Mahindra
Rise.

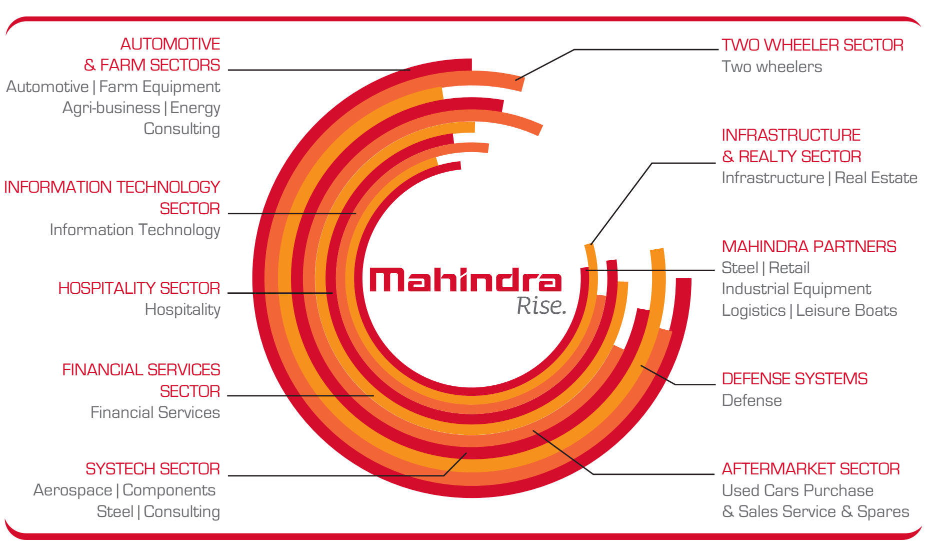
MAHINDRA FORGINGS LTD
14TH ANNUAL REPORT 2012 - 13

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

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

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

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



Dear Shareholder:

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

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

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

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

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

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

Yours sincerely

Hemant Luthra
President, Systech Sector

1) Engine Gears
2) Crankshaft
3) Exhaust Manifold
4) Dash Panels
5) Motor Magnets
6) Passive Engine Antennas

1) Roof
2) Window Outers

1) Structural Members

1) Hood

1) Assembly for
front fascia
2) Bumper

1) Wheel Cover
2) Wheel Hubs
3) Steering Knuckles

1) Fender
2) Transmission Gears & Shafts
3) Transfer case Gears & Shafts

1) Door Outer
2) Centre Console

1) Gear Carrier Housing
2) Diifferential case housing

1) Stamped Cabin Components

1) Camshafts
2) Transmission Gear & Shafts
3) Steel Pistons
4) Turbocharger housing
5) Control Arms
6) Crankshafts
7) NVH Covers
8) Motor Magnets

1) Gear Carrier Housing

1) Axle Beams
2) Chassis &
Steering Components

1) Stub Axles

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Board of Directors

Hemant Luthra - Chairman

K. Ramaswami - Managing Director

Zhooben Bhiwandiwala

V.K.Chanana

Mohit Burman

Fali P. Mama

Nikhilesh Panchal

Harald Korte

Oliver Scholz

Daljit Mirchandani

Ajay Mantry - Chief Financial Officer

Krishnan Shankar - Company Secretary & Head- Legal

Committees of the Board

Audit Committee

V. K. Chanana

Mohit Burman

Zhooben Bhiwandiwala

Nikhilesh Panchal

Fali P. Mama

Daljit Mirchandani

Remuneration / Compensation Committee

Mohit Burman

Hemant Luthra

V. K. Chanana

Nikhilesh Panchal

Daljit Mirchandani

Share Transfer and Shareholders'/ Investors' Grievance Committee

Daljit Mirchandani

V. K. Chanana

Fali P. Mama

- ## Bankers

  State Bank of India

  Axis Bank Limited

- ## Auditors

  B. K. Khare & Co.

  Chartered Accountants

  706/708, Sharda Chambers,

  Mumbai - 400 020

- ## Factory

  Gat No. 856 to 860

  Chakan Ambethan Road

  Taluka Khed, Dist. Pune- 410 501

- ## Registrar and Share Transfer Agents

  Karvy Computershare Private Limited

  Karvy House, 46, Avenue 4, Street No. 1

  Banjara Hills, Hyderabad - 500 034 .

DIRECTORS' REPORT

To,
The Members,
Mahindra Forgings Limited

Your Directors present the 14th Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31st March, 2013.

Financial Highlights (₹ in Lakhs)

Particulars	2012-13	2011-12
Total Income	**44,455**	43,468
Profit before Interest, Depreciation, Exceptional Items and tax	**7,066**	4,360
Less : Depreciation	**2,744**	2,392
Profit before Interest, Exceptional Items and tax	**4,322**	1,968
Less : Interest and Finance cost	**568**	1,134
Profit before Exceptional Items and Tax	**3,754**	834
Less: Exceptional items	**-**	156
Profit before tax	**3,754**	678
Profit for the year	**4,087**	678
Balance of Profit & Loss Account brought forward losses from earlier years	**(12,434)**	(13,112)
Loss carried to Balance Sheet	**(8,347)**	(12,434)

Financials

During the year under review your Company registered a Total income of ₹ 44,455 Lakhs as against ₹ 43,468 Lakhs in the previous year and Profit before Interest, Depreciation, Exceptional items and tax of ₹ 7,066 Lakhs as against ₹ 4,360 Lakhs in the previous year. The net profit for the year stood at ₹ 4,087 Lakhs as against a net profit of ₹ 678 Lakhs over the previous year. The Total Income of the Company has grown by 2.2% over the previous year.

Operations

During the year under review, your Company's operations in Europe were affected by a decline in sales compounded by significant operational problems at Schoeneweiss & Co. GmbH, Mahindra Forgings Europe AG's (MFE) second largest plant. These problems have been identified and are being addressed. The mixture of market decline and operational problems has resulted in MFE ending the year with negative EBITDA.

In India, your Company has focused on increasing profitability by improving plant operations in the areas of ***Q***uality, ***S***ervice, ***C***ost and ***T***echnology with specific bias to enhancing Machining capabilities. Productivity has increased due to increased utilization of press shop and increasing output/day. Input costs like power and oil costs have been reduced while internal rejections have been significantly controlled. The steps taken above have translated into continuously improving profitability quarter-wise in the last financial year. Your Company will strive to maintain this performance in the coming year.

Changes in Share Capital and Issue of Shares

Pursuant to exercise of options under the Company's Employee Stock Option Scheme, your Company has allotted 4,250 equity shares of face value of ₹ 10/- each at an exercise price of ₹ 57/- per equity share. The aforesaid exercise of options has resulted in issued and subscribed equity capital increasing from ₹ 92,16,90,560 to ₹ 92,17,33,060.

However, the shareholding of Promoters in the Company as at 31st March, 2013 remains at 52.97%.

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 past losses, your Directors do not recommend any dividend for the year.

Stock Options

No Stock Options have been granted 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.

The Management Discussion and Analysis Report gives an overview of the developments in Human Resources/Industrial Relations during the year.

Safety, Health and Environment Performance

Your 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.

Safety and Health

The Safety Committee of the Company meets periodically to review the status of safety issues and reporting of accidents, if any. Various initiatives such as emergency mock drills and advanced fire protection system for improving the Safety have been taken. Common Guarantee Safety Scheme (CGSP) has been initiated as a step forward to focus on safety.

Safety week and Fire Service day are being celebrated. Safety Audits/Inspection along with Safety awareness training on safety is conducted.

Your Company's plant continues to improve their well being of all its personnel by organising Occupational Health Examination Camps, Periodic Health Check-ups etc.

Environmental Initiatives

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

Since the last few years, your Company has been focusing external certifications for achieving world class environmental and safety standards.

Certification

Your Company is certified for TS 16949. Your Company's Plants have also been certified with the amended standards of ISO 14001:2004 & OHSAS 18001. Your Company has completed a three year cycle of continual improvement in Environment, Health & Safety Management certification. The OHSAS system aims to eliminate or minimise risk to employees and other interested parties who may be exposed to Occupational Safety risks in the Company. Sustainable development is promoted through sharing of best practices in the fields of Safety, Occupational Health & Environment.

'Sustainability' Initiatives

Your Company continues to be aligned with Mahindra Group's approach towards sustainable development by making conscious efforts to reduce the environmental impact of business as well as enhancing its responsibility towards society. This was achieved by way of continued identification and implementation of various projects for reduction in waste, energy and GHG emissions, to achieve the targets set under its Sustainability Road map. During the year, certain new projects were undertaken for example energy efficiency in lighting solution, engineering processes, waste water treatment and water conservation and recycling initiatives were put in place. These initiatives were backed by third party audits for energy and internal audits for water management.

Awareness on sustainability

Awareness about the need to drive and the ways to drive sustainable business practices among all stakeholders is key to perpetual growth. In the last few years various initiatives were taken to generate this awareness among employees who are the most important internal stakeholders of the organisation. This was further enhanced during the year through various programs conducted by the Company. During the year, this awareness campaign was taken to the external stakeholders, suppliers and vendors.

During the year under review, the Triple Bottom-line performance was published as a part of the Mahindra Group's sustainability report in accordance with the latest guideline of the internationally accepted Global Reporting Initiatives or the GRI standards (G3.1). This report was externally assured by KPMG and got GRI Checked A+ rating.

Corporate Social Responsibility

Your Company encourages its employees to participate in the Employee Social Options (ESOPs) program, to drive positive change in society, through Health checkup camps, tree plantation, vocational guidance to school children in the nearby schools etc.

During the year under review, the employees of your Company participated in various education and health related programs in local communities, such as upgrading the skills of local community, through education, environmental and health related programs. Blood Donation drives and participation in Nanhi Kali activities.

Directors

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

Detailed profile of the Directors alongwith other details as may be required forms part of Corporate Governance Report attached to the Directors Report.

Directors' Responsibility Statement

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

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of the profit 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 to the Balance Sheet.

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.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached to the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company and the subsidiary companies who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiaries would also be available for inspection by any Member at the Registered Office of the Company and at the Office of the respective subsidiary companies, during working hours upto the date of the Annual General Meeting.

Auditors

Messrs. B. K. Khare & Co., Chartered Accountants, Mumbai (Firm Registration No. 105102W) 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.

Cost Audit Report

Messrs. Dhananjay V. Joshi & Associates, Cost Accountants, Pune, (Firm Registration Number 000030) conducted the audit of Cost Accounting Records maintained by the Company for the Financial Year 2011-12 and submitted their report to the Central Government, Ministry of Corporate Affairs, New Delhi. They were reappointed to conduct the Audit of the Cost Accounting Records maintained by for Company for the Financial Year 2012-13. The Cost Auditors shall forward their report to the Central Government, Ministry of Corporate Affairs, New Delhi for the Financial Year 2012-13 within the prescribed time.

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

Public Deposits and Loans/Advances

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

The particulars of loans/advances in the nature of loan 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

The Company has employees who were in receipt of remuneration not less than ₹ 60,00,000/- per annum during the year ended 31st March, 2013 or employee who were employed for a part of the financial year and were in receipt of remuneration of not less than ₹ 5,00,000/- per month during any part of the said year. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors report and Accounts are being sent to all members of the Company excluding the statement of particulars of employees. Any member interested in obtaining a copy of the Statement may write to the Company Secretary of the Company.

Acknowledgement

Your Directors wish to place on record their sincere appreciation of the consortium of banks comprising of State Bank of India (Lead Bank) and Axis Bank Limited, Company's customers, vendors and investors for their continued support during the year.

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

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai, 6th June, 2013

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013

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

(a)	Options granted	Mahindra Forgings Limited Employees' Stock Option Scheme – 44,64,883								
(b)	The pricing formula	1st Tranche	2nd Tranche		3rd Tranche	4th Tranche	5th Tranche	6th Tranche	7th Tranche	8th Tranche
		3,84,000 Options granted at a fixed price of ₹ 197/- per share.	3,91,000 Options granted at a fixed price of ₹ 83/- per share.	12,000 Options granted at a fixed price of ₹ 197/- per share.	2,50,000 Options granted at a Discount of 15% on the average price preceding the specified date – 9th May, 2008	2,45,000 Options granted at a Discount of 15% on the average price preceding the specified date – 29th July, 2008	5,00,000 Options granted at a Discount of 15% on the average price preceding the specified date – 26th August, 2008	93,000 Options granted at a Discount of 15% on the average price preceding the specified date – 12th May, 2010	20,00,000 Options granted at a Discount of 15% on the average price preceding the specified date - 1st April, 2011	5,89,883 Options granted at a Discount of 15% on the average price preceding the specified date – 20th January, 2012
		Average price - Average of the daily high and low of the prices for the Company's Equity Shares quoted on BSE Limited during the 15 days preceding the specified date.								
		Specified date - Date on which the Remuneration/Compensation Committee granted the Options.								
(c)	Options vested	16,37,690								
(d)	Options exercised	65,000								
(e)	The total number of shares arising as a result of exercise of option	65,000 Equity Shares of ₹ 10/- each.								
(f)	Options lapsed	9,99,616								
(g)	Variation of terms of options	Nil								
(h)	Money realised by exercise of options	₹ 55,64,750/-								
(i)	Total number of options in force	34,00,267								
(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'.	₹ 4.43								
(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 ₹ Nil Lakhs, Profit after tax higher by ₹ Nil Lakhs, and the basic and diluted earnings per share would have been higher by ₹ Nil.								

(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 31ST MARCH, 2013

Name of the Senior Managerial Persons of the Company to whom Stock Options have been granted	Options granted in 2007-08	Options granted in 2008-09	Options granted in 2011-12
Hemant Luthra	2,00,000	Nil	Nil
K. Ramaswami	Nil	Nil	3,00,000
Deepak Dheer	Nil	75,000	1,25,000
Zhooben Bhiwandiwala	10,000	10,000	15,000
Nikhilesh Panchal	10,000	10,000	15,000
V. K. Chanana	10,000	10,000	15,000
Fali Mama	10,000	10,000	15,000
Mohit Burman	10,000	10,000	15,000
Harald Korte	10,000	Nil	15,000
Piyush Mankad	Nil	10,000	15,000
Daljit Mirchandani	Nil	10,000	15,000
Oliver Scholz	Nil	10,000	15,000
S. Ravindran	*40,000	Nil	Nil
R.R.Krishnan	*10,000	Nil	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 31st MARCH, 2013

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013.

A. Conservation of Energy

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

1. Reduction in billet dropouts in forging shop to save on heating cost.
2. Improving raw material utilization to reduce consumption of steel in forgings, and therefore, saving in the heating cost.
3. Significant reduction in consumption of LDO and LPG in heat treatment of forged parts by improving furnace efficiency and optimising operating parameters.

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

1. Introduction of modular induction furnace for billet heating process in forging shop.
2. Introduction of air pressure boosters in key areas to reduce overall consumption of electrical units in compressors.
3. Use of electrical grinders in post-forging operations.
4. Introduction of induction heating coils compatible to billet sizes in forging shop.
5. Reduction of cycle time in forging process.

(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 have resulted in significantly lower energy consumption in key energy consuming equipments.

(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.

			2012-13	2011-12
A.	**Power & Fuel consumption**			
1	a. **Electricity Purchased**			
	Quantity (KWH in Lakhs)		**434.43**	480.94
	Total Amount (₹ in Lakhs)		**3,175.47**	3,274.94
	Average Rate Per Unit (₹)		**7.29**	6.81
	b. **Own Generation**			
	(i) Through diesel generator		**Nil**	Nil
	(ii) Through steam turbine/generator		**Nil**	Nil
2	**Coal**		**Nil**	Nil
3	**Methyl Ester oil**			
	Quantity (Kilo Litres.)		**531.85**	Nil
	Total Amount (₹ in Lakhs)		**283.77**	Nil
	Average Rate per Kilo Litres (₹)		**54,107.05**	Nil
4	**Light Diesel Oil**			
	Quantity (Kilo Litres)		**Nil**	624.00
	Total Amount (₹ in Lakhs)		**Nil**	338.18
	Average Rate per Kilo Litres (₹)		**Nil**	54,195.81
5	**Liquefied Petroleum Gas**			
	Quantity (Tons)		**503.17**	1269.73
	Total Amount (₹ in Lakhs)		**309.29**	683.96
	Average Rate per Ton (₹)		**61,468.29**	53,866.84
B.	**Consumption per unit of Production**			
	Production (Tons)		**35,333**	34,686
	Fuel Used	**Units**		
	Electricity	KWH/Ton	**1232.27**	1386.56
	Methyl Ester oil	Lit/Ton	**15.05**	Nil
	Light Diesel Oil	Lit/Ton	**Nil**	17.99
	Liquefied Petroleum Gas	Kg/Ton	**14.24**	36.61

B. TECHNOLOGY ABSORPTION

Research & Development :

1. Specific areas in which Research & Development is carried out:

- 80% of production dies can be interchanged from one press to another, thus creating an alternative to take care of customer schedules in case of emergencies.
- 3VAVE projects completed to reduce machining allowance, increase productivity and reduced tool cost at customer end.
- Die heights standardized on two presses to reduce the die steel consumption and reduced tooling costs.
- Module machine (Cell) concept introduced in Forging Shop.

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

- Improvement in Customer satisfaction by meeting schedules
- Reduced in-house machining costs.
- Increase of utilization of presses

3. Future plan of action:

- Automation and single piece flow system till packing and dispatch on 4000 ton press.
- Automation on 6300 ton press to reduce cycle time.
- Introduce combined trimming and padding for major crankshafts.
- Automation of reduce roll process.

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:

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Lakhs)

	2012 – 13	2011-12
Total Foreign Exchange earned	**1816.24**	1367.30
Total Foreign Exchange used	**33.06**	8.44

The Company continues its efforts to improve its export earnings.

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai, 6th June, 2013

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

Loans and advances in nature of loans to subsidiaries:

Name of the Company	Balances as on 31st March, 2013 (₹ in Lakhs)	Maximum outstanding during the year (₹ in Lakhs)	Investment by the loanee in the shares of parent company (No. of shares)
Mahindra Forgings International Limited, Mauritius	Nil	2,245.80	Nil

MANAGEMENT DISCUSSION AND ANALYSIS

Diversified & Complementary product portfolio across plants

Company Overview

Mahindra Forgings Limited ('Mahindra Forgings' or 'MFL' or 'the Company') is a global forging company with plants in Germany, UK and India. The Company is listed on the BSE Limited and National Stock Exchange of India Limited with fully owned subsidiary in Germany- Mahindra Forgings Europe AG and subsidiary in UK – Stokes Group Ltd. For purposes of this report, the two European companies will be collectively referred to as Mahindra Forgings Europe ('MFE').

The German operations are a **full range provider of forging parts for trucks** while being one of the **top axle beam manufacturers** in the world. They are the largest and account for more than two thirds of the Company's revenues. The Indian operations focus on design, development & machining of **crankshafts for cars & UVs** while the operations in UK focus on **near net forgings for the car market .**The product portfolios of our Indian and European operations don't overlap and are complementary in nature.

