
2 Interest Cost	5.58	5.20	1.85	1.76
3 Expected return on plan assets	-	-	-	-
4 Actuarial Losses/(Gains)	1.55	7.30	4.89	2.76
5 Total expense	26.03	24.08	19.70	12.53
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended March 31, 2008				
1 Net Asset/(Liability) at beginning of period	(69.78)	(64.96)	(23.16)	(22.02)
2 Employee Expense	(26.03)	(24.08)	(19.70)	(12.53)
3 Employee Contributions	13.08	19.26	12.50	11.40
4 Net Asset/(Liability) at the end of the period	(82.73)	(69.78)	(30.36)	(23.16)
5 Actual Return on plan assets	Not Readily available with the Company			
Actuarial Assumptions***	As at March 31 2008			
1 Discount Rate	8% per annum			
2 Expected rate of return on plan assets	NA			
3 Expected rate of salary increase	5% per annum			
4 Mortality Table	LIC (1994-96) ULTIMATE			

*** Estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(b) Defined Contribution Plans

Amount recognised as an expense and included in the Schedule 12 "Contribution to Provident and other funds" of Personnel Expenses Rs 74.65 Lakhs

19. The components Deferred Tax Assets / Liability

(Rs. in lakhs)

31st March, 2008 31st March, 2007

Deferred Tax Liability

- On fiscal allowances On Fixed Assets	666.84	486.02
	<u>666.84</u>	<u>486.02</u>

Less: Deferred Tax Assets

- On unabsorbed fiscal losses and depreciation	827.22	253.54
- On Amalgamation & demerger expenses	26.95	40.53
- On share issue expenses	255.08	18.53
- On other timing differences	<u>71.45</u>	<u>15.13</u>

1,180.70 327.62

Net Asset/(Liability)

513.86 (158.40)

20. In terms of Accounting Standard – 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India, the Company operates in only one segment i.e. Forgings.

21. Related parties during the year ending on 31.03.2008 are as follows:

Holding Company	1 Mahindra & Mahindra Limited
Subsidiary Companies	1 Stokes Group Ltd.
	2 Stokes Forgings Dudley Ltd.
	3 Jensand Ltd.
	4 Stokes Forgings Ltd.
	5 Mahindra Forgings International Ltd.
	6 Mahindra Forgings Europe AG (formerly known as JECO Holding AG)
	7 Gesenkschmiede Schneider GmbH
	8 JECO-Jellinghaus GmbH
	9 Falkenroth Umformtechnik GmbH
	10 Mahindra Forgings Global Ltd.
	11 Schoneweiss & Co. GmbH
	12 Falkenroth Grundstucksgesellschaft GmbH
	13 Fried. Hunninghaus GmbH
	14 Fried. Hunninghaus GmbH & Co. KG
Fellow Subsidiaries	1 Mahindra Engineering and Chemical Products Limited
	2 Mahindra Steel Service Centre Limited
	3 Mahindra Logisoft Business Solutions Limited
	4 First Choice Wheels Limited
	5 Mahindra USA, Inc.
	6 Mahindra Gujarat Tractor Limited
	7 Mahindra Shubhlabh Services Limited
	8 Mahindra and Mahindra South Africa (Proprietary) Limited
	9 Mahindra SAR Transmission Private Limited
	10 Mahindra Overseas Investment Company (Mauritius) Ltd.
	11 Mahindra Europe s.r.l.
	12 Mahindra (China) Tractor Company Limited
	13 Mahindra-BT Investment Company (Mauritius) Limited
	14 Mahindra Intertrade Limited
	15 Mahindra MiddleEast Electrical Steel Service Centre (FZO)
	16 Mahindra Holdings & Finance Limited
	17 Mahindra Consulting Engineers Limited
	18 Mahindra Holidays and Resorts India Limited
	19 Mahindra Holidays and Resorts USA Inc.
	20 NBS International Limited
	21 Mahindra Ugine Steel Company Limited

Fellow Subsidiaries (Contd.)

22	Mahindra & Mahindra Financial Services Limited
23	Mahindra Insurance Brokers Limited
24	Tech Mahindra Limited
25	Tech Mahindra (Americas) Inc.
26	Tech Mahindra GmbH
27	Tech Mahindra (Singapore) Pte. Limited
28	Tech Mahindra (Thailand) Limited
29	Tech Mahindra Foundation
30	PT Tech Mahindra Indonesia
31	Tech Mahindra (R&D Services) Limited
32	Tech Mahindra (R&D Services) Inc.
33	CanvasM Technologies Limited
34	CanvasM (Americas) Inc.
35	iPolicy Networks Limited
36	Bristlecone Limited
37	Bristlecone Inc.
38	Bristlecone (UK) Limited
39	Bristlecone India Limited
40	Bristlecone (Singapore) Pte. Limited
41	Bristlecone GmbH
42	Mahindra Renault Private Limited
43	Mahindra International Limited
44	Plexion Technologies (UK) Limited
45	Plexion Technologies GmbH
46	Plexion Technologies Inc.
47	Mahindra Hinoday Industries Limited
48	MHR Hotel Management GmbH, Austria
49	Mahindra Life Space Developers Limited
50	Mahindra Infrastructure Developers Limited
51	Mahindra World City (Jaipur) Limited
52	Mahindra Integrated Township Limited
53	Mahindra World City Developers Limited
54	Mahindra World City (Maharashtra) Limited
55	Bristlecone (Malaysia) SDN. BHD (w.e.f. 30.05.2007)
56	Mahindra Automotive Limited (w.e.f. 25.05.2007)
57	Mahindra Castings Private Limited (w.e.f. 30.08.2007)
58	Mahindra Hotels and Residences India Limited (w.e.f. 26.04.2007)
59	Mahindra Holdings Limited (w.e.f. 02.11.2007)
60	Mahindra Logistics Limited (w.e.f. 12.12.2007)
61	Mahindra Rural Housing Finance Limited (w.e.f. 09.04.2007)
62	Mahindra Retail Private Limited (w.e.f. 03.09.2007)
63	Mahindra Technology Park Limited (w.e.f. 28.09.2007)
64	Punjab Tractors Limited (w.e.f. 06.07.2007)
65	Tech Mahindra (Beijing) IT Services Limited (w.e.f. 21.12.2007)
66	Tech Mahindra (Malaysia) SDN. BHD (w.e.f. 11.07.2007)
67	Mahindra Residential Developers Limited (w.e.f. 01.02.2008)
68	Mahindra Aerospace Pvt Limited (w.e.f. 28.02.2008)
69	Heritage Bird (M) Sdn Bhd (w.e.f. 03.03.2008)
70	Mahindra First Choice Services Limited (w.e.f. 24.03.2008)
71	Mahindra Graphic Research Design s.r.l. (w.e.f. 28.02.2008)
72	Mahindra Navistar Engines Private Limited (w.e.f. 24.03.2008)
73	Mahindra Ashtech Limited
74	Automartindia Limited
75	Mahindra Engineering Design and Development Company Limited
76	Tech Mahindra (R&D services) Pte. Limited

