

# 11<sup>th</sup> Annual Report 2009-10

**Emerging**  
Global Leader



Limit-less opportunities Drive positive change

Be the change you want to see Lateral thinking

Lateral thinking **Lateral thinking**

Rise to opportunities Rise to opportunities

Drive positive change Drive positive change

**Limit-less opportunities**

Drive positive change Rise to opportunities Rise to opportunities

Rise to opportunities Drive positive change

**Be the change you want to see**

Limit-less opportunities Drive positive change

Be the change you want to see Lateral thinking

Lateral thinking **Lateral thinking**

**Rise to opportunities** Rise to opportunities

Drive positive change Drive positive change

Rise to opportunities Drive positive change

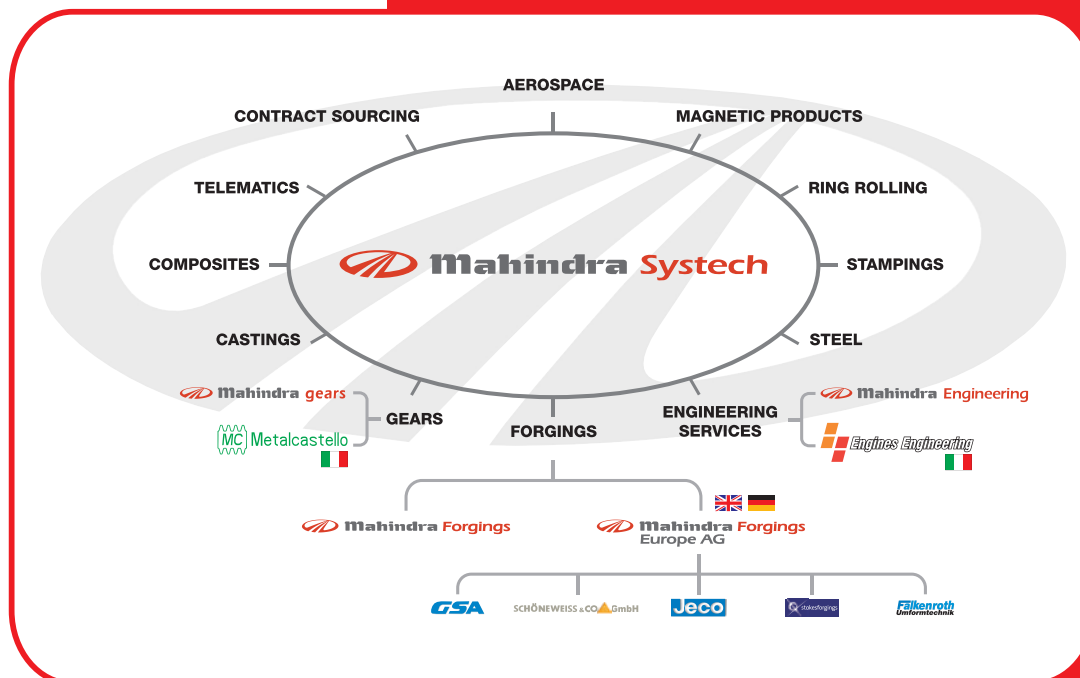
Drive positive change Rise to opportunities Rise to opportunities

**Be the change you want to see**

Limit-less opportunities Limit-less opportunities







Established in 2004, Mahindra Systech was formed to capture growing demand of Indian Autocomp with increasing domestic vehicle production & shift of western Automotive OEMs to LCC for components.

Systech was formed with a combination of organically & inorganically grown companies. Systech has state-of-the-art manufacturing capabilities in significant processes such as Forgings, Castings, Gears, Stampings, Ring Rolling, Steel, Composites, Magnetic Products & Telematics in addition to allied services like Engineering Services & Contract Sourcing.

Systech believes in full service solutions, "Design to Delivery (D2D)" to its customers. Design, Manufacturing & Sourcing capabilities act together to offer fully integrated & seamless "Art to Part" capability to customers fulfilling Systech's Vision.

Systech through its 24 manufacturing plants (12 each in Europe and India) & over 10,000 employees is partner to global OEMs & Tier1s. Within a short span of four years, Mahindra Systech has notched revenues of US \$ 750mn (FY10). It is now among the largest component groups in India and its forgings business is among the largest globally.

Systech's association with the Mahindra group has enabled it to absorb its corporate values and principles and adhere to the established corporate governance practices. It also draws upon experience in automotive domain from Mahindra group's Automotive and Farm Equipment Sectors to serve its customers better. Being part of the Mahindra Group has helped Systech in winning new businesses and obtaining financial assistance.

# Vision

To create World's most Valuable, Innovative,  
"Art to Part" auto component entity  
that partners with its global customers  
to meet & surpass their business needs



STEEL  
FORGINGS  
CASTINGS  
STAMPINGS  
GEARS  
RING ROLLING  
COMPOSITES  
MAGNETIC PRODUCTS  
TELEMATICS  
ENGINEERING SERVICES  
CONTRACT SOURCING  
AEROSPACE

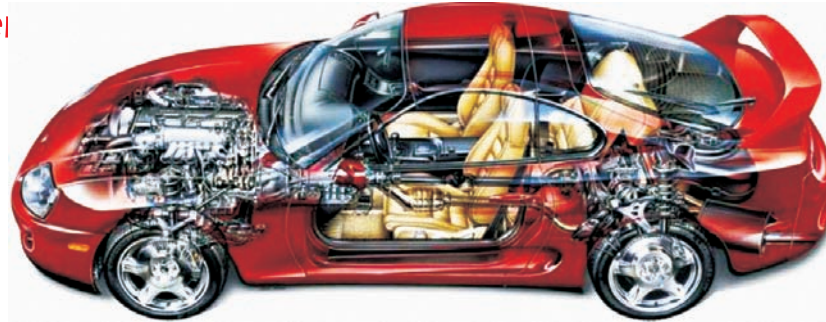
## One Stop Solution Provider





# Product Portfolio

## Passenger



### Schöneweiss

Links/Arms  
Knuckles  
Wheel Carriers  
Spindles  
Shafts

### Jeco

Links/Arms  
Pistons  
Knuckles  
Ball Joints  
Axle Shafts

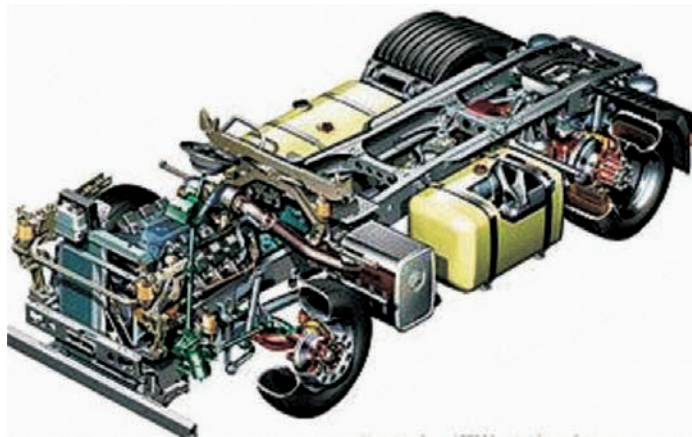
### Stokes

Hubs/Spindles  
Links/Arms  
Shafts/Gears  
Flanges/Yokes  
Levers/Brackets

### MFL

Crankshafts  
Knuckles  
Con Rods  
Links/Arms

## Commercial Vehicles



### Schöneweiss

Front Axle Beams  
Crankshafts  
Camshafts  
Knuckles/Spindles  
Wheel Carriers  
Brackets  
Con Rods

### Jeco

Front Axle Assly.  
Links/Arms  
Pistons  
Knuckles  
Ball Joints  
Axle Shafts

### Stokes

Hubs/Spindles  
Links/Arms  
Shafts/Gears  
Flanges/Yokes  
Levers/Brackets

### MFL

Knuckles  
Con Rods  
Links/Arms  
Shafts  
Stub Axles

**BOARD OF DIRECTORS**

- Anand G. Mahindra Chairman
- Hemant Luthra
- Zhooben Bhiwandiwalla
- Deepak Dheer Managing Director
- V. K. Chanana
- Mohit Burman
- Fali P. Mama
- Nikhilesh Panchal
- Harald Korte
- Oliver Scholz
- Daljit Mirchandani
- Piyush Mankad
- Ajay Mantry Chief Financial Officer
- Krishnan Shankar Company Secretary & GM - Legal

**COMMITTEES OF THE BOARD****Audit Committee**

- V. K. Chanana
- Mohit Burman
- Zhooben Bhiwandiwalla
- Nikhilesh Panchal
- Fali P. Mama
- Daljit Mirchandani

**Remuneration / Compensation Committee**

- Mohit Burman
- Anand G. Mahindra
- Hemant Luthra
- V. K. Chanana
- Nikhilesh Panchal
- Daljit Mirchandani

**Share Transfer and Shareholders' / Investors' Grievance Committee**

- Daljit Mirchandani
- V. K. Chanana
- Fali P. Mama

**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.

**REGISTRAR AND SHARE TRANSFER AGENTS**

Karvy Computershare Private Limited  
Karvy House, 46, Avenue 4  
Street No. 1, Banjara Hills  
Hyderabad – 500 034.

**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 present the 11<sup>th</sup> Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31<sup>st</sup> March, 2010.

### Financial Highlights

	Rs. in Lakhs	
	2009-10	2008-09
Gross Income	30,206	24,246
Profit before Interest, Depreciation, Exceptional Items and tax	4,757	1,149
Less : Depreciation	2,151	1,954
Profit/(Loss) before Interest, Exceptional Items and tax	2,606	(805)
Less : Interest and Finance cost	2,987	2,539
Profit/(Loss) before Exceptional Items and taxes and prior period expenses	(381)	(3,344)
Less: Exceptional items	9,019	-
(Loss) before tax & before prior period expenses	(9,400)	(3,344)
Less: Prior period expenses	71	133
Profit/(Loss) before tax	(9,471)	(3,477)
Less : Provision for tax –		
Current Tax	-	-
Deferred Tax	-	650
Fringe Benefit Tax (including prior period)	2	13
(Loss) for the year	(9,473)	(4,140)
Balance of Profit & Loss Account brought forward losses from earlier years	(3,321)	(3,882)
Add: Transfer from Securities Premium Account as approved in the Extraordinary General Meeting & confirmed by Honourable High Court of Bombay.	-	4,701
(Loss) carried to Balance Sheet	(12,794)	(3,321)

### Financials

During the year under review, your Company registered a Gross income of Rs.30,206 Lakhs as against Rs. 24,246 Lakhs in the previous year and Profit before Interest, Depreciation, Exceptional Items and tax of Rs.4,757 Lakhs as against Rs. 1,149 Lakhs in the previous year. The net loss before Exceptional Items,taxes and prior period expenses stood at Rs.381 Lakhs. The Gross Income of the Company has grown by 25 % over the previous year.

### Operations

In Europe, there was a sharp decline in the auto industry in FY09 and FY10, and it was only in the last three months of FY10 that the European

automotive markets showed signs of revival. Your Company expects that this growth will sustain in FY11. Whereas in India, the prospects of automotive markets remain positive, with the support of expanding domestic automotive manufacturing business and global OEMs entering into lower operating cost countries like India.

In light of the difficult conditions being faced by your Company's operations especially in Europe as a result of the global economic downturn, Company had to go through the process of restructuring which resulted in reduction in personnel costs and other operating costs by 33% and 27% respectively at a consolidated level and



predominantly in the European Operations. A structured cost reduction program was put in place to achieve the above.

The European operations continuously partner their customers especially for new engine programs. The Company focuses on innovation to meet the demands of OEMs and to differentiate the Company from the competition.

The Indian operations continue to focus on improving rejection levels, yield and productivity. Another focus area of improvement has been die engineering. Indian operations are in the process of adopting new die welding technology in collaboration with European subsidiaries which will help in die cost reduction, die life increase, die block sinking improvement and die block machining improvement. Your Company is also adopting hard dies as against soft dies to reduce rejections and increase die life.

### Changes in Share Capital and Issue of Shares

On 18<sup>th</sup> February, 2010 the authorised capital of your Company was increased from Rs. 117,94,26,386/- to Rs. 167,94,26,386/-.

On 24<sup>th</sup> February, 2010 your Company successfully completed the Qualified Institutional Placement (QIP) issue consisting of 1,62,41,300 equity shares of face value of Rs. 10/- at a price of Rs. 107.75 per equity share aggregating Rs. 175 Crores.

On 3<sup>rd</sup> March, 2010 the Company allotted 72,99,270 Warrants on a Preferential basis to Mahindra & Mahindra Limited (Promoters), convertible at the option of the Promoters within 18 months into equal number of equity shares at a price of Rs. 137/- per share. The Promoters have made an upfront payment of 25% of the aggregate price amounting to Rs. 25 Crores. Subsequently on 4<sup>th</sup> March, 2010 the Promoters exercised their option to convert 30,00,000 Warrants into equity shares out of 72,99,270 Warrants and have paid the balance of Rs. 30.82 Crores. The Promoters still have an option to convert balance 42,99,270 Warrants into equity shares by 3<sup>rd</sup> September, 2011.

There has been an increase of Rs. 225.96 Crores (net of issue expenses) in the networth of your Company. A part of these proceeds from this issue were inter alia for repayment of borrowings of the Company, investment in subsidiaries and QIP issue expenses. The Company has temporarily invested the balance funds in liquid fund schemes of the Mutual Fund.

Pursuant to exercise of options by certain applicants under the Company's Employees' Stock Option Scheme, your Company has allotted 46,000 equity shares of face value of Rs. 10/- each at an exercise price of Rs. 83/- per equity share. The aforesaid issue of QIP, Preferential issue of shares and exercise of option has resulted in the issued and subscribed equity share capital increasing from Rs. 68,56,77,360/- to Rs. 87,85,50,360/-.

As a result of the above the shareholding of Promoters stands at 50.68%.

### 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.

### Corporate Governance

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. Your Company has been following good Corporate Governance procedures. A report on Corporate Governance along with a Certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

### Dividend

In view of the losses, your Directors do not recommend any dividend for the year.

### Stock Options

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

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

### Industrial Relations

Industrial Relations generally remained cordial and harmonious throughout the year.

### Safety, Health and Environment Performance

The Company has a Safety, Occupational Health and Environmental (SH&E) policy on occupational health, safety and environmental protection through which every employee is made responsible for the observance of the measures designed to prevent accidents, damage to occupational health and avoidable environmental pollutants.

### Health and Safety

The Safety Committee of the Company has members comprising representatives from workers and executives from various departments who meet periodically to review the situation. Safety training and reporting of accidents are reviewed to resolve the safety issues and various initiatives such as emergency mock drills and advanced fire protection system for improving the Safety Performance have been taken. The Company has been imparting training to employees besides carrying out safety audits of various facilities of the Company.

The Company has achieved significant reduction in accidents/injuries by ensuring a safety culture throughout all levels of organization.



The Company continues its commitment to improve the well being of the employees and medical checkups are regularly conducted for its employees.

#### Environmental Initiatives

With a clear focus on the need for clean environment, the Company is now in the process of calculating carbon foot print and taking adequate measures to mitigate the causes. Your Company is also reporting its performance on Sustainable Development as a part of Global Reporting Initiative (GRI).

#### Waste and Waste Water Management

The Company has taken various initiatives to dispose its waste in environmentally sound manner and to achieve waste reduction. The water conservation awareness programmes are planned through observing World Water Day. The Company is committed towards resource conservation through water management methods such as recycling or re-use of treated waste water for gardening etc.

The Company attaches greater importance to environment monitoring by implementing various initiatives such as effluent treatment, increased Green Zones thereby complying and going beyond applicable environment legislations and regulations in a phased manner.

#### **Corporate Social Responsibility**

As part of Corporate Social Responsibility (CSR) initiatives, the employees of your Company participated in upgrading the skills by involving them in education, painting, tree plantation activities etc. of the local schools. The Company had also organized Blood Donation drives and participated in Nanhi Kali activities of Mahindra Group. Your Company encourages its employees in participating in local community development schemes such as Health checkup camp, AIDS awareness and global warming etc. The Company is planning a sustainable tree plantation and nurturing programme under Mahindra Hariyali by involving employees and local stake holders in large numbers. The overall focus of CSR would continue to be in the areas of health, education, environment and improving employability of youth.

#### **'Sustainability' Initiatives**

In the Directors' Report for 2008-09, the Shareholders were informed of your Company's participation in the Mahindra Group's 'Sustainability' initiatives. These initiatives have been taken forward during the year under review.

In October 2009, the 2<sup>nd</sup> Mahindra Sustainability Review for the year 2008-09 was published, wherein your Company's performance on the three bottom lines i.e. People, Planet and Profit, was also included. Again this year, this report was externally assured by Ernst & Young and rated with the highest level of A+ and GRI checked. This 2<sup>nd</sup> report reflects your Company's progression in this journey and its commitment to taking a more responsible and holistic approach to business.

During the year under review i.e 2009-10 a further progress was made in this journey and a Carbon foot-printing exercise was undertaken to inventorize GHG emissions from all business operations, as per

internationally accepted standards. This will enable us to baseline data on Company's emissions and undertake initiatives towards improving performance in this area. This will be reported in the 3<sup>rd</sup> Sustainability Report, which will be released shortly.

In keeping with the Mahindra philosophy of 'ALTERNATIVE THINKING' your Company has been actively seeking and implementing alternative solutions that are inclusive and responsible.

#### **Directors**

Mr. Mohit Burman, Mr. Harald Korte, Mr. Oliver Scholz and Mr. V. K. Chanana, retire by rotation and, being eligible, offer themselves, for re-appointment as Directors.

#### **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 31<sup>st</sup> March, 2010 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.

#### **Subsidiary Companies**

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 AS 21 forms a part of the Annual Report.

The Company has made an application to the Ministry of Corporate Affairs seeking exemption from attaching the copy of Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries with the Balance Sheet of the Company. If, in terms of approval granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956, the copy of the Balance Sheet, etc. of the subsidiaries are not required to be attached with the Balance Sheet of the Company, the Company Secretary will make these documents available upon receipt of request from any member of the





Company interested in obtaining the same. These documents will be available at Registered office of the Company and the office of the respective subsidiary companies, during working hours up to the date of the Annual General Meeting. The Company shall also put the details of accounts of individual subsidiary companies on its website.

#### Auditors

Messrs. B. K. Khare & Co., Chartered Accountants retire as Auditors of the Company 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 the above Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

#### 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 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 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 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 31<sup>st</sup> March, 2010 or not less than Rs.2,00,000/- per month during any part of the said year is given in 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, 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

**Anand G. Mahindra**  
Chairman

Mumbai, 12<sup>th</sup> May, 2010.



## ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

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	17,82,000					
(b) The pricing formula	1 <sup>st</sup> Tranche	2 <sup>nd</sup> Tranche		3 <sup>rd</sup> Tranche	4 <sup>th</sup> Tranche	5 <sup>th</sup> 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.	2,50,000 Options granted at a Discount of 15% on the average price preceeding the specified date – 9 <sup>th</sup> May, 2008	2,45,000 Options granted at a Discount of 15% on the average price preceeding the specified date – 29 <sup>th</sup> July, 2008	5,00,000 Options granted at a Discount of 15% on the average price preceeding the specified date – 26 <sup>th</sup> August, 2008
	Average price – Average of the daily high and low of the prices for the Company's Equity Shares quoted on Bombay Stock Exchange Limited during the 15 days preceeding the specified date.					
	Specified date - Date on which the Remuneration/Compensation Committee granted the Options.					
(c) Options vested	4,58,958 options stand vested on 31 <sup>st</sup> March, 2010					
(d) Options exercised	46,000					
(e) The total number of shares arising as a result of exercise of Option	46,000 Equity Shares of Rs. 10/- each.					
(f) Options lapsed	4,57,170					
(g) Variation of terms of Options	Nil					
(h) Money realised by exercise of Options	Rs. 38,18,000					
(i) Total number of Options in force	12,78,830					
(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 that year	None					
iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None					
(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. (13.82)					



(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. 92.71 Lakhs, Profit after tax higher by Rs. 92.71 Lakhs, and the basic and diluted earning per share would have been higher by Rs. 0.13
(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.	Nil
(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: (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends, and (v) The price of the underlying share in market at the time of option grant.	Not Applicable



## STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010

Name of the Senior Managerial Persons of the Company to whom Stock Options have been granted	Number of Options granted in 2007-08	Number of Options granted in 2008-09
Hemant Luthra	2,00,000	Nil
Deepak Dheer	Nil	75,000
Zhooben Bhiwandiwalla	10,000	12,000
Nikhilesh Panchal	10,000	12,000
V. K. Chanana	10,000	12,000
Fali Mama	10,000	12,000
Mohit Burman	10,000	12,000
Harald Korte	Nil	10,000
Piyush Mankad	Nil	10,000
Daljit Mirchandani	Nil	10,000
S. Ravindran	*40,000	Nil
R.R.Krishnan	*10,000	Nil

\* The Options have lapsed since the concerned Directors have resigned before vesting of the same.



## ANNEXURE II TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

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 31<sup>ST</sup> MARCH, 2010.

### A. Conservation of Energy

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

#### Electrical Energy

1. Installation of Solar lighting in few critical places.
2. Increasing usage of micro alloyed steel to save on energy cost required for heat treatment.
3. Power factor improvement
4. Optimum utilization of Induction heaters.
5. Nitrogen purging installed on Induction Heaters to reduce scaling & dropouts.
6. Installed energy efficient motors on Forging Presses.
7. Implementation of Energy audits.

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

1. Increase in control cooled products to reduce heat treatment products.
2. Installation of special control cooled conveyors.
3. Modification of Induction heaters.
4. Installation of energy efficient furnaces to reduce consumption of fuels.
5. Implementation of programs for reducing dropouts from induction Billet Heating.

(c) Impact of the measures 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 would result in lower energy consumption in the years to come.

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

A Power & Fuel consumption	2009-10	2008-09
1. a. Electricity Purchased		
Quantity (KWH in Lakhs)	421.99	327.14
Total Amount (Rs. in Lakhs)	2268.21	1,640.86
Average Rate Per Unit (Rs)	5.38	5.02
b. Own Generation		
(i) Through diesel generator	NIL	NIL
(ii) Through steam turbine/generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil		
Quantity ( Lakhs of Litres)	10.00	NIL
Total Amount (Rs.in Lakhs)	1.95	NIL
Average Rate per KL (Rs)	19514.26	NIL



	2009-10	2008-09
<b>4. Light Diesel Oil</b>		
Quantity ( KL.)	658.70	653.41
Total Amount (Rs. In Lakhs)	246.06	247.80
Average Rate per KL.(Rs)	37355.33	37,923.87
<b>5. Liquefied Petroleum Gas</b>		
Quantity (Tons)	1033.44	569.74
Total Amount (Rs. In Lakhs)	364.21	229.09
Average Rate per Ton (Rs.)	35242.34	40,208.91
<b>B Consumption per unit of Production</b>		
Production (Tons)	32,234	21,868
<b>Fuel Used</b>	<b>Units</b>	
Electricity	KWH/Ton	1,495.96
Furnace Oil	Lit/Ton	-
Light Diesel Oil	Lit/Ton	29.88
Liquefied Petroleum Gas	Kg/Ton	26.05

## B. TECHNOLOGY ABSORPTION

### Research & Development :

#### 1 Areas in which Research & Development is carried out :

- Installation of Hi-tech facilities for Die welding.
- Standardisation of Die and tools.
- Usage of different softwares

#### 2. Benefits derived as a result of the above efforts :

- Enhancement of Die life and production of better quality Forgings.
- Reduction of variables and inventory and interchangeability.
- Reduce die designing time.
- Improvement in yield.