Industry Outlook & Structure: Caution Ahead

India

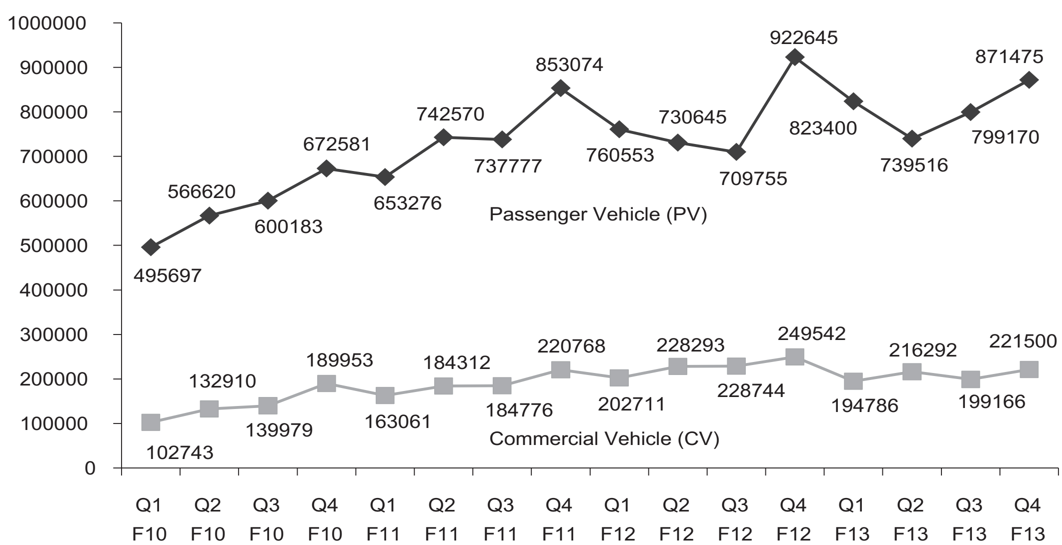
As per the Economic Survey of India, the growth rate of the Indian economy decelerated to a slower rate of around 5% as compared to the growth of 6.2% recorded in the previous financial year. The moderation in growth is primarily attributable to weakness in industry comprising the mining and quarrying, manufacturing, electricity, gas and water supply, and construction sectors.

Indian market slowing down

The factors responsible for the economy slowing down, as per the Economic Survey, were firstly the strong inflation and a monetary response that slowed consumption demand. Secondly, the corporate and infrastructure investment started slowing both as a result of investment bottlenecks as well as the tighter monetary policy. Thirdly, even as the economy slowed, it was hit by two additional shocks: a slowing global economy, weighed down by the crisis in the Euro region and uncertainties about fiscal policy in the United States. A weak monsoon; at least in its initial phase, did not help the economy either.

FY13 was a year where the automotive market experienced a slowing down in growth rates driven by inflationary pressures and industrial unrest at some large OEMs. MFL's target segments viz. cars, utility vehicles (UVs), tractors and light commercial vehicles (LCVs) experienced contrasting fortunes. Production of UVs in India in FY13 grew by 52%, LCVs by 2% while passenger car production grew just by 3% and tractors shrunk by 2%. Overall in FY13, passenger vehicle (cars + UVs+vans) production grew by 3% and commercial vehicles (LCVs + MCVs) growth shrunk by 10.5% (refer figure 1). In the coming year we expect the car market to be flat, UVs to experience high growth but at a slower growth rate than last year, and LCVs and tractors to show slightly positive growth rates.

Figure 1: Quarter-wise Production of Vehicles in India (units)



Source - SIAM

Note: Year in the graph refers to Financial Year

Europe

The European economy which had recovered slightly after the crisis of 2009-10 suffered a decline in 2012 affected by the financial crisis in Cyprus, continuing high unemployment levels in southern European economies and issues about political instability as governments continued to face popular pressure against austerity programmes. Germany is the largest economy of Europe and has shown greater resilience than the other European economies, as a consequence of its export competitiveness and a drive by the government to boost domestic demand. Though the German economy performed better than other European economies in 2012, the growth rate reduced to 0.9% and the growth rate in 2013 is expected to decline to 0.6% as per IMF forecasts (refer Figure 2). The economy is expected to pick up sharply in calendar year 2014.

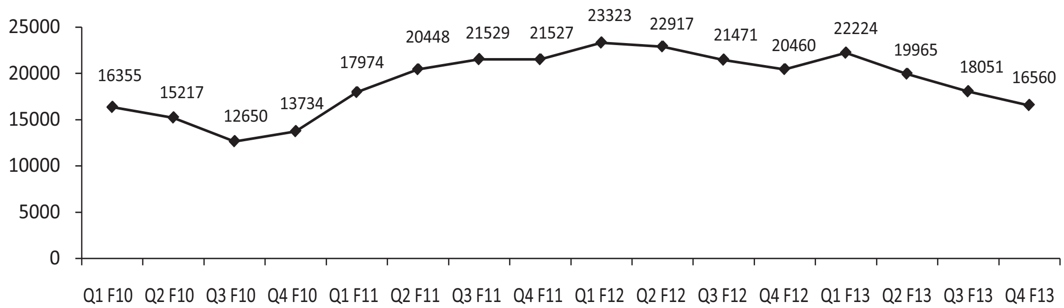
European market declining

Figure 2: IMF GDP Growth Data (%)

	2010	2011	2012	2013	2014
Euro Area	2.0	1.4	-0.6	-0.3	1.1
Germany	4.0	3.1	0.9	0.6	1.5

The European forgings industry is primarily driven by the automotive industry and the segment most relevant to MFE is heavy trucks (>6T). Registrations of heavy trucks in Germany (refer figure 3) in the first half of FY13 (April – Sept'12) contracted by approximately 9% over the corresponding half of the previous financial year. The decline in growth continued in the second half (Oct'12 – Mar'13) with heavy truck registrations experiencing a contraction of 17.5% against the corresponding period of FY12.

Figure 3: Quarter-wise Registration of Trucks (>6T) in Germany (units)



Source - VDA

Domestic sales will continue to be under pressure and even though exports out of Germany should mitigate the lack of domestic growth, we believe the demand for heavy trucks will remain flat in FY13. We have accessed quarterly production forecasts for Western European truck manufacturers prepared by LMC Automotive. As per LMC forecasts, truck production Western Europe in F14 will decline by 4% compared to FY13.

In the medium term, we expect the truck market to experience growth, though it is expected to remain susceptible to fluctuations. Mandatory compliance with Euro 6 emission norms from calendar year 2014 is expected to boost the commercial vehicle industry. Technologically, light-weighting of components continues to remain an important requirement and suppliers are expected to develop capabilities around it.

Human Resources / Industrial Relations Climate

India

The automotive cluster centered around Pune in India where the MFL plant is located is experiencing growth and as a consequence the ability to attract and retain managerial talent and the availability of skilled and unskilled manpower is becoming a key issue. Improving the quality of manpower is also an issue the entire industry is grappling with. Relationship between the management and workers' union continued to remain harmonious.

HR Challenge:

Europe - Increasing costs

India - Attract & Retain Talent

The Human Resources policies of your company are comprehensive and based on the best of the prevailing HR practices. The performance evaluation and management process continues to be the backbone of all HR activities and is based on an appropriate goal-setting process. The Company encourages all employees and workers to participate in a fair and transparent feedback system called "Bindass Bol" (talk candidly) for sharing views, concerns and opinions. As on 31st March, 2013, 877 employees were on the rolls of the Company.

Europe

There is pressure on companies to increase wages; the government is also encouraging unions and companies to increase wages in order to boost demand in the economy. Wages of permanent workers at MFE increased by 11.7% between January'09 and May'12. There is pressure from unions to increase this further and wages are expected to go up by another 3% in FY14.

Operational Performance

India

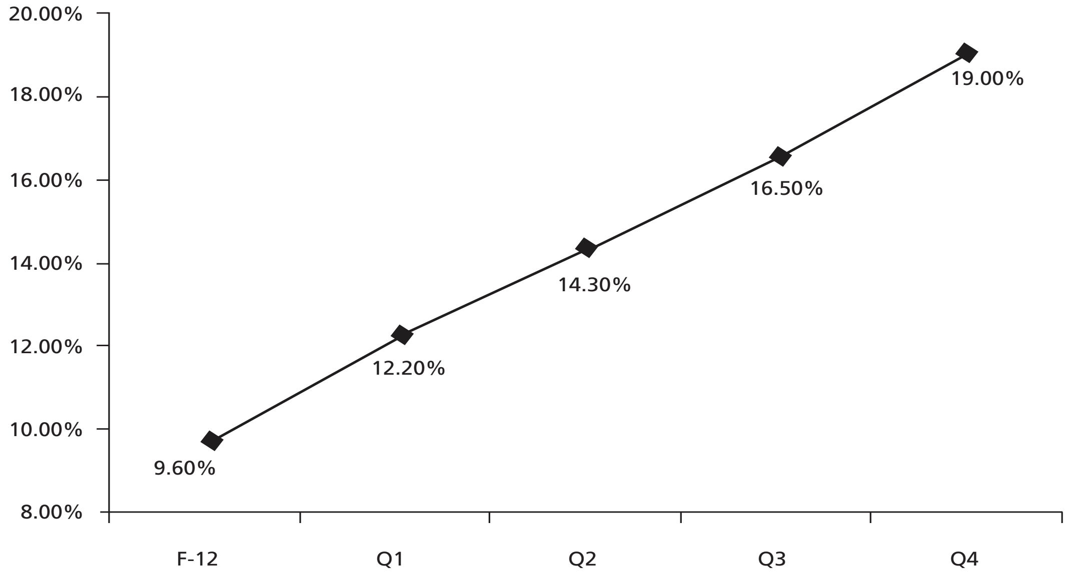
Your Company has focused on increasing profitability by improving plant operations in the areas of ***Q****uality* , ***S****ervice*, ***C****ost* and ***T****echnology* with specific bias to enhancing Machining capabilities. Productivity has increased due to increased utilization of press shop and increasing output/day. Input costs like power and oil costs have been reduced while internal rejections have been significantly controlled. The steps taken above have translated into continuously improving profitability quarter-wise in the last financial year (Refer figure 4).Your Company will strive to maintain this performance in the coming year.

Operations:

India – Historic Performance

Europe – Affected by sales

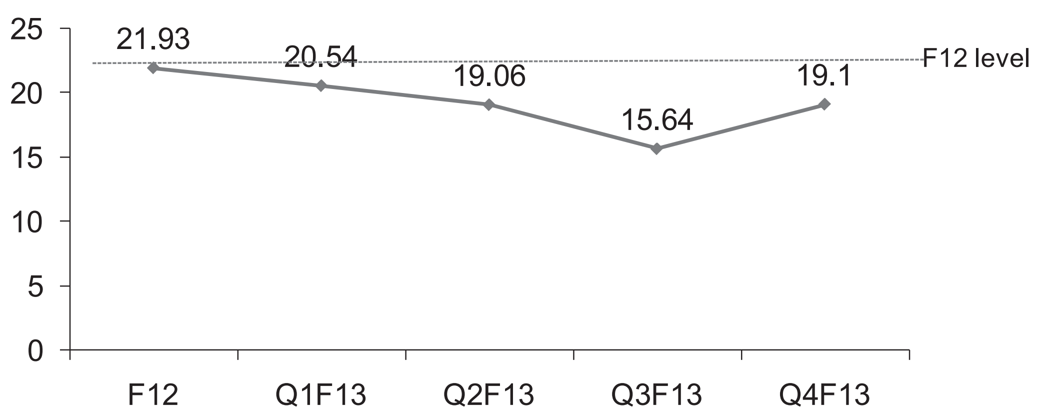
Figure 4: Quarter-wise EBITDA% at MFL India in FY13



Europe

The operational performance of our European subsidiary was affected by a decline in sales. Average monthly sales at MFE, Germany declined continuously in the first three quarters of FY13, recovering marginally in the last quarter (Refer Figure 5).

Figure 5: Average Monthly Sales* of Forgings at MFE Germany (w/o scrap & tools) in Euro mn



* Consolidated sales for MFL after eliminating inter company sales

This decline in sales has been compounded by significant operational problems at Schoeneweiss & Co. GmbH, MFE's second largest plant. These problems have been identified and are being addressed. The mixture of market decline and operational problems has resulted in MFE ending the year with negative EBITDA.

Financial Performance

On a standalone basis, the total income of the Company increased by 2% while profits before interest, depreciation, exceptional items & tax (EBITDA) increased by 60%. The net profit for the year stood at ₹ 4,08.7 mn as against a net profit of ₹ 67.8 mn in the previous year. The net profits generated on a standalone basis by your company are a historical best and were achieved on account of the improvement in operations described earlier in the report. On a consolidated basis, the total income of the Company decreased by 9% in FY13. The EBITDA% on a consolidated basis was at 1.9%, a decline of 6.6% over FY12.

Figure 6 gives the standalone (MFL, India) & consolidated profit and loss account for Mahindra Forgings for FY 2011-12 (FY12) and FY 2012-13 (FY 13).

Figure 6: MFL's abridged P&L Statement for FY 2012-13

(₹ mn)

Sr. No.	Particulars	Standalone		Consolidated	
		Financial Year Ended		Financial Year Ended	
		31.03.2013 (Audited)	31.03.2012 (Audited)	**31.03.2013 (Audited)**	31.03.2012 (Audited)
1.	Gross Sales/Income from Operations	**4,918.95**	4,750.72	**22,608.27**	24,776.33
	Less: Excise Duty	**535.37**	442.25	**535.37**	442.25
	Net Sales / Income from Operations	**4,383.58**	**4,308.47**	**22,072.90**	**24,334.08**
2.	Other Operating Income	**20.00**	16.72	**91.11**	68.44
3.	Total Income (1+2)	**4,403.58**	**4,325.19**	**22,164.01**	**24,402.51**
4.	Expenditure				
	a. (Increase) / decrease in stock in trade and work in progress	**(94.70)**	103.30	**414.59**	(514.98)
	b. Consumption of raw materials	**2,426.23**	2,336.80	**9,590.09**	11,389.78
	c. Purchase of traded goods		-		-
	d. Employee cost	**306.33**	293.07	**6,240.64**	5,806.60
	e. Depreciation	**274.44**	239.19	**1,103.72**	1,128.95
	f. Power & Fuel	**377.46**	429.54	**1,585.63**	1,701.92
	g. Other expenditure	**723.62**	748.15	**3,903.45**	3,936.16
	Total Expenditure	**4,013.38**	**4,150.05**	**22,838.12**	**23,448.43**
5.	Profit from Operations before Other Income, Interest and Exceptional Items (3-4)	**390.20**	**175.14**	**(674.10)**	**954.09**
6.	Other Income	**41.95**	21.62	**38.10**	39.53
7.	Profit before Interest and Exceptional Items (5+6)	**432.15**	**196.76**	**(636.00)**	**993.62**
8.	Interest	**56.78**	113.37	**493.32**	430.72
9.	Profit(+)/Loss(-) after Interest but before Exceptional Items (7-8)	**375.37**	**83.39**	**(1,129.33)**	**562.89**
10.	Exceptional items	**-**	15.59	**11.50**	15.59
11.	Profit before Depreciation, Interest and Exceptional Items and Tax (3)-(4)+(4e)	**664.64**	**414.33**	**429.61**	**2,083.03**
12.	Profit (+)/ Loss(-) from ordinary activities before tax (3+6)-(4+8+10)	**375.37**	**67.80**	**1,140.82**	**547.30**
13.	Tax expenses		-		
	- Current Tax	**21.80**	-	**21.80**	15.97
	(Less) MAT Credit entitlement	**(21.80)**		**(21.80)**	
	- Deferred Tax (credit) charge	**(33.29)**	-	**(15.09)**	23.81
	- Prior period adjustments for Deferred Tax (Net)		-	**13.64**	(4.23)
	- Fringe Benefit Tax		-		-
14.	Profit (+)/ Loss(-) from ordinary activities after tax (12-13)	**408.66**	**67.80**	**(1,139.37)**	**511.74**
15.	Net Profit (+)/ Loss(-)	**408.66**	**67.80**	**(1,139.37)**	**511.74**
16.	Minority Interest		-		**-**
17.	Net Profit after Minority Interest	**408.66**	67.80	**(1,139.37)**	**511.74**

Information for our Indian and overseas operations are summarized in Figure 7. Revenue generated in India increased by 1.81% in FY13 while revenue generated overseas decreased by 10.10%.

Figure 7: Segment wise results for FY 2012-13

(Rs mn.)

Sr. No	Particulars	Year Ended	
		31.03.2013 Audited	31.03.2012 Audited
1	**Segment Revenue**		
	a) Indian	**4,403.58**	4,325.19
	b) Overseas	**17,921.46**	20,168.62
	Total	**22,325.04**	24,493.81
	Less: Inter Segment Revenue	**(161.03)**	(91.30)
	Net Sales / Income from Operations	**22,164.01**	**24,402.51**
2	**Segment (Loss)/Profit before tax and interest from**		
	a) Indian	**247.69**	174.95
	b) Overseas	**(896.35)**	803.07
	Total	**(648.66)**	**978.02**
	Less:		
	(i) Un-allocable expenditure	**492.16**	430.72
	(i) Un-allocable income	**-**	-
	Total (Loss)/Profit Before Tax	**(1,140.82)**	**547.31**
3	**Capital Employed**		
	(Segment Assets- Segment Liabilities)		
	a) Indian	**1,712.49**	1,736.79
	b) Overseas	**4,822.24**	8,647.98
	Total	**6,534.73**	**10,384.77**

Strategy

India

Your Company's Indian operations have turned around by implementing a three pronged strategy. By continuing to execute this strategy, we are cautiously optimistic that we can sustain our performance levels even though future market conditions are expected to be uncertain. The three pronged strategy focuses on the following:

- ***Q****uality*, ***S****ervice*, ***C****ost* and ***T****echnology* with specific bias to enhancing Machining capabilities
- Become **preferred supplier of crankshafts and steering knuckles** in the Indian market – your Company has collaborated on co-development of parts with key customers and has been recognized by them for its efforts.
- **Exports** to be targeted aggressively – a key part of this strategy is to transfer low margin parts from MFE to MFL.

Strategy:

India – Continue improving operations

Europe – Reduce Breakeven

Europe

The main constituents of costs other than raw material costs in Europe are personnel costs and power costs. As explained earlier, wage tariffs in Germany have increased by 11.7% between Jan'09 and May'12 and are expected to increase further by 3% in this fiscal year. The power costs have also been increasing due to Germany moving away from the cheaper nuclear power plants to costlier renewable energy options. This has put an increasing additional burden especially on small and medium businesses. Between 2008 and 2013, power costs have gone up by ~34% an increase which is not compensated by customers.

The steady increase in costs and a decline in market demand means that MFE's medium term strategy will be focused on reducing the breakeven. A cross-geographical joint task force of senior officers and technical experts has been formed and they will be actively involved in implementing measures to reduce breakeven.

In the short term, the key challenge is to generate positive operating cash flow in a stagnant market. The task force is focused on conserving cash by controlling working capital to balance any decline in operating cash.

Synergies with Parent

Synergies with Mahindra Systech

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

(a) components – forgings, castings, stampings, ferrites, composites & gears

(b) alloy steel and rings manufacturing

(c) services - engineering and design services and contract sourcing.

The sector derives significant advantages of synergies and cross selling opportunities because of its presence in multiple auto component technologies. The sector is able to provide a basket of products and services to customers, largely OEMs or tier 1 suppliers, thereby enabling it to differentiate itself from competitors. A unified business development structure has been created under which managers are responsible for offering customers the whole portfolio of products, services and solutions. The efforts of all Systech companies around web presence, collaterals, event planning etc have been harmonized. Systech companies also regularly explore synergies in areas of procurement, sourcing and product development. For example, Mahindra Engineering Services Limited deputes its engineers to assist MFL in the product development process. There is a regular exchange of best practices across Systech companies in areas like Finance, HR and Administration. The management of Mahindra Systech is contemplating bringing together all its component companies to create a large listed multi technology firm.