Key management personnel

- | | |
|---|--------------------|
| 1 | Anand Mahindra |
| 2 | Hemant Luthra |
| 3 | Sankaran Ravindran |

Transactions with related parties

(Rs in lakhs)

Nature of Transactions	Current Year				Previous Year			
	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt. personnel	Associate Co.	Enterprises significantly influenced by key Mgmt. personnel	Subsidiary Co.	Key Mgmt. personnel
Sales								
- Goods	6,006.78	1.44	—	—	5,635.86	—	—	—
- Scrap	—	1,218.75	—	—	—	1,934.97	—	—
Purchases								
- Raw material	—	6,198.28	—	—	—	5,016.19	—	—
- Capital goods	—	19.81	98.11	—	169.06	75.76	—	—
- Services	548.54	40.57	48.90	—	530.77	41.89	—	—
Payment of Rent	—	12.48	—	—	3.95	12.48	—	—
Interest Income	—	—	521.65	—	—	—	—	—
Intercompany Deposit Accepted	10	—	—	—	—	—	—	—
Intercompany Deposit Refunded	10	—	—	—	—	—	—	—
Loan Refunded	29,036.91	—	—	—	—	—	—	—
Loan Received Back	—	—	29,026.91	—	—	—	—	—
Professional Fees	—	—	—	—	1.60	50.76	—	—
Interest on ICD paid	0.09	—	—	—	—	—	—	—
Interest on Loan Paid	351.74	—	—	—	—	—	—	—
Interest on delayed payments	—	—	—	—	—	—	—	—
Outstandings								
- Receivables	389.72	0.26	4.47	—	449.46	—	—	—
- Payables	132.97	1,377.58	100.18	—	119.78	844.55	—	—
Reimbursement of Expense	9.92	0.91	9.98	—	56.93	0.86	—	—
Advance for expenses payable	—	8.00	—	—	—	—	—	—
Managerial remuneration	—	—	—	68.85	—	—	—	45.22
Investment in subsidiaries	—	—	66,224.97	—	—	—	—	—
Finance (including loans and equity contributions in cash or in kind)	2,832.59	—	—	—	—	—	—	—

Note: During 2006-07, Mahindra & Mahindra Ltd was the Associate of the Company, however consequent upon the Amalgamation of MSHCL, MFOL and MFML; it has become the Holding Company. Hence, all the transactions with M&M for the current year are reported under the head 'Holding Company'. Whereas, in the previous year it was disclosed under the head 'Associate Company'.

22. Earnings per Share

(Rs in lakhs)

	Current Year	Previous Year
Profit/(Loss) as per the P&L Account (Rs. in Lakhs)	(1,417.19)	(1,253.11)
Weighted Average Number of equity shares outstanding during the year	68,567,736	2,52,32,922
Basic Earnings per share (Rs.)	(2.07)	(4.97)
Diluted Earnings per share (Rs.)	(2.07)	(4.97)

23. Amount of borrowing cost capitalised during the period is Rs. 522 Lakhs (Previous Year Rs. 22.93 Lakhs)

24. Prior Period Items include payment of Sales Tax liability Rs 43.59 Lakhs pertaining to 2005-2006.

25. Consequent to the applicability of the Companies (Accounting Standards) Rules, 2006, the exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities are charged/credited to the Profit and Loss Account. Until previous year, such differences were adjusted to the carrying cost of the respective fixed assets. If such change had not taken place, PBT for the year would have been lower by Rs 153.59 Lakhs.

26. Figures for the previous year have been regrouped and rearranged wherever necessary. Consequent to the amalgamation, the accounts for the financial year ended 31st March 2008 were prepared after taking into account the accounts of transferor companies from 1st April 2007 and therefore, the figures given herein and elsewhere in the Annual Report cannot be compared with those of the previous year.

Signature to schedule 1 to 15

As per our Report of even date

For B. K. Khare & Company
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784

Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
Director

R. R. Krishnan
Director

Nikhilesh Panchal
Director

Fali P. Mama
Director

Krishnan Shankar
Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
Director

Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Naresh
Khosla

Balance Sheet Abstract & Company's General Business Profile :
(Information pursuant to Part IV of Schedule VI to the Company's Act, 1956)

I. Registration Details :

Registration No.

1	1	-	1	2	1	2	8	5	of	1999
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 State Code

1	1
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Balance Sheet Date

3	1
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2	0	0	8
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Date Month Year

II. Capital Raised during the Year (Amount in Rupees Lakhs) :

Public Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>											N	I	L	Rights Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>											N	I	L	
										N	I	L																
										N	I	L																
Bonus Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>											N	I	L	Private Placement <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>4</td><td>0</td><td>5</td><td>5</td></tr></table>											4	0	5	5
										N	I	L																
										4	0	5	5															

III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Lakhs) :

Total Liabilities <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>0</td><td>1</td><td>2</td><td>9</td><td>0</td></tr></table>							1	0	1	2	9	0	Total Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>0</td><td>1</td><td>2</td><td>9</td><td>0</td></tr></table>							1	0	1	2	9	0						
						1	0	1	2	9	0																				
						1	0	1	2	9	0																				
Sources of Funds :																															
Paid-up Capital <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>6</td><td>8</td><td>5</td><td>7</td></tr></table>											6	8	5	7	Reserves & Surplus <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>7</td><td>3</td><td>4</td><td>4</td><td>9</td></tr></table>											7	3	4	4	9	
										6	8	5	7																		
										7	3	4	4	9																	
Secured Loans <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>8</td><td>9</td><td>9</td><td>0</td></tr></table>											1	8	9	9	0	Unsecured Loans <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>9</td><td>9</td><td>4</td></tr></table>											1	9	9	4	
										1	8	9	9	0																	
										1	9	9	4																		
Application of Funds :																															
Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>6</td><td>2</td><td>2</td><td>3</td></tr></table>											1	6	2	2	3	Capital WIP <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>7</td><td>8</td><td>8</td></tr></table>											1	2	7	8	8
										1	6	2	2	3																	
										1	2	7	8	8																	
Investments <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>6</td><td>6</td><td>8</td><td>2</td><td>4</td></tr></table>											6	6	8	2	4	Net Current Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>0</td><td>6</td><td>0</td></tr></table>											1	0	6	0	
										6	6	8	2	4																	
										1	0	6	0																		
Accumulated Losses <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>3</td><td>8</td><td>8</td><td>2</td></tr></table>											3	8	8	2	Deferred Tax Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>5</td><td>1</td><td>3</td></tr></table>											5	1	3			
										3	8	8	2																		
										5	1	3																			