#### 3. Future plan of action :

- Training and adopting best practices from OEMs and our subsidiary companies abroad.
- Introduction of additional simulation software for metal flow analysis and addition of high speed processor for data processing.
- Provide training and coaching in Lean manufacturing.
- Additional automation of 6300 T Press and 5000 T Press.
- Installation of modern billet shearing machine for material cutting.
- Enhancement of tool making facility with high speed machine.





# 12

## **Mahindra Forgings**

### Annual report 2009-10

#### 4. Expenditure on R&D :

a) Capital ( Deferred Revenue)	NIL
b) Recurring	NIL
c) Total	NIL
d) Total R&D expenditure as percentage of total Turnover	NIL

#### Technology absorption, adaptation and innovation :

- Efforts in brief made towards technology absorption, adaptation and innovation :  
Different Die holding systems to produce quality components with reduced set-up time.
- Benefits derived as result of the above efforts:  
Leads towards first time right and reduces set-up time.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of financial year), following information may be furnished:
  - Technology imported – NIL
  - Year of import – NA
  - Has the technology been fully absorbed? – NA
  - If not fully absorbed, areas where this has not taken place, reasons therefore and further plans of action. – NA

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lakhs)

	2009 - 10	2008 - 09
Total Foreign Exchange earned	659.46	841.98
Total Foreign Exchange used	158.39	125.30



## ANNEXURE III TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2010

Name	Designation	Qualification	Date of Commencement of Employment	Age/ (Experience) in years	Remuneration (Subject to tax)	Last Employment held (Designation/ Organisation)
Mr. Deepak Dheer	Managing Director	B.Tech & PGDBM	1 <sup>st</sup> September, 2008	58(36)	Rs. 87.96 Lakhs	Executive Director/ Mahindra Ugine Steel Company Ltd.

### Notes:

1. Nature of employment is contractual, subject to termination on one month's notice on either side.
2. The above employee is not 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

**Anand G. Mahindra**  
Chairman

Mumbai, 12<sup>th</sup> May, 2010.

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:

(Rupees in Lacs)

Name of the Company	Balances as on 31 <sup>st</sup> March, 2010	Maximum outstanding during the year
Mahindra Forgings International Limited, Mauritius	2,954.77	5,634.81



## Management Discussion and Analysis

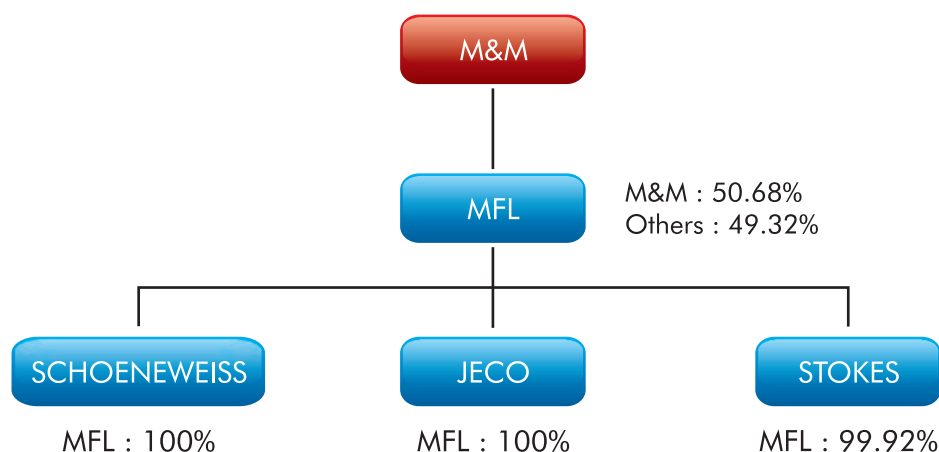
### Company Overview

Mahindra Forgings Limited ('Mahindra Forgings', 'MFL' or 'the Company') is among the top global forging companies with plants in Germany, UK and India. Between all its plants, the Company is capable of producing most of the forging components in a car or a truck. The German operations are a **full range provider of forging parts** while being one of the **top axle beam manufacturers** in the world. The Indian operations focus on design, development & machining of **crankshafts**. We have grown into a global leading forging company through several strategic acquisitions over the last few years.

*Diversified &  
Complementary  
product portfolio  
across plants*

The Company consolidated all the acquisitions into one listed entity, a process which culminated in December 2007. 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. After the acquisitions, the Company has doubled its forging capacity in India, moved the Indian plant up the value chain into machining and added a 12000T press in Europe to enable the European operations to be a full service provider of truck forgings. In February 2010, the Company has raised Rs 1750 mn at a price of Rs. 107.75 per equity share through qualified institutional placement of shares, in addition the parent M&M has also invested Rs 411 mn by partial exercise of 30,00,000 Warrants converting into shares at a price of Rs. 137/- and M & M holds 42,99,270 Warrants, which may be converted within a period of 18 months i.e. 3rd September, 2011 in one or more tranches for which they have made 25% upfront payment. The present MFL structure is shown in Figure 1 from which it can be observed that the Promoter shareholding stands at 50.68%.

Figure 1: MFL – Structure



Note: Investments in Jeco & Schoenewiss are held through investment companies in Mauritius



Integrated  
Management  
Structure

Leading player  
in Europe

Crankshaft  
Leader in India

A large part of the revenues of MFL, Europe ('MFE') comes from customers in the truck (CV) segment. A significant portion of the product portfolio consists of value added products like complex and machined forgings. The Company is sufficiently de-risked through a **diversified customer base** with the top 5 customers accounting for <50% of the business. Some of the marquee names in the auto industry are its customers with DaimlerAG being the largest. The European operations have a long track record of innovation and being trusted co-development partners.

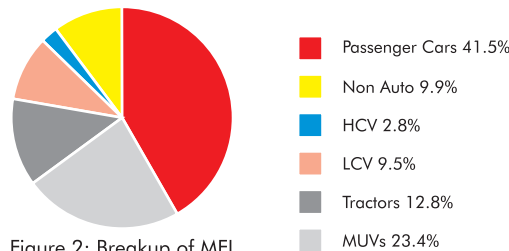


Figure 2: Breakup of MFL, India Revenues (FY10)

MFL India is the largest manufacturer of crankshaft and stub axles for cars/MUVs and tractors in the Indian domestic market. 80% of its revenue come from the leading car, UV and tractor OEMs of the country (Figure 2). The Company has won the confidence of India's leading OEMs including M&M and its competition.

### Industry Outlook & Structure: Better Times Ahead

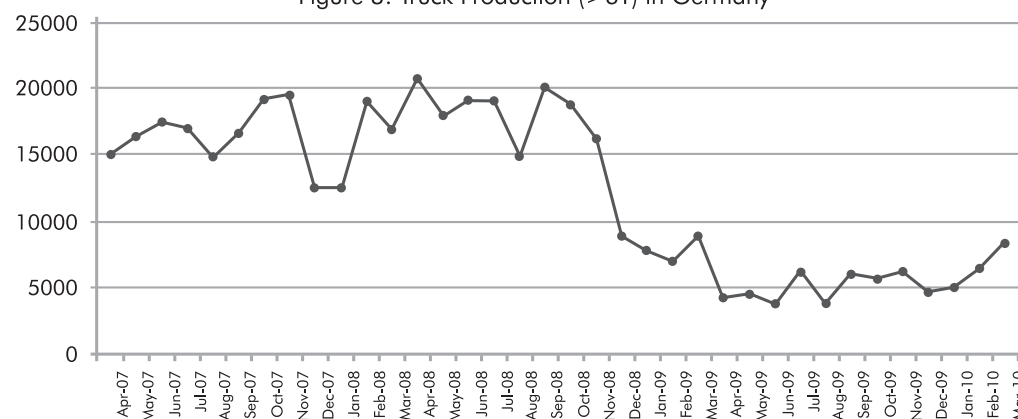
The global economic downturn led to a severe slump in the automotive industry worldwide in the second half of 2008 and the first half of 2009. This resulted in significant over-capacity with all manufacturers, because of which, OEMs had to implement a series of cost-cutting measures, close some plants, delay production schedules, renew pricing-pressure on suppliers, lower inventory and operating expenses. However, the global automotive markets showed signs of revival during the second half of 2009.

#### Europe

Europe is the largest producer of forgings in the world accounting for roughly a third of the world production. Germany accounts for roughly half of Europe's production. The auto industry is the prime driver of demand for forgings.

Production of heavy trucks (relevant segment for MFL Europe) in Germany declined by >60% in FY10 compared to FY09. It started to pick up in the second half of FY10 with strong recovery in Q410. This recovery is expected to sustain in FY11 and possibly accelerate post August. (Figure 3).

Figure 3: Truck Production (>6T) in Germany



Slow Market  
Recovery in  
Europe





Several suppliers in Europe faced significant financial distress, including bankruptcy. The industry is therefore experiencing further consolidation, thus creating opportunities for the survivors to increase their market shares. OEMs are increasingly looking for relationships with financially healthy suppliers that are expected to survive through the current crisis and be stable and long-term partners.

In Europe, there is an increasing trend of concentration and globalization among OEMs. The increasing popularity of diesel-powered cars and four-wheel driven sport utility vehicles has increased the demand for forgings, while that of lightweight vehicles with lower energy consumption has increased the demand for lightweight components and non-ferrous forgings. Increased demand for such components may also require development of different technological capabilities.

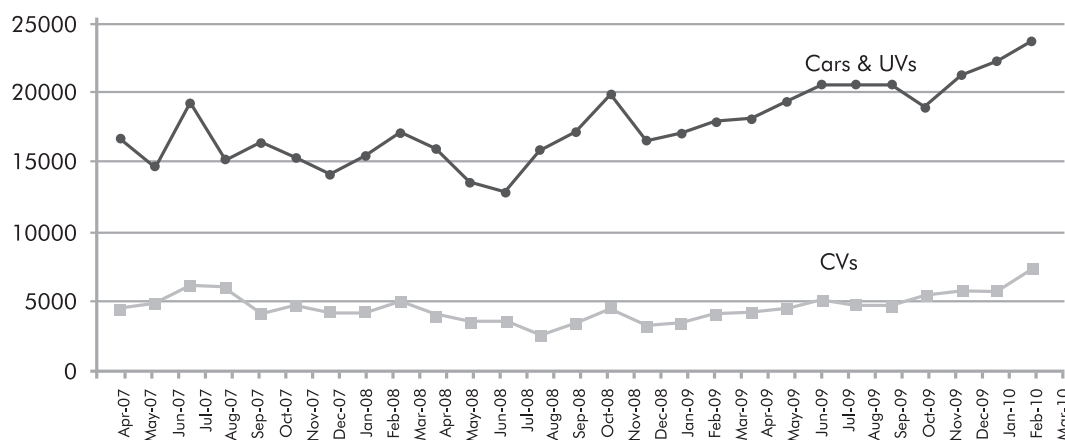
*Forging  
industry in  
Europe  
consolidating*

## India

The overall expansion of the Indian economy over the past few years has led to the significant development of the automobile market. Coupled with the stagnation of the automotive sector in European, U.S. and Japanese markets, the Indian automotive industry has witnessed inflows of new capacities and capital.

The domestic production of different types of vehicles in India has followed an upward trend in FY10. Compared to FY09, passenger cars & UV production grew by 28%, LCVs by 41% and M/HCVs by 30% (Figure 4). MFL Standalone revenues grew in line with the industry at 26%. All segments are expected to grow further in FY11 by 10-15%.

Figure 4 : Auto Production Trends in India

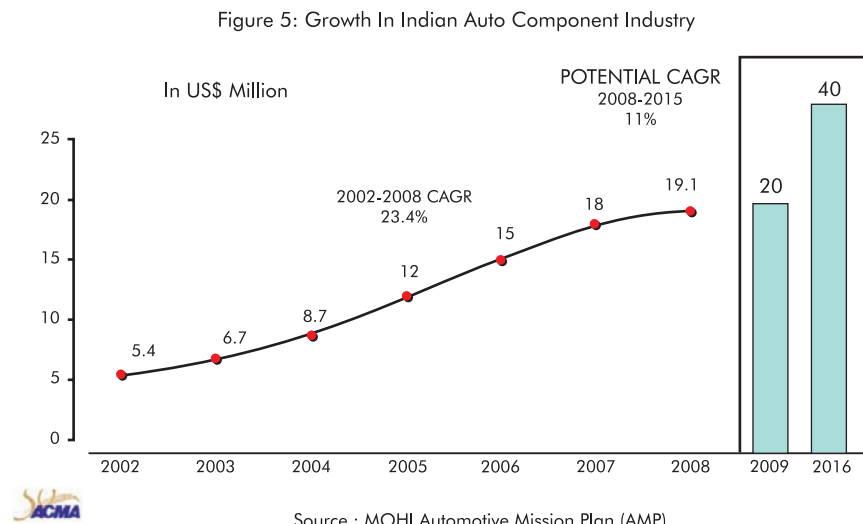


*India -  
a growth  
story*

The auto components industry in India continues to enjoy a healthy growth, with the turnover growing at a CAGR of 23.2% between the financial years 2004 and 2009 and exports constituting close to 20% of the turnover (Figure 5). The Indian auto component industry is expected to double its 2008 turnover of ~\$20bn in 2016 out of which exports are expected to constitute ~50%.



Bullish  
about auto  
components



The Indian auto and auto component industry is poised to grow strongly in the coming years to become one of the key global automotive centres, especially as a hub for small cars (Figure 6). India is expected to become the world's seventh largest car manufacturer in 2016 and the automotive industry, including the automotive components industry, is projected to account for more than 10% of India's GDP and provide an additional employment (including indirect employment) to more than 25 million people by 2016.

Figure 6: "INDIA" : A Base for Compact Cars

Opportunity:  
INDIA -  
A Base for  
Compact Cars

**MARUTI SUZUKI**

- New car plant • Capacity 205k

**HYUNDAI**

- Increase capacity to 600k cars.

**TATA MOTORS**

- New plant to manufacture Nano Car
- Capacity 500k • Selling price USD 2000
- Investment US \$ 240 million

**TOYOTA**

- New capacity 200k cars by 2008

**GENERAL MOTORS**

- New plant capacity 140k • SOP Q3 2008

**NISSAN-RENAULT**

- 50:50 JV • Capacity 400k
- Investment USD 1 Billion

**VW**

- New plant investment Euro 400 million
- SOP Q3 2009

**HONDA**

- New capacity 60k
- Investment \$250 million
- SOP Q1 2009

**FORD**

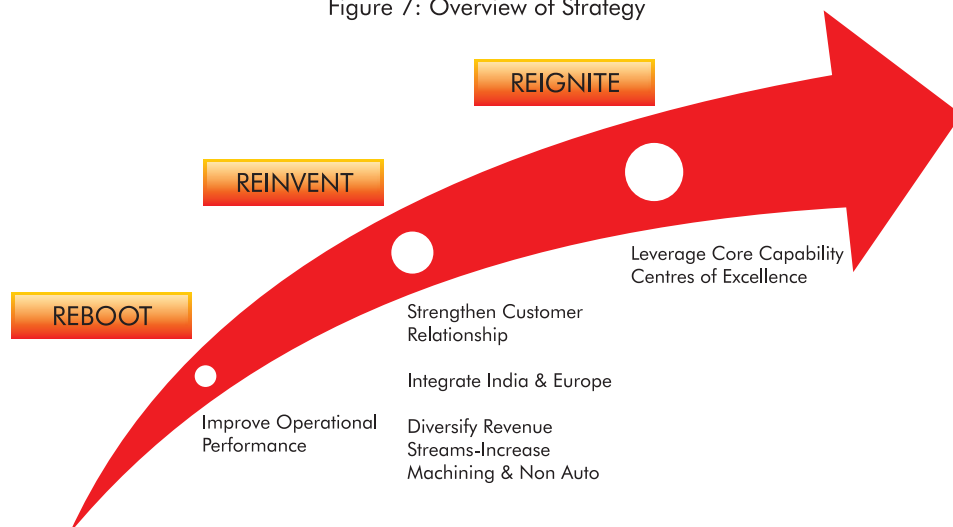
- New Investment US\$ 500 million

As the Indian auto component industry grows, there is great interest in sourcing components from India based suppliers. At the same time, the Company is aware that it will be able to exploit these opportunities only if it met the exacting quality, cost and delivery standards of global OEMs.

## Our Strategy

Our vision is to be one of the world's leading forging companies with an 'art to part', or design to delivery competence that leverages the strong engineering DNA of its parent, benefits from the latter as an anchor customer while being free to offer products to M&M and its competitors. The key elements of our strategy are segregated into short term - "reboot" (reduce costs), medium term "reinvent" (move up the value chain), and long term "reignite" (pursue growth). See Figure 7.

Figure 7: Overview of Strategy



Our Strategy:  
REBOOT  
REINVENT  
REIGNITE

### Short-Term Strategy: Improve Operational Performance and Competitiveness

In light of the difficult conditions being in FY09 and FY10, our immediate focus was on improving our operating performance through a series of rationalisation measures.

With respect to our European operations, we have implemented, or are in the process of restructuring costs through the following:

- Closure of one of our plants at Walsall, U.K.;
- Reduction of personnel costs;
- Reduction of fixed operating costs to improve cash flow, including introduction of a centralised administration structure; and
- Better working capital management.

At our Indian operations, the focus is primarily on enhancing operational efficiencies:

- Improvement of yields from our manufacturing process;
- Lowering rejections during the manufacturing process;
- Better working capital management;
- Better use of technology by leveraging the capabilities of our Subsidiaries; and
- Increase capacity utilization.

### Medium-Term Strategy: Strengthen our Relationship with Our Customers

There is an increasing trend for the automobile OEMs to engage forgings companies, which can participate in early stages of their product cycles. Our European subsidiaries have been doing so for several years and the access to the engineering skills of Mahindra Engineering Services will allow us additional benefits of doing so at a lower cost. We intend to position ourselves a preferred product

Short Term  
Strategy:  
Optimise  
Performance  
& Costs



Medium  
Term  
Strategy:  
Leverage  
Customer  
Relationships  
& Integration  
Benefits

development partner with our customers thereby increasing business with them. We are taking the following steps:

- European Operations
  - > Further strengthen our co-development partnerships;
  - > Leverage the existing and enter into tie-up with key German engineering institutes to develop engineering and design capabilities; and
  - > Develop our capabilities in light-weight forged products to meet European emission standards.
- Indian Operations
  - > Expand our machining facilities to offer a wider range of value added products;
  - > Take advantage of cross-selling opportunities through other Systech verticals;
  - > Increase exports by targeting global OEMs; and
  - > Develop relationships with OEMs who are establishing a presence in India.

*Further Integrate our European and Indian Operations*

We plan to take advantage of our dual-shore presence in Europe and India through greater integration of these operations:

- Leverage our low-cost production facilities in India;
- Utilise our European die-making and die-designing know how and experience in our Indian operations; and
- Leveraging the low-cost designing and tool-making capabilities of our operations in India to support our European product offerings.

*Further Diversify our Revenue Stream from our Indian Operations by Increasing the Share of the Machined Products and Products for Non-automotive Sector.*

We intend to diversify our revenue stream further by increasing the proportion of machined and non-automobile products in our product portfolio. In addition to the two machining lines which are in operation since September 2007, we also plan to double our machining capacity in India and install at least one large press to complement the one already in operation in Europe and thereby strengthen our competitive capability in heavy forgings. These initiatives should be concluded in the next three years.

The non-automotive industries are expected to experience increased demand and growth. We plan to expand our business further in the non-automotive sectors.

Long Term  
Strategy:  
Be a centre  
of Excellence

**Long-Term Strategy: Leverage our Core Capabilities**

Our European operations have established leadership position in forged components for commercial vehicles. Our Indian operation is one of the domestic market leaders in crankshafts and steering knuckles. We intend to leverage and strengthen these core capabilities further to increase our businesses in these products. We also intend to increase our production capabilities by investing in higher tonnage presses and additional machining lines.

To summarise, the Company has adopted a strong and proactive strategy that is focused on exploiting the growth opportunity in India, consolidating profitability in Europe and exploiting synergies between India and Europe. Furthermore, MFL continually seeks synergies with other companies in the M&M Systech sector fold as well as M&M itself. Such an integrated approach gives your Company a unique edge in the market place.

**Operations**

Our facilities include a range of press and hammer lines, hot extrusion presses, upsetters, rotary swaging and friction welding machines.



## 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 rejections are less than 3%. Our European operations are co-development partners with our customers especially for new engine programs. The Company focuses on innovation to meet the demands of OEMs and to differentiate ourselves from the competition. Our German operations currently hold three patents, including one for friction welded piston and have applied for 11 patents. We have developed new products focused on lighter weight forgings required to meet the stringent emission norms being adopted by the European OEMs. We are also working closely with leading German engineering institutes on projects in new areas of forging technology, such as light-weight forgings.

*MFL European operations at world class levels*

## India

The Indian operations continue on their journey to become world class. The Company has created a backup for each of its presses and has automated a few of its presses to assure reliability to customers. The well equipped die-shop, which consists of CNC, EDM, Hydraulic and electric discharge die shrinking capacities has increased die making capacities. For better through-put time and to meet customers' demands in developing new products, the Company has further invested in a design centre that is well equipped with CAD/CAM facilities.

In FY10, the Indian operations focused on improving rejection levels, yield and productivity. The following key projects were undertaken:

- Introducing preforming operations and shapes
- Reduction in input diameter
- Productivity improvement through reduction in setup time aided by standardization of tooling, dies and packing plates, rationalization of components and redesigning of dies and cassettes

The Indian operations focused on improving their die engineering capabilities with help from our German counterparts:

- Die welding technology was introduced which should help in die cost reduction, die life increase, die block sinking improvement and die block machining improvement (Figure 8).
- There was also a movement towards hard dies as against soft dies to increase die life and reduce rejections (Figure 9).

*MFL India focuses on die engineering & technology*

Figure 8 : Die Welding Overview

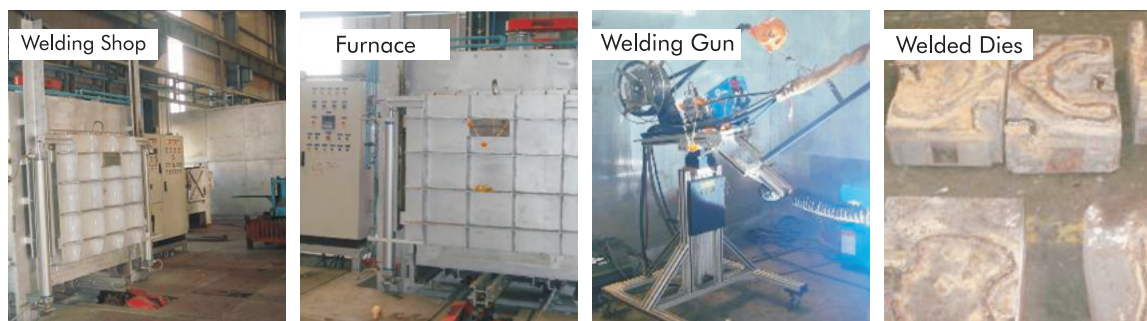
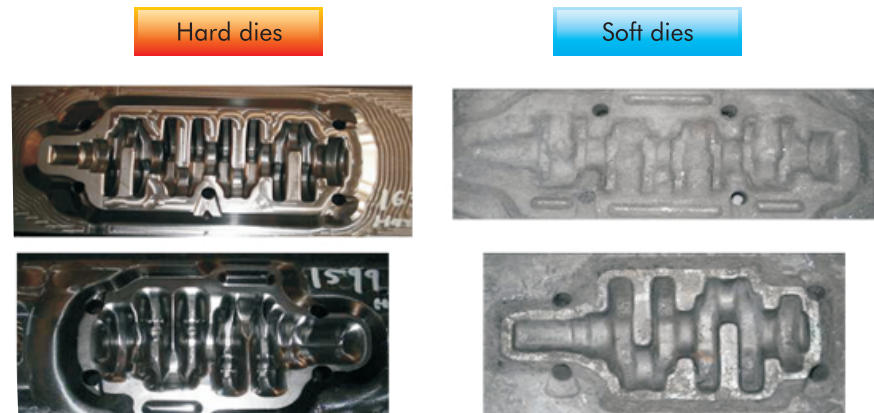




Figure 9 : Hard Vs Soft Dies



Implementing  
Mahindra  
Quality Way

In order to have a more structured approach towards operational excellence, the Indian plant has adopted a program called the Mahindra Quality Way. It is being helped in its implementation by the Mahindra Institute of Quality which helps Mahindra Group companies achieve world class operational standards.