Relationship with Mahindra Group

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

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

Risks and Concerns

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

Risks:

Uncertainty in Europe, Rupee fluctuation, machine health

Economic Risks

Impact of uncertainty in the Eurozone on the demand: Many countries in the Eurozone are facing fiscal crisis and there is no clear consensus in the European community on how to deal with them. This is leading to a sense of uncertainty which can drive down market sentiment and lead to a reduction in demand. Approximately three fourths of the consolidated revenues of MFL come from Europe and any reduction in European demand will adversely affect the results. The Company is continuously monitoring the situation in Europe so that corrective actions are immediately taken in response to a demand slowdown.

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, it is 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 its innovations are focused around lighter weight components and newer materials.

Operating Risks

*Unscheduled maintenance required for equipment: T*he Company in the past had instances of losses being incurred due to breakdown of its presses or due to unscheduled maintenance requirement for key equipment. A detailed preventive maintenance plan has been drawn up both in India and Europe to mitigate this possibility.

Delay in price increase from customers: Both our Indian and European operations are facing increasing input prices especially for steel and power. Some of these costs are a pass through but any delay in price increase may temporarily depress margins.

Declining Operating Cash Flows at MFE: As markets in Europe stagnate or decline, operating cash at MFE continues to be under pressure and has to be balanced with cuts in working capital or capital expenditure. Any further decline in markets could result in negative free cash flow at MFE.

Financial Risks

Ability to service debt: 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.

Exposure to foreign exchange fluctuations: MFE purchases its semi finished goods and services largely in Euros and invoices almost exclusively in Euros. In case of MFL India, purchasing and invoicing happens largely in Rupees. Therefore there is no appreciable exchange rate risk. In any case, the Company actively monitors its Foreign Exchange exposure and forward covers are used where considered appropriate in consultation with the holding Company i.e. M & M.

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 our operations is conducted by leading independent Chartered Accountants firms in India. Similar process is being initiated in MFE during current year. 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.

Looking Ahead

Uncertainty in the current economic environment means that the focus of the Company will be optimising profitability and cash flow. The Company also recognizes the long term trend towards growth and will continue to look out for and evaluate growth opportunities across the globe.

Cautionary Statement

Certain statements in the Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those express or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

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 said Clause 49.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with the Clause 49 during the year ended 31st March, 2013.

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 your Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operate under the supervision and control of the Board. The Board reviews and approves strategy and oversees the results of management to ensure that the long term objective of enhancing stakeholders' value is met.

Mr. K. Ramaswami is the Managing Director of the Company. Mr. Hemant Luthra, Chairman of the Company and Mr. Zhooben Bhiwandiwala, Non-Executive Director 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 five 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 ₹ 20.91 Lakhs during the financial year.

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

COMPOSITION OF THE BOARD

Currently, the Company's Board comprises of ten 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 31st March, 2013	Total number of Chairmanships of Committees + of public companies as on 31st March, 2013	Total number of Directorships* of public companies as on 31st March, 2013
NON – EXECUTIVE				
Mr. Hemant Luthra	Non-Independent	1	1	7
Mr. Zhooben Bhiwandiwala	Non-Independent	5	1	10
Mr. Mohit Burman	Independent	3	Nil	8
Mr. V. K. Chanana	Independent	1	1	1
Mr. Nikhilesh Panchal	Independent	3	Nil	3
Mr. Fali P. Mama	Independent	5	1	2
Mr. Daljit Mirchandani	Independent	2	1	3
Mr. Harald Korte	Non-Independent	Nil	Nil	1
Mr. Oliver Scholz	Non-Independent	Nil	Nil	1
EXECUTIVE				
Mr. K. Ramaswami	Managing Director	Nil	Nil	2

* 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, if any, 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 / 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 six times during the year on the following dates – 27th April, 2012, 25th May, 2012, 31st July, 2012, 22nd October, 2012, 31st January, 2013 and 13th February, 2013. The gap between two meetings was not more than four months.

The Thirteenth Annual General Meeting (AGM) was held on 31st July, 2012.

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. Hemant Luthra	5	Yes
Mr. Zhooben Bhiwandiwala	5	Yes
Mr. Mohit Burman	5	No
Mr. V. K. Chanana	5	No*
Mr. Nikhilesh Panchal	5	Yes
Mr. Fali P. Mama	5	Yes
Mr. Harald Korte	3	Yes
Mr. Oliver Scholz	Nil	No
Mr Daljit Mirchandani	4	Yes
Mr. K. Ramaswami	6	Yes

* Mr. V. K. Chanana could not attend as he was unwell. In his place, Mr Daljit Mirchandani, member of the Audit Committee was nominated to answer the members' queries.

DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

Mr. Mohit Burman, Mr. Harald Korte and Mr. Oliver Scholz 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 was born in Calcutta and did his schooling from Highgate School, London. He graduated from Richmond College, London, in Bachelor of Arts, Business Administration and Economics in May 1989 (Double major: Marketing and General Management) and subsequently completed his Master of Business Administration in December 1993, in Finance from Babson College, Massachusetts, U.S.A.

Mr. Burman started his career with Welbeck Property Partnership, London and then joined Dabur Finance Ltd., a company specialising in fund and fee based financial activities, as Senior Manager. He played a pivotal role in expanding the group's financial services business into Asset Management, Life Insurance, General Insurance and Pensions. Aviva life Insurance was set up in 2000 in joint venture with AVIVA, the world's fifth largest insurance group. Thereafter, he started Universal Sompo General Insurance company in consortium with Allahabad Bank, Indian Overseas bank, Karnataka Bank and Sompo of Japan. He has to his credit the acquisition of one of the largest privately held FMCG companies in India called Balsara Home Products Ltd. in 2004. He later played a pivotal role in the acquisition of FEM Pharma for Dabur India Ltd. Mr. Burman is one of the founding owners of an IPL cricket team "Kings XI Punjab" and Hockey India team "Mumbai Magicians".

Mr. Burman is on the Board of Dabur India Limited, M. B. Filmart Private Limited, A.V.B. Private Limited, Vertex Broadcasting Company Private Limited, Acee Enterprises (a private Company with unlimited liability), Vic Enterprises Private Limited, Puran Associates Private Limited, Malhotras Trading Company Private Limited, Dabur Ayurvedic Specialities Limited, Windy Finvest Private Limited, Windy Investments Private Limited, Sunshine India Private Limited, Newage Capital Services Private Limited, Dabur International Limited, H & B Stores Limited, Universal Sompo 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, MG Burmans Capital Advisors Private Limited, Nothern Herbal Farms Private Limited, Burman Finvest Private Limited, Caterham Cars India Private Limited, Elephant India Finance Private Limited, Dabur Pharmaceuticals Limited, Aviva Life Insurance Company India Limited, Espirito Santo Securities India Private Limited and Marketopper Securities Private 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 Investment Committee Asset Liability Management Committee Nomination Committee	Member Member Member Member
2.	Universal Sompo General Insurance Company Limited	Audit Committee Reinsurance Committee	Member Member
3.	Mahindra Forgings Limited	Audit Committee Remuneration/Compensation Committee	Member Chairman

Mr. Mohit Burman holds 19,761 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 & Söhne, Ennepetal, where he was responsible for production, planning and quality control. He had undergone a training program from 1967 to 1968 in SIFCO, USA and Brazil. Since 1968 he was with Schöneweiss & Co. GmbH and after handling various assignments and positions, he became Managing Director in 1971. He was responsible for the complete operational areas, sales and finance. In 1995 he became Chairman of Schöneweiss & Co. GmbH.

Mr. Korte is not on the Board or in any Committee of the Board of any other company.

Mr. Korte does not hold any shares in the Company.

3. Mr. Oliver Scholz

Mr. Oliver Scholz is a graduate and holds the qualification of Diplom-Betriebswirt (BA).

Mr. Scholz joined Scholz AG in 1991. Initially he was responsible for the development and integration of the newly acquired operations in Eastern Germany. Mr. Scholz became a board member of Scholz AG in 1999 and was the driving force for the strategic reorientation of Scholz-Group between 1999 and 2001.

Mr. Scholz is not on the Board or in any Committee of the Board of any other company.

Mr. Scholz does not hold any shares 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 31st March, 2013.

REMUNERATION TO DIRECTORS

REMUNERATION/COMPENSATION POLICY

While deciding on the remuneration for Directors, the Board and 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 keep track of the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

REMUNERATION/COMPENSATION PAID TO DIRECTORS

Non-Executive Directors are paid sitting fee of ₹ 7,500/- for every meeting of the Board and ₹ 3750/- for every meeting of Audit Committee, Remuneration/Compensation Committee, Share Transfer and Shareholders'/Investors' Grievance Committee attended. With effect from 1st June, 2012 the Directors who are executives of the Holding Company or any other Group Company are not paid any sitting fees for attending the meeting of the Board or any committee of the Board..

The details are presented in table 3. The remuneration to the Managing Director was fixed by the Remuneration/Compensation Committee and subsequently approved by the Board of Directors and shareholders at a General Meeting.

Table 3: Details of remuneration paid/payable to the Directors including Managing Director for 2012-13

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 Options granted in April, 2011@@@@	No. of Options granted in January, 2012@@@@@	No. of Ordinary (Equity) Shares held as on 31st March, 2013
Mr. Hemant Luthra	18,750	NA	NA	NA	18,750	NIL	2,00,000	NIL	NIL	NIL	#1,000
Mr. Zhooben Bhiwandiwala	15,000	NA	NA	NA	15,000	8,000	2,000	10,000	15000	NIL	NIL
Mr. Mohit Burman	51,994	NA	NA	NA	51,994	8,000	2,000	10,000	15000	NIL	19,761
Mr. V. K. Chanana	60,421	NA	NA	NA	60,421	8,000	2,000	10,000	15000	NIL	NIL
Mr. Nikhilesh Panchal	56,208	NA	NA	NA	56,208	8,000	2,000	10,000	15000	NIL	NIL
Mr. Fali P. Mama	60,885	NA	NA	NA	60,885	8,000	2,000	10,000	15000	NIL	2,220
Mr. Harald Korte	24,354	NA	NA	NA	24,354	10,000	NIL	NIL	15000	NIL	NIL
Mr Daljit Mirchandani	57,135	NA	NA	NA	57,135	NA	NA	10,000	15000	NIL	NIL
Mr. Oliver Scholz	NIL	NA	NA	NA	NIL	NA	NA	10,000	15000	NIL	NIL
Mr. K. Ramaswami (Managing Director)	NA	42,72,000	Nil	Nil	42,72,000	NA	NA	NA	NA	3,00,000	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 25th March, 2010.

@ These Options vested in four equal Installments 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 ₹ 197/- per share.

@@ These Options vested in four equal Installments 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 ₹ 197/- per share, except for Mr. Hemant Luthra who was granted Options at an exercise price of ₹ 83/-per share.

@@@ These Options vested in four equal Installments 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 ₹ 109/- per share.

@@@@ These Options vested/ would vest in four equal Installments in April, 2012, April, 2013, April, 2014 and April, 2015 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price ₹ 57/- per share.

@@@@@ These Options vested/ would vest in four equal Installments in January, 2013, January, 2014, January, 2015 and January, 2016 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price ₹ 44/- per share.

Details of the Options granted are given in the Statement attached as Annexure I to the Directors Report.

The Company did not advance loans to any of its Directors. The appointment of the Managing Director is for a period of three years with effect from 4th October, 2011 to 3rd October, 2014.

Notes:

a) Notice period applicable to the Managing Director - three months.

b) No severance fees and no commission.

c) Employee stock Option is the only component of remuneration that is performance–linked. All other components are fixed.

RISK MANAGEMENT

Your Company follows 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 of 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 Bhiwandiwala. Except Mr. Bhiwandiwala, 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 the 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 the Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis of financial condition and results of operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. All items listed in Clause 49 II (D) of the Listing Agreement are covered in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II (C) of the Listing Agreement.

The meetings of the Audit Committee are also attended by the Managing Director, Chief Financial Officer, the Statutory Auditors and the Internal Auditors.

The Committee held 4 meetings during the year 2012-13 on the following dates, i.e. 25th May, 2012, 31st July, 2012, 22nd October, 2012 and 31st January, 2013. 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	3
Mr. Mohit Burman	Independent Director	Member	2
Mr. Nikhilesh Panchal	Independent Director	Member	3
Mr. Fali P. Mama	Independent Director	Member	4
Mr. Zhooben Bhiwandiwala	Non-Independent Non- Executive Director	Member	1
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 for 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 of 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 Company Secretary is the Secretary to the Committee.

The Committee met once during the year under review on 25th May, 2012. The meeting was attended by all its members.

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

The Company's Share Transfer and Shareholders'/Investors' Grievance Committee comprises of Mr. Daljit Mirchandani, Mr. V. K. Chanana and Mr. Fali P. Mama, all Non-Executive Independent Directors. Mr. Daljit Mirchandani is the Chairman of the Committee. Mr. Krishnan Shankar, Company Secretary & Head – 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, the Chairman of the Committee, is authorised to approve of transfers of shares which are up to 5,000 in number. The Committee at the meeting held on 22nd October, 2012 has further delegated the power to approve the transfer of Shares upto 5000 shares to the Company Secretary.

The Committee met once during the year under review on 22nd October, 2012. The meeting was attended by all its members.

During the year, all the complaints received from the shareholders were redressed within the stipulated time and no complaint is pending as on 31st March, 2013.

Shares held by the Non-Executive Directors

As on 31st March, 2013, Mr. Hemant Luthra held 1,000 shares, Mr. Mohit Burman along with his relatives held 7,70,011 equity shares and Mr. Fali P. Mama held 2,220 equity shares of the Company. The Company has allotted Employees Stock Options to its Directors, details of which are disclosed in Annexure I to the Directors Report. Apart from this no other Non-Executive Director held any shares or convertible instruments as on 31st March, 2013.

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 2012-13, 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 XXVII (B) (3) of notes to 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

14^{th} Annual General Meeting

Date : Tuesday, 23^{rd} July, 2013

Time : 4.00 p.m. .

Venue : Rama Watumull Auditorium, Kishinchand Chellaram College, 124, Dinshaw Wacha Road, Churchgate, Mumbai - 400 020

Book Closure

The dates of book closure will be from Monday 15^{th} July, 2013 to Tuesday, 23^{rd} July, 2013 inclusive of both days.

Dividend Payment

The Board of Directors of the Company has not recommended a dividend for the financial year 2012-13

Financial Year

Financial year covers the period from 1^{st} April to 31^{st} March

For the year ending 31^{st} March 2014, results will be tentatively announced by

- End July, 2013: First quarter
- End October, 2013: Second Quarter and Half yearly
- End January, 2013: Third quarter and Nine Months
- End April, 2014 or May, 2014: 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 BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

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

Stock code

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

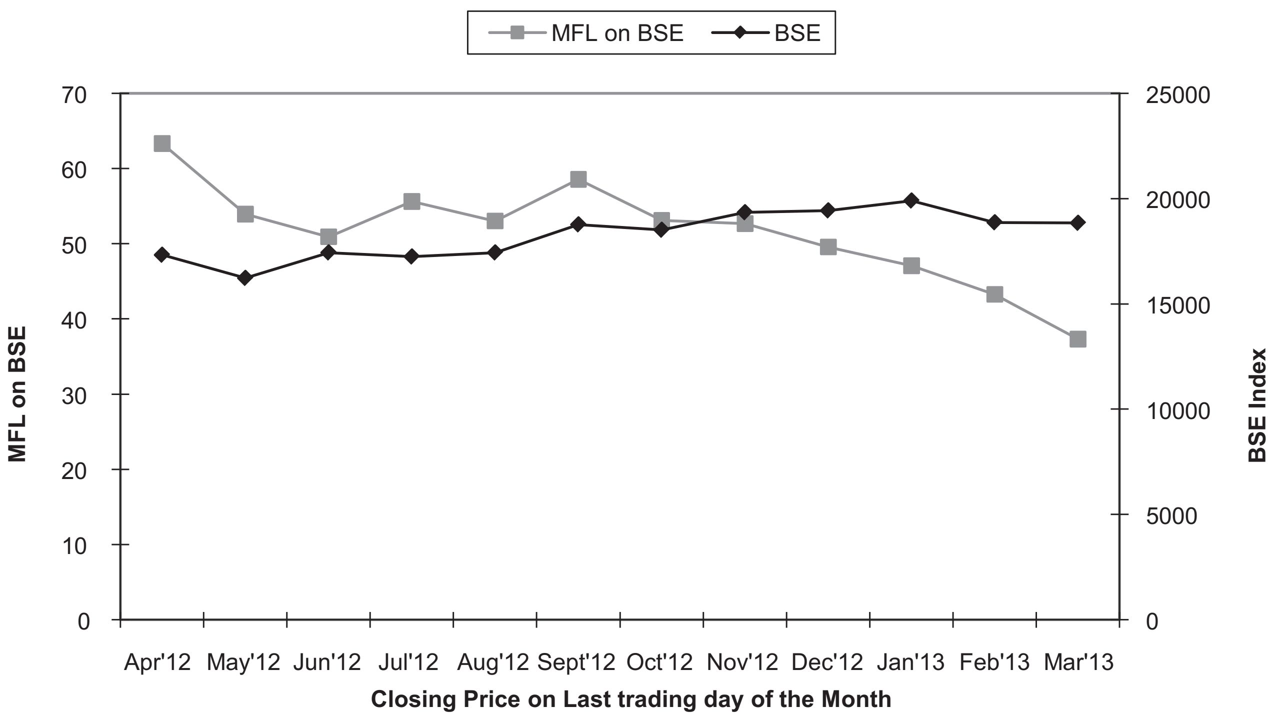
Stock Market Data

Table 5: High and low price of Company's shares for FY 2012-13 at BSE & NSE

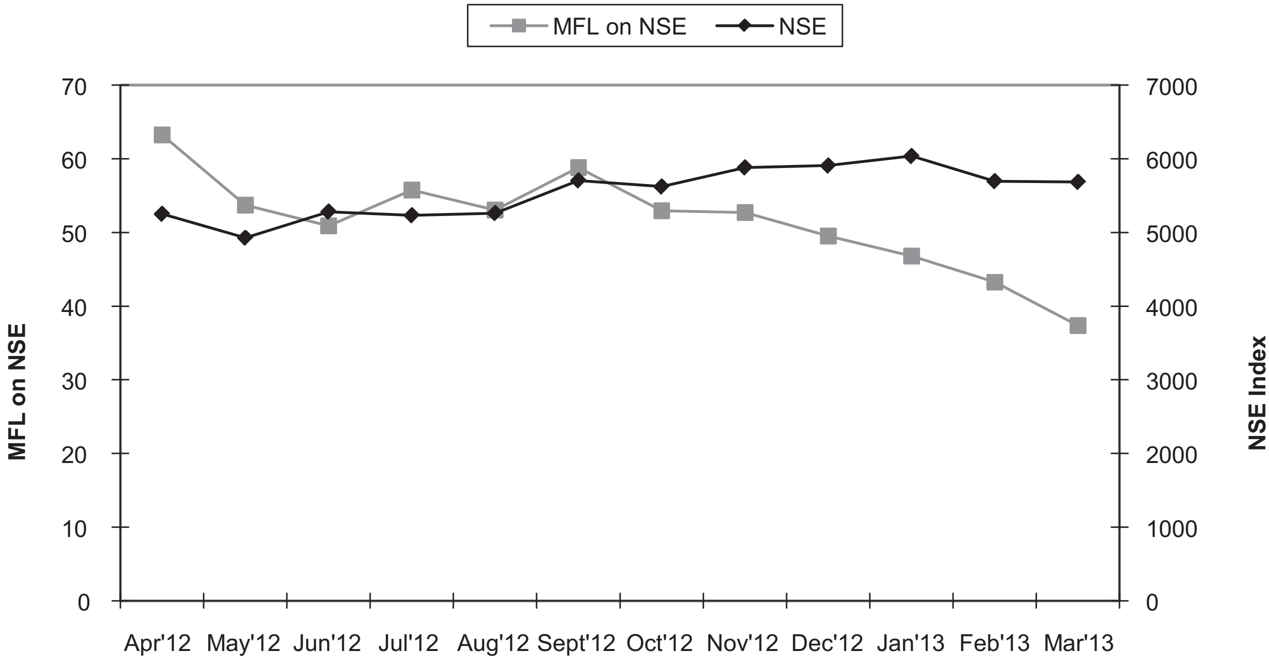
	BSE Limited		National Stock Exchange of India Limited	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April-2012	67.90	62.25	70.00	62.20
May-2012	64.40	51.15	65.00	51.50
June-2012	54.45	50.00	56.50	50.05
July-2012	64.20	50.80	64.40	50.40
August-2012	59.25	52.50	59.05	51.15
September-2012	62.40	52.60	62.60	50.15
October-2012	64.80	51.90	63.25	51.60
November-2012	55.90	49.65	55.60	49.80
December-2012	54.55	49.05	55.80	49.10
January-2013	55.80	46.10	55.65	46.25
February- 2013	50.00	39.05	51.10	39.60
March- 2013	46.00	37.20	48.75	37.00

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:



Closing Price on Last trading day of the Month

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 fifteen 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 and the Company Secretary of the Company are authorised to approve of transfers of shares upto 5,000 in number. The Share Transfer and Shareholders'/ Investors' Grievance Committee meets as and when required to consider the other transfer proposals and attend to Shareholder grievances.