IV. Performance of the Company (Amount in Rupees Lakhs) :

Turnover <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>2</td><td>2</td><td>0</td><td>9</td><td>6</td></tr></table>											2	2	0	9	6	Total Expenditure <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>2</td><td>3</td><td>5</td><td>1</td><td>3</td></tr></table>											2	3	5	1	3
										2	2	0	9	6																	
										2	3	5	1	3																	
Net Loss <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>4</td><td>1</td><td>7</td></tr></table>											1	4	1	7	Earning per Share in Rupees																
										1	4	1	7																		
Dividend Rate % <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>											N	I	L	Basic Diluted Rs. (2.07) Rs. (2.07)																	
										N	I	L																			

V. Generic Name of Principal Products/Services of the Company (as per monetary terms) :

Item Code No. (ITC Code)

										7	3	2	6	9	0
--	--	--	--	--	--	--	--	--	--	---	---	---	---	---	---

Product Description

										F	O	R	G	I	N	G	S
--	--	--	--	--	--	--	--	--	--	---	---	---	---	---	---	---	---

For & on behalf of Board of Directors

Hemant Luthra
Director

R. R. Krishnan
Director

Nikhilesh Panchal
Director

Fali P. Mama
Director

Krishnan Shankar
Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
Director

Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Mumbai, 9th May, 2008

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the Subsidiary Company	Number of Shares in the Subsidiary Company held by Mahindra Forgings Limited		The aggregate of profits / (losses) of the Subsidiary Companies so far as they concern the members of Mahindra Forgings Limited			
	at the financial year ending date		For Current Financial Year		For Previous Financial Years	
	Equity	Extend c ^d Holding	Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2008	Not dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2008	Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2008	Not dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2008
			(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)
Stokes Group Limited	5,465,310	99.78%	—	—	—	—
* Stokes Forgings Dudley Limited	—	99.78%	—	150.20	—	—
* Jensand Limited	—	99.78%	—	(8.63)	—	—
+ Stokes Forgings Limited	—	99.78%	—	(834.45)	—	—
Mahindra Forgings International Limited	72,000,001	100.00%	—	(1,896.93)	—	—
- Mahindra Forgings Europe AG (formerly known as Jeco Holdings AG)	—	100.00%	—	1,959.64	—	—
@ Gesenkschmiede Schneider GmbH	—	100.00%	—	—	—	—
@ JECO-Jellinghaus GmbH	—	100.00%	—	—	—	—
@ Falkenroth Umformtechnik GmbH	—	100.00%	—	—	—	—
Mahindra Forgings Global Limited	33,849,836	100.00%	—	(217.39)	—	—
# Schoneweiss & Co. GmbH	—	100.00%	—	3,187.37	—	—

* a subsidiary of Stokes Group Limited

+ a subsidiary of Jensand Limited

- a subsidiary of Mahindra Forgings International Limited

@ a subsidiary of Mahindra Forgings Europe AG

a subsidiary of Mahindra Forgings Global Limited

Note: The financial year of all subsidiaries ended on 31st March, 2008.

For & on behalf of Board of Directors

Hemant Luthra
Director**R. R. Krishnan**
Director**Nikhilesh Panchal**
Director**Fali P. Mama**
Director**Krishnan Shankar**

Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
Director**Mohit Burman**
Director**Virendra Kumar Chanana**
Director**Harald Korte**
DirectorMumbai, 9th May, 2008

CONSOLIDATED ACCOUNTS

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF MAHINDRA FORGINGS LIMITED

1. We have audited the attached consolidated balance sheet of Mahindra Forgings Limited and its subsidiaries (the Group) as at 31st March, 2008, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of Mahindra Forgings Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statement 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 misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries whose financial statements reflect Group's share of total assets of Rs. 72,568.62 lakhs as at 31st March, 2008 and Group's share of total revenues of Rs. 211,003.96 lakhs for the year ended on that date and Group's share of net cash inflow of Rs. 554.69 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by Mahindra Forgings Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accounts of India.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the consolidated balance sheet, of the state of affairs of Mahindra Forgings Limited Group as at 31st March 2008;
 - b) In case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - c) In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **B K Khare & Co.**
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784

Mumbai, 9th May, 2008.

Consolidated Balance Sheet as at 31st March, 2008.

	Schedule	2008 (Rs. in lakhs)
I SOURCES OF FUNDS :		
SHAREHOLDERS' FUNDS		
Share Capital	1	6,856.77
Employee Stock Options outstanding	1A	23.09
Reserves and Surplus	2	85,836.75
		<u>92,716.61</u>
MINORITY INTEREST		6.14
LOAN FUNDS		
Secured Loans	3	79,141.47
Unsecured Loans	4	1,994.73
		<u>81,136.20</u>
		<u>173,858.95</u>
II APPLICATION OF FUNDS :		
FIXED ASSETS		
Gross Block		261,117.02
Less : Depreciation		134,346.54
Net Block		126,770.48
Capital Work in Progress		16,953.21
Total	5	143,723.69
INVESTMENTS	6	194.38
DEFERRED TAX ASSET		1,411.81
NET CURRENT ASSETS		
CURRENT ASSETS, LOANS AND ADVANCES	7, 8	
Inventories		40,080.81
Sundry Debtors		23,230.66
Cash and Bank Balances		4,365.11
Loans and Advances		14,118.72
		<u>81,795.30</u>
Less : CURRENT LIABILITIES AND PROVISIONS	9	
Current Liabilities		38,594.78
Provisions		15,555.53
		<u>54,150.31</u>
NET CURRENT ASSETS		27,644.99
PROFIT AND LOSS ACCOUNT		884.08
		<u>173,858.95</u>
NOTES TO ACCOUNTS	15	

As per our Report of even date

For B. K. Khare & Company
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784

Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
Director

R. R. Krishnan
Director

Nikhilesh Panchal
Director

Fali P. Mama
Director

Krishnan Shankar

Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
Director

Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Consolidated Profit and Loss account for the year ended 31st March, 2008.