As reported last year, the Company continued its focus on new product development. It developed new crankshafts and knuckles both for existing and new auto customers as well as components for the railway, defence and construction equipment industry.

### Sales and Marketing

Most of our customers are OEMs or Tier 1 suppliers. We have set up a key account management structure to facilitate service to our key customers. Under this structure, each marketing head of the companies in the Mahindra Systech group is designated as the key account manager for major customers in order to take advantage of cross-selling opportunities and establish a stronger relationship with the customers.

We believe that our sales and marketing capacity enables us to enhance our customer relationships by leveraging our global strengths in the areas of technology, cost and manufacturing capabilities.

Key Account  
Management  
as a facilitator

### Material Development in Human Resources / Industrial Relations

The Company has been focusing on four major HR levers: organisation structures, performance management system, a reward and recognition system and communication.

We also have implemented an employee stock option scheme for certain of our eligible employees as well as for certain designated employees of M&M.

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

Promoting  
openness

### Financial performance with respect to operational performance

Figure 10 gives the standalone (MFL, India) & consolidated profit and loss account for Mahindra Forgings for 2008-09 (FY09) and 2009-10 (FY10).





On a standalone basis, the total income of the Company increased by 26.7% while profits before interest, depreciation, exceptional items & tax (EBITDA) increased more than 6 times. In terms of percentage of sales, EBITDA went up from 3% in FY09 to 15.6% in FY10. This was on the back of operational improvements in the areas of rejections, yield and productivity.

But on a consolidated basis, the total income of the Company declined by ~40% in FY10. This reflects the sharp slowdown experienced by our European operations. In spite of such a sharp drop in revenues, the EBITDA% on a consolidated basis was only marginally negative at - 0.7%. This was largely due to the cost restructuring exercise that was undertaken at our European plants.

Figure 10: MFL's abridged P&L Statement for 2009-10 (Rs in million)

Sr. No.	Particulars	Standalone		Consolidated	
		Financial Year Ended		Financial Year Ended	
		31.03.2010	31.03.2009	31.03.2010	31.03.2009
		(Audited)	(Audited)	(Audited)	(Audited)
1	Gross Sales/Income from Operations	3,254.80	2,666.77	13,526.20	22,720.01
	Less: Excise Duty	251.99	295.81	251.99	295.81
	Net Sales / Income from Operations	3,002.82	2,370.95	13,274.22	22,424.20
2	Other Operating Income	9.01	9.42	3.58	4.67
3	Total Income (1+2)	3,011.83	2,380.37	13,277.79	22,428.86
4	Expenditure				
	a. (Increase) / decrease in stock in trade and work in progress	-97.52	-43.35	764.89	144.79
	b. Consumption of raw materials	1,739.11	1,547.00	5,625.95	10,871.22
	c. Purchase of traded goods	-	-	-	-
	d. Employee cost	219.80	216.84	3,629.39	5,389.77
	e. Depreciation	215.08	195.35	1,371.11	1,494.49
	f. Other expenditure	680.31	589.23	3,348.92	4,588.63
	Total Expenditure	2,756.77	2,505.06	14,740.25	22,488.89
5	Profit from Operations before Other Income, Interest and Exceptional Items (3-4)	255.06	-124.69	-1,462.46	-60.03
6	Other Income	5.52	44.19	65.07	59.66
7	Profit before Interest and Exceptional Items (5+6)	260.57	-80.50	-1,397.38	-0.36
8	Interest	298.72	253.92	606.13	704.00
9	Profit(+)/Loss(-) after Interest but before Exceptional Items (7-8)	-38.15	-334.41	-2,003.52	-704.36
10	Exceptional items	908.96	13.28	345.69	382.56
11	Profit before Depreciation, Interest and Exceptional Items and Tax (3)-(4)+(4e)	470.14	70.66	-91.35	1,434.47
12	Profit (+) / Loss(-) from ordinary activities before tax (3+6)-(4+8+10)	-947.11	-347.69	-2,349.20	-1,086.93
13	Tax expenses				
	-Current Tax	0.24	0.04	0.06	-0.15
	-Deferred Tax	-	-	-518.56	79.32
	-Prior period adjustments for Deferred Tax	-	64.98	14.17	-
	-Fringe Benefit Tax	-	1.29	-	1.29
14	Profit (+) / Loss(-) from ordinary activities after tax (12-13)	-947.35	-414.01	-1,844.87	-1,167.39
15	Net Profit (+) / Loss(-)	-947.35	-414.01	-1,844.87	-1,167.39
16	Minority Interest	-	-	-	-1.38
17	Net Profit (+) / Loss (-) after Minority Interest	-947.35	-414.01	-1,844.87	-1,166.01

Information for our Indian and overseas operations are summarized in Figure 11. Revenue generated in India increased by ~24% in FY10 while revenue generated overseas declined by ~49%. The decline in overseas revenue was in line with the decline in the market.



Figure 11 : Segment-wise results (Rs in millions)

CONSOLIDATED SEGMENT-WISE REVENUE, RESULTS AND CAPITAL EMPLOYED

Sr. No.	Particulars	Year Ended 31.03.2010 (Audited)	Year Ended 31.03.2009 (Audited)
1	Segment Revenue		
	a) Indian	3,002.82	2,421.07
	b) Overseas	10,271.40	20,003.13
	Total	13,274.22	22,424.20
	Less: Inter-Segment Revenue	-	22.70
	Net Sales / Income from Operations	13,274.22	22,401.50
2	Segment profit / (loss) before tax and interest from		
	a) Indian	252.39	-83.99
	b) Overseas	-1,651.17	-284.80
	Total	-1,398.78	-368.79
	Less:		
	(i) Un-allocable expenditure	951.82	722.88
	(ii) Un-allocable income	1.4	-4.74
	Total Profit (+) / Loss (-) Before Tax	-2,349.20	-1,086.93
3	Capital Employed (Segment assets - Segment Liabilities)		
	a) Indian	2,532.67	2,448.70
	b) Overseas	11,081.02	13,680.79
	Total	13,613.68	16,129.50

Note : Indian and Overseas segments comprise sales of Forgings in India and Outside India respectively.

## 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 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 and Concerns

The business has a specific set of risk characteristics which are managed through an internal risk management practice.



### Economic Risks

*Stability of the economic recovery:* The auto market in Europe is improving but there are still question marks on whether the markets have turned the corner.

*Dependence on automotive industry:* Majority of the consolidated revenues comes from the automotive market and the Company is exposed to the risk of an economic slowdown in the automotive industry. To mitigate the risk, we are focusing on the non auto sector - Railway, Oil and gas Industry, Aerospace, Defence, Marine etc. and other avenues.

*Technological changes:* The move towards stricter emission norms is expected to lead to lighter weight auto components, smaller engines and greater usage of Aluminium and Plastics. The Company is conscious of this fact and many of our innovations are focused around lighter weight components and newer materials.

### Operating Risks

In India, the Company in the past had instances of losses being incurred due to breakdown of its major press. Investment in additional higher tonnage presses has helped in mitigating this risk. Availability of power is critical to the operations of the Company in India. In order to mitigate this risk, the company has installed a power sub-station which ensures guaranteed power on six days of a week.

Additionally, the Company proposes to expand its machining capacity in India for which it has chalked an aggressive timeline and project plan whose implementation is being monitored closely.

### Financial Risks

The Company has financed a substantial part of its expansion plans through debt. The debt agreements are subject to financial covenants. The forecast cash requirements of the Company are closely monitored along with actual and projected adherence to covenants.

The Company actively monitors its Foreign Exchange exposure and forward covers are used to manage any exposures where considered appropriate in consultation with the holding Company i.e. M & M.

### Synergies with Parent

*Synergies within the Mahindra Systech Group*

We are part of the Mahindra Systech sector in the Mahindra group, which aims to leverage the global competitiveness of Indian companies in the automobile component markets. Companies within the Mahindra Systech are present in complementary businesses such as steel manufacturing, castings, stampings, ferrites, composites and gear manufacturing, and provide engineering and design services, contract sourcing services. We believe that we derive significant advantages of synergies and cross selling because of presence of the Mahindra group in these businesses. For example, our Company improved the existing design for a three-cylinder crankshaft in collaboration with Mahindra Engineering Services in 2009. Mahindra Engineering Services has also deputed one of its engineers to assist us in the product development process.

*Strong Parentage and Brand Value*

Mahindra group is one of the leading industrial houses in India. Forbes has ranked the Mahindra group in its Top 200 list of the World's Most Reputable Companies in 2009. It is a widely recognised brand name in India and has operations in the several key sectors of the Indian economy. M&M, our

*Risks:  
Slower market  
recovery in  
Europe,  
Technological  
changes, Euro  
fluctuation*



parent company and the flagship company of the Mahindra group is one of the leading automotive manufacturers in India. M&M is an anchor customer and has stood by your Company during the European crisis providing support that was instrumental in facilitating the recovery that is visible. We believe that our association with the Mahindra group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We also believe that our association with the Mahindra Group aids us in winning new businesses and obtaining financial assistance.

### Looking Ahead

As we begin FY11, we can take heart from the way we have weathered the storm of the financial downturn so far. As growth returns, tentatively in Europe and explosively in India, we have the chance to build on the good work and to take our rightful place as one of the leading component companies in India and the world.

We believe that the **opportunities before us are limit-less** and we would need to think about **new ways of seizing these opportunities**. Customer requirements from component makers are getting wider and more stringent and those who are able to adapt to these requirements will emerge winners. There is a need to **drive positive change** through our organization and that is what Systech aims to do. The senior management team is empowered to act as entrepreneurs and is encouraged to **'be the change they want to see'**.

Systech is driven by the aim to provide the best returns to **all** stakeholders. We have created an integrated, commonly aligned international management team which can leverage 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. We are focused on extracting the maximum synergies among our verticals through cross selling, best practice exchange and optimization of production. We provide a diverse range of components and 'art to part' promise to our customers along with the highest standard of governance characteristic of the Mahindra Group. Thus we aim to **fully** unlock the potential of our business and **rise to the opportunities** that are available to us.

*Outlook -  
Unlock our  
potential*

#### 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 31<sup>st</sup> March, 2010.

### Board of Directors

The composition of the Board is in accordance with the requirements of the Clause 49 of the Listing Agreement. The Company has a Non-Executive Chairman and one-half of the Board comprises of Non- Executive Independent Directors.

The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates 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 stakeholders' value are met.

Mr. Deepak Dheer, Managing Director of the Company is a Wholetime Director of the Company. 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 Holding Company, Mahindra & Mahindra Limited (M&M) and draw remuneration from it. Mr. Harald Korte and Mr. Oliver Scholz are Non-Independent Non-Executive Directors.

The remaining six Non-Executive Directors are Independent Directors and professionals, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as Independent Directors.

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 a Director may receive for professional services rendered to the Company through a firm in which he 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 and Associates which in their judgment would affect their independence. The Directors of the Company are not inter se related to each other.

Messrs. Khaitan & Co., Advocates & Solicitors, in which Mr. Nikhilesh Panchal, Non-Executive Director is a partner, received professional fees of Rs. 46.92 Lakhs.

The Senior Management have made necessary 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

Currently, the Company's Board comprises twelve Directors including the Managing Director. The Chairman is a Non-Executive Director and is a professional Director in his individual capacity.

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 <sup>st</sup> March, 2010	Total number of Chairmanships of Committees + of public companies as on 31 <sup>st</sup> March, 2010	Total number of Directorships* of public companies as on 31 <sup>st</sup> March, 2010
<b>NON-EXECUTIVE</b>				
Mr. Anand G. Mahindra (Chairman)	Non-Independent	1	Nil	13
Mr. Hemant Luthra	Non-Independent	2	Nil	7
Mr. Zoooben Bhiwandiwalla	Non-Independent	5	1	10
Mr. Mohit Burman	Independent	3	Nil	9
Mr. V. K. Chanana	Independent	2	1	3
Mr. Nikhilesh Panchal	Independent	2	Nil	2
Mr. Fali P. Mama	Independent	4	1	2
Mr. Daljit Mirchandani	Independent	2	1	2
Mr. Piyush Mankad	Independent	9	2	13
Mr. Harald Korte	Non-Independent	Nil	Nil	1
Mr. Oliver Scholz	Non-Independent	Nil	Nil	1
<b>EXECUTIVE</b>				
Mr. Deepak Dheer	Managing Director	Nil	Nil	1

\* Excludes Directorships in private limited companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956, government bodies and alternate Directorships but includes Additional Directorship and Directorships in Mahindra Forgings Limited.

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

## 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 apprises the Board at every meeting of the overall performance of the Company, followed by presentations by 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, minutes of the Board Meetings of your Company's unlisted subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, 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 and information on recruitment of Officers just below the Board level, including the Company Secretary and Compliance Officer.

## NUMBER OF BOARD MEETINGS, ATTENDANCE OF THE DIRECTORS AT MEETINGS OF THE BOARD AND AT THE LAST ANNUAL GENERAL MEETING (AGM).

The Board of Directors met seven times during the year on the following dates – 11<sup>th</sup> May, 2009, 12<sup>th</sup> June, 2009, 29<sup>th</sup> July, 2009, 27<sup>th</sup> October, 2009, 21<sup>st</sup> January, 2010, 5<sup>th</sup> February, 2010, and 25<sup>th</sup> March, 2010. The gap between two meetings was not more than four months.

The Tenth Annual General Meeting (AGM) was held on 29<sup>th</sup> July, 2009.





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## Annual report 2009-10

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

**Table 2: Number of Meetings and Attendance**

Directors	No. of Board Meetings Attended	Attendance at the AGM
Mr. Anand G. Mahindra	4	Yes
Mr. Hemant Luthra	7	Yes
Mr. Zhooben Bhiwandiwalla	4	Yes
Mr. Mohit Burman	5	Yes
Mr. V. K. Chanana	7	Yes
Mr. Nikhilesh Panchal	5	Yes
Mr. Fali P. Mama	7	Yes
Mr. Harald Korte	4	Yes
Mr. Oliver Scholz	Nil	No
Mr. Piyush Mankad	3	No
Mr Daljit Mirchandani	5	Yes
Mr. Deepak Dheer	7	Yes

### DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT

Mr. Mohit Burman, Mr Harald Korte, Mr. Oliver Scholz and Mr. V. K. Chanana retire by rotation and, being eligible, have offered themselves for re-appointment.

A brief resume of these Directors is presented below :

#### (1) Mr. Mohit Burman

Mr. Mohit Burman has a Master's Degree in Business Administration. Mr. Burman started his career in 1989 in Welbeck Property Partnership in London, England. Since then he has held senior positions in Dabur Finance Ltd. and helped in developing Dabur Group's financial services business into Asset Management, Life Insurance and Pension with UK's largest insurance Company CGNU by setting up Aviva Life Insurance Company and was later responsible for Dabur Group's acquisition of Balsara Home Products Limited.

Mr. Burman is on the Board of Dabur India Limited, M.B.Filmart Private Limited, A.V.B.Finance Private Limited, Vertex Broadcasting Company Private Limited, Vic Enterprises Private Limited, Puran Associates Private Limited, Malhotras Trading Company Private Limited, Dabur Ayurvedic Specialities Limited, Interx Laboratories Private Limited, Procam Sports Private Limited, Sunshine India Private Limited, Newage Capital Services Private Limited, Dabur International Limited, H & B Stores Limited, Universal Sampo General Insurance Company Limited, Bonjour Investment Company Private Limited, Elephant India Advisors Private Limited, K.P.H. Dream Cricket Private Limited, Dabur Securities Private Limited, Burman Resorts Private Limited, Betteroption Estates Private Limited, Northern Herbal Farms Private Limited, Burman Finvest Private Limited, IndiaCo Ventures Limited, Elephant India Finance Private Limited, Dabur Pharmaceuticals Limited and Aviva Life Insurance Company India Limited.

In addition to the above he is a member of the following Board Committees stated below:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Aviva Life Insurance Company India Limited	Audit Committee	Member
2.	Universal Sampo General Insurance Company Limited	Audit Committee	Member
3.	Mahindra Forgings Limited	Audit Committee	Member
4.	Mahindra Forgings Limited	Remuneration/Compensation Committee	Chairman

Mr. Mohit Burman holds 16,011 shares in the Company.



**(2) Mr. Harald Korte**

Mr. Harald Korte is an engineer of the Technical High school, Hagen. Mr. Korte joined Daimler Benz Stuttgart in 1957 and worked in their Forge shop until 1960. Thereafter in 1960 he joined Hesterberg & Sohne, Ennepetal where he was responsible for production, planning and quality control. He has undergone a training program from 1967 to 1968 in SIFCO, USA and Brazil. Since 1968 Mr. Korte was with Schonewesiss & Co. GmbH and after handling various assignments and positions, he became Managing Director in 1971. In 1995 he became Chairman of Schonewesiss & Co. GmbH and continued in this position upto 2007.

Mr. Harald Korte does not hold any share in the Company. Mr. Korte is not a member of any committee.

**(3) Mr. Oliver Scholz**

Mr. Oliver Scholz is a graduate and holds the qualification of Master of Business Administration (MBA). Mr. Oliver Scholz joined Scholz AG in 1993. He was responsible for the development and integration of the newly acquired operations in Eastern Germany.

Mr. Scholz is on the Board of Scholz AG, Scholz Investment GmbH, Scholz Immobilien GmbH & Co. KG and CMA Australia.

Mr. Oliver Scholz does not hold any share in the Company. Mr. Scholz is not a member of any committee.

**(4) 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.

In addition to the above he is a member of the following Board Committees stated below:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee	Chairman
2.	Mahindra Forgings Limited	Remuneration/Compensation Committee	Member
3.	Mahindra Forgings Limited	Share Transfer and Shareholders'/ Investors' Grievance Committee	Member

Mr. V. K. Chanana does not hold any share in the Company.

**CODES OF CONDUCT**

The Board has laid down two separate Codes of Conduct (Codes), 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 <http://www.mahindraforgings.com>. All Board Members and Senior Management Personnel have affirmed compliance with these Codes of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

**CEO/CFO CERTIFICATION**

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31<sup>st</sup> March, 2010.

**REMUNERATION TO DIRECTORS****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 a sitting fee of Rs.2,500/- 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 which is subsequently approved by the Board of Directors and shareholders at a General Meeting, Central Government (if applicable).



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## Annual report 2009-10

Table 3: Details of remuneration paid/payable to the Directors including Managing Director for 2009-10

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@@	No. of Options granted in August, 2008@@@	No. of Ordinary (Equity) Shares held as on 31 <sup>st</sup> March, 2010
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)				
Mr. Anand G. Mahindra	NA	NA	NA	NA	NA	NA	NA	NA	NIL
Mr. Hemant Luthra	27,500	NA	NA	NA	27,500	NIL	2,00,000	NIL	#1,000
Mr. Zhooben Bhiwandiwala	17,500	NA	NA	NA	17,500	8,000	2,000	10,000	1,507
Mr. Mohit Burman	20,000	NA	NA	NA	20,000	8,000	2,000	10,000	16,011
Mr. V. K. Chanana	37,500	NA	NA	NA	37,500	8,000	2,000	10,000	NIL
Mr. Nikhilesh Panchal	32,500	NA	NA	NA	32,500	8,000	2,000	10,000	NIL
Mr. Fali P. Mama	40,000	NA	NA	NA	40,000	8,000	2,000	10,000	2,220
Mr. Harald Korte	10,000	NA	NA	NA	10,000	NIL	NIL	10,000	NIL
Mr. Piyush Mankad	7,500	NA	NA	NA	7,500	NA	NA	10,000	NIL
Mr. Daljit Mirchandani	32,500	NA	NA	NA	32,500	NA	NA	10,000	NIL
Mr. Oliver Scholz	Nil	NA	NA	NA	Nil	NA	NA	10,000	NIL
Mr. Deepak Dheer (Managing Director)	NA	64,26,357	1,96,760	21,73,600	87,96,717	NA	NA	75,000	NIL

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

# These shares were allotted pursuant to exercise of Stock Options on 25<sup>th</sup> March, 2010.

@ These Options vested/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 vested/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.

@@@ These Options vested/would vest in four equal instalments in August, 2009, August, 2010, August, 2011 and August, 2012 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price Rs. 109/- per share.

The Company did not advance loans to any of its Directors. The contract with the Managing Director is for a period of three years with effect from 1<sup>st</sup> September, 2008 to 31<sup>st</sup> August, 2011.

Notes:

- Notice period applicable to the Managing Director - one month.
- No severance fees and no commission.
- Employee stock option are the only component of remuneration that are performance-linked. All other components are fixed.



## RISK MANAGEMENT

Your Company has a well defined and detailed risk management framework in place. Your Company has established procedures to periodically place before the Board, the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate the Risks.

## COMMITTEES OF THE BOARD

Your Company has constituted Board-level Committees to delegate particular matters relating to the affairs of the Company that require greater and more focussed attention. 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 the following Non-Executive Directors viz. Mr. V. K. Chanana, Mr. Mohit Burman, Mr. Nikhilesh Panchal, Mr. Fali P. Mama, Mr. Daljit Mirchandani and Mr. Zhooben Bhiwandiwalla. Except Mr. Zhooben Bhiwandiwalla, all the Directors are Independent Directors. Mr. V. K. Chanana is the Chairman of the Committee.

All the members of the Audit Committee possess strong accounting and financial management knowledge.

The Company Secretary is the Secretary to the Committee.

The terms of reference of this Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. 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 and meet them to discuss their findings, suggestions and other related matters. The Committee is empowered to inter alia review the remuneration payable to Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, 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).

The meetings of the Audit Committee are also attended by the Managing Director, Chief Financial Officer, the Statutory Auditors, the Internal Auditors and the Company Secretary & GM - Legal. The Chairman of the Audit Committee, Mr. V. K. Chanana was present at the Tenth Annual General Meeting of the Company held on 29<sup>th</sup> July, 2009.

The Committee held 5 meetings during the year 2009-10 on the following dates - i.e. 11<sup>th</sup> May, 2009, 29<sup>th</sup> July, 2009, 27<sup>th</sup> October, 2009 and 21<sup>st</sup> January, 2010 and 5<sup>th</sup> February, 2010. The time gap between two meetings was less than four months. The details are presented in table 4.

**Table 4: Attendance record of Audit Committee**

Name of the Member	Position	Status	No. of Meetings Attended
Mr. V. K. Chanana	Independent Director	Chairman	5
Mr. Mohit Burman	Independent Director	Member	2
Mr. Nikhilesh Panchal	Independent Director	Member	3
Mr. Fali P. Mama	Independent Director	Member	5
Mr. Zhooben Bhiwandiwalla	Non-Independent Non-Executive Director	Member	3
Mr. Daljit Mirchandani	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 of the Managing Director. The Committee which has formulated and administers Mahindra Forgings Employees' Stock Option Scheme also attends to such other matters as may be prescribed from time to time.