Distribution of Shareholding

Table 6: Distribution of Shareholding as on 31st March, 2013

Number of shares held	Number of shareholders	% of shareholders	Total shares	% of shareholding
1 to 5000	25,988	91.51	23,84,477	2.59
5001 to 10000	1,079	3.80	8,92,083	0.97
10001 to 20000	589	2.08	9,10,394	0.99
20001 to 30000	239	0.84	6,22,419	0.68
30001 to 40000	96	0.34	3,42,817	0.37
40001 to 50000	103	0.36	4,93,931	0.53
50001 to 100000	143	0.50	10,69,790	1.16
100001 & above	162	0.57	8,54,57,395	92.71
Total	**28,399**	**100**	**9,21,73,306**	**100**

Shareholding pattern

Table 7: Shareholding pattern as on 31st March, 2013

Category of Shareholders	Number of Equity Shares held	Percentage (%)
Promoter & Promoter group	4,88,25,609	52.97
Mutual Fund/UTI	92,86,305	10.07
Financial Institutions/Banks	90	0.00
Insurance Companies	NIL	NIL
Foreign Institutional Investors	43,66,751	4.74
Bodies Corporate	1,06,03,997	11.50
Resident individuals	1,02,36,149	11.11
NRIs	2,53,992	0.28
Clearing Members	28,373	0.03
Foreign companies	85,57,290	9.28
Foreign Nationals	14,750	0.02
Total	**9,21,73,306**	**100.00**

Dematerialisation of Shares

As on 31st March, 2013, 99.45% of the paid up 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

Nil

Plant Location

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

Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Computershare Private Limited.
Unit: Mahindra Forgings Limited
“Karvy House” 46 Avenue 4, Street No. 1, Banjara Hills
Hyderabad - 500 034.
Tel. No. + 91 - 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. The Company is registered in SEBI Complaints Redressal System (SCORE). The investors can send their complaints through SCORES by visiting http://www.scores.gov.in

Shareholders would have to correspond with the respective Depository Participants for shares held in dematerialised form.

For all investor related matters, the Company Secretary & Head - Legal can be contacted at: Gat No. 856 to 860, Chakan Ambethan Road, Taluka.; Khed, District : Pune - 410501. Tel No.+91-2135-663307 e-mail : shankar.krishnan@mahindra.com

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

OTHER DISCLOSURES

General Body Meetings

Tables 8 and 9 give the details of the last three years' General Meetings.

Table 8: Annual General Meetings held during the past three years

Year	Date	Time	Special Resolution(s) passed
2010	22nd July, 2010	3.30 p.m.	No special resolution was passed at the AGM.
2011	2nd August, 2011	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 31st March, 2011.
2012	31st July, 2011	3.30 p.m.	1. Appointment and Remuneration of Mr. K. Ramaswami as Managing Director of the Company for a period of three years with effect from 4th October, 2011 to 3rd October, 2014. 2. Alteration of the Articles of Association of the Company to incorporate the enabling provisions for participation by Shareholders and Directors in Meetings through electronic mode and servicing of documents by Electronic Mode.

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

Year	Date	Time	Special Resolution passed
2010	18th February, 2010	2.30 p.m.	i. Alteration of the Articles of Association. 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 ₹ 10/- each at a premium. iii. Issue of Warrants not exceeding 72,99,270 at a price of ₹ 137/- per Warrant to Mahindra & Mahindra Limited, Promoters entitling the holder of the Warrant thereof to apply for and be allotted 1 (one) Equity share of face value of ₹ 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. iv. Making investment in excess of the limits prescribed under Section 372A of the Companies Act, 1956 upto an amount of ₹ 100 Crores. v. Increasing the aggregate permissible limit of FIIs equity shareholding from 24% to 40% of the paid up share capital of the Company.

The Annual General Meetings held on 22nd July, 2010 and 2nd August, 2011 were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400 034 and the Annual General Meeting held on 31st July, 2012 was held at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400025

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.

Management Discussion and Analysis

Management Discussion and Analysis forms part of and is annexed to the Directors 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’.

During the year under review the Company’s financial statements are free from any qualifications by the Auditors. Your Company continues to adopt best practices to ensure regime of unqualified financial statements.

Your 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.

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

Your Company is in compliance with some of the voluntary guidelines and it will always be the Company’s endeavour to attain the best practices in corporate governance.

Mumbai, 21st May, 2013.

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

To,

The Members of Mahindra Forgings Limited

I, K. Ramaswami, 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^{st} March, 2013.

K.Ramaswami
Managing Director

Mumbai, 21^{st} May, 2013

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^{st} March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said company with National Stock Exchange of India Limited and BSE Limited.

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^{st} March, 2013, 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: 21^{st} May, 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAHINDRA FORGINGS LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

   (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and;

   (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note no. XXVII(7) of the financial statements and for the reasons detailed therein the management of the Company does not perceive any permanent diminution in the value of long term investment of ₹ 67,580.51 Lakhs in the wholly owned subsidiaries namely Mahindra Forgings Global Limited and Mahindra Forgings Investment Limited in view of the measures for improving financial performance being taken by the management of the Company. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

7. As required by 'the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by section 227(3) of the Act, we report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;

   c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

Padmini Khare Kaicker
Partner
Membership No.: 044784
Firm Registration No. 105102W

Place : Mumbai

Date : 21st May 2013

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (7) 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) The Company has 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. 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 2013 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Sales Tax, Service Tax, Customs Duty, Wealth Tax, or Cess outstanding on account of any dispute as on 31st March 2013, other than disputed demands of Excise Duty and Income Tax as under:

Name of statute	Nature of dues	Amount in ₹ 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. Accumulated losses of the Company at the end of the year are not more than 50% of its net worth as on 31st March 2013. The Company has not incurred cash losses in the current year as well as in the immediately preceding year.

xi. Based on our audit procedures and on the basis of information and explanations given by the management, 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. The Company has given guarantee of Euro 5 million (₹ 3,474.50 Lakhs) for loan taken by its step down subsidiary Mahindra Forgings Europe AG from ICICI Bank Plc, UK. Based on the information and explanations given to us and representations made to us, we are of the opinion that the terms and conditions thereof are not prima facie prejudicial to the interest of the Company.

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, the Company has not made any public issue of equity shares.

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
Date : 21st May 2013

Balance Sheet as at 31st March, 2013

		Note	As at March 31, 2013 ₹ in Lakhs	As at March 31, 2012 ₹ in Lakhs
I	**EQUITY & LIABILITIES**			
1	**SHAREHOLDERS' FUNDS**			
	(i) Share capital	I	**9,217.33**	9,216.91
	(ii) Reserves & surplus	II	**80,967.84**	76,726.96
			90,185.17	85,943.87
2	**Non-Current Liabilities**			
	(i) Long-term borrowings	III	**1,701.52**	1,862.18
	(ii) Other long-term provisions	IV	**74.61**	60.02
			1,776.13	1,922.20
3	**Current Liabilities**			
	(i) Short-term borrowings	V	**1,403.17**	1,769.01
	(ii) Trade payables	VI	**9,012.33**	7,608.47
	(iii) Other current liabilities	VII	**1,019.13**	4,212.55
	(iv) Short-term provisions	VIII	**70.99**	16.37
			11,505.62	13,606.40
	Total		**103,466.92**	101,472.47
II	**ASSETS**			
	Non-current assets			
1	**(a) Fixed Assets**	IX		
	(i) Tangible assets		**19,231.16**	20,147.75
	(ii) Intangible assets		**70.12**	94.64
	(iii) Capital work-in-progress		**1,104.47**	1,597.92
			20,405.75	21,840.31
	(b) Non-current investments	X	**68,444.42**	68,340.83
			68,444.42	68,340.83
	(c) Deferred tax assets (net)	XII	**332.91**	-
	(d) Long-term loans and advances	XIII	**622.23**	804.77
			955.14	804.77
2	**Current Assets**			
	(a) Current Investment	XI	**3,908.34**	-
	(b) Inventories	XV	**4,672.71**	4,836.20
	(c) Trade receivables	XVI	**4,203.98**	4,380.65
	(d) Cash and bank balances	XVII	**237.31**	662.33
	(e) Short-term loans and advances	XIII	**611.25**	553.50
	(f) Other current assets	XIV	**28.02**	53.88
			13,661.61	10,486.56
	Total		**103,466.92**	101,472.47
	Summary of accounting policies	XXVII		

The accompanying notes are an integral part of financial statement **(I TO XXVII)**

As per our Report of even date

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

Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

K. Ramaswami
(Managing Director)

Mohit Burman
(Director)

Daljit Mirchandani
(Director)

Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Profit & Loss Statement for the year ended 31st March, 2013

		Note	Year ended March 31, 2013 ₹ in Lakhs	Year ended March 31, 2012 ₹ in Lakhs
I.	**Revenue from operations**	XVIII	**49,389.48**	47,674.46
	Less: Excise duty		**5,353.67**	4,422.53
	Net revenue from operations		**44,035.81**	43,251.93
II.	**Other Income**	XIX	**419.53**	216.21
III.	**Total Revenue (I+II)**		**44,455.34**	43,468.14
IV.	**EXPENDITURE :**			
	Cost of materials consumed	XX	**24,262.25**	23,368.01
	(Increase)/Decrease in inventories	XXI	**(947.00)**	1,032.98
	Employee benefits expenses	XXII	**3,063.30**	2,930.69
	Finance costs	XXIII	**567.83**	1,133.68
	Depreciation and amortisation expenses	XXIV	**2,744.42**	2,391.89
	Other expenses	XXV	**11,010.84**	11,776.90
	Total Expenses		**40,701.64**	42,634.15
V.	**Profit before exceptional items and tax (III-IV)**		**3,753.70**	833.99
VI.	**(Add) / Less : Exceptional items (Refer Schedule XXVI, Note B-6)**		**-**	155.89
VII.	**Profit before tax (V - VI)**		**3,753.70**	678.10
VIII.	**Tax expenses**			
	Current Tax		**218.00**	-
	Less : MAT Credit entitlement		**218.00**	-
	Deferred Tax (Credit)/charge	XII	**(332.91)**	-
IX.	**Profit / loss for the period**		**4,086.61**	678.10
X.	**Earnings per equity share:**			
	(1) Basic (₹)		**4.43**	0.75
	(2) Diluted (₹)		**4.43**	0.75
	Summary of significant accounting policies	XXVII		

The accompanying notes are an integral part of financial statements **(I TO XXVII)**

As per our Report of even date

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

Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

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(Managing Director)

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(Director)

Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Cash Flow Statement for the year ended 31st March, 2013

	As at March 31, 2013 ₹ in Lakhs	As at March 31, 2012 ₹ in Lakhs
Profit / (Loss) before tax after prior period adjustments	**3,753.70**	678.10
Add: Adjustments for:		
Depreciation and amortisation expense including ESOS	**2,785.09**	2,525.74
Provision for doubtful debts / write off	**80.40**	20.00
Interest expenses	**567.83**	1,133.68
Loss on sale of fixed assets / assets written off	**22.79**	71.41
Amortisation of investment in WPCL	**8.01**	
Exceptional item	**-**	155.89
Sub Total	**7,217.82**	4,584.82
Less: Adjustments for:		
Interest / Dividend income	**15.48**	72.01
Profit on sale of investment	**10.86**	5.22
Sub Total	**26.34**	77.23
Operating profit before working capital changes	**7,191.48**	4,507.59
Movement in		
Trade & other receivables	**23.29**	1,435.74
Inventories	**163.49**	471.62
Liabilities & provisions	**1,395.16**	91.04
Sub Total	**1,581.94**	1,998.40
Cash generated from operations	**8,773.42**	6,505.99
Income tax refund/(paid)	**(167.20)**	7.60
Net cash flow from operating activities	**8,606.22**	6,513.59
Cash flow from investing activities		
Purchase of fixed assets	**(1,049.03)**	(2,212.66)
Sale of fixed assets	**18.57**	31.57
Purchase of investments		
In mutual funds	**(8,950.00)**	(850.00)
In subsidiary company	**-**	(628.06)
Sale of Investments	**-**	855.22
In mutual funds	**5,052.52**	-
Interest / Dividend received	**15.48**	72.01
Refund of loans by subsidiary company	**-**	570.61
Net cash from investing activities	**(4,912.46)**	(2,161.31)

Cash Flow Statement for the year ended 31st March, 2013

	As at March 31, 2013 ₹ in Lakhs	As at March 31, 2012 ₹ in Lakhs
Cash flow from financing activities		
Term loans repayment	**(3,237.53)**	(4,280.15)
Issue of share capital	**2.42**	4,417.50
Short-term loans from banks	**(365.84)**	(2,672.74)
Interest paid	**(567.83)**	(1,133.68)
Exceptional item	**-**	(155.89)
Net cash from financing activities	**(4,168.78)**	(3,824.96)
Net (Decrease)/ Increase in cash or cash equivalents	**(475.02)**	527.32
Opening cash and cash equivalents	**573.86**	46.54
Closing cash and cash equivalents	**98.84**	573.86

Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accouting 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 ₹ 56.47 Lakhs (Previous Year : ₹ 88.47 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. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

K. Ramaswami
(Managing Director)

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Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note I Share capital		
A Authorised :		
12,20,00,000 (PY 12,20,00,000) equity shares of ₹ 10 each	**12,200.00**	12,200.00
1,48,20,206 (PY 1,48,20,206) 4% Non cumulative redeemable non convertible preference share of ₹ 31 each	**4,594.26**	4,594.26
	16,794.26	16,794.26
B Issued,Subscribed and paid-up		
9,21,73,306 (PY 9,21,69,056) equity shares of ₹10 each fully paid-up of the above shares 5,53,67,356 are allotted as fully paid pursuant to contract without payment being received in cash	**9,217.33**	9,216.91
Total (Equity)	**9,217.33**	9,216.91

Reconciliation of number of equity shares

(₹ In Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	No. of shares	**Amount**	No. of shares	Amount
Balance as at the beginning of the year	**9,21,69,056**	**9,216.91**	8,78,69,786	8,786.98
Add: issued under the employees stock option scheme	**4,250**	**0.42**		-
Add: issued during the year on conversion of preferential warrants issued to holding company (Mahindra & Mahindra Limited)	**-**	**-**	42,99,270	429.93
Balance at the end of the year	**9,21,73,306**	**9,217.33**	9,21,69,056	9,216.91

Rights, preferences and restriction attached to shares

Equity shares:

- The Company has one class of equity shares having a par value of ₹ 10 per equity share held.
- Each shareholder is eligible for one vote per share
- If any dividend is proposed by the board of directors, then the same is subject to approval of the shareholders in the ensuing annual general meeting except in the case of interim dividend.
- In the unlikely event of the liquidation of the Company the equity shareholders are eligible to receive the residual value of assets of the Company if any after all secured and unsecured creditors of the company are paid off, in the proportion of their shareholding in the Company.

Shares held by holding company and their subsidiaries and associates

	As at March 31, 2013	As at March 31, 2012
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding company)	**4,88,25,609**	4,88,25,609
	52.97%	52.97%

Details of shares held by shareholders holding more than 5% of the aggregate shares in the company

	As at March 31, 2013	As at March 31, 2012
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding company)	**4,88,25,609**	4,88,25,609
	52.97%	52.97%
Scholz AG	**62,98,843**	62,98,843
	6.83%	6.83%

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note II Reserve and surplus		
A Capital Reserve		
1 Securities premium account		
Balance at the beginning of the year	**30,315.62**	24,855.55
Add:-		
Received upon issue of shares against preferential warrants to promoters	**-**	5,460.07
Received upon issue of shares to employees under ESOS	**2.39**	-
Balance at the end of the year	**30,318.01**	30,315.62
2 Employee stock options outstanding		
Options granted till date	**614.08**	480.22
Add : Options granted during the year	**-**	247.94
Deferred employee compensation expenses	**85.41**	
Less : Forfeiture of option granted earlier	(44.74)	(13.64)
Deferred employee compensation expenses	-	(100.44)
Option exercised during the year	(0.39)	
Balance at the end of the year	**654.36**	614.08
3 Foreign exchange fluctuation reserve		
Balance at the beginning of the year	**559.98**	103.67
Add: Foreign exchange gain on investment in subsidiary company	**111.60**	456.31
Balance at the end of the year	**671.58**	559.98
B General Reserve		
Surplus on amalgamation		
Balance at the beginning of the year	**57,670.78**	57,670.78
Balance at the end of the year	**57,670.78**	57,670.78
C Surplus / (Deficit) in statement of profit and loss		
Balance at the beginning of the year	**(12,433.50)**	(13,111.60)
Profit / (Loss) during the year	**4086.61**	678.10
Balance at the end of the year	**(8,346.89)**	(12,433.50)
Total	**80,967.84**	76,726.96

(₹ In Lakhs)

	Non-Current		Current Maturities	
	As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Note III Long - term borrowings				
(A) Secured Loans				
Term loans - from banks	**-**	-	**-**	3,127.94
(All the term lenders have 1st charge on immovable assets & 2nd charge on movable assets)	**-**	-	**-**	3,127.94
(B) Unsecured Loans				
Sales Tax Deferral Loan	**1,701.52**	1,862.18	**160.66**	109.58
	1,701.52	1,862.18	**160.66**	109.58
Total	**1,701.52**	1,862.18	**160.66**	3,237.52

Rate of Interest: Base Rate plus 4.75% for all Term Loans of State Bank of India & Base Rate plus 4% for Term Loans from Axis Bank, Terms of Repayment Refer Note XXV - 1

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note IV Other long-term provisions		
Provision for Employee benefits		
Non Funded		
Provision for compensated absences	**74.61**	60.02
Total	**74.61**	60.02

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note V Short - term borrowings		
Secured		
Loans repayable on demand		
from Banks	**1,403.17**	1,769.01
(Secured against 1st charge on movable assets and 2nd charge on immovable assets)		
Total	**1,403.17**	1,769.01