	Schedule	2008 (Rs. in lakhs)
I INCOME		
Gross Sales		234,982.02
Less : Excise duty on Sales		3,107.50
Net Sales		231,874.52
Other Income	10	1,225.12
		<u>233,099.64</u>
II EXPENDITURE		
Material Consumption	11	111,927.24
Personnel Expenses	12	55,838.50
Other Expenses	13	44,587.29
Interest and Finance cost	14	4,652.46
Depreciation		10,487.25
		<u>227,492.74</u>
Profit Before Exceptional items and Tax		5,606.90
Less : Exceptional items		2,397.32
Profit/(Loss) before tax		<u>3,209.58</u>
Less : Provision for tax		
Current Tax		2,829.78
Wealth Tax		1.00
Deferred Tax		(902.74)
Prior period adjustments for Deferred Tax (Net)		(381.22)
Fringe Benefit Tax		17.55
Profit / (Loss) after Tax		<u>1,645.21</u>
Less : Prior Period Expenses (Net)		66.37
Profit / (Loss) for the year before Minority interest		<u>1,578.84</u>
Less : Minority Share in Profit		(1.51)
Net Profit		<u>1,580.35</u>
Balance of Profit and Loss Account brought forward		(2,447.85)
Amount transfer on Amalgamation		(16.58)
Balance of Profit and Loss Account carried to Balance Sheet		<u>(884.08)</u>
Earning per Share (Face value of Rs. 10 Per Share)		
Basic		2.30
Diluted		2.30

NOTES TO ACCOUNTS

15

As per our Report of even date

For B. K. Khare & Company
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784
Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
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Company Secretary & GM - Legal

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Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Consolidated Cash Flow Statement for the year ended 31st March 2008

	2008 (Rs. in lakhs)
Profit/(Loss) before tax after prior period adjustments	3,143.21
Add : Adjustment for	
Depreciation, Amortisation and expenditure on ESOP	12,248.87
Provision for doubtful debts/write off's	68.73
Interest (Expenses)	4,864.91
Loss on sale of Fixed Assets	44.70
Sundry balances written off	2.20
Sub-Total	<u>20,372.62</u>
Less : Adjustments for	
Interest/Dividend Income	221.61
Profit on sale of Investments	22.64
Credit Balances Written Back	71.72
Unrealised Foreign Exchange gain	99.19
Sub-Total	<u>415.16</u>
Operating Profit before Working Capital changes	19,957.46
Adjustments for	
Trade & Other receivables	44,946.33
Inventories	(6,190.52)
Trade Payables	(8,411.52)
Cash generated from Operations	30,344.29
Direct Taxes Paid	(2,568.31)
Net cash from Operating Activities	47,733.44
Cash flow from Investing Activities	
Purchase of Fixed Assets	(35,115.62)
Sale of Fixed Assets	172.40
Sale of Investment	418.24
Interest & Dividend received	202.00
Net Cash from/(used in) Investing activities	34,322.98
Cash flow from Financing Activities	
Term Loans	(14,334.17)
Issue of Share Capital	5,577.54
Interest Paid	(5,386.91)
Net Cash from/(used in) Financing Activities	(14,143.54)
Net increased/(Decrease) in Cash & Cash equivalents	(733.08)
Opening Cash/Bank Balances	406.89
Add: Cash & Bank balances taken over from Amalgamated Companies	4,691.30
Closing Cash/Bank Balances	4,365.11

Notes :

- The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Flow Statement issued by Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances only.
- During the year, Mahindra Stokes Holding company Limited, Mahindra Forgings Overseas Limited, Mahindra Forgings Mauritius Limited have been merged with the Company by issuing the shares to the share holders of the merged entities. This being a non cash transaction does not form part of Cash Flow.
- Previous year figures have not been provided as this is the first occasion that Consolidated Cash Flow Statement is presented.

As per our Report of even date

For B. K. Khare & Company
Chartered AccountantsPadmini Khare Kaicker
(Partner)
Membership No. 44784Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
DirectorR. R. Krishnan
DirectorNikhilesh Panchal
DirectorFali P. Mama
Director

Krishnan Shankar

Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
DirectorMohit Burman
DirectorVirendra Kumar Chanana
DirectorHarald Korte
Director

Schedules Annexed to and forming part of financial statements as at 31st March, 2008.

SCHEDULE - 1

2008
(Rs. in lakhs)

Share Capital

Authorised Capital

7,20,00,000 Equity shares of Rs 10/- each.	7,200.00
1,48,20,206 - 4% Non Cumulative Redeemable convertible Preference shares of Rs. 31/- each	4,594.26
Total.....	<u>11,794.26</u>

Issued, Subscribed and Paid-up

6,85,67,736 Equity shares of Rs 10/-each fully paid up.	6,856.77
(Of the above shares, 5,53,67,356 are allotted as fully paid up pursuant to a contract without payments being received in cash)	
Total.....	<u>6,856.77</u>

SCHEDULE - 1A

Employee Stock Options outstanding

Stock Options Outstanding	462.26
Less : Deferred Employee Compensation Expenses	(439.17)
(Refer Note 3 of Sch 15)	
Total.....	<u>23.09</u>

SCHEDULE - 2

Reserve and Surplus

Capital Reserve on consolidation

Opening Balance	-
Add: Additions During the year	12,366.90
	<u>12,366.90</u>

Share Premium Account

Opening Balance	11,480.99
Add: Additions during the year	1,538.10
Add: Transfer on Amalgamation	3,268.44
Less: Utilised for writing off - Share Issue Expenses	(532.61)
	<u>15,754.92</u>

General Reserve

Opening Balance	-
Add: Surplus on Amalgamation	57,670.78
	<u>57,670.78</u>

Foreign Exchange Fluctuation Reserve

Opening Balance	-
Add: Additions during the year	44.15
	<u>44.15</u>
Total.....	<u>85,836.75</u>

SCHEDULE - 3

Secured Loans

(Ref Note 4 of Sch 15)

Foreign Currency Loan from Banks	54,068.00
Rupee Loan from Banks	16,996.80
Working Capital Loan from Banks	8,076.67
Total.....	<u>79,141.47</u>

SCHEDULE - 4

Unsecured Loans

From Others	1,994.73
Total.....	1,994.73

SCHEDULE - 5

Fixed Assets

(Rs. in lakhs)