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



The Committee held one meeting during 2009-10 on 25<sup>th</sup> March, 2010. 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	1
Mr. Anand G. Mahindra	Non-Independent Non-Executive Director	Member	Nil
Mr. Hemant Luthra	Non-Independent Non-Executive Director	Member	1
Mr. V. K. Chanana	Independent Director	Member	1
Mr. Nikhilesh Panchal	Independent Director	Member	1
Mr. Daljit Mirchandani	Independent Director	Member	1

The Remuneration/Compensation Committee of the Company fixes 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 Mr. Daljit Mirchandani, Mr. V. K. Chanana and Mr. Fali P. Mama, all Non-Executive Directors. Mr. Daljit Mirchandani 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 inter alia deal with matters relating to transfers of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance-sheet etc. With a view to expediting the process of share transfers, Mr. Daljit Mirchandani, the Chairman of the Committee, is authorised to approve transfers of shares which are upto 5,000 in number.

The Committee met two times during the year under review on 11<sup>th</sup> May, 2009 and 25<sup>th</sup> March, 2010. Both the meetings were well attended by its members.

During the year, no complaints were received from shareholders.

As on 31<sup>st</sup> March, 2010 there were no pending share transfers pertaining to the year under review.

#### **Shares held by the Non-Executive Directors**

As on 31<sup>st</sup> March, 2010, Mr. Mohit Burman alongwith his relatives held 3,26,261 equity shares, Mr. Zhooben Bhiwandiwalla held 1,507 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 31<sup>st</sup> March, 2010.

#### **Subsidiary Companies**

The 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 immediately preceding accounting year.

Under this definition, the Company did not have any "material non-listed Indian subsidiary" during the year under review. The subsidiaries of the Company function independently, with an adequately empowered supervisory Board of Directors and sufficient resources. However, for more effective governance, the Minutes of Board Meeting of subsidiaries of the Company are placed before the Board of Directors of the Company for its review.

### **DISCLOSURES**

#### **Disclosures of transactions with Related Parties**

During the Financial Year 2009-10, 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 presented in Note number "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 Accounting Standards laid down by The Institute of Chartered Accountants of India (ICAI) and The Companies (Accounting Standards) Rules, 2006 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.

## SHAREHOLDER INFORMATION

### 11<sup>th</sup> Annual General Meeting

Date : 22<sup>nd</sup> July, 2010  
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 14<sup>th</sup> July, 2010 to 22<sup>nd</sup> July, 2010 inclusive of both days.

### Dividend Payment

The Board of Directors of the Company has not recommended a dividend for the year 2009-10.

### Financial Year

Financial year covers the period from 1<sup>st</sup> April to 31<sup>st</sup> March

For the year ending 31<sup>st</sup> March 2011, results will be tentatively announced by

- End July, 2010: First quarter
- End October, 2010: Half yearly
- End January, 2011: Third quarter
- End April, 2011 or May, 2011: 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 (ISIN) in NSDL & CDSL for Equity Shares	INE536H01010





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## Annual report 2009-10

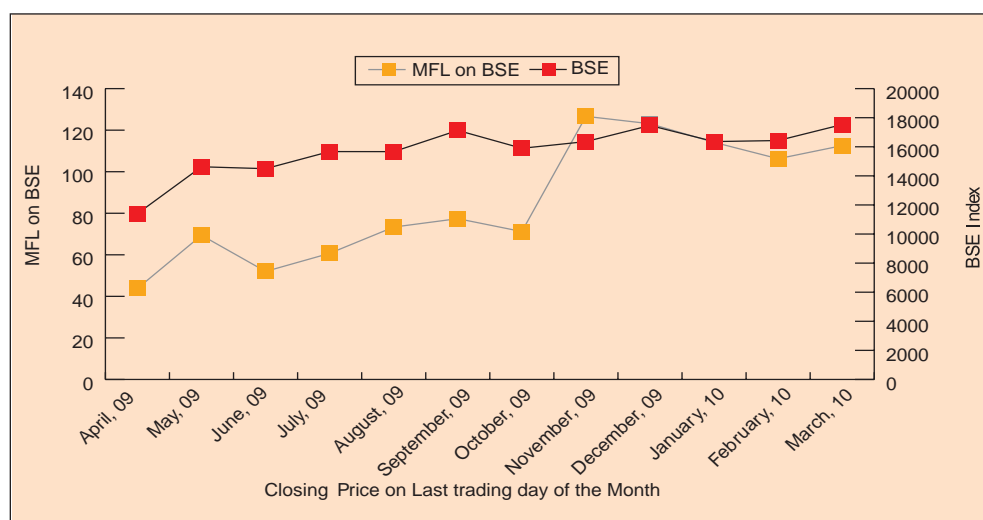
### Stock Market Data

Table 6: High and low price of Company's shares for 2009-10 at BSE & NSE

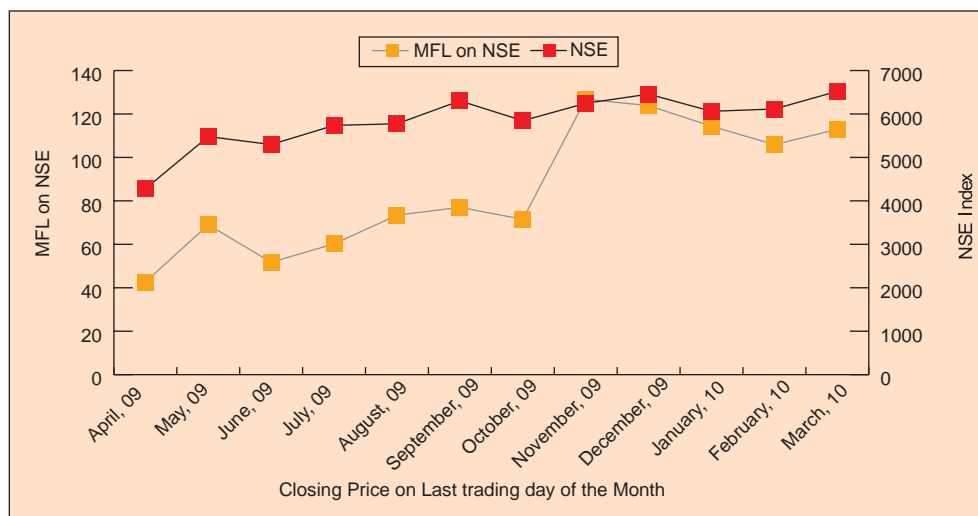
	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April-2009	52.00	36.75	51.90	37.00
May-2009	69.40	42.35	69.00	41.10
June-2009	76.80	52.00	76.50	51.05
July-2009	65.25	44.05	65.00	43.00
August-2009	79.30	58.60	80.00	59.25
September-2009	87.00	68.80	91.00	69.25
October-2009	81.45	68.25	83.00	70.00
November-2009	136.40	70.25	137.60	70.10
December-2009	140.90	117.00	143.75	117.65
January-2010	144.60	103.00	144.90	103.00
February-2010	118.70	99.00	119.50	99.30
March-2010	145.40	106.05	145.45	106.15

### 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 Nifty Index) is given in the chart below:



#### 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 - 40 - 23312454

Fax No. + 91 - 40 - 23311968

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.



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## Annual report 2009-10

### Distribution of Shareholding

Table 7: Distribution of shareholding as on 31<sup>st</sup> March, 2010

Number of shares held	Number of shareholders	% of shareholders	Total shares	% of shareholding
1 to 5000	27,497	92.94%	23,31,618	2.65%
5001 to 10000	993	3.36%	8,20,997	0.93%
10001 to 20000	482	1.63%	7,55,239	0.86%
20001 to 30000	198	0.67%	5,09,853	0.58%
30001 to 40000	64	0.22%	2,29,888	0.26%
40001 to 50000	88	0.30%	4,19,292	0.48%
50001 to 100000	110	0.37%	8,00,565	0.91%
100001 & above	154	0.52%	8,19,87,584	93.32%
<b>Total</b>	<b>29,586</b>	<b>100%</b>	<b>8,78,55,036</b>	<b>100%</b>

### Shareholding pattern

Table 8: Shareholding pattern as on 31<sup>st</sup> March, 2010

Category of Shareholders	Number of Equity Shares held	Percentage (%)
Promoter & Promoter group	4,45,26,339	50.68%
Mutual Fund/UTI	77,21,886	8.79%
Financial Institutions/Banks	470	0.00%
Insurance Companies	24,649	0.03%
Foreign Institutional Investors	20,07,748	2.29%
Bodies Corporate	98,51,691	11.21%
Resident individuals	81,64,311	9.29%
NRIs	2,64,301	0.30%
Clearing Members	3,47,965	0.40%
Foreign companies	1,16,91,916	13.31%
Trusts	32,53,760	3.70%
<b>Total</b>	<b>8,78,55,036</b>	<b>100.00%</b>

### Dematerialisation of Shares

As on 31<sup>st</sup> March, 2010, 95% of the total Equity Capital was held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading in the Equity Shares of the Company is permitted only in dematerialised form as per notification issued by Securities and Exchange Board of India (SEBI).



**Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity**

As of 31<sup>st</sup> March, 2010 - 42,99,270 convertible Warrants are held by Mahindra & Mahindra Limited, Promoters of the Company, which can be converted into equal number of equity shares at a price of Rs. 137/- each by 2<sup>nd</sup> September, 2011. The Promoters have upfront paid 25% of the price at the time of allotment of Warrants.

**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 - 40 – 23312454  
 Fax No. + 91 – 40 - 23311968  
 E-mail: krishnans@karvy.com

On all matters relating to transfer/dematerialisation of shares and any other query relating to shares of the Company.

The Company has also designated mfl.investors@mahindra.com as an exclusive email ID for shareholders 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 dematerialised form.

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.+91-2135-663307 Fax No. +91-2135- 663301 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(s) passed
2007	25 <sup>th</sup> 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 companies.
2008	29 <sup>th</sup> July, 2008	3.30 p.m.	Modification to the Employee Stock Option Scheme to provide for grant of Options to designated employees of holding and subsidiary companies upto maximum limit of 5% of the enhanced paid up capital of the Company as on 31 <sup>st</sup> March, 2008.
2009	29 <sup>th</sup> July, 2009	2.30 p.m.	No special resolution was passed at the AGM.



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## Annual report 2009-10

**Table 10: Extraordinary General Meetings held during the past three years**

Year	Date	Time	Special Resolution(s) passed
2008	4 <sup>th</sup> December, 2008	3.30 p.m.	<ul style="list-style-type: none"> <li>i. Alteration of the Articles of Association.</li> <li>ii. Utilisation of an amount from the Securities Premium Account for writing off the Goodwill, Non Compete Fees and debit balance in the Profit &amp; Loss Account.</li> <li>iii. Appointment and remuneration of Mr. Deepak Dheer as Managing Director for a period of 3 years with effect from 1<sup>st</sup> September, 2008.</li> </ul>
2010	18 <sup>th</sup> February, 2010	2.30 p.m.	<ul style="list-style-type: none"> <li>i. Alteration of the Articles of Association.</li> <li>ii. Issue of shares to Qualified Institutional Buyers (QIBs) under the Qualified Institutions Placement (QIP), in one or more tranches not exceeding 1,75,00,000 Equity Shares of face value Rs. 10/- each at a premium.</li> <li>iii. Issue of Warrants not exceeding 72,99,270 at a price of Rs.137/- per Warrant to Mahindra &amp; Mahindra Limited, Promoters entitling the holder of the Warrant thereof to apply for and be allotted 1 (one) Equity share of face value of Rs. 10/- each against 1(one) Warrant, in one or more tranches, at any time after the date of allotment of Warrants but on or before the expiry of 18 months from the date of allotment of Warrants.</li> <li>iv. Making investment in excess of the limits prescribed under Section 372A of the Companies Act, 1956 upto an amount of Rs. 100 Crores.</li> <li>v. Increasing the aggregate permissible limit of FII's equity shareholding from 24% to 40% of the paid up share capital of the Company.</li> </ul>

The Annual General Meetings held on 25<sup>th</sup> July, 2007, 29<sup>th</sup> July, 2008 and 29<sup>th</sup> July, 2009 were held 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 etc.

Your Company has complied with all the requirements of regulatory authorities. During the last three years 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.

### Means of Communication with Shareholders

The quarterly, half yearly and yearly results are published in Business Standard & Sakal which are national and local dailies respectively. These are not sent individually to shareholders. The Company results and official news releases 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 on the Company's website at <http://www.mahindraforgings.com>. Thereafter, it is being filed in Corporate filing and Assessment System (CDFs) viz. [www.corpfiling.co.in](http://www.corpfiling.co.in), the common platform launched by BSE and NSE for electronic filing by listed companies.

### 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 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.

### Compliance with the Corporate Governance-Voluntary Guidelines 2009

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance. MCA after taking into account the experience of adoption of these guidelines by Corporates and after consideration of the feedback received from them would review these guidelines for further improvements after a period of one year.

The Company has been a strong believer in good corporate governance and has been adopting the best practices.

The Company is compliant with some of the voluntary guidelines and it will always be the Company's endeavour to attain the best practices in corporate governance.

Mumbai, 12<sup>th</sup> May, 2010.





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**Mahindra Forgings**  
Annual report 2009-10

## DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

**The Members of Mahindra Forgings Limited**

I, Deepak Dheer, Managing 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 31<sup>st</sup> March, 2010.

**Deepak Dheer**  
Managing Director

Mumbai, 12<sup>th</sup> May, 2010

## 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 31<sup>st</sup> March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 31<sup>st</sup> March, 2010, 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

Firm Registration No. 105102W

Place: Mumbai  
Dated: 12<sup>th</sup> May, 2010



## AUDITORS' REPORT

To The Members of Mahindra Forgings Limited

1. We have audited the attached Balance Sheet of Mahindra Forgings Limited as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.
  - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010,
    - ii) in the case of the Profit and Loss Account, of the loss 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.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2010, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For B.K. Khare & Co.  
Chartered Accountants

Padmini Khare Kaicker  
(Partner)

Membership No.: 044784

Firm Registration No. 105102W

Place : Mumbai

Dated : 12<sup>th</sup> May, 2010



## 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. Confirmations have been received in respect of inventories lying with third parties. 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 are not material and have been properly dealt with in the books of account.
- iii. The Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clause (b), (c), (d), (e), (f) and (g) of sub-paragraph (iii) of paragraph 4 of the Order is not applicable.
- 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 fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. In our opinion and according to the information and explanations given to us, there were no transactions with any party that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956. As there are no transactions in case of any party that need to be entered in the Register maintained pursuant to section 301 of the Companies Act, 1956, sub-clause (b) of sub-para (v) of Para 4 of the Order is not applicable.
- 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, Wealth-Tax, Service-Tax, Customs 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 at 31st March 2010 for a period of more than six months from the date they became payable.  
 (b) As on 31<sup>st</sup> March 2010, according to the records of the Company and information and explanations given to us, following are particulars of disputed dues on account of income tax 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	29.90	2003-04	CESTAT, Mumbai
Central Excise Act	Excise Duty	60.98	2003-04	CESTAT, Mumbai
Income Tax Act	Tax, interest thereon	10.89	2008-09	CIT (Appeals)



- x. The Company has accumulated losses, as at the end of the year, which is not more than 50% of its net worth as on 31.3.10. The Company has not incurred cash losses in the current year. However, in the immediately preceding financial year, the Company has incurred cash losses.
- 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. In our opinion and according to the information and explanation given to us, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to information and explanations 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. The Company did not issue any debentures during the year.
- xx. During the year, Company issued 1,62,41,300 Equity Shares to Qualified Institutional Buyers through Qualified Institutions Placement and to promoters in accordance to Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009. The management has disclosed in the annual accounts, the end use of money raised by the above-referred public issue and the same has been verified by us.
- xxi. Based on the audit procedures performed and as per the information and explanations given by the management, 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.: 044784

Firm Registration No. 105102W

Place : Mumbai  
Dated : 12<sup>th</sup> May, 2010



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## Mahindra Forgings

### Annual report 2009-10

#### Balance Sheet as at 31<sup>st</sup> March 2010

	Schedule	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>I SOURCES OF FUNDS :</b>			
SHAREHOLDERS' FUNDS			
Share Capital .....	1	8785.50	6856.77
Share Application Money received for Warrants .....	1A	1472.50	-
Employee Stock Options outstanding .....	1B	401.92	323.06
Reserves & Surplus .....	2	82392.05	63244.94
		<u>93051.97</u>	<u>70424.77</u>
LOAN FUNDS			
Secured Loans .....	3	12781.27	17903.18
Unsecured Loans .....	4	2086.40	6394.65
		<u>14867.67</u>	<u>24297.83</u>
		<u>107919.64</u>	<u>94722.60</u>
<b>II APPLICATION OF FUNDS :</b>			
FIXED ASSETS			
Gross Block .....		27933.16	25952.63
Less : Depreciation .....		8797.75	6661.87
Net Block .....		19135.41	19290.77
Capital Work in Progress .....		3527.70	4614.54
Total Fixed Assets .....	5	22663.11	23905.30
Investments .....	6	69720.66	66855.86
Current Assets, Loans and Advances .....	7, 8		
Inventories .....		4511.18	2461.92
Sundry Debtors .....		2828.03	2952.68
Cash and Bank Balances .....		784.25	467.81
Loans & Advances .....		4245.57	649.72
		<u>12369.03</u>	<u>6532.13</u>
Less : Current Liabilities & Provisions .....	9		
Current Liabilities .....		9285.04	5591.60
Provisions .....		342.13	299.65
		<u>9627.17</u>	<u>5891.25</u>
NET CURRENT ASSETS .....		2741.86	640.88
PROFIT & LOSS ACCOUNT .....		12794.01	3320.56
		<u>107919.64</u>	<u>94722.60</u>
<b>NOTES TO ACCOUNTS .....</b>	<b>15</b>		

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

Padmini Khare Kaicker  
Partner  
Membership No. 44784  
Firm Registration No. 105102W

Mumbai, 12<sup>th</sup> May, 2010

For & on behalf of Board of Directors  
**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Piyush Mankad**  
(Director)

**Ajay Mantry**  
(CFO)



**Profit & Loss account for the year ended 31<sup>st</sup> March 2010**

	<b>Schedule</b>	<b>2010 (Rs. in Lakhs)</b>	<b>2009 (Rs. in Lakhs)</b>
<b>I INCOME</b>			
Gross Sales .....		32548.03	26667.66
Less - Excise duty on Sales .....		2519.85	2958.12
Net Sales .....		30028.18	23709.54
Other Income .....	10	178.15	536.10
		<b>30206.33</b>	<b>24245.64</b>
<b>II EXPENDITURE</b>			
Material Consumption .....	11	16415.85	15036.46
Personnel Expenses .....	12	2197.95	2168.36
Other Expenses .....	13	6836.00	5892.26
Interest & Finance cost .....	14	2987.19	2539.16
Depreciation .....	5	2150.79	1953.51
		<b>30587.78</b>	<b>27589.75</b>
Profit Before tax, Exceptional Item and Prior Period Items		<b>(381.45)</b>	<b>(3344.11)</b>
Less : Exceptional items (Refer Note B-28 of Sch 15).....		<b>9018.59</b>	-
Profit Before tax and Prior Period Items .....		<b>(9400.04)</b>	<b>(3344.11)</b>
Less : Prior Period Expenses (Refer Note B-24 of Sch 15)		<b>71.04</b>	<b>132.79</b>
Profit / (Loss) before tax .....		<b>(9471.08)</b>	<b>(3476.90)</b>
Less : Provision for tax		-	-
Current Tax .....		-	-
Wealth Tax .....		0.62	0.44
Deferred Tax .....		-	135.96
Prior period adjustments for Deferred Tax (Net) .....		-	513.87
Fringe Benefit Tax (including prior year adjustments)		1.75	12.92
Profit / (Loss) after Tax .....		<b>(9473.45)</b>	<b>(4140.09)</b>
Appropriations			
Profit / (Loss) for the year .....		<b>(9473.45)</b>	<b>(4140.09)</b>
Balance of Profit & Loss Account brought forward .....		<b>(3320.56)</b>	<b>(3881.62)</b>
Add: Transfer from Securities Premium Account		-	4701.15
[Refer Note B-1 of Sch 15] .....		-	4701.15
Balance of Profit & Loss Account carried to Balance Sheet		<b>(12794.01)</b>	<b>(3320.56)</b>
Earning per Share (Note B-22 of Sch 15)			
(Face value of Rs. 10 Per Share)			
Basic .....		<b>(13.82)</b>	<b>(6.04)</b>
Diluted .....		<b>(13.82)</b>	<b>(6.04)</b>
<b>NOTES ON ACCOUNTS .....</b>	<b>15</b>		

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

Padmini Khare Kaicker  
Partner  
Membership No. 44784  
Firm Registration No. 105102W

Mumbai, 12<sup>th</sup> May, 2010

For & on behalf of Board of Directors

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Piyush Mankad**  
(Director)

**Ajay Mantry**  
(CFO)



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**Mahindra Forgings**

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## Cash Flow Statement for the year ended 31<sup>st</sup> March 2010

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>Cash flow from Operating Activities</b>		
Profit/(Loss) before tax after prior period adjustments .....	(9471.05)	(3476.90)
Add : Adjustment for		
Dimmution in Long Term Investments .....	9018.59	-
Depreciation, Amortisation and expenditure as ESOP .....	2283.98	2253.48
Provision for doubtful debts / Write off's .....	23.36	62.87
Interest (Expenses) .....	2987.19	2539.16
Loss on sale of Fixed Assets / Assets written off .....	9.91	211.01
Sundry balances written off .....	5.54	-
Sub-Total .....	4857.52	1589.62
Less : Adjustments for		
Interest / Dividend Income .....	74.68	34.95
Profit on sale of Fixed Assets .....	-	1.82
Profit / Loss on sale of investment .....	13.33	-
Foreign Exchange Gain on Capex (Net) .....	(9.00)	402.24
Unrealised Foreign Exchange gain .....	(18.92)	-
Provision written back .....	54.38	-
Sub-Total .....	114.47	439.01
<b>Operating Profit before Working Capital changes .....</b>	<b>4743.05</b>	<b>1150.61</b>
Adjustments for		
Trade & Other receivables .....	(3679.78)	(242.14)
Inventories .....	(2049.26)	36.57
Trade Payables .....	3437.88	(174.02)
<b>Cash generated from Operations .....</b>	<b>(2291.16)</b>	<b>(379.58)</b>
Direct Taxes (Paid) / Refund .....	(8.19)	52.73
<b>Net cash from Operating Activities .....</b>	<b>2443.70</b>	<b>823.76</b>
<b>Cash flow from Investing Activities</b>		
Purchase of Fixed Assets .....	(877.46)	(1713.90)
Sale of Fixed Assets .....	2.46	25.31
Purchase of Investments .....	(31216.09)	(200.33)
Sales of Investment .....	19205.65	168.58
Interest / Dividend received .....	74.68	34.95
<b>Net Cash from investing Activities .....</b>	<b>(12810.76)</b>	<b>(1685.39)</b>





**Cash Flow Statement for the year ended 31<sup>st</sup> March 2010 (Contd.)**

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>Cash flow from Financing Activities</b>		
Term Loans .....	(2954.66)	(1734.93)
Issue of Share Capital .....	23120.68	-
Expenditure on issue of share capital .....	(205.33)	-
Working Capital Loan .....	(2075.50)	647.99
Inter-Corporate Deposit .....	(4400.00)	4400.00
Interest Paid .....	(2987.19)	(2539.16)
<b>Net Cash from Financing Activities .....</b>	<b>10498.00</b>	<b>773.90</b>
Net [(Decrease) / Increase] in Cash & Cash equivalents .....	<b>130.94</b>	<b>(87.72)</b>
<b>Opening Cash / Bank Balances .....</b>	<b>467.81</b>	<b>277.78</b>
<b>Closing Cash / Bank Balances .....</b>	<b>598.75</b>	<b>190.06</b>

**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. Deposits with banks having maturity of more than three months aggregating to Rs. 185.50 LaKhs (Previous Year : Rs. 277.75 Lakhs) are not readily liquid and have been excluded from cash and cash equivalents.