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note VI Trade payables		
Trade Payables		
Acceptances	**1,572.79**	24.52
Trade Payables - Micro & small enterprises	**15.59**	6.81
Others	**7,423.95**	7,577.14
Total	**9,012.33**	7,608.47

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note VII Other current liabilities			
1	Current maturities of long term loans		
	i) From bank	**-**	3,127.94
	ii) Sales tax deferral loan	**160.66**	109.58
		160.66	3,237.52
2	Advance from customers	**34.57**	143.29
3	Stamp duty payable	**132.79**	132.79
4	TDS payable	**33.95**	34.29
5	Vat payables	**124.15**	93.37
6	Provident fund and welfare fund payable	**19.09**	17.95
7	Provision for other current employee benefits	**316.34**	276.90
8	Creditors for capital expenditure	**135.71**	174.36
9	Provision for redemption of preference shares	**44.87**	44.87
10	Others	**17.00**	57.21
	Total	**1,019.13**	4,212.55

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note VIII Short-term provisions		
Employee benefits:		
Provision for gratuity (Unfunded)	**46.13**	1.37
Provision of earned leave encashment	**24.86**	15.00
Total	**70.99**	16.37

Note IX Fixed assets

(₹ In Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	April 1, 2012	Addition	Disposal / adjustments	**March 31, 2013**	April 1, 2012	For the year	Disposal / adjustments	**March 31, 2013**	**March 31, 2013**	March 31, 2012
A: Tangible assets										
Land	37.53	-	-	**37.53**	-	-	-	**-**	**37.53**	37.53
Buildings	4,248.12	162.14	-	**4,410.26**	717.33	135.72	-	**853.05**	**3,557.21**	3,530.79
Plant & Equipment	28,136.63	1,596.30	281.97	**29,450.96**	12,047.75	2,501.02	281.45	**14,267.32**	**15,183.64**	16,088.88
Furniture & Fittings	308.08	9.15	-	**317.23**	88.10	19.73	-	**107.83**	**209.40**	219.98
Office Equipment	79.05	12.47	4.48	**87.04**	16.40	3.94	1.30	**19.04**	**68.00**	62.65
Cars & Vehicles	156.80	46.40	53.23	**149.97**	37.35	16.02	18.49	**34.88**	**115.09**	119.45
Computers	262.51	4.20	23.08	**243.64**	174.04	29.47	20.16	**183.36**	**60.28**	88.47
Sub Total : A	33,228.72	1,830.68	362.76	**34,696.63**	13,080.97	2,705.90	321.40	**15,465.47**	**19,231.16**	20,147.75
B: Intangible assets										
Software	391.56	14.00	-	**405.56**	296.92	38.52	-	**335.44**	**70.12**	94.64
Sub Total : B	391.56	14.00	-	**405.56**	296.92	38.52	-	**335.44**	**70.12**	94.64
C: Capital Work-in-progress	-	-	-	**-**	-	-	-	**-**	**1,104.47**	1,597.92
Sub Total : C	-	-	-	**-**	-	-	-	**-**	**1,104.47**	1,597.92
Total (A+B+C)	33,620.28	1,844.68	362.76	**35,102.19**	13,377.89	2,744.42	321.40	**15,800.91**	**20,405.75**	21,840.31

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note : X Non current investments		
Non Current		
Non Trade,unquoted investment valued at cost unless otherwise stated		
50 fully paid up shares of ₹ 10 each in The Saraswat Co-operative Bank Limited (Previous year 50 shares)	**0.01**	0.01
884485 Class "A" equity shares of ₹ 10 each in Wardha Power Company Limited	**88.45**	88.45
11,15,515 Class "A" redeemable preference shares of ₹ 10 each in Wardha Power Company Limited	**111.88**	111.88
Trade investments valued at cost unless otherwise stated		
Unquoted equity instrument		
Investment in - Subsidiaries		
1,54,65,310 (Previous Year 1,54,65,310) equity shares of GBP 0.10 each in Stokes Group Limited (Refer note below)	**9,018.59**	9,018.59
3,38,49,836 (Previous Year 3,38,49,836) equity shares of Euro 1 each in Mahindra Forgings Global Limited	**19,638.53**	19,638.53
7,29,10,001 (Previous Year 7,29,00,001) equity shares of Euro 1 each in Mahindra Forgings International Limited	**42,359.46**	42,359.46
Unquoted Preference Shares		
Preference Shares - Subsidiaries		
90,00,000 11% Non cumulative redeemable preference shares of Euro 1 each in Mahindra Forgings International Limited (redeemable after 7 years)	**5,582.52**	5,582.52
Aggregate amount of unquoted investments	**76,799.44**	76,799.44
Less: Aggregate provision for diminution in value of unquoted investment	**(9,026.60)**	(9,018.59)
Add / (Less): Exchange rate fluctuation reserve/ provision	**671.58**	559.98
Total	**68,444.42**	68,340.83

Note

1 "Investment in Wardha Power Company Limited entitles the company to obtain energy equivalent of 5MW from the Group Capitve Power Plant. This investment would be amortised over a period of 25 years.

The preference shares carry a coupon rate of 0.01% per annum of the face value and is redeemable on expiry of 25 years".

2 The Company's subsidiary, Stokes Group Limited, UK had incurred losses and the net worth of the said subsidiary company has eroded during the previous years. Accordingly during the previous years, the company has recognised provision for diminution in the value of the investment of ₹ 9018.59 Lakh representing 100% of the value of the investment.

Note : XI Current Investment

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Current Investment		
(Valued at Lower of cost or fair value)		
Investment in Mutual Funds		
Unquoted		
49898.46units (PY Nil) SBI magnum insta cash fund liquid floater - Regular plan - growth	**1,000.00**	-
158029.36 Units (PY Nil) SBI premiere liquid fund - Regular plan - Growth	**2,908.34**	-
Total	**3,908.34**	-
Fair value of unquoted investment	**3,918.93**	-

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note XII Deferred tax assets (net)			
	Deferred tax liability		
1	On fiscal allowances of fixed assets	**1,554.39**	1,478.44
2	On employee stock options	**-**	49.06
	Total deferred tax liability (A)	**1,554.39**	1,527.50
	Deferred tax assets		
1	On unabsorbed fiscal losses and depreciation	**1,601.13**	3,170.59
2	On share issue expenses	**-**	8.61
3	On other timing differences	**286.17**	149.04
	Total deferred Tax assets (B)	**1,887.30**	3,328.24
	Deferred Tax Assets (Net) (A-B)	**332.91**	1,800.74

Note:

Deferred Tax Asset of ₹ 332.91 Lakhs is recognised in the year 2012-13. In FY 2011-12 deferred tax was not recognised,in the absence of virtual certainty. In the current year deferred tax assets of ₹ 332.91 Lakhs is recognised in view of improved performance on account of improved operational efficiencies and reduction in interest cost.

(₹ In Lakhs)

		Non-Current		Current	
		As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Note XIII Loans and advances					
1	Capital advances				
	Unsecured, considered good	**305.59**	646.39	**-**	-
		305.59	646.39	**-**	-
2	Security deposits				
	Unsecured, considered good	**44.84**	46.43	**-**	-
		44.84	46.43	**-**	-
3	Advances				
	Advances to Sundry Creditors				
	Unsecured, Considered Good	**-**	-	**222.86**	106.26
	Doubtful	**-**	-	**20.00**	20.00
	Less: Provision for doubtful advances	**-**	-	**(20.00)**	(20.00)
	Octroi Claims receivable	**-**	-	**45.12**	66.87
	Insurance Claims receivable	**-**	-	**-**	19.14
	Other Claims receivable	**-**	-	**70.77**	35.33
	Advance Income Tax (Net of provision for tax)	**9.82**	60.62	**-**	-
	MAT credit entitlement	**218.00**	-	**-**	-
	Prepaid Expenses	**-**	-	**65.58**	69.44
	Loans to employee	**-**	-	**0.26**	0.79
	Balance with / refund due from statutory/ Government authorities	**43.98**	51.33	**206.66**	255.67
		271.80	111.95	**611.25**	553.50
	Total	**622.23**	804.77	**611.25**	553.50

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	Current	
	As at March 31, 2013	As at March 31, 2012
Note XIV Other current assets		
Interest receivable	**10.43**	5.03
Export duty drawback receivable	**17.59**	41.72
Unbilled revenue		7.13
Total	**28.02**	53.88

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note XV Inventories			
1	Raw materials (Includes in transit ₹ 112.05 Lakhs previous year ₹ 29.12 Lakhs)	**656.77**	1,481.19
2	Work-in-progress	**2,612.87**	1,753.14
3	Finished goods	**287.53**	200.24
4	Die steel block	**53.57**	73.47
5	Stores and spares	**775.37**	765.34
6	Dies	**286.60**	562.82
	Total	**4,672.71**	4,836.20

(₹ In Lakhs)

			As at March 31, 2013	As at March 31, 2012
Note : XVI Trade receivables				
1	Trade receivables outstanding for more than six months from the date they are due for payment			
	a)	Unsecured, considered good	**20.08**	161.27
	b)	Doubtful	**260.08**	179.68
	c)	Less: Allowance for trade receivables	**260.08**	179.68
2	Trade receivables outstanding for less than six months from the date they are due for payment			
	a)	Unsecured, considered good	**4,183.90**	4,219.38
	b)	Doubtful	**-**	-
	Total		**4,203.98**	4,380.65

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note : XVII Cash and Bank balances		
A Cash and cash equivalents		
Balances with the bank		
On current account in scheduled banks	**96.99**	573.15
Cash on hand	**1.85**	0.71
	98.84	573.86
B Other bank balances		
Margin money deposits		
Deposit with original maturity more than 3 months and less than 12 months	**133.76**	4.72
Deposit with original maturity more than 12 months	**4.71**	83.75
	138.47	88.47
Total	**237.31**	662.33

(₹ In Lakhs)

	Year ended March 31, 2013	Year ended March 31, 2012
Note : XVIII Revenue from operations		
Revenue from -		
a) Sale of finished goods - Forgings	**44,820.17**	43,396.20
b) Other operating revenues (details below)		
Scrap sales	**4,369.30**	4,111.03
Processing charges	**98.77**	55.25
Other operating income	**101.24**	111.98
Revenue from operations (Gross)	**49,389.48**	47,674.46
Less: Excise Duty	**5,353.67**	4,422.53
Revenue from operations (Net)	**44,035.81**	43,251.93

(₹ In Lakhs)

	Year ended March 31, 2013	Year ended March 31, 2012
Note : XIX Other Income		
Interest received		
Interest on others	**15.48**	9.72
Interest on ICD given to subsidiary company	**225.17**	62.29
Foreign exchange gain / (loss)	**117.01**	34.57
Profit on sale of investments	**10.86**	5.22
Discount received	**31.55**	79.18
Miscellaneous income	**19.46**	25.23
Total	**419.53**	216.21

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	Year ended March 31, 2013	Year ended March 31, 2012
Note : XX Raw Material consumed		
Alloy & Non Alloy Steel		
Inventory at the beginning of the year	**1,554.66**	1,379.99
Add: Purchases (Net)	**23,417.93**	23,542.68
	24,972.59	24,922.67
Less: inventory at the end of the year	**710.34**	1,554.66
Cost of material consumed	**24,262.25**	23,368.01

(₹ In Lakhs)

		Year ended March 31, 2013	Year ended March 31, 2012
Note : XXI (Increase) / decrease in inventories			
	(Increase) / Decrease in stocks		
A	Stock at the beginning of the year:		
	Work-in-progress	**1,753.15**	1,673.00
	Finished products produced	**200.24**	1,313.37
	Total (A)	**1,953.39**	2,986.37
B	Less : Stock at the closing of the year		
	Work-in-progress	**2,612.87**	1,753.15
	Finished products produced	**287.52**	200.24
	Total (B)	**2,900.39**	1,953.39
	(Increase) / Decrease in stocks	**(947.00)**	1,032.98

(₹ In Lakhs)

		Year ended March 31, 2013	Year ended March 31, 2012
Note : XXII Employee benefit expenses			
1	Salaries, wages, bonus, etc.	**2,659.60**	2,486.33
2	Contribution to provident & other funds	**113.55**	107.81
3	Gratuity expenses	**53.33**	42.59
4	Expense on Employee Stock Options Scheme		
	- Refer Sch. XXVII Note No B 1	**40.67**	133.85
5	Staff welfare expenses	**196.15**	160.11
	Total	**3,063.30**	2,930.69
	Contribution to Provident and other funds		
	Provident Fund	**58.28**	53.59
	Pension Fund	**43.88**	42.14
	Labour Welfare Fund	**0.36**	0.39
	Deposit Linked Insurance Scheme	**11.03**	11.69
	Total	**113.55**	107.81

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

Note : XXII Employee benefit expenses (Contd.)	Year ended March 31, 2013	Year ended March 31, 2012
Managerial Remuneration for directors included in the statement of profit and loss account is as under		
Salaries & Allowances (including provident fund and other benefits)	**42.72**	86.83
Total	**42.72**	86.83

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

(₹ In Lakhs)

		Year ended March 31, 2013	Year ended March 31, 2012
Note : XXIII Finance costs			
1	Interest on term loans, bonds and debentures	**228.56**	782.09
2	Interest on other loans	**283.19**	311.53
3	Finance charges	**56.08**	40.06
Total		**567.83**	1,133.68

(₹ In Lakhs)

	Year ended March 31, 2013	Year ended March 31, 2012
Note : XXIV Depreciation and amortisation expense		
Depreciation on tangible assets	**2,705.90**	2,361.42
Amortisation on intangible assets	**38.52**	30.47
Total	**2,744.42**	2,391.89

Notes to financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

		Year ended March 31, 2013	Year ended March 31, 2012
Note : XXV Other expenses			
1	Stores consumed	**1,806.18**	2,088.43
2	Tools consumed	**609.57**	761.32
3	Power and fuel	**3,774.65**	4,295.41
4	Rent including lease rentals	**0.71**	8.00
5	Rates & Taxes	**102.86**	72.38
6	Insurance	**91.08**	64.50
7	Repairs and maintenance		
	- Buildings	**53.35**	30.94
	- Machinery	**1,362.75**	1,330.23
	- Others	**145.92**	167.93
8	Postage, Telephone and Communication	**21.98**	28.25
9	Legal and Professional Charges	**132.13**	84.96
10	Corporate Overheads	**221.50**	192.95
11	Freight outward	**825.42**	708.24
12	Travelling & Conveyance Expenses	**104.36**	94.60
13	Subcontracting, Hire & Service Charges	**1,303.74**	1,298.54
14	Provision for doubtful trade receivables	**80.40**	20.00
15	Auditors' remuneration	**19.99**	16.88
16	Director's fees	**3.48**	2.86
17	Loss/(gain) on Fixed Assets sold/scrapped/written off	**22.79**	71.41
18	Impairment of assets	**-**	118.41
19	Miscellaneous expenses	**237.71**	224.12
20	Printing and Stationery	**21.26**	17.85
21	Bank charges	**12.42**	16.69
22	Discount allowed	**56.59**	62.00
	Total	**11,010.84**	11,776.90

Note : XXVI

1 Repayment of term loan from Bank

Name of the lender	Type of loan	Repayment schedule
State Bank of India	Term loan	17 quarterly installment commencing April 2008 to April 2012
Axis Bank	Corporate loan	16 quarterly installment commencing April 2008 to March 2012
State Bank of India	Capex Term loan	13 quarterly installment commencing April 2010 to March 2013
Axis Bank	Capex Term loan	13 quarterly installment commencing April 2010 to March 2013

Repayment of sales tax deferral loan

Sales Tax deferral loan is payable in annual installments commencing from 2009-2010 to 2020-2021

Notes to financial statements for the year ended 31st March, 2013

Note : XXVI (Contd.)

2 Micro & Small enterprises

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 supplier to the Company. Total outstanding dues to micro and small enterprises, which were outstanding for more than stipulated period are given below:

(₹ In Lakhs)

Particulars	**As at March 31, 2013**	As at March 31, 2012
Dues remaining unpaid as at 31st March		
Principal	**15.59**	6.81
Interest	**0.15**	0.06
Interest paid in terms of Section 16 of the Act	NIL	NIL
Amount of interest due and payable for the period of delay in payment made beyond the appointed day during the year	**2.40**	1.18
Amount of interest accrued and remaining unpaid as at 31st March	**5.82**	3.42

3 Contingent Liabilities

(₹ In Lakhs)

Particulars	**As at March 31, 2013**	As at March 31, 2012
Claims against the company not acknowledged as debts		
i) Income Tax claims against which company has preferred an appeal.		
a) Non deduction of TDS and interest thereon	**22.98**	29.89
b) Disallowance of certain expenses	**418.14**	613.68
ii) Excise cases against the company, appealed by the company with CESTAT		
a) Relating to cenvat availed on rejected goods	**89.28**	89.28
b) Interest on supplementary invoices	**9.59**	9.59
iii) Bill discounting facilities availed under Bill Marketing Scheme from customers	**717.59**	583.56
iv) During the year the Company has given guarantee to ICICI Bank plc, UK for EURO 5 Million ₹ 3474.50 Lakhs for a loan taken by step down subsidiary Mahindra Forging Europe AG Germany	**3,474.50**	-
v) 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 future obligation	**1,519.30**	1,588.69
vi) Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for	**508.98**	544.42

4 Turnover, Opening and Closing stock

Forging	**Year ended March 31, 2013**		Year ended March 31, 2012	
	Qty (M.T.)	**(₹ In Lakhs)**	Qty (M.T.)	(₹ In Lakhs)
Turnover	**33,034**	**39,466.00**	33,813	39,291.56
Opening stock	**671**	**200.24**	902	1,313.47
Closing stock	**230**	**287.53**	671	200.24

Notes to financial statements for the year ended 31st March, 2013

Note : XXVI (Contd.)

5 Details of Raw Materials Consumed

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	M.T.	(₹ In Lakhs)	M.T.	(₹ In Lakhs)
Alloy & non alloy steel	**48,877**	**24,262.86**	47,853	23,368.01
Total	**48,877**	**24,262.86**	47,853	23,368.01

6 Value of Raw Material Consumed

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	(₹ in Lakhs)	(%)	(₹ In Lakhs)	(%)
Indigenous	**24,262.25**	**100.00**	23,368.01	100.00
Imported	**-**	**-**	-	-
Total	**24,262.25**	**100.00**	23,368.01	100.00

7 Value of Stores & Spares Consumed

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	(₹ in Lakhs)	(%)	(₹ In Lakhs)	(%)
Indigenous	**1,561.29**	**86.44**	1,648.43	78.93
Imported	**244.89**	**13.56**	439.99	21.07
Total	**1,806.18**	**100.00**	2,088.42	100.00

8 CIF Value of Imports

(₹ In Lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Stores and Spares	**244.89**	439.99
Capital Goods	**18.96**	517.84
Total	**263.85**	957.84

9 Earnings in Foreign Exchange

(₹ In Lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
FOB Value of Exports	**1816.24**	1367.30
Total	**1816.24**	1367.30

10 Expenditure in Foreign Currency

(₹ In Lakhs)

Particulars		Year ended March 31, 2013	Year ended March 31, 2012
i)	Foreign Travel	**17.16**	6.54
ii)	Other Expenses	**15.90**	1.90
Total		**33.06**	8.44

Notes to financial statements for the year ended 31st March, 2013

Note : XXVI (Contd.)