Description of Assets	Gross Block					Depreciation					Net Block		
	As on 01/04/2007	Assets of subsidiaries acquired during the year	Additions	Deductions and Adjust- ments	As at 31/03/2008	As on 01/04/2007	Accumu- lated Deprecia- tion of subsidiaries acquired during the year	For the Year	Adjust- ments	As on 31/03/2008	As on 31/03/2008	As on 01/04/2007	
<u>Tangible Assets</u>													
Freehold Land	37.53	2,095.54	-	-	2,133.07	-	-	-	-	-	2,133.07	37.53	
Building - Freehold	1,609.94	22,684.30	1,192.69	-	25,486.93	230.96	13,431.57	496.78	-	14,159.31	11,327.62	1,378.98	
Building - Leasehold	-	-	459.90	-	459.90	-	-	18.27	-	18.27	441.63	-	
Plant and Machinery	9,051.59	113,424.38	14,638.64	6,277.54	130,837.07	3,577.19	94,171.29	6,394.73	6,080.57	98,062.64	32,774.43	5,474.40	
Furniture and Fittings	158.87	27,947.14	5,771.17	7,542.28	26,334.90	35.48	19,103.88	3,213.67	7,521.52	14,831.51	11,503.39	123.39	
Vehicles	72.77	2,061.54	47.96	83.67	2,098.60	9.41	1,651.20	101.88	84.30	1,678.19	420.41	63.36	
Sub Total (a)	10,930.70	168,212.90	22,110.36	13,903.49	187,350.47	3,853.04	128,357.94	10,225.33	13,686.39	128,749.92	58,600.55	7,077.66	
<u>Intangible Assets</u>													
Goodwill	8,692.64	-	-	-	8,692.64	1,738.53	-	1,738.53	-	3477.06	5,215.58	8,954.11	
Goodwill on Consolidation	-	-	62,453.76	-	62,453.76	-	-	-	-	-	62,453.76	-	
Non-Compete fees	250.00	-	-	-	250.00	50.00	-	50.00	-	100.00	150.00	200.00	
Trademarks	-	783.23	49.07	-	832.30	-	717.17	30.83	-	748.00	84.30	-	
Software	46.02	1,244.37	270.74	23.28	1,537.85	15.34	1,098.41	181.09	23.28	1,271.56	266.29	30.68	
Sub Total (b)	8,988.66	2,027.60	62,773.57	23.28	73,766.55	1,803.87	1,815.58	2,000.45	23.28	5,596.62	68,169.93	7,184.79	
Grand Total (a +b)	19,919.36	170,240.50	84,883.93	13,926.77	261,117.02	5,656.91	130,173.52	12,225.78	13,709.67	134,346.54	126,770.48	14,262.45	

Schedules Annexed to and forming part of financial statements as at 31st March, 2008.

SCHEDULE - 6

2008
(Rs. in lakhs)

Investments (At Cost unless otherwise specified)

Long Term Investments

(Non Trade, unquoted)

Equity Shares 25.80

Current Investments

Units - Unquoted 168.58

Total 194.38

SCHEDULE - 7

Current Assets

Inventories

(Valued at cost or net realisable value whichever is lower)

Raw Material and Components 11,674.39

Work-in-progress 21,099.31

Stores and Spares 599.70

Finished Goods 5,686.53

Dies and Tools 1,020.88

40,080.81

Sundry Debtors (Unsecured)

Outstanding over six months :

Considered Good 9,124.50

Considered Doubtful 157.05

9,281.55

Other Debts Considered Good 14,106.16

Less : Provision for doubtful debts 157.05

23,230.66

Cash and Bank Balances

Cash on Hand 24.96

Balances with Scheduled Banks :

On Current account 67.04

On Margin money Deposit account 214.97

Balances with Other Banks:

On Current account and Fixed Deposit Account 4,058.14

4,365.11

Total 67,676.58

SCHEDULE - 8

Loans and Advances

(Unsecured, considered good unless otherwise stated)

Bills of Exchange 1006.56

Advances recoverable in cash or kind or for value to be received 12,670.34

Balances with Excise/Customs/Sales tax authorities 441.82

Total 14,118.72

Schedules Annexed to and forming part of financial statements as at 31st March, 2008.

SCHEDULE - 9

2008
(Rs. in lakhs)

Current Liabilities and Provisions

Current Liabilities

Acceptances	836.41
Sundry Creditors	
a) Total outstanding dues of Micro and Small Enterprises	0.24
b) Total outstanding dues of Creditors other than Micro, Medium and Small Enterprises	23,147.06
Other Liabilities	14,611.07
	<u>38,594.78</u>

Provisions

Provisions for Income Tax (Net of Advance Tax)	1147.29
Provision for Leave Encashment	6,267.21
Provision for Contingencies	139.79
Provision for Others	8,001.20
	<u>15,555.53</u>
Total	<u>54,150.31</u>

SCHEDULE - 10

Other Income

Dividend on other Investments	9.16
Profit on sale of Investments	22.64
Commission	103.52
Rent received	108.12
Sale of Raw Materials	91.68
Exchange Rate Fluctuation-(Net)	190.90
Export Incentives	37.05
Miscellaneous Income	662.05
Total	<u>1,225.12</u>

SCHEDULE - 11

Material Consumption

Raw Materials and Components Consumed	115,694.08
<u>(Increase)/Decrease in Stocks</u>	
Opening stock - Work-in-Progress	726.34
Finished Goods	185.56
Add: Stock taken over on acquisition of subsidiaries	
Work-in-Progress	16,789.94
Finished Goods	5,174.54
	<u>22,876.38</u>
Closing stock - Work-in-Progress	21,099.31
Finished Goods	5,686.53
	<u>26,785.84</u>
(Increase)/Decrease in Stock	<u>(3,909.46)</u>
Purchases of Traded goods	142.62
Total	<u>111,927.24</u>

Schedules Annexed to and forming part of financial statements as at 31st March, 2008.