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

Padmini Khare Kaicker  
Partner  
Membership No. 44784  
Firm Registration No. 105102W

Mumbai, 12<sup>th</sup> May, 2010

For & on behalf of Board of Directors  
**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Piyush Mankad**  
(Director)

**Ajay Mantry**  
(CFO)



# 48 Mahindra Forgings

## Annual report 2009-10

### Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>SCHEDULE - 1</b>		
<b>Share Capital</b>		
<b>Authorised Capital</b>		
12,20,00,000 (PY 7,20,00,000) Equity shares of Rs 10/- each. ....	12,200.00	7,200.00
1,48,20,206 (PY 1,48,20,206) 4% Non Cumulative Redeemable .....	4,594.26	4,594.26
Non Convertible Preference Shares of Rs. 31/- each		
	<b>16,794.26</b>	<b>11,794.26</b>
<b>Issued, Subscribed and Paid-up</b>		
8,78,55,036 Equity shares (P Y 6,85,67,736) of Rs 10/-each fully paid up .....	8,785.50	6,856.77
a) Of the above shares, 5,53,67,356 are allotted as fully paid up pursuant to a contract without payments being received in cash		
b) 1,62,41,300 equity shares issued to Qualified Institutional Buyers		
c) 30,00,000 equity shares issued against conversion of Preferential Warrants issued to Mahindra & Mahindra Limited. (Holding Company)		
d) 46,000 equity shares issued under the Company's Employees' Stock Option Scheme (Refer Note B-1 of Schedule 15)		
	<b>8,785.50</b>	<b>6,856.77</b>
<b>SCHEDULE - 1A</b>		
<b>Share Application Money received for Warrants</b>		
Subscription received for 42,99,270 Warrants from Mahindra & Mahindra Limited (Holding Company) @ 25% of the price of Rs. 137/- per Warrant .....	1,472.50	-
(Refer Note B-1 of Schedule 15)		
	<b>1,472.50</b>	<b>-</b>
<b>SCHEDULE - 1B</b>		
<b>Employee Stock Options outstanding</b>		
Stock Options Outstanding .....	532.18	656.39
Less - Deferred Employee Compensation Expenses .....	(130.26)	(333.33)
(Refer Note B-6 of Sch 15)		
	<b>401.92</b>	<b>323.06</b>
<b>SCHEDULE - 2</b>		
<b>Reserve &amp; Surplus</b>		
Securities Premium Account .....	5,574.16	15,754.92
Add:-		
Received upon Issue of Shares Issued to Qualified Institutional Buyers .....	15,875.87	-
Received upon Issue of Shares against Preferential Warrants to Promoters .....	3,810.00	-
Received upon Issue of Shares to Employees under ESOP Scheme .....	87.91	-
Less:-		
Utilised for writing off goodwill balance as on 31.03.2008 .....	-	(5,215.58)
Utilised for writing off non-compete fees balance as on 31.03.2008 .....	-	(99.01)
Utilised for writing off accumulated Profit and Loss debit balance as on 31.03.2008 .....	-	(3,881.62)
Utilised for writing off accretion / variation of Profit and Loss debit balance from 1 <sup>st</sup> April, 2008 to 30 <sup>th</sup> September, 2008 .....	-	(819.53)
Utilised for providing for non compete fees payable in future .....	-	(165.02)
Utilised for Share Issue Expenses for Qualified Institutional Placement & Preferential Warrants (Refer Note B-1 of Sch 15)	(486.45)	-
	<b>24,861.49</b>	<b>5,574.16</b>
General reserve (Surplus on Amalgamation) .....	57,670.78	57,670.78
Foreign Exchange Fluctuation Reserve .....	(140.22)	-
(Refer Note B-27 of Sch 15)		
	<b>82,392.05</b>	<b>63,244.94</b>



**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010**
**SCHEDULE - 3**
**Secured Loans**

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
Term Loan from Banks (Note B-2 of Sch 15) .....	11,994.88	14,806.28
Term Loans from Financial Institutions (Note B-2 of Sch 15) .....	219.98	454.99
(amount repayable for above loans within one year Rs. 4962.61 Lakhs PY Rs. 2831 Lakhs) (Secured against 1 <sup>st</sup> charge on Immovable assets and 2 <sup>nd</sup> charge on movable assets)		
Working Capital Loan from Banks (Note B-2 of Sch 15) .....	566.41	2,641.91
(Secured against 1 <sup>st</sup> charge on movable assets and 2 <sup>nd</sup> charge on immovable assets)		
	<b>12,781.27</b>	<b>17,903.18</b>

**SCHEDULE - 4**
**Unsecured Loans**

Interest free sales tax loan .....	2,086.41	1,994.65
Inter Corporate Deposit from Holding Company .....	-	4,400.00
	<b>2,086.41</b>	<b>6,394.65</b>

**SCHEDULE - 5**
**Fixed Assets**

(Rs. in Lakhs)

Description	Gross Block				Depreciation				Net Block	
	As on 01/04/2009	Additions	Deductions and Adjustments	As at 31/03/2010	As on 01/04/2009	For the Year	Adjustments	As at 31/03/2010	As at 31/03/2010	As on 31/03/2009
<b>Tangible Assets</b>										
Freehold Land	37.53	-	-	37.53	-	-	-	-	37.53	37.53
Building	3,533.46	132.79	-	3,666.25	363.57	111.91	-	475.48	3,190.77	3,169.90
Plant & Machinery	21,673.23	1,827.93	19.88	23,481.28	6,053.35	1,930.78	11.95	7,972.18	15,509.10	15,619.88
Furniture & Fittings	348.88	3.50	-	352.38	40.36	21.20	-	61.56	290.82	308.52
Vehicles	101.29	24.42	7.40	118.31	19.60	9.77	2.96	26.41	91.90	81.69
Sub Total (a)	25,694.39	1,988.64	27.28	27,655.75	6,476.88	2,073.66	14.91	8,535.63	19,120.12	19,217.51
<b>Intangible Assets</b>										
Software	258.24	19.17	-	277.41	184.99	77.13	-	262.12	15.29	73.26
Sub Total (b)	258.24	19.17	-	277.41	184.99	77.13	-	262.12	15.29	73.26
Grand Total (a + b)	25,952.63	2,007.81	27.28	27,933.16	6,661.87	2,150.79	14.91	8,797.75	19,135.41	19,290.77
Previous Year	24,776.79	10,599.78	9423.94	25,952.63	8,553.89	1,953.51	3845.54	6,661.87	19,290.77	16,222.90
Plant & Machinery									3,131.79	3,868.74
Building									395.90	516.30
Capital Advance									-	212.36
SAP implementation HR Module									-	17.14
Total CWIP									3,527.69	4,614.54
<b>Total Fixed Assets</b>									<b>22,663.10</b>	<b>23,905.30</b>

\* Refer Note and B - 23 of Schedule 15



## Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>SCHEDULE - 6</b>		
<b>Investments</b>		
<b>Long Term Investments</b>		
(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)		
(Trade, unquoted valued at cost)		
8,84,485 Class 'A' Equity Shares of Rs.10/- each in Wardha Power Company Private Limited	88.45	
Share Application Money in Wardha Power Co. Private Limited (Refer Note B-25 of Sch 15)	111.88	200.33
(In Subsidiary Companies)		
Non trade, Unquoted, Fully paid		
1,54,65,310 (Previous Year 5,465,310) equity shares of GBP 0.10 each in		
Stokes Group Ltd (Note B-26 of Sch 15) .....	9,018.59	5,285.59
33,849,836 equity shares of EURO 1 each in Mahindra Forgings Global Ltd .....	19,638.53	19,638.53
72,000,001 equity shares of EURO 1 each in Mahindra Forgings International Ltd .....	41,731.40	41,731.40
3,000,000 11% Non Cumulative Redeemable preference shares of EURO 1 each in		
Mahindra Forgings International Limited (redeemable after 7 years) .....	1,886.67	-
6,000,000 11% Non Cumulative Redeemable preference shares of EURO 1 each in		
Mahindra Forgings International Limited (redeemable after 7 years) .....	3,695.85	-
Less: Diminution in Value of Long Term Investment (Refer Note B-26 of Sch 15) .....	(9,018.59)	-
Less: Provision for Exchange Rate Fluctuation (Refer Note B-27 of Sch 15) .....	(140.22)	-
<b>Current Investments</b>		
(Valued at lower of cost or fair value)		
<b>Investments in Mutual Funds</b>		
Tata Floater Fund- Growth - 15,750.31 units (Previous Year Nil) .....	2.16	-
SBI Magnum Insta Cash Fund - 13,869.29 units (Previous Year Nil) .....	2.83	-
SBI Ultra Short Term Fund-Growth - 1,41,72,571.91 units (Previous Year Nil) .....	1,700.00	-
IDFC Money Manager Fund- Growth - 49,82,561.04 units (Previous Year - Nil) .....	500.00	-
Birla Sun Life Floating Rate Fund- Growth- 46,37,229.53 units (Previous Year - Nil) .....	500.00	-
DWS Ultra Short Term Fund- Institutional Growth - 8,590.98 units (Previous Year - Nil) .....	0.93	-
ICICI Prudential Flexible Income Plan Premium Growth - 1,278.17 units (Previous Year - Nil)	2.18	-
	69,720.67	66,855.86
Aggregate Amount of Quoted Investments	2,708.10	-
Market Value of Quoted Investments	2,710.63	-
<b>Current Investments</b>		
Transaction details	Units Rupees in Lakhs	Sold Units Rupees in Lakhs
Tata Mutual Fund Liquid Fund	88,561.02 1,500.00	88,561.02 1,500.00
Tata Mutual Fund Floater Fund	10,957,898.09 1,500.16	10,942,147.79 1,500.00
SBI Mutual Fund Insta Cash Fund	40,202,253.83 8,200.00	40,188,384.54 8,200.00
SBI Mutual Fund Ultra Short Term Fund	14,172,571.91 1,700.00	- -
LIC Mutual Fund Liquid Fund Growth Plan	11,889,828.85 2,000.00	11,889,828.85 2,000.19
LIC Mutual Fund Liquid Fund Growth Plan	13,714,116.91 2,000.19	13,714,116.91 2,005.24
ICICI Prudential Liquid Super Institutional Plan Growth	1,105,421.06 1,500.00	1,105,421.06 1,500.17
ICICI Prudential Flexible Income Plan Premium Growth	878,705.53 1,500.17	877,427.36 1,500.00
Deutsche Asset Management DWS Insta Cash Plus Fund	3,462,172.31 500.00	3,462,172.31 500.05
DWS Ultra Short Term Fund	4,633,338.93 500.05	4,624,747.95 500.00
IDFC Money Manager Fund- Investment Plan C - Growth	4,982,561.04 500.00	- -
BSL Floater Rate Fund	4,637,229.53 500.00	- -
Total	21,900.57	19,205.65
(Previous Year Nil)		



**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010**

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>SCHEDULE - 7</b>		
<b>Current Assets</b>		
Inventories		
(Valued at Cost or net realisable value whichever is lower)		
Raw Material & Components .....	1,208.24	279.97
Work-in-progress .....	1,305.49	567.45
Stores & Spares .....	432.96	275.78
Die steel blocks .....	148.14	274.60
Finished Goods .....	1,249.39	1,012.20
Dies .....	166.96	51.92
	<u>4,511.18</u>	<u>2,461.92</u>
<b>Sundry Debtors (Unsecured)</b>		
Outstanding over six months		
Considered Good .....	15.84	305.04
Considered Doubtful .....	33.96	219.92
	<u>49.80</u>	<u>524.96</u>
Other Debts Considered Good .....		
Less - Provision for doubtful debts/credit notes .....	2,812.19	2,647.64
	<u>33.96</u>	<u>219.92</u>
	<u>2,828.03</u>	<u>2,952.68</u>
<b>Cash &amp; Bank Balances</b>		
Cash on hand .....	0.69	1.88
Balances with Scheduled Banks :		
In Current account .....	598.02	188.14
In Margin money Deposit account .....	185.50	277.75
Balances with Other Banks		
In Current account .....	0.04	0.04
Balances with other Banks include balances lying with non-scheduled Banks		
Standard Chartered Bank, Mauritius		
(Maximum Amount outstanding during the year Rs.0.04 lakhs)		
[Previous year Rs. 0.04 lakhs]		
	<u>784.25</u>	<u>467.81</u>
	<u>8,123.46</u>	<u>5,882.41</u>
<b>SCHEDULE - 8</b>		
<b>Loans and Advances</b>		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received		
From Subsidiaries .....	2,954.77	-
From Others .....	969.75	206.26
Balance with Excise/Customs /Sales tax authorities .....	231.73	180.39
Deposits .....	11.00	190.57
Advance Income Tax (Net of Provision) .....	78.32	72.50
	<u>4,245.57</u>	<u>649.72</u>



## Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>SCHEDULE - 9</b>		
<b>Current Liabilities &amp; Provisions</b>		
Current Liabilities		
Sundry Creditors (Refer Note B-7 of Sch 15)		
a) Total outstanding dues of Micro and Small Enterprises .....	3.45	7.37
b) Total outstanding dues of Creditors other than Micro and Small Enterprises .....	7,035.56	4,100.82
Subsidiary Companies .....	-	0.08
Interest accrued but not due on loans .....	-	0.20
Other Liabilities .....	2,246.02	1,483.13
	<u>9,285.03</u>	<u>5,591.60</u>
Provisions		
Gratuity .....	140.45	124.58
Leave Encashment .....	61.89	35.28
Contingencies .....	139.79	139.79
	<u>342.13</u>	<u>299.65</u>
	<u>9,627.16</u>	<u>5,891.25</u>
<b>SCHEDULE - 10</b>		
<b>Other Income</b>		
Interest on deposits .....	36.97	13.19
[Tax Deducted at Source Rs. 7.08 Lakhs (PY Rs. 4.85 Lakhs)]		
Interest Others-(Net) .....	3.96	20.97
Dividend on Mutual Funds .....	-	0.79
Profit on sale of Short Term Investments .....	13.33	-
Profit on sale of Fixed Assets (Net) .....	-	1.82
Credit Balances Written Back .....	16.67	14.26
Exchange Rate Fluctuation (Net) .....	-	390.89
Export Incentives .....	35.75	46.65
Miscellaneous Income .....	71.47	47.53
	<u>178.15</u>	<u>536.10</u>
<b>SCHEDULE - 11</b>		
<b>Material Consumption</b>		
Raw Material and Components Consumed .....	17,391.09	15,469.96
(Increase)/ Decrease in Stocks		
Opening stock - Work in Progress .....	567.45	1,109.42
Finished Goods .....	1,012.20	36.73
	<u>1,579.65</u>	<u>1,146.15</u>
Closing stock - Work in Progress .....	1,305.50	567.45
Finished Goods .....	1,249.39	1,012.20
	<u>2,554.89</u>	<u>1,579.65</u>
(Increase)/ Decrease in Stocks .....	<u>(975.24)</u>	<u>(433.50)</u>
	<u>16,415.85</u>	<u>15,036.46</u>





**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010**

	2010 (Rs. in Lakhs)	2009 (Rs. in Lakhs)
<b>SCHEDULE - 12</b>		
<b>Personnel Expenses</b>		
Salaries, Wages, Bonus etc .....	1,971.60	1,953.37
Contribution to Provident & other funds .....	99.45	98.87
Staff Welfare expenses .....	126.90	116.12
	<u>2,197.95</u>	<u>2,168.36</u>
<b>SCHEDULE - 13</b>		
<b>Other Expenses</b>		
<b>Manufacturing Expenses</b>		
Power & Fuel .....	2,904.19	2,097.81
Dies Consumed / Amortised .....	594.32	539.76
Stores, Spares & Oil consumed .....	1,482.71	1,167.72
Other Manufacturing Expenses .....	104.81	113.25
<b>Repairs &amp; Maintenance</b>		
- Plant & Machinery .....	595.57	630.75
- Buildings .....	12.85	4.35
- Others .....	108.08	133.75
Total Manufacturing Expenses .....	<u>5,802.53</u>	<u>4,687.39</u>
<b>Administrative &amp; Selling expenses</b>		
Rent .....	8.82	19.67
Rates & Taxes .....	79.66	56.30
Insurance .....	19.79	13.66
Freight & Packing .....	457.76	374.40
Printing & Stationery .....	27.47	30.60
Telephone Expenses .....	44.53	20.75
Travelling & Conveyance .....	79.43	57.05
Provision for Doubtful debts/credit notes .....	23.36	62.87
Provision for Doubtful Advances .....	-	27.72
Old Balances Written Off .....	5.54	1.03
Loss on Sale of Assets .....	4.97	19.41
Asset written off .....	4.94	191.60
Exchange Rate Fluctuation (Net) .....	27.92	-
Other Administrative & Selling Expenses .....	249.29	329.81
	<u>1,033.48</u>	<u>1,204.87</u>
Total Other Expenses .....	<u>6,836.01</u>	<u>5,892.26</u>
<b>SCHEDULE - 14</b>		
<b>Interest &amp; Finance Cost</b>		
On Fixed period loans .....	1,637.83	1,771.40
On Others .....	1,083.86	609.95
Cash Discounts .....	265.51	157.81
	<u>2,987.20</u>	<u>2,539.16</u>



## SCHEDULE - 15

Notes forming part of the Accounts for the Year ended 31<sup>st</sup> March, 2010

### 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 in accordance with Generally Accepted Accounting Principles in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

#### ii. Use of Estimates :

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialise.

#### iii. 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 are charged/credited to the Profit and Loss Account.
- (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) The carrying amount of cash generating units/ assets is reviewed at the Balance Sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognized whenever carrying amount exceeds the recoverable amount.
- (e) 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.

#### iv. 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.

#### v. 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.

#### vi. Inventories :

Inventories are stated at cost or net realizable value, whichever is lower.

Raw Material, Stores & spares are valued on moving weighted average method.

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



**vii. 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 monetary assets and monetary liabilities outstanding at the end of the year are recognized 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 amortized 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 recognized as income or expense for the period.
- (c) Exchange differences arising on a monetary item, forming part of a net investment in a Non Integral Foreign Operation is accumulated in Foreign Currency Translation Reserve.

**viii. Revenue recognition :**

Sales of products and services are recognised when the products are dispatched or services rendered which coincide with transfer of risk and rewards. Sales are exclusive of sales tax and net of sales return and trade discounts.

Revenue from sale of tools which are manufactured on specific requirement of the customers is recognized to the extent of surplus over the cost of manufacturing of such tools.

Interest income is accounted on an accrual basis/time proportionate basis on contractual rates.

Dividend Income is recognized when the right to receive the same is established.

**ix. Export Benefits :**

Export Incentives are recognised as and when accrued.

**x. Retirement Benefits :**

Retirement Benefits in respect of gratuity and leave encashable at retirement/cessation are provided for based on actuarial 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 considers 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 service cost 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

**xi. 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 recognized 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 realized.



## xii. Impairment of Assets :

Management periodically assesses using external and internal sources, whether there is an indication that an asset / a cash generating unit (CGU) may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash-flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of carrying amount over the higher of the asset's net sales price or present value as determined above.

## xiii. Provisions and Contingent Liabilities :

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

## B) Notes to Accounts

1. The Company, at its Extra-Ordinary General Meeting held on 18<sup>th</sup> February, 2010, had approved by a Special Resolution, increase in the Authorised Capital of the Company and issue of equity shares and preferential warrants.

Pursuant to the passing of the above resolutions and in accordance to Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009, as amended :

- The Company allotted 1,62,41,300 Equity Shares of face value of Rs.10/- each at price of Rs.107.75/- per Equity Share including a premium of Rs. 97.75 per Equity Share aggregating to Rs.17,500 Lakhs to Qualified Institutional Buyers(QIB) through Qualified Institutions Placement(QIP).
- Further the Company issued 72,99,270 Preferential Warrants to Mahindra & Mahindra Limited (the holding company) at a price of Rs. 137/- per Warrant for conversion into 1 Equity Share per Warrant in one or more tranches within 18 months from the date of allotment of the Warrant.
- Out of the above Preferential Warrants issued to Mahindra & Mahindra Limited (the holding company), the Company converted 30,00,000 Preferential Warrants into Equity Shares at a face value of Rs.10/- each with a Share Premium of Rs. 127/- each. The Company has received the entire amount of Rs. 4,110 Lakhs against the issue of these shares.
- Further, the Company has received an amount of Rs. 1,472.50 Lakhs @25% of the face value of Rs.137/- per warrant towards the balance Warrants of 42,99,270 issued to Mahindra & Mahindra Limited (the holding company).

The cost of issue of the shares to QIP holders amounting to Rs.486.45 Lakhs was adjusted against the Securities Premium Account in accordance with the provisions of The Companies Act, 1956. The details of expenses adjusted are as under:

(Rs.in lakhs)

Particulars	
Legal Counsel Fees	158.81
Fees payable to Advisors to the issue	260.00
Expenses for increase in Authorised Capital	35.00
Audit Fees for certification	21.05
Listing Fees & Other Fees paid to the Stock Exchanges	11.53
Other expenses	0.06
Total	486.45



The utilization of the funds received from the QIP & advance received against the Preferential Warrants issued and the conversion of Preferential Warrants issued are as under:

(Rs.in lakhs)

<b>Sources of Funds</b>	
QIP Proceeds	17,500.00
Advance against Warrants	1,472.50
Conversion of Warrants to Equity Shares	4,110.00
<b>Total</b>	<b>23,082.50</b>
<b>Utilisation of Funds</b>	
Repayment of Borrowings	10,050.00
QIP Issue Expenses paid	205.33
<b>Investment in Subsidiaries</b>	
Subscription to 11% Redeemable Preference Capital of Subsidiary, Mahindra Forgings International Limited, Mauritius repayable after 7 years	3,695.85
<b>Balance Surplus Funds Deployed</b>	
Investment in Liquid Fund schemes of Mutual Fund	2,708.09
Repayment of Working Capital facilities	2,847.25
Repayment of short term loan	3,575.98
<b>Total</b>	<b>23,082.50</b>

- Further the Company has issued 46000 Equity Shares of Rs.10/- each to ESOP holders under the Employees' Stock Option Scheme at a premium of Rs.73/- each.

## 2. Borrowings and Securites :

Name of the Lender	Type of Loan	Repayment Schedule
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	13 quarterly installments commencing from March, 2010 to March, 2013.
Axis Bank	Capex Term Loan	13 quarterly installments commencing from March, 2010 to March, 2013.

- All the term lenders have 1<sup>st</sup> charge on immovable assets & 2<sup>nd</sup> charge on movable assets whereas Working Capital lenders have 1<sup>st</sup> charge on movable assets & 2<sup>nd</sup> charge on Immovable assets of the Company.