11 Auditors remuneration (Net of service Tax where applicable)

(₹ In Lakhs)

Sl. No.	Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	Auditors' remuneration includes payment to auditors -		
(a)	As statutory auditor	**9.50**	7.75
(b)	For taxation matters	**-**	0.90
(c)	For Tax audit fees	**1.25**	1.25
(d)	For other services	**7.85**	5.25
(e)	For reimbursement of expenses	**1.33**	1.73
	Total	**19.93**	16.88

12 Details of Leave Encashment

(₹ In Lakhs)

Sl. No.	Particulars	Leave encashment	
		March 31, 2013	March 31, 2012
1	Current service cost	**24.99**	19.43
2	Interest cost	**6.00**	5.48
3	Expected return on plan assets	**-**	-
4	Actuarial losses/(Gains)	**12.97**	6.67
5	Total expense	**43.96**	31.58
Reconciliation of Net Assets / (Liability) recognised in the Balance Sheet during the period			
1	Net Asset / (Liability) at the beginning of the period	**(75.04)**	(68.46)
2	Employee expense	**(43.96)**	(31.58)
3	Employee contributions	**19.52**	25.00
4	Net Asset / (Liability) at the end of the period	**(99.48)**	(75.04)
5	Actual return on plan assets	-	-
Actuarial assumptions***			
1	Discount rate	8% per annum	
2	Expected rate of return on plan assets	N.A.	
3	Expected rate of salary increase	7% per annum	6% per annum
4	Mortality table	LIC (1994-96) Ultimate	
	*** Estimates of future salary increases considered in actuarial valuation taken into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market		

Notes to financial statements for the year ended 31st March, 2013

Note XXVI Disclosure of gratuity as per Accounting standard A15 Revised 2015

(₹ In Lakhs)

13 The following table sets out the status of Gratuity Plans as required under AS 15 (Revised 2005).

Statement showing changes in Present Value of obligations as on 31st March 2013	**March 31, 2013**	March 31, 2012
Present value of obligations at the beginning of the year	**209.91**	187.34
Interest Cost	**16.79**	14.99
Current service cost	**36.38**	28.76
Benefits paid	**(8.56)**	(20.02)
Actuarial (gain)/loss on obligations	**25.79**	(1.16)
Present value of obligations as at the end of the year	**280.32**	209.91

Table showing changes in the fair value of plan assets as on 31st March 2013	**March 31, 2013**	March 31, 2012
Fair value of plan assets at the beginning of the year	**208.54**	-
Expected return on plan assets	**25.64**	-
Contributions	**-**	208.5
Benefits paid	**-**	-
Actuarial gain/(loss) on obligations	**-**	-
Fair value of plan asset at end of the year	**234.18**	208.5

Amounts to be recognised in the Balance Sheet	**March 31, 2013**	March 31, 2012
Present Value of obligations as at the end of the year	**280.32**	209.91
Fair value of plan assets as at the end of the year	**234.18**	-
Difference	**(46.13)**	(209.91)
Net Asset/(Liability) recognised in balance sheet	**(46.13)**	(209.91)

Expenses Recognised in statement of Profit & Loss Account	**March 31, 2013**	March 31, 2012
Current Service Cost	**36.38**	28.76
Interest Cost	**16.79**	14.99
Expected return on plan assets	**(25.64)**	-
Net Actuarial (gain)/Loss recognised in the year	**25.79**	(1.16)
Expenses recognised in statement of Profit & Loss	**53.32**	42.59

Percentage of each category of plan assets to total fair value of plan assets	**March 31, 2013**	March 31, 2012
Administered by LIC		
Actuarial Assumptions:	**March 31, 2013**	March 31, 2012
Discounted rate	**8.00%**	8.00%
Rate on return on assets	**12.30%**	0.00%
Salary escalation	**7.00%**	6.00%
Attrition rate	**3 to 1%**	1%
Mortality	LIC (1994-96) ULTIMATE	

(₹ In Lakhs)

	March 31				
	2013	2012	2011	2010	2009
Experience adjustments					
On plan liability gain/(loss)	**(25.79)**	1.16	(17.54)	14.44	(18.67)
On plan asset gain/(loss)	**N.A.***	N.A.*	N.A.*	N.A.*	N.A.*

* Not applicable because liability was not funded.

Notes to financial statements for the year ended 31st March, 2013

Notes to accounts Note No – XXVII

Notes forming part of the Accounts for the Year ended 31st March, 2013.

A. Significant Accounting Policies: -

1. 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 notified under the Companies Act, 1956 and the relevant provisions of the said Act.

   All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of activities undertaken by the Company and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non- current classification of assets & liabilities.

2. 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.

3. 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.

   (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 Statement.

   (c) Free hold land is stated at cost.

   (d) Depreciation on assets is calculated on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

4. 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.

5. 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.

6. Inventories

   Raw material, stores & spares are valued on moving weighted average method

   Inventories of finished goods, work in progress and dies are valued at cost or net realizable value, whichever is lower.

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

Notes to financial statements for the year ended 31st March, 2013

7. 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 Statement.

   (b) 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 Statement.

   (c) In case of forward exchange contracts 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.

   (d) 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.

8. 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 /time proportionate basis at contractual rates.

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

   Export Incentives are recognised on accrual basis and to the extent of certainty of realisation of ultimate collection.

9. Retirement Benefits

   Retirement Benefits in respect of gratuity and leave encashment 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 Statement.

   (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. Company's liability towards gratuity is funded by way of Group Gratuity cum assurance policy with Life Insurance Corporation of India.

10. Borrowing Costs

    Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised up to the date when such qualifying assets are ready for intended use. Other borrowing costs are recognised as expense in the period in which they are incurred

11. 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.

Notes to financial statements for the year ended 31st March, 2013

12. Impairment of Assets

    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.

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

   i 2,96,000 options to the employees of the company at a fixed price of ₹ 197.00 per share on 26th October, 2007.

   ii 3,91,000 options to the employees of the holding company (M&M) at a fixed price of ₹ 83 per share on 26th February, 2008

   iii 88,000 and 12,000 options to the directors of the company at a fixed price of ₹ 197.00 per share on 26th October, 2007 and 26th February 2008 respectively.

   iv 2,50,000 options to the employees of Foreign subsidiaries at a fixed price of ₹ 151.80 per share on 9th May 2008.

   v 2,45,000 options to the employees of Foreign subsidiaries at a fixed price of ₹ 102.00 per share on 29th July 2008.

   vi 5,00,000 options to the employees of the company at a fixed price of ₹ 109.00 per share on 26th August 2008.

   vii 93,000 options to the employees of the company at fixed price of ₹ 97.06 per share on 12th May 2010.

   viii 20,00,000 option to the employees of the company at fixed price of ₹ 57.00 per share on 1st April 2011

   ix 5,89,883 option to the employees of the company at fixed price of ₹ 44.00 per share on 20th January 2012

   a. The equity settled options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting. The number of options exercisable in each tranche is between the minimum of 100 options and maximum of the options vested, except in case of the last date of exercise, where the employee can exercise all the options vested but not exercised / lapsed till that date.

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

Notes to financial statements for the year ended 31st March, 2013

b. Summary of Stock Options:-

	No. of Stock Options	Exercise price (₹)
Options Outstanding on 1st April 2012	1,41,000 3,09,000 2,11,575 1,88,505 3,03,000 85,000 19,07,749 5,89,883	197.00 83.00 151.80 102.00 109.00 97.06 57.00 44.00
Options granted during the year	Nil	Nil
Options Forfeited during the year	54,600 61,065 6,000 16,000 1,93,288 302	151.80 102.00 109.00 97.06 57.00 44.00
Option exercised during the year	4,250	57.00
Options outstanding on 31st March 2013	1,41,000 3,09,000 1,56,975 1,27,440 2,97,000 69,000 17,10,271 5,89,581	197.00 83.00 151.80 102.00 109.00 97.06 57.00 44.00
Options vested but not exercised on 31st March 2013	1,41,000 3,09,000 1,56,975 1,27,440 2,97,000 34,500 4,24,380 1,47,395	197.00 83.00 151.80 102.00 109.00 97.06 57.00 44.00

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 ₹ 40.67Lakhs (Previous Year: ₹ 133.86 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 ₹ Nil Lakhs (Previous Year ₹ 120.76 Lakhs), Profit after tax higher by ₹ Nil (Previous Year ₹ 120.76 Lakhs), and the basic and diluted earnings per share would have been higher by ₹ Nil (Previous Year ₹ 0.14).

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.

During the current year, 25,89,883 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:

Particulars	Grant dated 29th July, 2008	Grant dated 26th August, 2008	Grant dated 12th May, 2010	Grant dated 1st April, 2011	Grant dated 20th January, 2012
Risk free interest rate	9.24%	9.00%	6.75%	7.47%	8.05%
Expected Life	5.5 Years	5.5 Years	3.5 Years	3.5 Years	3.5 Years
Expected volatility	54.22%	54.22%	44.87%	67.65%	58.00%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL
Exercise price (₹)	₹ 102.00	₹ 109.00	₹ 97.06	₹ 57.00	₹ 46.33
Stock price (₹)	₹ 122.55	₹ 130.00	₹ 107.95	₹ 66.30	₹ 54.50
Fair Value of Options Granted	₹ 74.34	₹ 78.24	₹ 60.41	₹ 43.63	₹ 34.66

2. 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.

3. Related party transactions during the year ending on 31st March, 2013 are as follows:

Holding Company	1. Mahindra & Mahindra Limited
Subsidiary Companies	1. Stokes Group Limited 2. Mahindra Forgings International Limited 3. Mahindra Forgings Europe AG 4. JECO-Jellinghaus GmbH 5. Mahindra Forgings Global Limited
Fellow Subsidiaries (With whom the company has entered into transactions during the current / previous year)	1. Mahindra Ugine Steel Company Limited 2. Mahindra Navistar Automotives Limited 3. Mahindra Logistics Limited 4. Mahindra Hinoday Industries Limited. 5. Mahindra Engineering Services Limited 6. Mahindra Vehicle Manufacturers Limited 7. Mahindra Reva Electric Vehicles Private Limited. 8. Mahindra Conveyor Systems Private Limited 9. Mahindra Integrated Business Solutions Private Limited (formerly known as Mahindra BPO Services Private Limited) 10. Mahindra Sanyo Special Steels Private Limited (formerly known as Navyug Special Steel Private Limited) 11. Defence Land System India Private Limited (formerly known as Mahindra Defence Land Systems Private Limited)
Key management personnel	1. Mr. K. Ramaswami (w.e.f 4th October 2011) 2. Mr. Deepak Dheer (Till 31st August 2011)

Notes to financial statements for the year ended 31st March, 2013

Transactions with related parties

(₹ in Lakhs)

	31st March, 2013				31st March, 2012			
Nature of Transactions	**Holding Company**	**Fellow subsidiaries**	**Subsidiary Companies**	**Key Management personnel**	**Holding Company**	**Fellow subsidiaries**	**Subsidiary Companies**	**Key Management personnel**
Sales :								
- Goods	**19,013.64**	**2,787.25**	**1,644.59**	**-**	16,469.26	2,286.17	913.02	-
- Scrap	**-**	**2,157.58**	**-**	**-**	-	1,868.24	-	-
- Fixed Assets	**-**	**-**	**-**	**-**	-	-	-	-
Purchases:								
- Raw material/ Goods	**-**	**10,725.25**	**4.18**	**-**	-	12,088.53	-	-
- Capital goods	**12.19**		**20.62**	**-**			41.98	-
- Discounting Charges	**-**	**-**	**-**	**-**	**-**	-	-	-
- Services Received	**1.18**	**904.68**	**-**	**-**	6.70	899.45	-	-
Inter corporate deposit given	**-**	**-**	**2,104.43**	**-**	-	-	-	-
Inter corporate Deposit Refunded	**-**	**-**	**2,104.43**	**-**	-	-	565.88	-
Interest on ICD received	**-**	**-**	**224.50**	**-**	-	-	62.29	-
Guarantee given	**-**	**-**	**3,474.50**	**-**	-	-	-	-
- Receivables	**1,133.41**	**268.21**	**347.59**	**-**	1,063.75	324.92	394.54	-
- Payables	**136.36**	**2,141.96**	**-**	**-**	135.63	3,211.83	-	-
Reimbursement received	**-**	**-**	**3.16**	**-**	-	-	-	-
Reimbursement of Expense	**430.51**	**-**	-	**-**	314.85	-	-	-
Managerial remuneration	-	**-**	**-**	**42.72**	-	-	-	86.83
Investment in subsidiaries	**-**	**-**	**-**	**-**	-	-	628.06	-
Subscription for preferential warrant’s	**-**	**-**	**-**	**-**	4,417.50	-	-	-
Discount received	**-**	**-**	**-**	**-**	-	26.76	-	-

Notes to financial statements for the year ended 31st March, 2013

Relationship	Name of the Company	Nature of transaction	Amount ₹ Lakhs	Amount ₹ Lakhs
			31st March, 2013	31st March, 2012
Holding Company	Mahindra & Mahindra Limited	Sales – Products	**19,013.64**	16,469.26
		Discounting Charges Paid		
		Service Charges Paid	**1.18**	6.70
		Reimbursement of Expenses	**430.51**	314.85
		Receivables	**1,133.41**	1,063.75
		Payables	**136.36**	135.63
		Subscription for preferential warrant	**-**	4,417.50
		Fixed Assets	**12.19**	-
Fellow Subsidiaries	Mahindra Ugine Steel Company Limited	Sales – Scrap	**478.78**	1,868.24
		Purchases – Raw Material	**2,864.36**	12,088.53
		Payables	**0.41**	3,106.84
		Discount received	**-**	26.76
		Sub Contracting	**0.41**	-
	Mahindra Sanyo Special Steels Private Limited (formerly known as Navyug Special Steel Private Limited)	Scrap sales	**1,673.35**	-
		Purchases- Raw material	**7,858.05**	-
		Payables	**2,052.08**	-
	Mahindra Vehicle Manufacturers Limited	Sales – Products	**2,584.94**	2,084.22
		Receivables	**230.88**	282.96
	Defence Land System India Limited	Sales products	**11.73**	-
	Mahindra Navistar Automotives Limited	Sales – Products	**166.54**	1,927.89
		Receivables	**27.76**	37.51
	Mahindra Hinoday Industries Limited	Scrap sales	**5.45**	-
		Purchase – Consumables	**2.84**	1.38
	Mahindra Engineering Services Limited	Service Charges Paid	**5.06**	11.27
		Payables	**-**	2.65
	Mahindra Reva Electric Vehicles Private Limited	Sales- Products	**14.56**	1.41
		Receivable	**9.57**	1.06
		Payable(Advance received)	**-**	5.00
	Mahindra Integrated Business Solutions Private Limited (formerly known as Mahindra BPO Services PrivateLimited)	Services Charged Paid	**6.99**	6.68
		Payables	**0.51**	0.52
	Mahindra Logistics Limited	Service Charges Paid	**892.23**	899.45
		Payables	**89.37**	97.86
Subsidiary Companies	JECO-Jellinghaus GmbH	Sales- Products	**846.49**	224.96
		Purchase of Fixed Assets	**-**	41.98
		Purchase – Stores	**4.17**	-
		Receivables	**47.72**	55.73
		Payables	**-**	-
	Stokes Group Limited, U.K.	Sales - Products	**798.15**	688.06
		Receivables	**299.87**	338.81
		Purchase of Fixed Assets	**20.62**	-
	Mahindra Forgings International Limited	Interest recovered	**224.49**	62.29
		ICD Given	**2,104.43**	565.88
		ICD Refunded	**2,104.43**	-
		Reimbursement of expenses	**3.16**	628.06
	Mahindra Forgings Europe AG	Guarantee Given	**3,474.50**	-
Key Managerial Personnel	Mr. K. Ramaswami, Managing Director (w.e.f 4th Oct 2011)	Remuneration	**42.72**	22.06
	Mr. Deepak Dheer, Managing Director (up to 31st August 2011)	Remuneration	**-**	64.77

Notes to financial statements for the year ended 31st March, 2013

4. Earnings per Share:

(₹ in Lakhs)

	31st March, 2013	31st March, 2012
Profit/(Loss) as per the statement of P&L Account (₹ in Lakhs)	**4,086.61**	678.10
Weighted Average Number of equity shares outstanding during the year No. of shares for Basis earning per share No of shares for diluted earnings per share	 **9,21,72,598** **9,21,72,598**	 9,03,60,074 9,08,25,534
Basic Earnings per share (₹)	**4.43**	0.75
Diluted Earnings per share (₹)	**4.43**	0.75

5. In previous year other expenses includes ₹ 118.41 Lakhs against the impairment of con rod machine which was part of capital- work - in progress.

6. In Previous year exceptional items represents ₹ 155.89 Lakhs interest pertaining to previous period paid on settlement of liability relating to a borrowing.

7. Long term investment in Mahindra Forgings Global Limited (MFGL) and Mahindra Forgings Investment Limited (MFIL)

   MFGL and MFIL, the wholly owned subsidiaries of the Company have invested in Mahindra Forgings Europe AG (MFE AG) and its wholly owned subsidiary companies namely Jeco Jellinghaus GmbH, Schoneweiss & Co. GmbH, Gesenkschmiede Schneider GmbH and Falkenroth Umformtechnik GmbH(collectively referred to as step-down subsidiaries). Due to downturn in the economic situation in Europe, the market demand declined significantly impacting the sales and profitability of MFEAG and its wholly owned subsidiaries, as a result of which the net worth of MFGL and MFIL together with net worth of the step-down subsidiaries has been substantially eroded as on 31st March 2013.

   Necessary actions are being taken in MFEAG to:

   - Improve the operating efficiencies and align the cost structure in line with current market demand.
   - Enhanced Focus on exploiting the synergies of business in Europe and India.
   - Closely monitor the performance with increased periodic reviews to facilitate timely corrective actions to improve profitability.

   The management also considers the current market situation, to be temporary and expects that together with its above actions, the company should turnaround its performance in the next few years planned.

   Accordingly, erosion in the net worth is considered temporary and no provision for diminution in value of these investments has been made.

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

Signature to Schedule I to XXVII

As per our Report of even date

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

Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

K. Ramaswami
(Managing Director)

Mohit Burman
(Director)

Daljit Mirchandani
(Director)

Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

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

Name of the Subsidiary Company	No of Shares in the Subsidiary Company held by Mahindra Forgings Limited at the financial year ending date		The aggregate of profits/(losses) of the Subsidiary Companies so far as they concern the members of Mahindra Forgings Limited			
			For the Current Financial Year		For the Previous Financial Year	
	Equity	Extend of Holding	**Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2013**	**Not Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2013**	Dealth with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2012	Not Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2012
	Nos	%	**₹ in Lakhs**	**₹ in Lakhs**	₹ in Lakhs	₹ in Lakhs
Stokes Group Limited	15,465,310	99.92%	**-**	**(937.03)**	-	646.83
* Stokes Forgings Dudley Limited	-	99.92%	**-**	**-**	-	-
* Stokes Forgings Limited	-	99.92%	**-**	**-**	-	-
Mahindra Forgings International Limited	72,910,001	100.00%	**-**	**(113.96)**	-	(105.79)
~ Mahindra Forgings Europe AG	-	100.00%	**-**	**(2,021.46)**	-	(2,380.56)
@ Gesenkschmiede Schneider GmbH	-	100.00%	**-**	**(1,592.71)**	-	5,146.73
@ Jeco Jellinghaus & Co GMBH	-	100.00%	**-**	**(1,079.87)**	-	(314.63)
@ Falkenroth Umformtechnik GmbH	-	100.00%	**-**	**(1,176.47)**	-	171.31
@ Schoeneweiss & Co. GmbH	-	100.00%	**-**	**(9,129.60)**	-	(641.55)
Mahindra Forgings Global Limited	33,849,836	100.00%	**-**	**(13.20)**	-	(13.65)

* Subsidiary of Stokes Group Limited

~ Subsidiary of Mahindra Forgings International Limited

@ Subsidiary of Mahindra Forgings Europe AG

Note: The financial year of all subsidiaries ended on 31st March, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

K. Ramaswami
(Managing Director)

Mohit Burman
(Director)

Daljit Mirchandani
(Director)

Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Mumbai, May 21, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Mahindra Forgings Limited

1. We have audited the accompanying consolidated financial statements of Mahindra Forgings Limited ("the Company") and its subsidiaries hereinafter referred to as the "Group", which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

6. In our opinion the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of the Accounting Standard (AS) 21- Consolidated Financial Statements notified under Section 211(3C) of the Companies Act 1956.

7. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

   (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

   (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note no. XXVI (8)of the consolidated financial statements and for the reasons detailed therein the management of the Company does not perceive any impairment in the value of Goodwill of Rs.60,065 Lakhs arsing on consolidation of the subsidiaries in view of the measures for improving financial performance being taken by the management of the Company. Our opinion is not qualified in respect of this matter.

Other Matters

8. We did not audit the financial statements of subsidiaries included in the consolidated financial statements, whose financial statements reflect total assets (net) of ₹ 1,59,786 Lakhs as at March 31, 2013, total revenues of ₹ 1,79,543 Lakhs and net cash outflows amounting to ₹ 3,498 Lakhs for the year ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

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

Padmini Khare Kaicker
Partner
Membership No.: 044784
Firm Registration No. 105102W

Place : Mumbai
Date : 21st May 2013

Consolidated Balance Sheet as at 31st March, 2013

	Note	As at March 31, 2013 ₹ in Lakhs	As at March 31, 2012 ₹ in Lakhs
I EQUITY & LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(i) Share capital	I	**9,217.33**	9,216.91
(ii) Reserves and surplus	II	**66,224.23**	77,939.52
		75,441.56	87,156.43
2 Share Application Money pending allotment		**-**	-
3 Non-Current Liabilities			
(i) Long Term Borrowings	III	**26,856.87**	18,014.46
(ii) Other long term liabilities	IV	**1,094.30**	255.63
(iii) Other long term provision	V	**15,528.49**	12,542.27
		43,479.66	30,812.36
4 Current Liabilities			
(i) Short term borrowings	VI	**36,817.59**	31,693.10
(ii) Trade payables	VII	**23,925.59**	30,976.95
(iii) Other current liabilities	VIII	**13,995.98**	20,902.22
(iv) Short term provisions	IX	**993.66**	1,326.78
		75,732.82	84,899.05
Total		**194,654.04**	202,867.84
II ASSETS			
Non-current assets			
1 (a) Fixed Assets	X		
(i) Tangible assets		**55,416.13**	58,486.52
(ii) Intangible assets		**60,479.50**	60,626.85
(iii) Capital work in progress		**5,133.74**	5,344.16
		121,029.37	124,457.53
(b) Non-current investments	XI	**220.82**	229.00
		220.82	229.00
(c) Deferred tax assets (net)	XXV	**5,958.13**	5,702.29
(d) Long term loans and advances	XII	**622.23**	753.72
		6,580.36	6,456.01
2 Current Assets			
(a) Current investments	XI	**3,908.33**	-
(b) Inventories	XIV	**30,229.94**	38,002.22
(c) Trade receivables	XV	**26,679.89**	29,419.43
(d) Cash and bank balances	XVI	**3,654.07**	1,745.42
(e) Short term loans and advances	XII	**2,321.85**	2,233.39
(f) Other current assets	XIII	**29.41**	324.84
		66,823.49	71,725.30
Total		**194,654.04**	202,867.84

Summary of accounting policies Note No XXVI

The accompanying notes are an integral part of financial statements (I to XXVI)

As per our Report of even date

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

Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

K. Ramaswami
(Managing Director)

Mohit Burman
(Director)

Daljit Mirchandani
(Director)

Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Consolidated Profit & Loss Statement for the year ended 31st March, 2013

		Note	**Year ended March 31, 2013 ₹ in Lakhs**	Year ended March 31, 2012 ₹ in Lakhs
I.	**Revenue from operations**	**XVII**	**226,993.80**	248,447.66
	Less: Excise duty		**5,353.67**	4,422.54
	Net revenue from operations		**221,640.13**	244,025.12
II.	**Other income**	**XVIII**	**380.95**	395.30
III.	**Total Revenue (I+II)**		**222,021.08**	244,420.42
IV.	**Expenditure :**			
	Cost of materials consumed	**XIX**	**95,900.97**	113,897.82
	Changes in Inventories of finished goods/WIP	**XX**	**4,145.86**	(5,149.77)
	Employee benefits expenses	**XXI**	**62,406.39**	58,066.00
	Financial costs	**XXII**	**4,933.16**	4,307.20
	Depreciation and amortisation expenses	**XXIII**	**11,037.15**	11,289.49
	Other expenses	**XXIV**	**54,890.80**	56,380.79
	Total Expenses		**233,314.33**	238,791.53
V.	**Profit / before exceptional items and tax (III-IV)**		**(11,293.25)**	5,628.89
VI.	**(Add) / Less :** Exceptional Items (Refer Note...XXV)		**114.95**	155.89
VII.	**Profit before tax (V - VI)**		**(11,408.20)**	5,473.00
VIII	**Less :** Tax expense			
	- Current tax		**218.00**	159.71
	- MAT Credit entitlement		**(218.00)**	-
			-	159.71
	- Prior year tax		**136.48**	(42.31)
	- Deferred tax		**(150.94)**	238.19
IX.	**Profit / loss for the period from continuing operations**		**(11,393.74)**	5,117.41
X.	**Earnings per equity share:**			
	(1) Basic		**(12.36)**	5.63
	(2) Diluted		**(12.36)**	5.63

Summary of significant accounting policies Note No XXVI

The accompanying notes are an integral part of financial statements (I to XXVI)

As per our Report of even date

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

Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
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(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Consolidated Cash Flow Statement for the year ended 31st March, 2013

	As at March 31, 2013 ₹ in Lakhs	As at March 31, 2012 ₹ in Lakhs
Profit / (Loss) before tax after prior period adjustments	**(11,408.20)**	5,473.00
Add: Adjustment for:		
Depreciation and amortisation expenses as ESOS	**11,077.83**	11,423.34
Provision for doubtful debts / write off's	**80.40**	244.48
Interest Expenses	**4,933.16**	4,307.20
Amortisation of invetsment in WPCL	**8.01**	110.48
Loss on sale of fixed assets	**-**	110.48
Exceptional Items and Prior period adjustments	**114.95**	155.89
Sub Total	**4,806.15**	21,714.39
Less: Adjustments for:		
Interest / Dividend Income	**16.85**	110.09
Profit on sale of investment	**10.87**	5.22
Profit on sale of fixed assets	**168.31**	185.19
Unrealised foreign exchange gain	**364.22**	1632.64
Sub Total	**560.25**	1,933.14
Operating profit before working capital change	**4,245.90**	19,781.25
Movement in		
Trade & other receivables	**2,922.39**	1,764.09
Inventories	**7,772.28**	(5,490.88)
Liabilities & Provisions	**4,277.83**	8746.58
Sub Total	**14,972.50**	5,019.79
Cash generated from operations	**19,218.41**	24,801.04
Income tax refund/(paid)	**(251.42)**	(165.89)
Net cash flow from operating activities	**18,966.99**	24,635.15
Cash flow from investing activities		
Purchase of fixed assets	**(7,408.69)**	(16,691.85)
Sale of fixed assets	**267.2368**	856.47
Purchase of investments	**(8,950.00)**	(851.49)
Sale of investments	**5,052.53**	855.22
Interest / Dividend received	**16.85**	110.09
Net cash from investing activities	**(11,022.07)**	(15,721.56)

Consolidated Cash Flow Statement for the year ended 31st March, 2013

	As at March 31, 2013 ₹ in Lakhs	As at March 31, 2012 ₹ in Lakhs
Cash flow from financing activities		
Term Loans repayment / received	**(1,073.52)**	(9,196.94)
Issue of Share Capital	**2.41**	4,417.50
Interest Paid	**(4,933.16)**	(4,307.20)
Net cash from financing activities	**(6,004.27)**	(9,086.64)
Net (Decrease)/Increase in cash or cash equivalents	**1,940.65**	(173.05)
Opening cash and cash equivalents	**1,656.95**	1,830.00
Closing cash and cash equivalents	**3,597.60**	1,656.95

Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accouting 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. Deposit with bank having maturity of more than three month aggregating to ₹ 56.47 Lakhs (Previous Year ₹ 88.47 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. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
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Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note I Share capital		
A Authorised :		
12,20,00,000 (PY 12,20,00,000) equity share of ₹ 10 each	**12,200.00**	12,200.00
1,48,20,206 (PY 1,48,20,206) 4% Non cumulative redeemable non convertible preference share of ₹ 31 each	**4,594.26**	4,594.26
	16,794.26	16,794.26
B Issued, Subscribed and paid-up		
9,21,73,306 (PY 9,21,69,056) equity share of ₹ 10 each fully paid-up	**9,217.33**	9,216.91
Closing Balance	**9,217.33**	9,216.91
of the above shares 5,53,67,356 are allotted as fully paid pursuant to contract without payment being received in cash		
Total (Equity)	**9,217.33**	9,216.91

Reconciliation of number of equity shares

(₹ In Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	No. of shares	**(₹ In Lakhs)**	No. of shares	(₹ In Lakhs)
Balance as at the beginning of the year	**9,21,69,056**	**92,16.91**	8,78,69,786	8,786.98
Add: issued under the company employees stock option scheme	**4,250**	**0.43**	-	-
Add: issued during the year due to conversion of preferential warrants issued to holding company (Mahindra & Mahindra Limited)	**-**	**-**	42,99,270	429.93
Balance at the end of the year	**9,21,73,306**	**9,217.34**	9,21,69,056	9,216.91

Rights, preferences and restriction attached to shares

Equity shares:

- The Company has one class of equity shares having a par value of ₹ 10 per equity share held.
- Each shareholder is eligible for one vote per share
- If any dividend is proposed by the board of directors, then the same is subject to approval of the shareholders in the ensuing annual general meeting except in the case of interim dividend.
- In the unlikely event of the liquidation of the Company the equity shareholders are eligible to receive the residual value of assets of the Company if any after all secured and unsecured creditors of the company are paid off, in the proportion of their shareholding in the Company:

Shares held by Holding company and their subsidiaries and associates

	As at March 31, 2013	As at March 31, 2012
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding company)	**4,88,25,609**	4,88,25,609
	52.97%	52.97%

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at March 31, 2013	As at March 31, 2012
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding Company)	**4,88,25,609**	4,88,25,609
	52.97%	52.97%
Scholz AG	**62,98,843**	62,98,843
	6.83%	6.83%

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note II Reserve and surplus		
A Capital Reserve		
1 Capital Reserve on Consolidation		
Balance at the begining of the year	**11,912.96**	11,912.96
Adjustments during the year	**-**	-
Balance at the end of the year	**11,912.96**	11,912.96
2 Securities Premium account		
Balance at the beginning of the year	**30,315.62**	24,855.55
Add :		
Received upon issue of shares against preferential warrants to promoters	**-**	5,460.07
Received upon issue of shares to employees under ESOP scheme	**2.39**	-
Balance at the end of the year	**30,318.01**	30,315.62
3 Employee stock options outstanding		
Options granted till date	**614.08**	480.22
Add : Options granted during the year	**-**	247.94
Less : Forfeiture of options granted earlier	**44.74**	13.64
Less : Deferred employee compensation expenses	**85.41**	100.44
Less : Option exercised during the year	**(0.39)**	-
Balance at the end of the year	**654.36**	614.08
4 Foreign exchange fluctuation reserve		
Balance at the beginning of the year	**(1,775.73)**	(143.09)
Add: Foreign exchange gain/(loss) on investment in subsidiary	**(364.22)**	(1,632.64)
Balance at the end of the year	**(2,139.95)**	(1,775.73)
B General Reserve		
Surplus on amalgamation		
Balance at the beginning of the year	**57,670.78**	57,670.78
Balance at the end of the year	**57,670.78**	57,670.78
C Surplus / (Deficit) in statement of profit and loss		
Balance at the beginning of the year	**(20,798.19)**	(25,915.60)
Profit / (Loss) during the year	**(11,393.74)**	5,117.41
Balance at the end of the year	**(32,191.93)**	(20,798.19)
Total	**66,224.23**	77,939.52

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	Non-Current		Current Maturities	
	As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Note III Long-term borrowings				
(A) Secured Loans				
Term loans:				
Loans in Foreign currency from Banks ..	**17,180.96**	11,464.90	**-**	4,723.74
Loans in INR from Banks	**-**	-	**-**	3,127.94
	17,180.96	11,464.90	**-**	7,851.68
(B) Unsecured Loans				
Sales tax deferral loan	**1,701.52**	1,862.19	**160.66**	109.58
Loans from Related parties (Refer sch XXVI Note No. 6 (b))	**7,974.39**	4,687.37	**-**	2,954.00
	9,675.91	6,549.56	**160.66**	3,063.58
Total	**26,856.87**	18,014.46	**160.66**	10,915.26

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note IV Other long-term liabilities		
1 Trade Payable	**-**	-
2 Interest Accrued but not due	**1,094.30**	255.63
Total	**1,094.30**	255.63

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note V Other long-term provisions		
Provision for employee benefits		
Non Funded:		
Provision for Pension Fund	**15,453.88**	12,482.25
Provision for compensated absences..	**74.61**	60.02
Total	**15,528.49**	12,542.27

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note VI Short - term borrowings		
Secured		
Loans repayable on demand		
Loans in foreign currency from banks	**35,414.42**	29,924.09
Loans in INR from banks	**1,403.17**	1,769.01
Total	**36,817.59**	31,693.10

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note VII Trade payables		
Trade payables		
Acceptances	**1,572.79**	24.52
Trade payables - Micro & Small Enterprises	**15.59**	6.81
Others	**22,337.21**	30,945.62
Total	**23,925.59**	30,976.95

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note VIII Other current liabilities			
1	Current maturities of long term loan		
	Secured Loans		
	i) Loans in foreign currency from banks	**4,521.28**	4,723.74
	ii) Loans in INR from banks	**-**	3,127.94
	Unsecured Loans		
	i) From others	**-**	2,954.00
	ii) Sales Tax deferred Loan	**160.66**	109.58
		4,681.94	10,915.26
2	Provision for other current employee benefits	**5,626.88**	8,467.95
3	Interest accrued but not due	**-**	488.39
4	Interest accrued but due	**1,334.90**	26.62
5	Provision for other liabilities	**2,352.26**	1,004.00
		9314.04	9986.96
	Total	**13,995.98**	20,902.22

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note IX Short-term provisions		
1 Employee benefits:		
Provision for gratuity (Unfunded)	**46.13**	1.37
Provision of earned leave encashment	**24.87**	15.01
2 Others:		
Provision for Current Tax	**71.41**	333.74
Provision for Warranties	**851.25**	976.66
Total	**993.66**	1,326.78

Note X Fixed assets

(₹ In Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	April 1, 2012	Addition / adjustments	Disposal / adjustment	**March 31, 2013**	April 1, 2012	For the year	Disposal / adjustment	**March 31, 2013**	**March 31, 2013**	March 31, 2012
A: Tangible Assets										
Land	2,740.23	-	(10.19)	**2,750.42**	-	-	-	**-**	**2,750.42**	2,740.23
Buildings										
- Freehold	27,436.81	198.39	(664.54)	**28,299.74**	16,778.55	547.95	(538.44)	**17,864.94**	**10,434.80**	10,658.26
- Leasehold	489.20	-	(4.01)	**493.21**	182.12	40.35	(1.50)	**223.97**	**269.24**	307.08
Plant & Equipment	164,643.30	4,564.15	(1,241.52)	**170,448.97**	124,846.82	7,959.29	(840.15)	**133,646.26**	**36,802.71**	39,796.48
Furniture & Fittings	19,613.30	2,259.23	2,981.99	**18,890.54**	15,232.78	2,061.35	3,008.25	**14,285.88**	**4,604.66**	4,380.52
Office Equipment	1,708.17	68.06	(25.12)	**1,801.35**	1,565.68	27.56	(26.85)	**1,620.09**	**181.26**	142.49
Cars & Vehicles	1,592.83	56.83	28.80	**1,620.86**	1,353.62	61.65	(3.33)	**1,418.60**	**202.26**	239.21
Computers	727.31	38.25	14.63	**750.93**	505.06	89.23	14.14	**580.15**	**170.78**	222.25
Sub Total : A	218,951.15	7,184.91	1,080.04	**225,056.02**	160,464.63	10,787.38	1,612.12	**169,639.89**	**55,416.13**	58,486.52
B: Intangible Assets										
Goodwill on Consolidation	62,334.61	-	-	**62334.61**	2,269.91	-	-	**2,269.91**	**60,064.70**	60,064.70
Software	2,984.38	93.22	(47.11)	**3,124.71**	2,422.23	249.07	(38.61)	**2,709.91**	**414.80**	562.15
Sub Total : B	65,318.99	93.22	(47.11)	**65,459.32**	4,692.14	249.07	(38.61)	**4,979.82**	**60,479.50**	60,626.85
C: Capital work- in progress	-	-	-	**-**	-	-	-	**-**	**5,133.74**	5,344.16
Sub Total : C	-	-	-	**-**	-	-	-	**-**	**5,133.74**	5,344.16
Total (A+B+C)	284,270.14	7,278.13	1,032.93	**290,515.34**	165,156.77	11,036.45	1,573.51	**174,619.71**	**121,029.37**	124,457.53

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note : XI Non current investments		
Non Current		
Non trade, unquoted investment valued at cost unless otherwise stated		
50 fully paid up shares of ₹ 10 each in The Saraswat Co-operative Bank Limited (Previous year 50 shares)	**0.01**	0.01
8,84,485 Class "A" equity shares of ₹ 10 each in Wardha Power Company Limited	**88.45**	88.45
11,15,515 Class "A" redeemable preference shares of ₹ 10 each in Wardha Power Company Limited	**111.88**	111.88
Other Investment in equity shares	**28.49**	28.66
Less:- Aggregate provision for diminution in value of unquoted investment	**(8.01)**	-
Total	**220.82**	229.00

Note

"Investment in Wardha Power Company Limited entitles the company to obtain energy equivalent of 5MW from the Group Captive Power Plant.

These shares will receive restrictive dividend not more than 0.01% of the face value of the equity shares.

The preference shares carry a coupon rate of 0.01% per annum of the face value and is redeemable on expiry of 25 years."