SCHEDULE - 122008
(Rs. in lakhs)**Personnel Expenses**

Salaries, Wages, Bonus etc	49,039.13
Contribution to Provident and other funds	1,404.59
Staff Welfare expenses	5,394.78
Total.....	55,838.50

SCHEDULE - 13**Other Expenses**Manufacturing Expenses

Power and Fuel	12,811.51
Dies and Tools Consumed	1,796.00
Stores, Spares and Oil consumed	1,794.28

Repairs and Maintenance

Plant and Machinery	9,213.84
Buildings	314.36
Others	501.67

Total Manufacturing Expenses	26,431.66
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Administrative and Selling expenses

Rent	2,622.71
Rates and Taxes	358.76
Insurance	688.63
Discount allowed	1,033.73
Freight and Packing	2,531.43
Travelling and Conveyance	427.95
Loss on Sale of Assets	44.70
Advertisement & Sales Promotion Expenses	107.85
Commission	191.59
Printing and Stationery	38.39
Professional Fees	895.48
Conveyance	32.83
Recruitment expenses	33.00
Sub contracting charges	4,833.41
Postage, Telephone Fax	91.68
Vehicle Expenses	79.83
Service Charges	47.11
Administrative Expenses	1,554.20
Office Expenses	51.76
Software Expenses	45.16
Books and Periodicals	100.14
Amalgamation & Restructuring Expenses	330.03
Miscellaneous Expenses	2,015.26
Total.....	18,155.63

Total.....	44,587.29
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SCHEDULE - 14**Interest and Finance Cost**

On Fixed period loans	283.52
On Others	3,283.88
Cash Discounts	1,297.51
Total.....	4,864.91
Less: Interest Income	212.45
Total.....	4,652.46

SCHEDULE 15**Notes on the Consolidated Accounts for the year ended 31st March, 2008**

1. The Consolidated Financial Statements relate to Mahindra Forgings Limited and its subsidiary companies. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis:

(a) Investments in Subsidiaries

- i) The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealised profits or losses have been fully eliminated.
- ii) The difference between the costs of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.
- iii) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of date of disposal is recognised in the Profit and Loss Account as profit or loss on disposal of investment in subsidiary.
- iv) Minority Interest in the net assets of consolidated subsidiaries consist of :
 - a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and
 - b) the minorities' share of movements in equity since the date the parent subsidiary relationship comes into existence.
- v) The Financial Statements of the subsidiaries are drawn upto 31st March, 2008.

The subsidiaries (which along with Mahindra Forgings Limited, the parent, constitute the group) considered in the presentation of these consolidated financial statements are:

Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest	Proportion of Voting Power where different
		as at 31.03.2008	as at 31.03.2008
Stokes Group Limited	U.K.	99.78%	-
Stokes Forgings Dudley Limited	U.K.	99.78%	100.00%
Jensand Limited	U.K.	99.78%	100.00%
Stokes Forgings Limited	U.K.	99.78%	100.00%
Mahindra Forgings International Limited	Mauritius	100.00%	-
Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	Germany	100.00%	-
Gesenkschmiede Schneider GmbH	Germany	100.00%	-
Jeco Jellinghaus GmbH	Germany	100.00%	-
Falkenroth Umformtechnik GmbH	Germany	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-
Schoneweiss & Co. GmbH**	Germany	100.00%	97.278%

** includes fundamental economic rights and administrative rights (including but not limited to voting rights, information rights and right to participate in shareholders meetings) in respect of 2.72% shares.

2. Accounting Policies**(A) Fixed Assets**

- (a) (i) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities are charged/credited to the Profit and Loss Account, consequent to the applicability of the Companies (Accounting Standards) Rules, 2006.

When an asset is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit (including capital profit) or loss, if any, is reflected in the Profit and Loss Account.

- (b) (i) Free hold land is stated at cost.
- (ii) Leasehold land is amortised over the period of lease.
- (iii) Depreciation on assets is calculated on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except :

For the following class of assets where depreciation is calculated at rates, based on useful life of the assets, which are in no case lower than the rates specified in Schedule XIV to the Companies Act, 1956 :

Computers	: at 16.21 % to 33.33 %
Plant & Machinery	: at 10.34 % to 50.00 %
Furniture & Fixture	: at 6.33 % to 33.33 %
Vehicles	: at 9.50 % to 25.00 %
Dies	: One to Five years depending upon useful life.

(B) Intangible Assets

All Intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed:

(a) Software Expenditure

The expenditure incurred is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

(b) Goodwill

Goodwill arising in terms of Scheme of Demerger of Chakan Unit of Amforge Industries Limited (Amforge) with your Company is being amortised over five years.

(c) Non Compete Fees

Non compete payments are amortised equally over five years, being the period of contract.

(C) Investments

All long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary, in the value of investments. Current investments are valued at the lower of cost and fair value whichever is less.

(D) Inventories

Inventories are stated at cost or net realisable value, whichever is lower. Stores & spares are valued on a weighted average method. In case of WIP & Finished Goods cost includes material cost, labour, where appropriate, manufacturing overheads & excise duty.

(E) Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Realised gains and losses and also exchange differences arising on translation at year end exchange rates of current assets and current liabilities outstanding at the end of the year are recognised in the Profit and Loss Account.

Forward exchange contracts are entered into to hedge foreign exchange exposure. The premium or discount arising at the inception of forward exchange contract is amortised as income or expense over the life of the contract.

In the case of monetary items the exchange differences are recognised in the Profit and Loss Account.

In respect of non-integral foreign operations, the assets and liabilities, both monetary and non-monetary are translated at the closing rates and income and expenses are translated at average exchange rates and all the resulting exchange differences are accumulated in foreign exchange fluctuation reserve until the disposal of the net investment.

(F) Revenue Recognition

- (a) Sales of products and services are recognised when the products are shipped or services rendered. Sales are exclusive of sales tax and net of sales return and trade discounts.
- (b) Dividends from investments are recognised in the Profit and Loss Account when the right to receive payment is established.

(G) Export Benefits

The company recognises the Export Incentives as and when accrued.

(H) Employee Benefits

Employee Benefits in respect of gratuity and leave encashable at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

- a) **Defined Contribution Plan**

Group's contributions paid/payable during the year to Provident Fund, ESIC and Labour Welfare Fund are recognised in the Profit and Loss Account.

- b) **Defined Benefit Plan/ Long term compensated absences**

Group's liability towards gratuity, compensated absences and post retirement medical benefit schemes are determined by independent actuaries, using the projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(I) Product Warranty

In respect of warranties on sale of certain products, the estimated costs of these warranties are accrued at the time of sale. The estimates for accounting of warranties are reviewed and revisions are made as required.

(J) Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segments are identified having regard to the dominant source and nature of risks and returns and internal organisation and management structure.

Revenues and expenses have been identified to the segments based on their geographical location of assets. Income/ Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to geographical segments are reflected as unallocated corporate income / expenses. Inter-segment transfers are at prices which are generally market led.

(K) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

(L) Government Grants

Government grants in respect of capital expenditure are credited to a dererred income account and are released to the profit and loss account by equal installments over the expected useful lives of the relevant assets.

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

(M) Hire purchase & leasing commitment

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

3. Employees' Stock Option Scheme (ESOS)

Under ESOS Scheme, the equity settled options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting.

4. Loans

(a) Secured borrowings are secured by a pari-passu charge on tangible & intangible properties of the entities both present and future, and in some cases are also against the investments.