### 3. Contingent Liabilities not provided for :

(Rs. in lakhs)

Particulars	As at 31 <sup>st</sup> March, 2010	As at 31 <sup>st</sup> March, 2009
(i) Income Tax Claims against which Company has preferred an appeal		
(a) Non Deduction of TDS and interest thereon	29.89	29.89
(b) Disallowance of certain expenses	93.04	71.62
(ii) Excise Cases against the Company, appealed by the Company with CESTAT.		
a) Relating to Cenvat availed on rejected goods	89.27	89.27
b) Interest on Supplementary Invoices	9.59	9.59

- In addition to above, the Company has availed Bill Discounting Facilities under Bill Marketing Scheme, during the year from its customers for an amount of Rs. 1,579.80 Lakhs. (31<sup>st</sup> March, 2009 Rs. 1,666.32 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 276.80 Lakhs (31<sup>st</sup> March, 2009 USD 283.83 Lakhs).
- Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 127.52 Lakhs (31<sup>st</sup> March, 2009 Rs 432.26 lakhs).
- Employees' Stock Option Scheme (ESOS) was formulated by the Remuneration/Compensation Committee of directors of the Company and approved by it on 26<sup>th</sup> October, 2007. This was subject to the authority vested in it by the shareholders at the General Meeting of the Company held on 25<sup>th</sup> 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, options entitled to one equity share of Rs.10/- each fully paid up were granted as follows :-
  - 2,96,000 options to the employees of the Company at a fixed price of Rs.197/- per share on 26<sup>th</sup> October, 2007.
  - 3,91,000 options to the employees of the holding company (M&M) at a fixed price of Rs. 83/- per share on 26<sup>th</sup> February, 2008
  - 88,000 and 12,000 options to the directors of the Company at a fixed price of Rs. 197/- per share on 26<sup>th</sup> October, 2007 and 26<sup>th</sup> February, 2008 respectively.
  - 2,50,000 options to the employees of Foreign subsidiaries at a fixed price of Rs. 151.80/- per share on 9<sup>th</sup> May, 2008.
  - 2,45,000 options to the employees of Foreign subsidiaries at a fixed price of Rs. 102/- per share on 29<sup>th</sup> July, 2008.
  - 5,00,000 options to the employee of the Company at a fixed price of Rs. 109/- per share on 26<sup>th</sup> August, 2008.
    - 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 <sup>st</sup> April, 2009	2,04,000	197.00
	3,91,000	83.00
	2,50,000	151.80
	2,45,000	102.00
	4,58,000	109.00
Options granted during the year	N.A.	N.A.
Options Forfeited during the year	38,000	197.00
	36,000	83.00
	38,425	151.80
	41,745	102.00
	69,000	109.00
Options Exercised during the year	46,000	83.00
Options outstanding on 31 <sup>st</sup> March, 2010	1,66,000	197.00
	3,09,000	83.00
	2,11,575	151.80
	2,03,255	102.00
	3,89,000	109.00
Options vested but not exercised on 31 <sup>st</sup> March, 2010	83,000	197.00
	1,31,500	83.00
	52,894	151.80
	50,814	102.00
	97,250	109.00

- c. The Company has adopted the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. Consequently, salaries, wages, bonus, etc. includes Rs. 133.18 Lakhs (Previous Year: Rs. 299.97 Lakhs) being the amortisation of deferred employee compensation, after adjusting for reversals on account of options lapsed.

Had the Company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by Rs. 92.71 Lakhs (Previous Year 173.26 lakhs), Profit after tax higher by Rs. 92.71 Lakhs (Previous Year Rs. 173.26 lakhs), and the basic and diluted earning per share would have been higher by Rs. 0.13 (Previous Year Rs.0.25).

- 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 1B as deferred employee compensation expenses.



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- e. During the current year, no fresh options were granted. Information in respect of options granted during the earlier years are 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 9 <sup>th</sup> May, 2008	Grant dated 29 <sup>th</sup> July, 2008	Grant dated 26 <sup>th</sup> August, 2008
Risk free interest rate	7.59%	9.35%	9.13%
Expected Life	3.5 Years	3.5 Years	3.5 Years
Expected volatility	44.84%	44.87%	44.87%
Expected dividend yield	NIL	NIL	NIL
Exercise price	Rs.151.80/-	Rs.102/-	Rs.109/-
Stock price	Rs.172.35/-	Rs.122.55/-	Rs.130/-
Fair Value of Options Granted	Rs. 98.44/-	Rs. 74.34/-	Rs.78.24/-

During the year, the Employee Stock Option Holders of the Company exercised their option and 46,000 shares (Exercise Price Rs. 83/- per Equity Share) were allotted to the ESOS holders.

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)

Auditors Remuneration	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
Dues remaining unpaid as at 31 <sup>st</sup> March		
Principal	3.45	7.37
Interest	0.05	0.09
Interest paid in terms of Section 16 of the Act.	Nil	Nil
Amount of Interest due and payable for the period of delay in payments made beyond the appointed day during the year.	0.32	0.51
Amount of interest accrued and remaining unpaid as at 31 <sup>st</sup> March	1.43	1.10

8. Auditors' Remuneration (Net of Service Tax where applicable) :

(Rs. in lakhs)

	Auditors Remuneration	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
(i)	Audit Fees	6.25	6.25
(ii)	Tax Audit Fees	1.00	1.00
(iii)	Other Services	4.00	3.50
(iv)	Audit Fees for QIP (adjusted against Securities Premium)	21.05	-
	Total	32.30	11.25



## 9. Managerial remuneration for directors included in the Profit and Loss Account is as under :

(Rs. in lakhs)

Particulars	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
Salaries & Allowances	61.91	50.18
Provident Fund	1.97	1.27
Variable Performance pay	21.74	12.19
Other Allowance	0.80	-
Perquisites	1.55	9.07
Total	87.97	72.71

The above figures are excluding charge for provision for leave encashment on separation and gratuity payable provided on actuarial basis.

The Company has received an approval from the Central Government for the Managerial Remuneration till 31<sup>st</sup> August, 2011.

## 10. Capacities and Production of Forging:-

Forging	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
Unit	M.T	M.T
Installed Capacity (3 shifts basis)	85545	85545
Production	29275	21868

## 11. Turnover, Opening and Closing Stocks

(Rs. in lakhs)

Forging		31 <sup>st</sup> March, 2010		31 <sup>st</sup> March, 2009	
	Unit	Qty	Value	Qty	Value
Turnover	M.T.	28905	27,414.29	20851	20,654.61
Opening Stock	M.T.	1070.86	1,012.20	54	36.73
Closing Stock	M.T.	1441.14	1,249.39	1070.86	1,012.20

## 12. Raw Materials &amp; Components Consumed :

(Rs. in lakhs)

Steel	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
M.T.	43,478	30,766
Value	17,391.09	15,469.96

## 13. Value of Raw Material and Components Consumed :

(Rs. in lakhs)

	31 <sup>st</sup> March, 2010		31 <sup>st</sup> March, 2009	
	Rs. in lakhs	%	Rs. in lakhs	%
Indigenous	17,388.99	99.99	15,144.90	97.90
Imported	2.10	0.01	325.06	2.10
Total	17,391.09	100	15,469.96	100.00



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### 14. Value of Stores & Spares Consumed :

(Rs. in lakhs)

Particulars	31 <sup>st</sup> March, 2010		31 <sup>st</sup> March, 2009	
	Rs. in lakhs	%	Rs. in lakhs	%
Indigenous	1,105.97	74.59	851.91	72.95
Imported	376.74	25.41	315.81	27.05
Total	1,482.71	100	1,167.72	100

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

(Rs. in lakhs)

Sr.	Particulars	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
i)	Stores and Spares	376.73	315.81
ii)	Capital Goods	664.80	1,647.52
iii)	Raw Material	2.10	325.06
	Total	1,043.63	2,288.39

### 16. Earnings in Foreign Exchange :

(Rs. in lakhs)

Particulars	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
Exports (F.O.B. Value)	659.46	841.98

### 17. Expenditure in Foreign Currency :

(Rs. in lakhs)

Sr.	Particulars	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
i)	Foreign Travel	7.17	4.32
ii)	Technical Consultancy	15.88	60.89
iii)	Installation, Erection and Commissioning charges	11.77	12.61
iv)	Stamp Duty on transfer of shares	-	26.52
v)	Commission paid	15.63	18.82
vi)	Other Expenses	0.54	2.14
vii)	Legal Consultancy Charges for QIP Issue	107.41	-
	Total	158.39	125.30



## 18. Employee Benefits:

## (a) Defined Benefit Plan -

(Rs. in lakhs)

		Gratuity		Leave Encashment	
		March, 2010	March, 2009	March, 2010	March, 2009
Expense recognized during the period ended March 31, 2010(Included in Schedule '12' Salary, Wages, Bonus of Personnel Expenses)					
1.	Current Service cost	21.33	22.02	14.58	23.39
2.	Interest Cost	9.97	5.79	2.82	2.13
3.	Expected return on plan assets	-	-	-	-
4.	Actuarial Losses/ (Gains)	(14.44)	18.67	26.56	1.52
5.	Total expense	16.86	46.48	43.96	27.04
Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended March 31, 2010					
1.	Net Asset/(Liability) at beginning of period	(124.61)	(82.73)	(35.28)	(30.36)
2.	Employee Expense	(16.86)	(46.48)	(43.96)	(27.04)
3.	Employee Contributions	1.02	4.60	17.34	22.12
4.	Net Asset/(Liability) at the end of the period	(140.45)	(124.61)	(61.89)	(35.28)
5.	Actual Return on plan assets	Not Applicable			

Actuarial Assumptions***		As at March 31, 2010
1.	Discount Rate	8% per annum
2.	Expect rate of return on plan assets	NA
3.	Expect rate of salary increase	5% per annum
4.	Mortality Table	LIC (1994-96) ULITMATE

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

## (b) Defined Contribution Plans -

Amount recognized as an expense and included in the Schedule 12 "Contribution to Provident and other funds" of Personnel Expenses Rs 99.45 Lakhs.



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### 19. The components Deferred Tax Assets / Liability :

(Rs in lakhs)

	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
<b>Deferred Tax Liability</b>		
- On fiscal allowances of Fixed Assets	1,440.74	1,143.49
- On Employees Stock Options	57.50	113.33
	1,498.24	1,256.82
<b>Less: Deferred Tax Assets</b>		
- On unabsorbed fiscal losses and depreciation	2,995.94	2,751.38
- On Amalgamation & demerger expenses	74.75	89.50
- On share issue expenses	101.40	154.42
- On other timing differences	254.05	242.38
	3,426.14	3,237.68
<b>Net Asset/(Liability)</b>	<b>1,927.90</b>	<b>1,980.86</b>
Deferred Tax Assets not recognised	1,927.90	1,467.00
Deferred Tax Assets of earlier years de-recognised	-	513.86
<b>Net Asset / (Liability)</b>	<b>-</b>	<b>-</b>

Note: Net Deferred Tax Asset of Rs. 1,927.90 Lakhs is not accounted for, as a measure of prudence in view of losses incurred during the year and will be recognised on the Company making profits.

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 31.03.2009 are as follows:

Holding Company	1. Mahindra & Mahindra Limited
Subsidiary Companies	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
Fellow Subsidiaries	1. Mahindra First Choice Wheels Limited 2. Mahindra Gear Transmissions Private Limited 3. Mahindra UGINE Steel Company Limited 4. Bristlecone India Limited 5. Mahindra Navistar Automotives Limited 6. Mahindra Logistics Limited 7. Mahindra Castings Limited. (formerly known as Mahindra Castings Private Limited) 8. Mahindra Engineering Services Limited
Key management personnel	1. Deepak Dheer



## Transactions with related parties :

(Rs in lakhs)

Nature of Transactions	31 <sup>st</sup> March, 2010				31 <sup>st</sup> March, 2009			
	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt personnel	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt personnel
Sales								
-Goods	11,063.54	250.04	-	-	7,818.87	19.05	-	-
-Scrap	-	1,510.59	-	-	-	1,906.02	-	-
-Fixed Assets	-	-	-	-	-	2.61	-	-
Purchases								
-Raw material	-	14,734.19	-	-	-	8,640.03	7.16	-
-Capital goods	3.24	-	8.73	-	-	43.87	157.47	-
-Discounting Charges	81.62	-	-	-	41.39	-	-	-
-Services	12.97	591.79	-	-	11.47	487.24	-	-
Payment of Rent	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Intercompany Deposit Accepted	5,650.00	-	-	-	4,400.00	-	-	-
Intercompany Deposit Refunded	10,050.00	-	-	-	-	-	-	-
Loan Refunded	-	-	-	-	-	-	-	-
Loan Received	-	-	-	-	-	-	-	-
Professional Fees	4.73	-	-	-	-	-	60.89	-
Interest on ICD paid	885.05	-	-	-	170.61	-	-	-
Interest on Loan Paid	-	-	-	-	-	-	-	-
Inter Corporate Deposit given	-	-	5,366.40	-	-	-	-	-
Inter Corporate Deposit refunded	-	-	2,424.02	-	-	-	-	-
Interest on ICD received	-	-	430.32	-	-	-	-	-
Subscription for Warrants received	2,500.00	-	-	-	-	-	-	-
Share Application Money received	3,082.50	-	-	-	-	-	-	-
Outstanding								
-Receivables	422.45	68.15	2,954.77	-	728.70	146.09	-	-
-Payables	30.05	4,282.09	-	-	4,497.51	1,478.03	-	-
Reimbursement of Expense	34.61	-	25.50	-	-	-	1.45	-
Warrants Subscription outstanding	1,472.50	-	-	-	-	-	-	-
Advance for expenses payable	-	-	-	-	-	-	-	-
Managerial remuneration	-	-	-	87.97	-	-	-	72.71
Investment in subsidiaries	-	-	9,351.52	-	-	-	-	-
Finance (including loans and equity contributions in cash or in kind)	-	-	-	-	-	-	-	-





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### 22. Earnings per Share :

	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009
Profit/(Loss) as per the P&L Account (Rs. in Lakhs)	(9,473.45)	(4,140.09)
Weighted Average Number of equity shares outstanding during the year	7,01,33,657	6,85,67,736
Basic Earnings per share (Rs.)	(13.51)	(6.04)
Diluted Earnings per share (Rs.)	(13.51)	(6.04)

23. Amount of borrowing cost capitalised during the period is Rs. Nil (Previous. Year Rs. 119.75 Lakhs)
24. Prior Period Items include Payment of additional VAT liability arising out of VAT audit for the previous years of Rs.71.04 Lakhs (Previous year Stamp Duty related to Demerger of Chakan unit of Amforge Industries Ltd. with the Company of Rs. 132.79 Lakhs).
25. The Company had entered into a Share Subscription Agreement with Wardha Power Company Private Limited on 29<sup>th</sup> February, 2008 to invest Rs. 325 Lakhs by way of subscription to 8,81,111 Class A Equity Shares of Rs. 10/- each, 11,18,889 Class 'A' 0.01% Redeemable Preference Shares of Rs. 10/- each and 12,50,000 Class 'C' 0.01% Redeemable Preference Shares of Rs. 10/- each. The Company will be entitled to 5 MW of power generated from the Group Captive Power Plant as per the Power Delivery Agreement dated 29<sup>th</sup> February, 2008. The Company has paid share application money of Rs. 200 Lakhs for Class 'A' Equity and Redeemable Preference Shares.
- Upon the expiry of the Power Purchase Agreement, Class 'A' Equity Shares and Class 'A' 0.01% Redeemable Preference Shares will be bought back for a total consideration of Re.1/- . One-tenth of Class 'C' Redeemable Preference Shares will be redeemed on every anniversary from the date of issue @ Rs. 0.01 per share.
- Consequent to the amendment to the share subscription agreement dated 3<sup>rd</sup> December 2009, there has been a change in the number of Class 'A' Equity Shares of Rs. 10/- each from 8,81,111 to 8,84,485 and Redeemable Preference Shares of Rs. 10/- each from 11,18,889 to 11,15,515. The shares instead of being allotted by Wardha Power Company Limited, were to be transferred by KSK Energy Limited to the Company.
- Accordingly, the Company received 8,84,485 Class 'A' Equity Shares of Rs.10 each of Wardha Power Company Private Limited valuing to Rs. 88.45 Lakhs after adjusting the Share Subscription Money paid by the Company. The balance amount of Rs. 111.55 Lakhs is treated as Share Application Money against 11,15,515 Class 'A' 0.01% Redeemable Preference Shares of Rs. 10/- each. This investment would be amortised over a period of 25 years from the year in which supply of power starts.
26. The Company's subsidiary, Stokes Group Limited, UK has incurred losses and the net worth of the said subsidiary company has eroded. Accordingly during the year, the Company has recognised provision for diminution in the value of investment of Rs. 9,018.59 Lakhs representing 100% of the value of investment.
27. During the year, Company has invested Euro 9 million (Rs. 5,583 Lakhs) in 11% Redeemable, Non-cumulative Preference Shares of Mahindra Forgings International Limited, its wholly owned subsidiary. Said preference shares are redeemable after 7 years. The preference shares, being a monetary item forming part of net investment in a non-integral foreign operation, Exchange difference of Rs. 140.22 Lakhs (loss) arising on the restatement as on 31<sup>st</sup> March, 2010 is accumulated in foreign currency translation reserve.
28. The Company has made an investment of Rs. 66,952.45 Lakhs in its subsidiary companies, Mahindra Forgings International Limited (holding Jeco Group of companies) and Mahindra Forgings Global Limited (holding Schöneweiss Group of companies). Taking into account the restructuring undertaken by the Company during the entire year, future business plan of the subsidiaries diminution in the value of investments is considered temporary and does not require provisioning.
29. Figures for the previous year have been regrouped and rearranged wherever necessary.

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  
Firm Registration No. 105102W

Mumbai, 12<sup>th</sup> May, 2010

For & on behalf of Board of Directors

**Deepak Dheer**  
(Managing Director)  
**Virendra Kumar Chanana**  
(Director)

**Piyush Mankad**  
(Director)  
**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)  
**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)  
**Ajay Mantry**  
(CFO)



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

**I. Registration Details :**

Registration No. 

1	1	-	1	2	1	2	8	5	of	1999
---	---	---	---	---	---	---	---	---	----	------

 State Code 

1	1
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Balance Sheet Date 

3	1
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0	3
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2	0	1	0
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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>2</td><td>3</td><td>0</td><td>8</td><td>3</td></tr></table>							2	3	0	8	3		
										N	I	L															
						2	3	0	8	3																	

**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>1</td><td>0</td><td>7</td><td>9</td><td>2</td><td>0</td></tr></table>					1	0	7	9	2	0	Total Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>1</td><td>0</td><td>7</td><td>9</td><td>2</td><td>0</td></tr></table>					1	0	7	9	2	0
				1	0	7	9	2	0												
				1	0	7	9	2	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>8</td><td>7</td><td>8</td><td>6</td></tr></table>							8	7	8	6	Reserves & Surplus <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>8</td><td>4</td><td>2</td><td>6</td><td>6</td></tr></table>							8	4	2	6	6
						8	7	8	6													
						8	4	2	6	6												
Secured Loans <table border="1" style="display: inline-table;"><tr><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>1</td></tr></table>							1	2	7	8	1	Unsecured Loans <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>2</td><td>0</td><td>8</td><td>7</td></tr></table>							2	0	8	7
						1	2	7	8	1												
						2	0	8	7													

**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>1</td><td>9</td><td>1</td><td>3</td><td>5</td></tr></table>							1	9	1	3	5	Capital WIP <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>3</td><td>5</td><td>2</td><td>8</td></tr></table>							3	5	2	8			
						1	9	1	3	5															
						3	5	2	8																
Investments <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>6</td><td>9</td><td>7</td><td>2</td><td>1</td></tr></table>							6	9	7	2	1	Net Current Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>2</td><td>7</td><td>4</td><td>2</td></tr></table>							2	7	4	2			
						6	9	7	2	1															
						2	7	4	2																
Accumulated Losses <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>7</td><td>9</td><td>4</td></tr></table>							1	2	7	9	4	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>N</td><td>I</td><td>L</td></tr></table>											N	I	L
						1	2	7	9	4															
										N	I	L													

**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>3</td><td>0</td><td>2</td><td>0</td><td>6</td></tr></table>							3	0	2	0	6	Total Expenditure <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>3</td><td>9</td><td>6</td><td>8</td><td>0</td></tr></table>							3	9	6	8	0
						3	0	2	0	6													
						3	9	6	8	0													
Net Loss <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>9</td><td>4</td><td>7</td><td>4</td></tr></table>							9	4	7	4	Earning per Share in Rupees												
						9	4	7	4														
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. (13.82) Rs. (13.82)									
										N	I	L											

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

Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>7</td><td>3</td><td>2</td><td>6</td><td>1</td><td>9</td><td>9</td><td>0</td></tr></table>	7	3	2	6	1	9	9	0								
7	3	2	6	1	9	9	0										
Product Description	<table border="1" style="display: inline-table;"><tr><td>F</td><td>O</td><td>R</td><td>G</td><td>I</td><td>N</td><td>G</td><td>S</td></tr></table>	F	O	R	G	I	N	G	S								
F	O	R	G	I	N	G	S										
Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>8</td><td>7</td><td>0</td><td>8</td><td>9</td><td>9</td><td>0</td><td>0</td></tr></table>	8	7	0	8	9	9	0	0								
8	7	0	8	9	9	0	0										
Product Description	<table border="1" style="display: inline-table;"><tr><td>F</td><td>O</td><td>R</td><td>G</td><td>I</td><td>N</td><td>G</td><td>S</td><td>M</td><td>A</td><td>C</td><td>H</td><td>I</td><td>N</td><td>E</td><td>D</td></tr></table>	F	O	R	G	I	N	G	S	M	A	C	H	I	N	E	D
F	O	R	G	I	N	G	S	M	A	C	H	I	N	E	D		

For & on behalf of Board of Directors

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Piyush Mankad**  
(Director)

**Ajay Mantry**  
(CFO)

Mumbai, 12<sup>th</sup> May, 2010



# 68 Mahindra Forgings

## Annual report 2009-10

### 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	Extent of Holding	Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31 <sup>st</sup> March, 2010	Not dealt with in the accounts of Mahindra Forgings Limited for the year ended 31 <sup>st</sup> March, 2010	Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31 <sup>st</sup> March, 2009	Not dealt with in the accounts of Mahindra Forgings Limited for the year ended 31 <sup>st</sup> March, 2009
	Nos.	%	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)
<b>Stokes Group Limited</b>	15,465,310	99.92%	-	(2,548.80)	-	(4,046.99)
* Stokes Forgings Dudley Limited	-	99.92%	-	-	-	686.93
* Jensad Limited	-	99.92%	-	-	-	-
+ Stokes Forgings Limited	-	99.92%	-	-	-	-
<b>Mahindra Forgings International Limited</b>	72,000,001	100.00%	-	(1,625.52)	-	(238.95)
~ Mahindra Forgings Europe AG	-	100.00%	-	(9,086.87)	-	(1,339.87)
@ Gesenkschmiede Schneider GmbH	-	100.00%	-	-	-	-
@ Jeco Jellinghaus GmbH	-	100.00%	-	-	-	-
@ Falkenroth Umformtechnik GmbH	-	100.00%	-	-	-	-
<b>Mahindra Forgings Global Limited</b>	33,849,836	100.00%	-	2.22	-	(1.29)
# Schoeneweiss & Co. GmbH	-	100.00%	-	(5,100.09)	-	(328.22)
* Subsidiary of Stokes Group Limited						
+ Subsidiary of Jensaad Limited						
~ Subsidiary of Mahindra Forgings International Limited						
@ Subsidiary of Mahindra Forgings Europe AG						
# Subsidiary of Mahindra Forgings Global Limited						

Note: The financial year of all subsidiaries ended on 31<sup>st</sup> March, 2010.