5. Employee Defined Benefits

Defined benefit plans – as per Actuarial valuation on 31st March, 2008

(Rs. in lakhs)

Particulars	(Gratuity Unfunded)	Pension (Unfunded)	Total
I. Expense recognised in the Statement of Profit & Loss Account for the year ended 31st March, 2008			
1. Current service cost	145.35	1,352.57	1,497.92
2. Interest cost	875.00	307.00	1,182.00
3. Actuarial (Gains)/Losses	1.55	(391.93)	(390.38)
4. Total expense	1,021.90	1,267.64	2,289.54
II. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2008			
1. Present Value of Defined Benefit obligation as at 31st March, 2008	6,315.22	5,739.28	12,054.50
2. Fair value of plan assets as at 31st March, 2008	-	-	-
3. Amount not recognised as an asset	-	-	-
4. Funded status [surplus/(deficit)]	(6,315.22)	(5,739.28)	(12,054.50)
5. Net asset/(liability) as at 31st March, 2008	(6,315.22)	(5,739.28)	(12,054.50)
III. Change in the obligations during the year ended 31st March, 2008			
1. Present Value of Defined Benefit obligation at the beginning of the year	5,810.95	4,585.51	10,396.46
2. Current service cost	145.35	1,352.57	1,497.92
3. Interest cost	875.00	307.00	1,182.00
4. Actuarial (Gains)/Losses	1.55	(391.93)	(390.38)
5. Benefits paid	(517.62)	(113.87)	(631.49)
6. Present Value of Defined Benefit obligation at the end of the year	6,315.22	5,739.28	12,054.50
VI. Actuarial Assumptions	As at 31st March, 2008		
1. Discount Rate	5.50 to 8.00%	5.50%	
2. In-service Mortality	LIC (1994-96) Ultimate, 2005G		
3. Turnover Rate	Age 21 to 44 – 2.00 %	Age 45 to 60 – 1.00 %	

6. Contingent Liability

(a) Guarantees given :

Particulars	2008 Rs. in lakhs
For other companies	498.25
Others	167.13

(b) Claims against the Companies not acknowledged as debts comprise of :

Excise Duty, Sales tax and Service tax claims disputed by the Company relating to issues of applicability and classification aggregating to **Rs. 125.39 Lakhs**.

(c) Bills discounted not matured **Rs. 2,132.31 Lakhs**.

7. (a) Provisions includes provision for Warranty **Rs. 915.34 Lakhs** This relates to warranty provision made in respect of sale of certain products, the estimated costs of which is accrued at the time of sale.

The movement in above provisions is as follows :

	(Rs. in lakhs)
Provisions	Warranty
	2008
Balance as at 1 st April, 2007	697.04
Add : Provision made during the year	772.53
Less : Utilisation/ Reversal during the year	554.24
Balance as at 31st March, 2008	915.34

8. The estimated amount of contracts remaining to be executed on capital account and not provided for as at 31st March, 2008 is **Rs. 7,289.45 Lakhs.**
9. Research and Development expenditure debited to the Profit and Loss Account, including certain expenditure based on allocations made aggregate **Rs. 71.09 Lakhs.**
10. The components of Deferred tax liability and assets as at 31st March, 2008 are as under :

	(Rs. in lakhs)
Deferred tax liability :	
(i) On fiscal allowances on fixed assets	810.89
(ii) Others	48.44
	<u>859.33</u>
Deferred tax assets :	
(i) Provision for Doubtful debts /Advances	53.38
(ii) Unabsorbed depreciation carried forward #	898.70
(iii) Provision for Pension Accrual	472.47
(iv) Share issue expenses	212.81
(v) Unabsorbed fiscal losses	546.4
(vi) Others	87.30
	<u>2,271.14</u>
Net Deferred tax liability/(assets)	<u>(1,411.81)</u>

(considered, as there are compensatory timing differences the reversal of which, will result in sufficient future taxable income against which this can be realised).

11. Exceptional items of **Rs. 2,397.32 Lakhs** is related to comprise of the following :

	2008
	(Rs. in lakhs)
1. Amortisation of Goodwill	1,738.53
2. Loss of Nimonic Material	604.43
3. Amount paid as redundancy to workmen	54.36
Total	<u>2,397.32</u>

12. (a) Dividends on other investments **Rs. 9.16 lakhs** is in respect of current investments.
- (b) Profit on sale of investments (net) includes profit on disposal of current investments (net) **Rs. 22.64 Lakhs.**

13. Related Party Transactions

(a) Names of related parties where transactions have taken place during the year :

Holding :

Sl. No.	Name of the Company
1.	Mahindra & Mahindra Limited

Fellow Subsidiaries :

Sl. No.	Name of the Company	Sl. No.	Name of the Company
1.	Mahindra UGINE Steel Company Limited	3.	Mahindra International Limited
2.	Ernstlecone India Limited	4.	Punjab Tractors Limited

Key Management Personnel :

Sl. No.	Name of the Person
1.	Mr. Anand Mahindra
2.	Mr. Hemant Luthra
3.	Mr. Sankaran Ravindran

(b) The related party transactions are as under :

(Rs. in Lakhs)

Sl. No.	Nature of Transactions	Holding Company	Fellow Subsidiaries	Key Management Personnel
1.	Purchases			
	Raw Material	-	6,198.28	-
	Capital Goods	-	19.81	-
	Services	548.54	40.57	-
2.	Sales			
	Goods	6,006.78	1.44	-
	Scrap	-	1,218.75	-
3.	Payment of Rent	-	12.48	-
4.	Intercompany Deposit Accepted	10.00	-	-
5.	Intercompany Deposit Refunded	10.00	-	-
6.	Loan Refunded	29,036.91	-	-
7.	Interest on ICD Paid	0.09	-	-
8.	Interest on Loan Paid	351.74	-	-
9.	Outstandings			
	Receivables	389.72	0.26	-
	Payables	132.97	1,377.58	-
10.	Reimbursement of Expense	9.92	0.91	-
11.	Advances for expenses payable	-	8.00	-
12.	Managerial Remuneration	-	-	68.85
13.	Finance (including loans and equity contributions in cash or kind)	2,832.59	-	-

Note : During 2006-07, Mahindra & Mahindra Limited was the Associate of the Company, however consequent upon the amalgamation of MSHCL, MFOL and MFML; it has become the Holding Company. Hence, all the transactions with Mahindra & Mahindra Limited for the current year are reported under the head 'Holding Company'.