For & on behalf of Board of Directors

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Piyush Mankad**  
(Director)

**Ajay Mantry**  
(CFO)

Mumbai, 12<sup>th</sup> May, 2010



## **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 31<sup>st</sup> March, 2010 and also the Consolidated Profit & Loss Account and 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 statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 subsidiaries, whose financial statements reflect the Group's share of total assets of Rs. 139,687.83 lakhs as at March 31, 2010 and the Group's share of total revenues of Rs. 103,189.30 lakhs for the year ended on that date and Group's share of net cash outflows of Rs. 614.39 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 the other auditors whose reports have been furnished to us and our opinion, insofar 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 (AS) 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of the 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 the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) In case of the Consolidated Balance Sheet, of the state of affairs of Mahindra Forgings Limited Group as at 31<sup>st</sup> March, 2010,
  - ii) In case of the Consolidated Profit and Loss Account, of the loss for the year ended on that date, and
  - iii) In 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.: 044784  
Firm Registration No. 105102W

Place : Mumbai  
Dated : 12<sup>th</sup> May, 2010



# 70 Mahindra Forgings

## Annual report 2009-10

### Consolidated Balance Sheet as at 31<sup>st</sup> March 2010

	Schedule	2010 (Rs. in lakhs)	2009 (Rs. in lakhs)
<b>I SOURCES OF FUNDS :</b>			
SHAREHOLDERS' FUNDS			
Share Capital .....	1	8,785.50	6,856.77
Share Application Money received for Warrants .....	1A	1,472.50	-
Employee Stock Options Outstanding .....	1B	401.92	323.06
Reserves and Surplus .....	2	95,058.49	75,139.54
		<b>105,718.41</b>	<b>82,319.37</b>
MINORITY INTEREST .....		-	(7.61)
LOAN FUNDS			
Secured Loans .....	3	56,766.90	77,416.23
Unsecured Loans .....	4	8,592.20	9,979.40
		<b>65,359.10</b>	<b>87,395.63</b>
		<b>171,077.51</b>	<b>169,707.39</b>
<b>II APPLICATION OF FUNDS :</b>			
FIXED ASSETS			
Gross Block .....		257,479.23	280,484.61
Less : Depreciation .....		138,758.29	145,798.21
Net Block .....		118,720.94	134,686.40
Capital Work in Progress .....		4,827.19	5,352.41
Total .....	5	123,548.13	140,038.81
INVESTMENTS .....	6	2,935.43	226.14
DEFERRED TAX ASSET (Net) .....		5,388.48	752.93
NET CURRENT ASSETS			
Current Assets, Loans and Advances .....	7, 8		
Inventories .....		25,589.10	32,745.41
Sundry Debtors .....		19,739.95	19,545.54
Cash and Bank Balances .....		2,865.46	3,480.08
Loans and Advances .....		2,950.34	11,706.32
		<b>51,144.85</b>	<b>67,477.35</b>
Less : Current Liabilities and Provisions .....	9		
Current Liabilities .....		24,858.50	22,399.05
Provisions .....		13,372.66	24,268.77
		<b>38,231.16</b>	<b>46,667.82</b>
Net Current Assets .....		12,913.69	20,809.53
Profit & Loss Account .....		26,291.78	7,879.98
		<b>171,077.51</b>	<b>169,707.39</b>
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  
Firm Registration No. 105102W

Mumbai, 12<sup>th</sup> May, 2010

For & on behalf of Board of Directors  
**Hemant Luthra**  
(Director)

**Piyush Mankad**  
(Director)

**Daljit Mirchandani**  
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**Krishnan Shankar**  
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**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Fali P. Mama**  
(Director)

**Ajay Mantry**  
(CFO)



**Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March 2010**

	Schedule	2010 (Rs. in lakhs)	2009 (Rs. in lakhs)
<b>I INCOME</b>			
Gross Sales .....		135,262.01	227,200.12
Less - Excise duty .....		2,519.85	2,958.13
Net Sales .....		132,742.16	224,241.99
Other Income .....	10	686.48	643.29
		<b>133,428.64</b>	<b>224,885.28</b>
<b>II EXPENDITURE</b>			
Material Consumption .....	11	63,908.33	110,160.08
Personnel Expenses .....	12	36,293.88	53,897.65
Other Expenses .....	13	33,418.13	45,780.98
Interest and Finance cost .....	14	6,061.32	7,040.00
Depreciation .....		13,711.09	14,944.94
		<b>153,392.75</b>	<b>231,823.65</b>
Profit Before Exceptional items and Tax .....		<b>(19,964.11)</b>	<b>(6,938.37)</b>
LESS : Exceptional items (Net) ( Refer Note B- 15) .....		3,456.87	3,825.63
Profit / ( Loss ) before tax .....		<b>(23,420.98)</b>	<b>(10,764.00)</b>
Less: Provision for taxation			
Current Tax .....		-	(1.96)
Wealth Tax .....		0.62	0.44
Deferred Tax .....		(5,185.59)	279.32
Prior period adjustments for Tax (Net) .....		141.69	513.87
Fringe Benefit Tax .....		-	12.92
Profit / (Loss) after Tax .....		<b>(18,377.70)</b>	<b>(11,568.59)</b>
Less: Prior Period Expenses (net) .....		71.04	142.21
Profit / (Loss) for the year before Minority interest .....		<b>(18,448.74)</b>	<b>(11,710.80)</b>
Less: Minority Share in Profit .....		-	(13.75)
Net Profit/(Loss) for the year .....		<b>(18,448.74)</b>	<b>(11,697.05)</b>
Balance of Profit and Loss Account brought forward .....		<b>(7,879.98)</b>	<b>(884.08)</b>
Amount transferred from Securities Premium Account .....		-	4,701.15
Balance of Profit and Loss Account carried to Balance Sheet		<b>(26,328.72)</b>	<b>(7,879.98)</b>
Earning per Share (Face value of Rs. 10 Per Share)			
Basic .....		<b>(26.31)</b>	<b>(17.06)</b>
Diluted .....		<b>(26.31)</b>	<b>(17.06)</b>
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  
Firm Registration No. 105102W

Mumbai, 12<sup>th</sup> May, 2010

For & on behalf of Board of Directors

**Hemant Luthra**  
(Director)

**Piyush Mankad**  
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(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Fali P. Mama**  
(Director)

**Ajay Mantry**  
(CFO)



## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March 2010

	2010 (Rs. in lakhs) (19,964.11)	2009 (Rs. in lakhs) (10,869.27)
<b>Profit/(Loss) before tax after prior period adjustments .....</b>		
<b>Add : Adjustment for</b>		
Depreciation, Amortisation and expenditure on ESOP .....	13,852.51	15,244.91
Provision for doubtful debts/ Write off's .....		
Interest (Expenses) .....	6,074.06	7,009.71
Loss on sale of Fixed Assets .....	220.58	486.65
Sundry balances written off .....		
Prior Period Others .....	(3,669.60)	132.79
Sub-Total .....	(3,486.56)	12,004.79
<b>Less : Adjustments for</b>		
Interest / Dividend Income .....	87.46	47.36
Profit on sale of Investments .....	13.33	-
Unrealised Foreign Exchange gain .....	(677.21)	551.74
Sub-Total .....	(576.42)	599.10
<b>Operating Profit before Working Capital changes .....</b>	<b>(2,910.14)</b>	<b>11,405.69</b>
<b>Adjustments for</b>		
Trade & Other receivables .....	8,561.57	3,685.12
Inventories .....	7,156.31	7,335.40
Trade Payables .....	(8,315.05)	(7,496.58)
<b>Cash generated from Operations .....</b>	<b>7,402.83</b>	<b>3,523.94</b>
Direct Taxes Paid .....	(122.23)	(712.06)
<b>Net cash from Operating Activities .....</b>	<b>4,370.46</b>	<b>14,217.57</b>
<b>Cash flow from Investing Activities</b>		
Purchase of Fixed Assets .....	(5,198.83)	(25,313.32)
Sale of Fixed Assets .....	7,757.84	8,532.98
Sale / (Purchase) of Investment - Net .....	(2,695.96)	(31.75)
Interest & Dividend received .....	87.46	47.36
<b>Net Cash from / (used in) investing Activities .....</b>	<b>(49.49)</b>	<b>(16,764.73)</b>
<b>Cash flow from Financing Activities</b>		
Term Loans .....	(22,036.52)	8,671.83
Issue of Share Capital .....	23,175.00	-
Interest Paid .....	(6,074.06)	(7,009.71)
<b>Net Cash from / (used in) Financing Activities. ....</b>	<b>(4,935.58)</b>	<b>1,662.12</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash equivalents .....</b>	<b>(614.61)</b>	<b>(885.04)</b>
<b>Opening Cash / Bank Balances .....</b>	<b>3,480.07</b>	<b>4,365.11</b>
<b>Closing Cash / Bank Balances .....</b>	<b>2,865.46</b>	<b>3,480.07</b>

### 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.

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

Padmini Khare Kaicker  
Partner  
Membership No. 44784  
Firm Registration No. 105102W

For & on behalf of Board of Directors  
**Hemant Luthra**  
(Director)

**Piyush Mankad**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Fali P. Mama**  
(Director)

**Ajay Mantry**  
(CFO)

Mumbai, 12<sup>th</sup> May, 2010





**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010****SCHEDULE - 1****Share Capital****Authorised Capital**

12,20,00,000 ( PY 7,20,00,000 ) Equity shares of Rs. 10/- each. ....	12,200.00	7,200.00
1,48,20,206 ( PY 1,48,20,206 ) - 4% Non Cumulative Redeemable .....	4,594.26	4,594.26
Non convertible Preference shares of Rs. 31/- each		

**Issued, Subscribed and Paid-up**

8,78,55,036 Equity shares (PY 6,85,67,736) of Rs. 10/- each fully paid up. ....	8,785.50	6,856.77
a) Of the above shares, 5,53,67,356 are allotted as fully paid up pursuant to a contract without payments being received in cash		
b) 1,62,41,300 equity shares issued to Qualified Institutional Buyers		
c) 30,00,000 equity shares issued against conversion of Preferential Warrants issued to Mahindra & Mahindra Limited.(Holding Company)		
d) 46,000 equity shares issued under the Company's Employees Stock Option Scheme		

**SCHEDULE - 1A****Share Application Money received for Warrants**

Subscription received for 42,99,270 Warrants from Mahindra & Mahindra Limited (Holding Company) @ 25% of the price of Rs. 137 per Warrant .....	1,472.50	-
	1,472.50	-

**SCHEDULE - 1B****Employee Stock Options outstanding**

Stock Options Outstanding .....	532.18	656.39
Less - Deferred Employee Compensation Expenses .....	(130.26)	(333.33)
	401.92	323.06

**SCHEDULE - 2****Reserve and Surplus**

1 Capital Reserve on consolidation		
Opening Balance .....	12,366.90	12,366.90
Add: Additions During the year .....	-	-
Less: Adjusted during the year .....	(453.94)	-
	11,912.96	12,366.90
2 Securities Premium Account		
Opening Balance .....	5,574.16	15,754.92
Add:-		
Received upon Issue of Shares Issued to Qualified Institutional Buyers .....	15,875.87	-
Received upon Issue of Shares against Preferential Warrants to Promoters .....	3,810.00	-
Received upon Issue of Shares to Employees under ESOP Scheme .....	87.91	-
Less:-		
Utilised for writing off goodwill balance as on 31.03.2008 .....	-	(5,215.58)
Utilised for writing off non-compete fees balance as on 31.03.2008 .....	-	(99.01)
Utilised for writing off accumulated Profit and Loss debit balance as on 31.03.2008 .....	-	(3,881.62)
Utilised for writing off accretion / variation of Profit and Loss debit balance from 1st April, 2008 to 30th September, 2008 .....	-	(819.53)
Utilised for providing for non compete fees payable in future .....	-	(165.02)
Utilised for Share Issue Expenses for Qualified Institutional Placement & Preferential Warrants (Refer Note 3 of Sch. 15)	(486.45)	-
	24,861.49	5,574.16
3 General Reserve		
Opening Balance .....	57,670.77	57,670.77
Add: Additions During the year .....	-	-
	57,670.77	57,670.77
4 Foreign Exchange Fluctuation Reserve		
Opening Balance .....	(472.29)	44.15
Add: Adjustments During the year .....	1,085.56	(516.44)
	613.27	(472.29)
	95,058.49	75,139.54
5 Profit & Loss account		
Opening Balance .....	(7,843.04)	(884.08)
Loss in Current Year .....	(18,448.74)	(11,660.11)
Add: Adjustment against Securities Premium Account .....	-	4,701.15
	(26,291.78)	(7,843.04)



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## Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010

### SCHEDULE - 3

#### Secured Loans

	2010 (Rs. in lakhs)	2009 (Rs. in lakhs)
From Financial Institutions .....	219.98	454.99
Foreign Currency Loan from Banks .....	41,174.63	55,385.78
Rupee Loans from Banks .....	11,994.88	14,806.28
Working Capital Loan from Banks .....	3,377.41	6,769.18
	<u>56,766.90</u>	<u>77,416.23</u>

### SCHEDULE - 4

#### Unsecured Loans

Others .....	8,592.20	9,979.40
	<u>8,592.20</u>	<u>9,979.40</u>

### SCHEDULE - 5

#### Fixed Assets

(Rs. in lakhs)

Description	Gross Block				Depreciation				Net Block	
	As on 01/04/2009	Additions and Adjustments	Deductions and Adjustments	As at 31/03/2010	As on 01/04/2009	For the Year	Deductions and Adjustments	As on 31/03/2010	As on 31/03/2010	As on 01/04/2009
<b>Tangible Assets</b>										
Freehold Land	2,647.76	-	274.28	2,373.48	-	-	-	-	2,373.48	2,647.76
Building - Freehold	27,837.89	161.22	3,202.51	24,796.60	15,713.23	543.36	2,170.31	14,086.28	10,710.32	12,124.66
Building - Leasehold	430.23	-	28.85	401.38	53.23	34.02	3.57	83.68	317.70	377.00
Plant and Machinery	155,745.78	3,818.37	17,827.84	141,736.31	107,997.85	9,669.98	14,507.75	103,160.08	38,576.23	47,747.93
Furniture and Fittings	26,693.74	1,376.79	6,000.35	22,070.18	17,944.39	3,143.88	5,005.78	16,082.49	5,987.69	8,749.35
Vehicles	2,133.50	25.63	627.26	1,531.87	1,767.14	88.53	593.72	1,261.95	269.92	366.36
Sub Total (a)	215,488.90	5,382.01	27,961.09	192,909.82	143,475.84	13,479.77	22,281.13	134,674.48	58,235.34	72,013.06
<b>Intangible Assets</b>										
Goodwill on Consolidation	62,328.59	6.02	-	62,334.61	-	-	*(2,269.91)	2,269.91	60,064.70	62,328.59
Trademarks	895.98	14.51	151.93	758.56	834.49	30.84	145.46	719.87	38.69	61.49
Software	1,771.14	321.51	616.41	1,476.24	1,487.88	200.48	594.33	1,094.03	382.21	283.26
Sub Total (b)	64,995.71	342.04	768.34	64,569.41	2,322.37	231.32	(1,530.12)	4,083.81	60,485.60	62,673.34
Grand Total (a + b)	280,484.61	5,724.05	28,729.43	257,479.23	145,798.21	13,711.09	20,751.01	138,758.29	118,720.94	134,686.40
Previous Year	261,117.02	37,246.08	17,878.49	280,484.61	134,346.55	14,944.94	3,493.28	145,798.21	134,686.40	126,770.48

Notes: Adjustments are on account of effect of translation of assets held by foreign subsidiaries, which are considered as non-integral in terms of AS 11 (revised 2003).

\* Indicates Impairment of Goodwill arising on Consolidation of Stokes Group Ltd. and its subsidiaries (Ref. Note B-16)



**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010**

	2010 (Rs. in lakhs)	2009 (Rs. in lakhs)
<b>SCHEDULE - 6</b>		
<b>Investments (At Cost unless otherwise specified)</b>		
<u>Long Term Investments</u>		
(Non Trade, unquoted)		
Equity Shares .....	0.01	0.01
(Trade, unquoted)		
Equity Shares .....	115.45	-
Share Application Money .....	111.88	226.13
Current Investments		
Mutual Fund Units - Quoted .....	2,708.09	-
	<u>2,935.43</u>	<u>226.14</u>
<b>SCHEDULE - 7</b>		
<b>Current Assets</b>		
<u>Inventories</u>		
(Valued at cost or net realisable value, whichever is lower)		
Raw Material and Components .....	6,410.24	6,077.80
Work-in-progress .....	11,753.90	16,626.19
Stores and Spares .....	593.51	470.48
Finished Goods .....	5,935.21	8,711.80
Dies and Tools .....	896.24	859.14
	<u>25,589.10</u>	<u>32,745.41</u>
<u>Sundry Debtors (Unsecured)</u>		
Outstanding over six months		
Considered Good .....	39.34	4,468.57
Considered Doubtful .....	33.96	219.92
	<u>73.30</u>	<u>4,688.49</u>
Other Debts Considered Good .....	19,700.61	15,076.97
Less - Provision for doubtful debts/credit notes .....	33.96	219.92
	<u>19,739.95</u>	<u>19,545.54</u>
<u>Cash and Bank Balances</u>		
Cash on Hand .....	9.23	10.88
Balances with Scheduled Banks :		
On Current account .....	598.02	360.23
On Margin money Deposit account .....	185.50	277.75
Balances with Other Banks:		
On current account and Fixed Deposit Account .....	2,072.71	2,831.22
	<u>2,865.46</u>	<u>3,480.08</u>
	<u>48,194.51</u>	<u>55,771.03</u>
<b>SCHEDULE - 8</b>		
<b>Loans and Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received		
Considered good .....	2,718.61	11,525.93
Considered doubtful .....	27.72	27.72
	<u>2,746.33</u>	<u>11,553.65</u>
Less: Provision for Doubtful Advances .....	27.72	27.72
	<u>2,718.61</u>	<u>11,525.93</u>
Balances with Excise/Custom/Sales tax authorities etc. ....	231.73	180.39
	<u>2,950.34</u>	<u>11,706.32</u>



**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010**

	2010 (Rs. in lakhs)	2009 (Rs. in lakhs)
<b>SCHEDULE - 9</b>		
<b>Current Liabilities and Provisions</b>		
<u>Current Liabilities</u>		
Acceptances .....	590.35	413.67
Sundry Creditors .....	14,476.63	14,689.49
Other Liabilities .....	9,791.52	7,295.89
	<u>24,858.50</u>	<u>22,399.05</u>
<u>Provisions</u>		
Provisions for Income Tax (Net of Advance Tax) .....	325.02	446.63
Provision for Employee Benefits .....	11,818.02	17,812.26
Provision for Contingencies .....	139.79	139.79
Others .....	1,089.83	5,870.09
	<u>13,372.66</u>	<u>24,268.77</u>
	<u><u>38,231.16</u></u>	<u><u>46,667.82</u></u>
<b>SCHEDULE - 10</b>		
<b>Other Income</b>		
Dividend on investments .....	0.67	0.79
Profit on sale of Investments (Net) .....	13.33	-
Commission .....	35.50	69.92
Rent received .....	125.92	131.36
Export Incentives .....	35.75	46.65
Miscellaneous Income .....	475.31	394.57
	<u>686.48</u>	<u>643.29</u>
<b>SCHEDULE - 11</b>		
<b>Material Consumption</b>		
Raw Material and Components Consumed .....	56,259.45	108,712.22
<u>(Increase) / Decrease in Stocks</u>		
Opening stock - Work in Progress .....	16,626.19	21,099.32
Finished Goods .....	8,711.80	5,686.53
	<u>25,337.99</u>	<u>26,785.85</u>
Closing stock - Work in Progress .....	11,753.90	16,626.19
Finished Goods .....	5,935.21	8,711.80
	<u>17,689.11</u>	<u>25,337.99</u>
(Increase) / Decrease in Stocks .....	<u>7,648.88</u>	<u>1,447.86</u>
	<u><u>63,908.33</u></u>	<u><u>110,160.08</u></u>



**Schedules annexed to and forming part of financial statements as at 31<sup>st</sup> March 2010**

	2010 (Rs. in lakhs)	2009 (Rs. in lakhs)
<b>SCHEDULE - 12</b>		
<b>Personnel Expenses</b>		
Salaries, Wages, Bonus etc. ....	28,363.72	44,158.40
Contribution to Provident and other funds .....	541.21	689.49
Staff Welfare expenses .....	7,388.95	9,049.76
	<u>36,293.88</u>	<u>53,897.65</u>
<b>SCHEDULE - 13</b>		
<b>Other Expenses</b>		
<u>Manufacturing Expenses</u>		
Power and Fuel .....	10,651.36	13,903.21
Dies and Tools Consumed .....	1,881.13	3,095.13
Stores, Spares and Oil consumed .....	3,025.10	3,299.56
<u>Repairs and Maintenance</u>		
Plant and Machinery .....	4,140.02	8,383.49
Buildings .....	177.13	260.41
Others .....	307.67	636.92
Total Manufacturing Expenses .....	<u>20,182.41</u>	<u>29,578.72</u>
<u>Administrative and Selling expenses</u>		
Rent .....	3,139.76	3,048.24
Rates and Taxes .....	344.42	288.39
Insurance .....	631.37	725.89
Discount allowed .....	297.39	340.47
Freight and Packing .....	1,698.89	2,531.85
Travelling and Conveyance .....	364.80	476.09
Loss on Sale of Assets(Net) .....	220.58	222.63
Loss on Sale of Investments .....	-	290.81
Advertisement & Sales Promotion Expenses .....	118.56	245.15
Commission .....	307.66	326.62
Professional & Consultancy Fees .....	768.44	800.23
Sub contracting charges .....	1,702.85	4,667.82
General & Administrative Expenses .....	2,535.39	1,284.13
Miscellaneous Expenses .....	212.13	818.49
Exchange rate fluctuation (Net) .....	892.13	135.45
	<u>13,234.37</u>	<u>16,202.26</u>
Total Other Expenses .....	<u>33,416.78</u>	<u>45,780.98</u>
<b>SCHEDULE - 14</b>		
<b>Interest and Finance Cost</b>		
On Fixed period loans .....	3,770.61	2,993.20
On Others .....	2,303.45	4,016.51
Cash Discounts .....	74.05	76.86
	<u>6,148.11</u>	<u>7,086.57</u>
Less: Interest income .....	86.79	46.57
	<u>6,061.32</u>	<u>7,040.00</u>



## SCHEDULE 15

### Notes on the Consolidated Accounts for year ended 31st March, 2010

1. The Consolidated Financial Statements relate to Mahindra Forgings Limited (the 'Parent Company') and its subsidiary companies. The Consolidated Financial Statements have been prepared in accordance with the generally accepted accounting principle in India and the Accounting Standards issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis:

#### (a) Investments in Subsidiaries :

- 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.
- The difference between the cost 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.
- 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 Consolidated Profit and Loss Account as profit or loss on disposal of investment in subsidiary.
- Minority Interest in the net assets of consolidated subsidiaries consist of :
  - the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and
  - the minorities' share of movements in equity since the date the parent- subsidiary relationship comes into existence.
- The Financial Statements of the subsidiaries are drawn up to 31st March, 2010.

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 31.03.2010	as at 31.03.2010
Stokes Group Limited	U.K.	99.92%	-
Stokes Forgings Dudley Limited	U.K.	99.92%	100.00%
Jensand Limited	U.K.	99.92%	100.00%
Stokes Forgings Limited	U.K.	99.92%	100.00%
Mahindra Forgings International Limited	Mauritius	100.00%	-
Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	Germany	100.00%	-
Gesenkschmiede Schineider GmbH	Germany	100.00%	-
Jeco Jellinghaus GmbH	Germany	100.00%	-
Falkenroth Umformtechnik GmbH	Germany	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-
Schoeneweiss & Co. GmbH **	Germany	100.00%	97.28%

\*\* 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.

#### (b) Goodwill arising on consolidation:

The goodwill recorded in these consolidated financial statements has not been amortised, but instead evaluated for impairment. The Group evaluates for carrying amount of its goodwill whenever events or changes in circumstances indicates that its carrying amount may be impaired, for diminution other than temporary.



## 2. Accounting Policies:

### (A) Method of Accounting:

The financial statements are prepared under the historical cost convention as a going concern and on accrual basis accordance with Generally Accepted Accounting Policies of India, the accounting standards issued by The Institute of Chartered Accountants of India and the relevant Provisions of Companies Act, 1956.

### (B) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reported period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialise.

### (C) 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

### (D) 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. The expenditure incurred in software expenditure is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

### (E) 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.

- (F) **Inventories:** Inventories are stated at cost or net realisable value, whichever is lower. Raw materials, 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.

- (G) **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 monetary assets and monetary liabilities outstanding at the end of the year are recognised in the Profit and Loss Account.





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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. 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 recognized as income or expense for the period.

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.

### (H) Revenue Recognition:

- (a) Sales of products and services are recognised when the products are dispatched or services rendered which coincide with transfer of risk and rewards. Sales are exclusive of sales tax and net of sales return and trade discounts. Revenue from sale of tools which are manufactured on specific requirement of the customers is recognized to the extent of surplus over the cost of manufacturing of such tools.
- (b) Dividends from investments are recognised in the Profit and Loss Account when the right to receive dividend is established.
- (c) Interest income is accounted on accrual basis/ time proportionate basis on contractual rate.

### (I) Export Benefits:

The company recognises the Export Incentives as and when accrued.

### (J) Employee Benefits:

Employee Benefits in respect of gratuity and leave en-cashable at retirement/cessation are provided for based on valuations, as at the Balance Sheet date at the year end, 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 service costs 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.

### (K) 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.

### (L) 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.



**(M) 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.

**(N) Impairment of Assests:**

Management periodically assesses using external and internal sources, whether there is an indication that an asset / a cash generating unit (CGU) may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash-flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of carrying amount over the higher of the asset's net sales price or present value as determined above.

**(O) Government Grants:**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments 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.

**(P) Hire purchase and leasing commitments:**

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 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.

**(Q) Provisions and Contingent Liabilities:**

Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

**3. The Company, at its Extra-Ordinary General Meeting held on 18<sup>th</sup> February 2010, had approved by a Special Resolution, increase in the Authorised Capital of the Company and issue of equity shares and preferential warrants.**

- Pursuant to the passing of the above resolutions and in accordance to Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements ) Regulations, 2009 , as amended :
  - The company allotted 1,62,41,300 Equity Shares of face value of Rs.10/- each at price of Rs.107.75 per Equity Share including a premium of Rs.97.75 per Equity Share aggregating to Rs.17500 Lakhs to Qualified Institutional Buyers(QIB) through Qualified Institutional Placement(QIP).
  - Further the company issued 72,99,270 Preferential Warrants to Mahindra & Mahindra Limited(the holding company) at a price of Rs. 137/- per Warrant for conversion into 1 Equity Share per Warrant in one or more tranches within 18 months from the date of allotment of the Warrant.
  - Out of the above preferential Warrants issued to Mahindra & Mahindra Limited(the holding company) , the company converted 30,00,000 Preferential Warrants into Equity Shares at a face value of Rs.10/- each with a Share Premium of Rs. 127/- each. The company has received the entire amount of Rs.4110 Lakhs against the issue of these shares.
  - Further, the company has received an amount of Rs. 1472.50 Lakhs @25% of the face value of Rs.137 per warrant towards the balance Warrants of 42,99,270 issued to Mahindra & Mahindra Limited (the holding company).



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The cost of issue of the shares to QIP holders amounting to Rs.486.45 Lakhs was adjusted against the Securities Premium Account in accordance with the provisions of The Companies Act, 1956. The details of expenses adjusted are as under:

Particulars	Rs.Lakhs
Legal Counsel Fees	158.81
Fees payable to Advisors to the issue	260.00
Expenses for increase in Authorised Capital	35.00
Audit Fees for certification	21.05
Listing Fees & Other Fees paid to the Stock Exchanges	11.53
Other expenses	0.06
Total	486.45

The utilization of the funds received from the QIP & advance received against the Preferential Warrants issued and the conversion of Preferential Warrants issued are as under:

	Rs.Lakhs
<b>Sources of Funds</b>	
QIP Proceeds	17500.00
Advance against Warrants	1472.50
Conversion of Warrants to Equity Shares	4110.00
Total	23082.50
<b>Utilisation of Funds</b>	
Repayment of Borrowings	10050.00
QIP Issue Expenses paid	205.33
<b>Investment in Subsidiaries</b>	
Subscription to 11% Redeemable Preference Capital of Subsidiary, Mahindra Forgings International Limited, Mauritius repayable after 7 years	3695.85
<b>Balance Surplus Funds Deployed</b>	
Investment in Liquid Fund schemes of Mutual Fund	2708.09
Repayment of Working Capital facilities	2847.25
Repayment of short term loan	3575.98
Total	23082.50

#### 4. Goodwill on Consolidation:

The company subsidiary Stokes Group Ltd., UK has incurred losses and the net worth of the said subsidiary company has eroded. Accordingly, during the year, provision for impairment has been considered in respect of Goodwill (net of Capital Reserve) of Rs. 1,815.94 Lakhs arising on Consolidation of Stokes Group Ltd., and its subsidiaries. The same is included under 'Exceptional Items'.

#### 5. Employees' Stock Option Scheme (ESOS):

Under Employees' Stock Option Scheme (ESOS) The equity, settled option vest one year from the date of grant and are excisable on specified dates in 4 tranches with in the period of 5 years from the date of vesting. During the year, the Employee Stock Option Holders (ESOS) of the Company exercised their option and 46,000 shares (Exercise Price Rs.83 per Equity Share) were allotted to the ESOS holders.

#### 6. Loans:

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.



**7. Employee Defined Benefits:**Defined Benefit Plans - As per Actuarial Valuation on 31<sup>st</sup> March 2010

(Rs. in lakhs)

Particulars	Gratuity (Unfunded) 2010	Gratuity (Unfunded) 2009	Pension (Unfunded) 2010	Pension (Unfunded) 2009
<b>I. Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March, 2010</b>				
1. Current service cost	21.33	22.02	142.67	154.72
2. Interest cost	9.97	5.79	681.86	692.54
3. Actuarial (Gains)/Losses	(14.44)	18.67	(20.76)	441.20
4. Past Service Cost	-	-	(2.01)	-
5. Total expense	16.86	46.48	801.75	1,288.46
<b>II. Net asset/(liability) recognised in the Balance Sheet as at 31st March, 2010</b>				
1. Present Value of Defined Benefit obligation as at 31st March, 2010	140.45	124.61	11,615.68	13,039.37
2. Fair value of plan assets as at 31st March, 2010	-	-	-	-
3. Amount not recognised as an asset	-	-	-	-
4. Funded status (surplus/(deficit))	(140.45)	(124.61)	(11,615.68)	(13,039.37)
5. Net asset/(liability) as at 31st March, 2010	(140.45)	(124.61)	(11,615.68)	(13,039.37)
<b>III. Change in the obligations during the year ended 31st March, 2010</b>				
1. Present Value of Defined Benefit obligation at the beginning of the year	124.61	82.73	13,039.37	12,862.35
2. Current service cost	21.33	22.02	142.67	154.72
3. Interest cost	9.97	5.79	681.86	692.54
4. Actuarial (Gains)/Losses	(14.44)	18.67	(20.76)	441.20
5. Benefits paid	(1.02)	(4.60)	(2,225.44)	(1,111.44)
6. Past Service Cost	-	-	(2.01)	-
7. Present Value of Defined Benefit obligation at the end of the year	140.45	124.61	11,615.68	13,039.37
<b>IV. Actuarial Assumptions</b>	<b>As at 31<sup>st</sup> March, 2010</b>			
1. Discount Rate (Basis .....)	8.00%	7.00%	5.50% to 7.00%	5.50% to 7.00%
2. In-service Mortality	LIC (1994-96) Ultimate, 2005 G			



## 8. Contingent Liabilities:

- (a) Claims against the Companies not acknowledged as debts comprise of:
- (i) Excise Duty, Customs duty & Income tax claims disputed by the Company relating to issues of applicability and classification aggregating to Rs. 221.79 lakhs (Previous Year Rs. 101.51 lakhs)
  - (ii) Bills discounted not matured Rs. 1579.80 Lakhs (Previous Year Rs.1666.32 lakhs)
9. 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 fulfil quantified exports against which future obligation of aggregates to USD 276.80 Lakhs (Previous Year Rs.USD 283.83 Lakhs).
10. The estimated amount of contracts remaining to be executed on capital account not provided for as at 31st March 2010 is Rs.759.43 Lakhs (Previous Year 942.37 Lakhs)
11. The Company had entered into a Share Subscription Agreement with Wardha Power Company Private Ltd. on 29th February, 2008 to invest Rs. 325 Lakhs by way of subscription to 8,81,111 Class A Equity Shares of Rs. 10 each , 11,18,889 Class 'A' 0.01% Redeemable Preference Shares of Rs. 10 each and 12,50,000 Class 'C' 0.01% Redeemable Preference Shares of Rs. 10 each. The Company will be entitled to 5 MW of power generated from the Group Captive Power Plant as per the Power Delivery Agreement dated 29th February, 2008. The Company has paid share application money of Rs. 200 Lakhs for Class 'A' Equity and Redeemable Preference Shares.

Upon the expiry of the Power Purchase Agreement, Class 'A' Equity Shares and Class 'A' 0.01% Redeemable Preference Shares will be bought back for a total consideration of Re.1. One-tenth of Class 'C' Redeemable Preference Shares will be redeemed on every anniversary from the date of issue @ Rs. 0.01per share.

Consequent to the amendment to the share subscription agreement dated 3<sup>rd</sup> December 2009, there has been a change in the number of Class 'A' Equity Shares of Rs. 10 each from 8,81,111 to 8,84,485 and Redeemable Preference Shares of Rs. 10 each from 11,18,889 to 11,15,515. The shares instead of being allotted by Wardha Power Company Limited, were to be transferred by KSK Energy Limited to the company.

Accordingly, the company received 8,84,485 Class 'A' Equity Shares of Rs.10 each of Wardha Power Company Private Limited valuing to Rs. 88.45 Lakhs after adjusting the Share Subscription Money paid by the company. The balance amount of Rs. 111.55 Lakhs is treated as Share Application Money against 11,15,515 Class 'A' 0.01% Redeemable Preference Shares of Rs. 10 each. This investment would be amortised over a period of 25 years from the year in which supply of power starts.

12. Provisions includes provision for Warranty Rs. 492.83 Lakhs (Previous Year Rs. 942.37 (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:

Particulars	Amount (Rs. Lakhs)	
	2010	2009
Balance as at 1 <sup>st</sup> Apr 2009	942.37	915.34
Add: Provision Made during the year	431.24	905.37
Less: Utilisation/Reversal during the period	880.79	878.35
<b>Balance as at 31st March 2010</b>	<b>492.83</b>	<b>942.37</b>

13. Research and Development expenditure debited to the Profit and Loss Account, including certain expenditure based on allocations made aggregate Rs. Nil (Previous Year 87.83 Lakhs)



14. The Component of Deferred Tax Liability and Assets as at 31<sup>st</sup> March 2010, is as under:

Amount (Rs. Lakhs)

	2010	2009
Deferred Tax Liability		
i. On Fiscal allowances on Fixed Assets .....	1361.03	664.84
ii. Others .....	173.00	50.00
Total .....	1534.03	716.84
Deferred Tax Asset		
i. Unabsorbed depreciation carried forward .....	3021.78	666.84
ii. Premium on Redemption of Zero Coupon Convertible Bonds .....	-	-
iii. Provision for Gratuity .....	-	-
iv. Provision for Post Retirement Medical Expenses .....	-	-
v. Others .....	5877.34	839.88
Total .....	8892.12	1506.72
Net Deferred Tax Liability/(Asset) .....	(7365.09)	(789.88)

Note: Net Deferred Tax Asset of Rs. 1976.61 Lakhs in respect of the parent company is not accounted for as a measure of prudence in view of losses incurred during the period and will be recognised on the company making profits.

## 15. Exceptional Items of Rs. 3,456.87 Lakhs (Previous Year 3825.63 Lakhs) comprises of the following items:

Amount (Rs. Lakhs)

	2010	2009
Provision for Impairment of Goodwill relating to Stokes Group Ltd. ....	1,815.94	-
Cost of shifting the equipment from Walsall to Dudley .....	339.62	-
Redundancy to workman .....	1,301.31	3,825.63
Total .....	3,456.87	3,825.63

## 16. Prior Period Items include Payment of additional VAT liability arising out of VAT audit for the previous years of Rs.71.04 Lakhs (Previous year Stamp Duty related to Demerger of Chakan unit of Amforge Industries Ltd. with the Company of Rs. 132.79 Lakhs).

## 17. Related Party Transactions

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

**Holding:**

Sr. 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 Ugin Steel Co. Ltd.	7.	Mahindra Vehicle Manufacturers Ltd.
2.	Bristlecone Limited	8.	Mahindra Gear Transmissions P Ltd.
3.	Mahindra Logistics Limited	9.	Mahindra Castings Ltd.
4.	Mahindra Navistar Automobiles Ltd.	10.	Mahindra Overseas Investment Company (Mauritius) Ltd.
5.	Mahindra Engineering Services Ltd.	11.	Mahindra Engineering Services (Europe) Ltd.
6.	Mahindra First Choice wheels Ltd.		

**Key Management Personnel:**

Sr. No.	Name of the Person
1	Mr. Deepak Dheer



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b) The related party transactions are as under:

(Rs. in Lakhs)

Sl. No.	Nature of Transactions	31st March, 2010			31st March, 2009		
		Holding Company	Fellow Subsidiaries	Key Management Personnel	Holding Company	Fellow Subsidiaries	Key Management Personnel
1.	Purchases						
	Raw Material .....	-	14,742.90	-	-	8,640.03	-
	Capital Goods .....	3.24	-	-	-	43.87	-
	Discounting Charges .....	-	-	-	41.39	-	-
	Services .....	17.70	591.79	-	11.47	487.24	-
2.	Sales						
	Goods .....	11,063.54	250.04	-	7,818.37	19.05	-
	Scrap .....	-	1,510.59	-	-	1,906.02	-
	Fixed Assets .....	-	-	-	-	2.61	-
3.	Intercompany Deposit Accepted ....	5,650.00	6,756.99	-	4,400.00	-	-
4.	Intercompany Deposit Refunded ....	10,500.00	-	-	-	-	-
5.	Interest Paid .....	885.05	423.61	-	170.61	-	-
	Discounting Charges Paid .....	81.62	-	-	-	-	-
6.	Outstandings						
	Receivable .....	422.42	68.15	-	728.70	146.09	-
	Payable .....	30.05	4305.07	-	4,497.51	1,478.03	-
7.	Reimbursement of Expenses .....	34.61	-	-	-	-	-
8.	Share Application Money						
	- Received .....	3,082.50	-	-	-	-	-
	- Subscription for Preferential Warrants received .	2,500.00	-	-	-	-	-
	- Subscription for Preferential Warrants outstanding	1,472.50	-	-	-	-	-
9.	Managerial Remuneration .....	-	-	87.97	-	-	72.71

### 18. Segment Information:

Segment Report for the year ended 31st March, 2010.

Primary Segment Disclosure - Geographical Segment

(Rs. in lakhs)

	Indian		Overseas		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Gross External Revenue								
<b>REVENUE</b>								
Gross External Revenue	30,206.33	27,168.81	105,728.16	202,350.33	-	-	135,934.49	229,519.14
Less: Excise Duty on Sales	2,552.86	2,958.12	-	-	-	-	2,552.86	2,958.12
Net External Revenue	27,653.47	24,210.69	105,728.16	202,350.33	-	-	133,381.63	226,561.02
Inter segmental Revenue	-	-	-	226.97	-	(226.97)	-	-
Total Revenue	27,653.47	24,210.69	105,728.16	202,577.30	-	(226.97)	133,381.63	226,561.02
<b>Result</b>								
Segment Result Before								
Exceptional Items	2,594.91	(839.90)	(16,511.70)	977.68	-	-	(13,916.79)	137.78
Exceptional items allocated to segments	-	-	(3,456.87)	(3,825.63)	-	-	(3,456.87)	(3,825.63)
Segment Result After Exceptional Items	2,594.91	(839.90)	(19,968.57)	(2,847.95)	-	-	(17,373.66)	(3,687.85)
Unallocable Expenses / (Income)							-	0.79





(Rs. in lakhs)

	Indian		Overseas		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Gross External Revenue								
Operating Profit							(17,373.66)	(3,687.06)
Less: Interest Cost not allocable							6,061.32	7,086.57
Add: Other Income not allocable							14.00	(46.57)
Profit / (Loss) Before Tax							(23,420.98)	(10,727.06)
Less: Income Taxes - Current Tax							0.62	11.40
- Deferred Tax							(5,185.59)	279.32
- Prior Period adjustment of tax							141.69	513.87
Profit / (Loss) for the year before prior period adjustments							(18,377.70)	(11,531.65)
Less: Adjustment Pertaining to previous year							71.04	142.21
Profit / (Loss) for the year before Minority Interests							(18,448.74)	(11,673.86)
Less: Minority Interests							-	-
Profit / (Loss) carried to the Balance Sheet							(18,448.74)	(11,673.86)
<b>OTHER INFORMATION</b>								
Segment Assets	34,707.23	30,364.93	140,439.69	177,151.23	-	-	175,146.92	207,516.16
Segment Liabilities	9,624.80	5,877.89	28,281.34	40,343.30	-	-	37,906.14	46,221.19
Capital Expenditure	920.96	2,426.41	4,277.87	29,425.21	-	-	5,198.83	31,851.62
Depreciation and Amortisation	2,150.79	1,953.51	11,560.30	12,991.43	-	-	13,711.09	14,944.94
Non Cash Expenditure other than depreciation	-	572.03	2,269.91	(337.15)	-	-	2,269.91	234.88

Notes:

**1. Geographical Segment**

The Group has considered geographical segment as primary segment for disclosure. The segment has been identified taking into account the organisational structure as well as the different risk and return on these segments.

Indian segment comprises sales of forgings by operations situated in India and overseas segment comprises of sales of outside India operations.

**2. Secondary Segment**

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

Gross Segment Revenue comprises of:

	2010 (Rs. In lakhs)	2009 (Rs. In lakhs)
Sales	135,262.01	227,200.12
Other Allocable Income	672.48	2,319.02
<b>Total</b>	<b>135,934.49</b>	<b>229,519.14</b>

**19. Earnings per share**

	2010	2009
Amount used as the numerator- Net Profit / (Loss) Rs. in Lakhs .....	(18,448.74)	(11,660.11)
Weighted Average number of equity shares used in computing basic earnings per share	7,01,33,657	6,85,67,736
Effect of potential ordinary (equity) shares on conversion of stock options .....	Nil	Nil
Weighted Average number of equity shares used in computing basic earnings per share	7,01,33,657	6,85,67,736
Basic Earnings per share (Face Value of Rs.10 per share) Rs. ....	(26.31)	(17.01)
Diluted Earnings per share Rs. ....	(26.31)	(17.01)

In computing the diluted EPS, only potential equity shares that are dilutive and reduce earnings per share are included.



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### 20. Obligations under Hire Purchase Contracts & Operating Leases:

Rs. In Lakhs

Hire Purchase Contracts	2010	2009
Net Obligations repayable		
Within one year .....	527.94	593.47
Between one & five years .....	1115.75	1761.19
Total .....	1643.95	2354.66

Operating Leases	2010	2009	2010	2009
	Land & Building		Others	
Expiring				
Within one year .....	-	-	0.39	2.30
Between one and five years .....	62.07	63.4	56.74	13.93
Total .....	62.07	63.4	57.13	16.23

21. In the financial statements of the following subsidiaries deferred tax assets of Rs. 5185.59 Lakhs, has been recognised due to the restoration of track record of profitability of the companies which was breached in the previous two years due to the unprecedented world economic crisis. In addition, the tax losses in Germany are allowed to be carried forward indefinitely.

Mahindra Forgings Europe A.G., Germany  
 Gesenkschmiede Schneider GmbH, Germany  
 Jeco Jellinghaus GmbH, Germany  
 Falkenroth Umformtechnik GmbH, Germany  
 Schoeneweiss & Co. GmbH, Germany

22. Figures for the previous year have been regrouped and rearranged, wherever necessary.

As per our Report of even date  
 For **B K Khare & Company**  
 Chartered Accountants  
**Padmini Khare Kaicker**  
 Partner  
 Membership No. 44784  
 Firm Registration No. 105102W

For & on behalf of Board of Directors  
**Hemant Luthra**  
 (Director)  
**Piyush Mankad**  
 (Director)  
**Daljit Mirchandani**  
 (Director)  
**Krishnan Shankar**  
 (Company Secretary & GM - Legal)

**Deepak Dheer**  
 (Managing Director)  
**Virendra Kumar Chanana**  
 (Director)  
**Fali P. Mama**  
 (Director)  
**Ajay Mantry**  
 (CFO)

Mumbai, 12th May, 2010

### Details of Subsidiary Companies

Rs. In Lakhs

Name of the Subsidiary Company	Capital	Reserves & Surplus	Total assets	Total liabilities	Details of investments (excluding investments in subsidiaries)	Gross Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed dividend and tax thereon
Stokes Group Limited #	1,053.10	(2,336.15)	5,309.74	5,309.74	-	13,153.60	(2,542.68)	(6.12)	(2,548.80)	-
Stokes Forgings Dudley Limited #	1.36	-	1.36	1.36	-	-	-	-	-	-
Jensand Limited #	40.82	-	40.82	40.82	-	-	-	-	-	-
Stokes Forgings Limited #	40.82	(40.82)	-	-	-	-	-	-	-	-
Mahindra Forgings International Limited #	43,538.40	1,399.88	68,641.31	68,641.31	-	22.37	(1,625.52)	-	(1,625.52)	-
Mahindra Forgings Europe AG #	3,023.50	597.44	18,023.08	18,023.08	-	787.32	(9,310.57)	223.74	(9,086.87)	-
Gesenkschmiede Schneider GmbH #	7,420.27	3,817.47	11,237.74	11,237.74	22.37	34,960.73	-	-	-	-
Jeco Jellinghaus GmbH #	3,102.11	750.43	3,852.54	3,852.54	3.63	12,256.66	-	-	-	-
Falkenroth Umformtechnik GmbH #	619.82	800.62	1,420.44	1,420.44	-	10,608.86	-	-	-	-
Mahindra Forgings Global Limited #	20,469.10	(396.68)	20,072.41	20,072.41	-	-	2.22	-	2.22	-
Schoeneweiss & Co. GmbH #	3,023.50	8,895.14	19,229.46	19,229.46	-	26,984.13	(4,873.28)	(226.76)	(5,100.09)	-

# The financial statements of the Foreign Subsidiaries have been converted into Indian Rupees at the 31st March 2010 exchange rates.



# **Mahindra Forgings India**



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 has excellent manufacturing facilities. The 6300 T press has enhanced its forging capacity up to 55kgs per part.



Mahindra Forgings Europe is a leading forging brand in Europe. A highly technologically advanced global, innovative and full line Forging service supplier to the commercial vehicle segment in Europe.

# **Mahindra Forgings Europe**



Registered office:

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Email: [mfl.investors@mahindra.com](mailto:mfl.investors@mahindra.com)



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

Email: [crmsys@mahindra.com](mailto:crmsys@mahindra.com)