14. Earnings per Share

	2008 (Rs. in lakhs)
Amount used as the numerator – Net Profit (Rupees Lakhs)	1578.84
Weighted average number of equity shares used in computing basic earnings per share	6,85,67,736
Effect of potential ordinary (equity) shares on conversion of stock options	47,625
Weighted average number of equity shares used in computing diluted earnings per share	6,86,15,361
Basic Earnings per share (Rs.) (Face value of Rs. 10 per share)	2.30
Diluted Earnings per share (Rs.)	2.30

In computing the diluted EPS, only potential equity shares that are dilutive and that either reduce earning per equity share or increase loss per equity share are included.

15. Segment Information

Segment Report for the year ended 31st March, 2008.

Primary Segment Disclosure - Geographical Segment

(Rs. in lakhs)

	Indian	Overseas	Eliminations	Consolidated Total
REVENUE				
Gross External Revenue	25,080.82	211,094.52	-	236,175.34
Less Excise Duty on Sales	3,107.50	-	-	3,107.50
Net External Revenue	21,973.32	211,094.52	-	233,067.84
Inter Segment Revenue	-	143.89	(143.89)	-
Total Revenue	21,973.32	211,238.41	(143.89)	233,067.84
RESULT				
Segment Result before exceptional item	1,055.02	9,172.54	-	10,227.56
Exceptional Item allocated to Segments	1,738.53	658.79	-	2,397.32
Segment Result after exceptional items	(683.51)	8,513.75	-	7,830.24
Unallocable Corporate Expenses / (Income)				(31.80)
Operating Profit				7,862.04
Less : Interest Expense not allocable to segments				4,864.91
Add : Interest Income not allocable to segments				(212.45)
Add: Exceptional Item unallocable to segments				-
Profit before tax				3,209.58
Less : Income Taxes - Current Tax & FBT				2,848.33
- Deferred Tax				(902.74)
- Prior Period Adjustment of Deferred Tax				(381.22)
Profit for the year before prior year adjustments				1,645.21
Less : Adjustments pertaining to previous years				66.37
Profit for the year before Minority Interest				1,578.84
OTHER INFORMATION				
Segment Assets	35,415.48	190,103.51	-	225,518.99
Segment Liabilities	5,483.34	47,519.68	-	53,003.02
Capital Expenditure	13,528.40	25,854.98	-	39,383.38
Depreciation & Amortisation	2,897.93	9,327.85	-	12,225.78
Non Cash Expenditure other than depreciation	71.55	44.08		115.63

Notes :

1. Geographical Segments

The Group has considered geographical segments as the primary segment for disclosure.

The segments have been identified taking into account the organisational structure as well as the differing risks and returns of these segments.

Indian Segment comprises sales of forging by operation situated in India.

Overseas Segment comprises sales of outside India operations.

2. Secondary Segments

There is only one business segment i.e, Forging.

Segment Revenue comprises of :

	2008 (Rs. in lakhs)
Sales	234,982.02
Other allocable income	1,193.32
Total	236,175.34

16. Obligations under Hire Purchase Contracts & Operating Leases :

Hire Purchase Contracts	Rs. in lakhs
Net obligations repayable	
Within one year	674.90
Between one and five years	2,298.47
Total	2,973.37

Operating Leases	Rs. in lakhs	Rs. in lakhs
	Land & Building	Others
Expiring		
Within one year	5.71	8.50
Between one and five years	66.47	8.51
Total	72.18	17.01

17. Previous year figures have not been provided as this is the first occasion that Consolidated Financial Statements are presented.

Signature to Schedule 1 to 15

As per our Report of even date

For **B. K. Khare & Company**
Chartered Accountants

Padmini Khare Kaicker
(Partner)
Membership No. 44784

Mumbai, 9th May, 2008

For & on behalf of Board of Directors

Hemant Luthra
Director

R. R. Krishnan
Director

Nikhilesh Panchal
Director

Fali P. Mama
Director

Krishnan Shankar

Company Secretary & GM - Legal

Zhooben Bhiwandiwalla
Director

Mohit Burman
Director

Virendra Kumar Chanana
Director

Harald Korte
Director

Details of Subsidiary Companies

(Rs in Lakhs)

Name of Subsidiary Company	Capital (including preference capital)	Reserves and surplus	Total assets	Total liabilities	Details of investments (excluding investments in subsidiaries)	Gross Turnover	Profit before Tax	Provisions for tax	Profit after Tax	Proposed dividend and tax thereon
Stokes Group Limited #	435.06	2,208.94	2,644.01	2,644.01	-	-	-	-	-	-
Stokes Forgings Dudley Limited #	-	94.69	2,307.53	2,307.53	-	7,021.54	97.31	(53.22)	150.53	-
Jensand Limited #	47.66	1,909.02	2,941.14	2,941.14	-	-	(22.95)	(14.30)	(6.55)	-
Stokes Forgings Limited #	47.66	(795.91)	11,247.35	11,247.35	-	16,738.90	(1,214.37)	(378.09)	(836.28)	-
Mahindra Forgings International Limited #	45,295.20	(2,291.90)	63,402.59	63,402.59	-	3.59	(1,896.93)	-	(1,896.93)	-
Mahindra Forgings Europe AG #	3,145.50	4,933.40	37,097.40	37,097.40	-	5,805.97	3,154.93	1,195.29	1,959.64	-
Gesamtschmiede Schneider GmbH #	7,719.69	3,971.51	45,468.83	45,468.83	22.02	96,463.05	24.53	24.53	-	-
JECO-Jellinghaus GmbH #	3,227.28	780.71	11,716.36	11,716.36	3.77	33,241.01	14.47	14.47	-	-
Falkenroth Umformtechnik GmbH #	644.83	832.92	8,448.19	8,448.19	-	25,718.24	8.81	8.81	-	-
Mahindra Forgings Global Limited #	21,294.93	(413.63)	20,888.82	20,888.82	-	9.83	(217.39)	-	(217.39)	-
Schoneweiss & Co. GmbH #	3,145.50	14,865.29	39,320.50	39,320.50	-	59,267.06	5,251.17	2,063.80	3,187.37	-

The financial statements of the Foreign Subsidiaries have been converted into Indian Rupees at the 31st March, 2008 exchange rate.

Meeting the growing demands of Europe



Mahindra Forgings Limited is a leading forging brand in Europe. Its plants operate at world-class levels and are equipped with the latest equipments. MFL Europe recently installed a 12,000 T Press and set up a new machining line to serve its customers better.

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Mahindra Forgings Limited, Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018.
www.mahindraforgings.com