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note : XI Current Investment		
Current Investment		
(Valued at Lower of cost or fair value)		
Investment in Mutual Funds		
Unquoted		
49898.46 units (PY Nil) SBI magnum insta cash fund liquid floater - Regular plan- growth	**1,000.00**	-
158029.36 units (PY Nil) SBI premier liquid fund-Regular plan- Growth	**2,908.34**	-
Total	**3,908.34**	-
Fair Value of unquoted investments in Mutual Funds	**3,918.93**	-

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

	Non-Current		Current	
	As at March 31, 2013	As at March 31, 2012	**As at March 31, 2013**	As at March 31, 2012
Note XII Loans and advances				
1 Capital advances				
Secured, considered good	**-**	-	**-**	-
Unsecured, considered good	**305.59**	655.95	**-**	-
Doubtful	**-**	-	**-**	-
Less: Provision for doubtful capital advances	**-**	-	**-**	-
	305.59	655.95	**-**	-
2 Security deposits				
Secured, considered good	**-**	-	**-**	-
Unsecured, considered good	**44.84**	46.44	**-**	25.94
Doubtful	**-**	-	**-**	-
Less: Provision for doubtful Security Deposits	**-**	-	**-**	-
	44.84	46.44	**-**	25.94
3 Loans and advances to related parties (Refer Related Parties List balance sheet)				
Unsecured, Considered Good	**-**	-	**25.71**	-
Doubtful	**-**	-	**-**	-
Less: Provision for doubtful loans & advances to related parties	**-**	-	**-**	-
	-	-	**25.71**	-
4 Advances				
Advances to Sundry Creditors				
Unsecured, Considered Good	**-**	-	**1,899.77**	1,765.39
Other Claims receivable	**-**	-	**115.89**	-
Advance Income Tax (Net of provision for taxation)	**227.82**	-	**-**	102.25
Prepaid Expenses	**-**	-	**73.83**	84.14
Balance with /refund due from statutory/Government authorities	**43.98**	51.33	**206.65**	255.67
	271.80	51.33	**2,296.14**	2,207.45
Total	**622.23**	753.72	**2,321.85**	2,233.39

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Note XIII Other Current Assets		
Interest receivable	**10.43**	5.03
Others	**18.98**	319.81
Total	**29.41**	324.84

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note XIV Inventories			
1	Raw materials	**6,245.02**	9,615.18
2	Work-in-progress	**17,013.44**	19,778.75
3	Finished goods	**5,195.60**	6,576.15
4	Stores and spares	**1,061.10**	1,031.57
5	Dies	**714.78**	1,000.57
	Total	**30,229.94**	38,002.22

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note XV Trade receivables			
1	Trade Receivables outstanding for more than six months from the date they are due for payment		
	a) Unsecured, considered good	**361.97**	349.64
	b) Doubtful	**525.53**	387.85
	c) Less: Allowance for trade receivables	**(525.53)**	(387.85)
2	Trade receivables outstanding for less than six months from the date they are due for payment		
	a) Secured, considered good	**-**	-
	b) Unsecured, considered good	**26,317.92**	29,069.79
	c) Doubtful	**161.22**	328.97
	d) Less: Allowance for trade receivables	**(161.22)**	(328.97)
	Total	**26,679.89**	29,419.43

(₹ In Lakhs)

		As at March 31, 2013	As at March 31, 2012
Note : XVI Cash and bank balances			
A.	Cash and cash equivalents		
	Balances with the bank		
	On current account in scheduled banks	**127.38**	573.15
	On current account in non scheduled banks	**3,381.39**	395.68
	Cheques on hand	**-**	682.50
	Cash on hand	**6.84**	5.62
		3,515.61	1,656.95
B.	Other bank balances		
	Margin money deposits		
	Deposit with original maturity more than 3 months and less than 12 months	**4.71**	4.72
	Deposit with original maturity more than 12 months	**133.75**	83.75
		138.46	88.47
	Total	**3,654.07**	1,745.42

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

		Year ended	
		March 31, 2013	March 31, 2012
Note : XVII Revenue from operations			
	Revenue from -		
a)	Sale of finished goods - Forgings	**215,032.68**	235,241.01
b)	Other operating revenues (details below)		
	Scrap sales	**11,050.03**	12,522.25
	Processing charges	**98.77**	55.25
	Other operating income	**812.32**	629.15
	Revenue from operations (Gross)	**226,993.80**	248,447.66
	Less: Excise Duty	**5,353.67**	4,422.54
	Revenue from operations (Net)	**221,640.13**	244,025.12

(₹ In Lakhs)

	Year ended	
	March 31, 2013	March 31, 2012
Note : XVIII Other Income		
Interest Received		
Interest on Bank Deposits	**16.15**	110.09
Interest Others	**34.35**	-
Foreign Exchange Gain / (Loss)	**-**	87.24
Profit on Sale of Investments	**10.87**	5.22
Profit on Sale of Fixed Assets	**168.31**	74.71
Others	**151.27**	118.04
Total	**380.95**	395.30

(₹ In Lakhs)

	Year ended	
	March 31, 2013	March 31, 2012
Note : XIX Raw Material consumed		
Alloy and non alloy Steel		
Inventory at the beginning of the year	**9,615.18**	9,827.30
Add: Purchases Net	**92,530.81**	113,685.70
Less: Inventory at the end of the year	**6,245.02**	9,615.18
Cost of material consumed	**95,900.97**	113,897.82

(₹ In Lakhs)

		Year ended	
		March 31, 2013	March 31, 2012
Note : XX Increase decrease in inventories			
	(Increase) / Decrease in stocks		
A.	Stock at the beginning of the year:		
	Work-in-progress	**17,013.44**	19,778.75
	Finished products produced	**5,195.60**	6,576.15
	Total (A)	**22,209.04**	26,354.90
B.	Less : Stock at the closing of the year		
	Work-in-progress	**19,778.75**	15,234.76
	Finished products produced	**6,576.15**	5,970.37
	Total (B)	**26,354.90**	21,205.13
	(Increase)/ Decrease in stocks	**4,145.86**	(5,149.77)

Notes to consolidated financial statements for the year ended 31st March, 2013

(₹ In Lakhs)

		Year ended	
		March 31, 2013	March 31, 2012
Note : XXI Employee benefit expenses			
1	Salaries, wages, bonus, etc	**50,532.50**	48,732.38
2	Contribution to provident & other funds	**454.11**	462.14
3	Gratuity expenses	**53.32**	42.59
4	Expense on Employee Stock Option Scheme	**40.67**	133.85
5	Staff welfare expenses	**11,325.79**	8,695.04
	Total	**62,406.39**	58,066.00

(₹ In Lakhs)

		Gratuity		Pension		Leave encashment	
		March 31, 2013	March 31, 2012	**March 31, 2013**	March 31, 2012	**March 31, 2013**	March 31, 2012
1	Current service cost	**36.38**	28.76	**120.91**	140.60	**24.99**	19.43
2	Interest cost	**16.79**	14.99	**630.27**	629.95	**6.00**	5.48
3	Expected return on plan assets	**-**	-	**-**	-	**-**	-
4	Actuarial losses/(gains)	**25.79**	(1.16)	**(2,812.50)**	(495.88)	**12.97**	6.67
5	Total expense	**78.96**	42.59	**(2061.32)**	274.67	**43.96**	31.58
	Reconciliation of Net Asset / Liability) recognised in the Balance Sheet during the period						
1	Net Asset/(Liability) at the beginning of the period	**(209.91)**	(187.35)	**12,482.24**	11,808.23	**(75.04)**	(68.46)
2	Employee expense	**(78.96)**	(42.59)	**2,061.32**	(274.67)	**(43.96)**	(31.58)
3	Employee contributions	**8.56**	20.02	**910.32**	948.68	**19.52**	25.00
4	Net Asset/(Liability) at the end of the period	**(280.31)**	(209.92)	**15,453.88**	12,482.24	**(99.48)**	(75.04)
5	Actual return on plan assets						
	Actuarial assumptions***						
1	Discount rate	8% per annum		3.5% per annum	5.5% per annum	8% per annum	
2	Expected rate of return on plan assets	NA		N.A		NA	
3	Expected rate of salary increase	7% per annum				6% per annum	
4	Mortality table	LIC (1994-96) Ultimate				LIC (1994-96) Ultimate	

*** 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

(₹ In Lakhs)

		Year ended	
		March 31, 2013	March 31, 2012
Note : XXII Finance costs			
1	Interest on term loans, bonds and debentures	**684.93**	1,296.88
2	Interest on other loans	**3,012.82**	2,547.11
3	Finance charges	**1,235.41**	463.21
	Total	**4,933.16**	4,307.20

Notes to consolidated financial statements for the year ended 31st March, 2013

	(₹ In Lakhs)	
	Year ended	
	March 31, 2013	March 31, 2012
Note : XXIII Depreciation and amortisation expense		
Depreciation on tangible assets	**10,788.07**	11,060.41
Amortisation on intangible assets	**249.07**	229.08
Total	**11,037.14**	11,289.49

		(₹ In Lakhs)	
		Year ended	
		March 31, 2013	March 31, 2012
Note : XXIV Other Expenses			
1	Stores consumed	**3,018.55**	4,351.03
2	Tools consumed	**4,237.93**	2,687.58
3	Power and fuel	**15,856.28**	17,019.23
4	Rent including lease rentals	**2,324.77**	2,420.92
5	Rates & taxes	**320.20**	342.77
6	Insurance	**668.86**	567.47
7	Repairs and maintenance		
	- Buildings	**483.98**	385.65
	- Machinery	**7,796.99**	7,621.07
	- Others	**2,310.96**	1,235.47
8	Postage, telephone and communication	**70.29**	32.84
9	Legal and professional charges	**1,079.92**	742.94
10	Advertisement	**151.18**	139.08
11	Freight outward	**2,635.91**	2,729.64
12	Travelling & conveyance expenses	**509.79**	577.46
13	Subcontracting, hire & service charges	**10,015.80**	10,933.60
14	Provision for doubtful trade receivables	**(11.99)**	233.56
15	Provision for warranties	**(144.18)**	211.90
16	Loss/(gain) on foreign exchange transactions and translations	**195.23**	-
17	Impairment of Assets (Refer SchXXVI Note 8)	**-**	118.41
18	Miscellaneous expenses	**3,063.18**	3,164.67
19	Commission on sales / contracts	**250.56**	254.95
20	Discount allowed	**56.59**	610.55
	Total	**54,890.80**	56,380.79

Notes to consolidated financial statements for the year ended 31st March, 2013

Note: XXV

1. Segment Reporting

(₹ In Lakhs)

Particulars	Indian		Overseas		Elimination		Consolidated	
	March 31, 2013	March 31, 2012	**March 31, 2013**	March 31, 2012	**March 31, 2013**	March 31, 2012	**March 31, 2013**	March 31, 2012
Revenue								
Revenue from operations	4,77,79.16	46,761.45	1,79,214.64	2,01,686.21	-	-	2,26,993.80	2,48,447.66
Less: Excise duty on sales	5,353.67	4,422.54	-				5,353.67	4,422.54
Net external revenue	42,425.49	42,338.91	1,79,214.64	2,01,686.21	-	-	2,21,640.13	2,44,025.12
Inter Segmental Revenue	1,610.32	913.02	-	-	(1,610.32)	(913.02)	-	-
Total revenue	44,035.81	43,251.93	1,79,214.64	2,01,686.21	(1,610.32)	(913.02)	2,21,640.13	2,44,025.12
Result								
Segmental result before exceptional items	2,476.87	1,905.38	(9,078.42)	8,030.71	-	-	(6,601.55)	9,936.09
Exceptional Items allocated to Segments	-	(155.89)	114.95	-	-	-	114.95	(155.89)
Segmental result after exceptional items	2,476.87	1,749.49	(8,963.47)	8,030.71	-	-	(6,486.60)	9,780.20
Un allocated expenses/(income)							11.56	-
Operating profit							(6,475.04)	9,780.20
Less: Interest cost not allocable							4,933.16	4,307.20
Add: Other income not allocable							-	-
Profit / (Loss) before tax							(11,408.20)	5,473.00
Less: Tax expense								
- Current tax							-	159.71
- Prior year tax							136.48	204.07
- Deferred tax							(150.94)	(8.19)
Profit / (Loss) before prior period adjustments							(11,393.74)	5,117.41
Less: Adjustments pertaining to previous year							-	-
Profit / (Loss) for the year before Minority Interests							(11,393.74)	5,117.41
Less: Minority Interests....................								
Profit /(Loss) carried forward to Balance Sheet							(11,393.74)	5,117.41
Other Information								
Segment Assets	30,624.64	32,895.49	1,53,935.12	1,64,270.06			1,84,559.76	1,97,165.55
Segment Liabilities	13,499.75	15,527.57	1,05,712.73	77,790.25			1,19,212.48	93,317.82
Capital Expenditure	1,010.43	2,087.82	5,716.48	14,604.03			6,726.91	16,691.85
Depreciation and Amortisation	2,744.42	2,391.89	8,292.73	8,897.60			11,037.15	11,289.49
Non Cash Expenditure other than Depreciation							48.68	133.85

Notes:

a) Geographical Segment

The group has considered geographical segment as the primary segment for disclosure. The segment has been identified taking into account the organisational structure as well as the different risk and return in these segments. Indian segment comprises of sales of forgings by operations situated in India and Overseas segment comprises of sales of forgings by outside India operations.

b) Secondary Segment

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

(₹ In Lakhs)

Gross segment revenue comprises of :	**March 31, 2013**	March 31, 2012
Sales	**2,21,640.13**	2,44,025.12
Other allocable income	**380.95**	395.30
	2,22,021.08	2,44,420.42

Notes to consolidated financial statements for the year ended 31st March, 2013

Notes : XXV (Contd.)

2 Provision for Warranty

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Balance as at the beginning of the year	**976.66**	649.44
Add: Provision made during the year	**-**	970.52
Less: Utilisation/reversal during the year	**125.41**	643.30
	851.25	976.66

3 Deferred tax liability / (assets)

(₹ In Lakhs)

	As at March 31, 2013	As at March 31, 2012
Deferred tax liability		
On fiscal allowances on fixed assets	**1,554.39**	1,478.44
Others	**58.37**	106.39
	1,612.76	1,584.83
Deferred tax asset		
Unabsorbed depreciation carried forward	**1,601.13**	3,170.59
On amalgamation & demerger expenses	**-**	-
On share issue expenses	**-**	8.61
On other timing differences	**286.17**	149.04
Provision Others	**5,683.59**	5,759.62
	7,570.89	9,087.86
Net Deferred tax liability/(assets)	**(5,958.13)**	(7,503.03)

Note:

In 2011-12 Deferred tax was not recognised in the books of the holding company in the absence of virtual certainty. In the current year deferred tax assets of ₹ 332.91 Lakhs is recognised in view of improved performance on account of reduction in the finance costs and improved operational efficiencies.

4 Contingent Liabilities

(₹ In Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Claims against the Company not acknowledged as debts		
i) Income tax claims against which Company has preferred an appeal non deduction of TDS and interest there on		
a) Non deduction of TDS and interest thereon	**22.98**	29.89
b) Disallowance of certain expenses	**418.14**	613.68
ii) Excise Cases against the Company, appealed by the Company with CESTAT		
a) Relating to Cenvat availed on rejected goods	**89.28**	89.28
b) Interest on supplementary invoices	**9.59**	9.59
iii) Bill discounting facilities availed under Bill Marketing Scheme from customers	**717.59**	583.56

Notes to consolidated financial statements for the year ended 31st March, 2013

Notes : XXV (Contd.)

(₹ In Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
iv) During the year the Company has given guarantee to ICICI Bank plc, UK for EURO 5 Million ₹ 3474.50 Lakhs for a loan taken by step down subsidiary Mahindra Forgings Europe AG Germany	**3,474.50**	-
v) 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 future obligation	**1,519.30**	1,588.69
vi) Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for	**508.98**	2,224.05

5 Exceptional Items

(₹ In Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Redundancy and restructuring costs at Stokes Group Limited	**114.95**	-
Interest payment for settlement of borrowings liability	**-**	155.89
	114.95	155.89

6 Hire Purchase Contracts and Operating Leases

(₹ In Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Net obligations repayable		
Within one year	**1,577.38**	1,003.36
Between one to five years	**3,304.67**	1,043.43
	4,882.05	2,046.79

(₹ In Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Break up of the Lease		
Within one year		
Land and Building	**953.79**	955.50
Between one to five years		
Land and Building	**3,951.83**	3,753.75
	4,905.62	4,709.25

Notes to consolidated financial statements for the year ended 31st March, 2013

Note to Accounts No - XXVI

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 notified under the Companies Act, 1956 and the relevant provisions of the said Act. The Consolidated Financial Statements have been prepared on the following basis:

   (a) Basis of Consolidation :

   i) The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealised profits or losses have been fully eliminated.

   ii) The difference between the 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.

   iii) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of date of disposal is recognised in the Consolidated Profit and Loss Statement as profit or loss on disposal of investment in subsidiary.

   iv) Minority Interest in the net assets of consolidated subsidiaries consist of :

   a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and

   b) the minorities' share of movements in equity since the date the parent- subsidiary relationship comes into existence.

   v) The Financial Statements of the subsidiaries are drawn up to 31st March, 2013.

   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 31.03.2013	**as at 31.03.2013**
Stokes Group Limited	U.K.	99.92%	-
Stokes Forgings Dudley 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%	-
Gesenkschmine Schineider GmbH	Germany	100.00%	-
Jeco Jellinghaus GmbH	Germany	100.00%	-
Falkenroth Umfirntechnik GmbH	Germany	100.00%	-
Schoneweiss & Co. GmbH	Germany	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-

   During the year Jensand Limited was wound up and hence ceased to be a subsidiary of Stokes Group Limited

   (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.

Notes to consolidated financial statements for the year ended 31st March, 2013

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.

All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI of the Companies Act, 1956. Based on the nature of activities undertaken by the Company and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non- current classification of assets & liabilities.

(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) 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.

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 Statement.

(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) over its useful life estimated by management or on the basis depreciation rates prescribed by the local laws.

(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 Statement.

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 Statement.

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 Statement.

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 Statement when the right to receive dividend is established.

(c) Interest income is accounted on accrual basis/ time proportionate basis on contractual rate.

(d) Export incentives are recognised on accrual basis and to the extent of certainty of realisation of ultimate collection.

(I) 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 Statement.

(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. Company's liability towards gratuity is funded by way of Group Gratuity cum assurance policy with Life Insurance Corporation of India.

(J) 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.

(K) 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.

(L) 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.

(M) 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.

(N) 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 Statement in the same period as the related expenditure.

(O) 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 Statement 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 Statement on straight line basis over the lease term.

(P) Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised up to the date when such qualifying assets are ready for intended use. Other borrowing costs are recognised as expense in the period in which they are incurred

(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. 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 ESOS of the Company exercised their options for 4250 shares and (Exercise Price of ₹ 57 per Equity Share (Previous Year Nil) were allotted to the ESOS holders.

4. 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.

5. 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:

Sr. No.	Name of the Company	Sr. No.	Name of the Company
1.	Mahindra Ugine Steel Co. Limited	9.	Defence Land Systems India Private Limited
2.	Mahindra Integrated Business Solutions Private Limited(formerly known as Mahindra BPO Services Private Limited)	10.	Mahindra Gears International Limited
3.	Mahindra Logistics Limited	11.	Mahindra Gears Global Limited
4.	Mahindra Navistar Automotives Limited	12.	Mahindra Sanyo Special Steels Private Limited (formerly known as Navyug Special Steels Private Limited)
5.	Mahindra Engineering Services Limited	13.	Mahindra Overseas Investment Company (Mauritius) Limited
6.	Mahindra Conveyor Systems Private Limited	14.	Mahindra Engineering GmbH
7.	Mahindra Vehicle Manufacturers Limited	15.	Mahindra Reva Electric Vehicles Private Limited
8.	Mahindra Hinoday Industries Limited		

Notes to consolidated financial statements for the year ended 31st March, 2013

Key Management Personnel:

Sr. No.	Name of the Persons
1	Mr. K. Ramaswami (w.e.f. 4th Oct 2011)
2	Mr. Deepak Dheer(up to 31st Aug 2011)

(b) Details of related party transactions are as under

(₹ In Lakhs)

Sr. No	Nature of Transactions	31st March, 2013			31st March, 2012		
		Holding Company	Fellow Subsidiaries	Key Managerial Personnel	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
1.	Purchases						
	Raw Material	-	10725.25	-	-	12088.53	-
	Capital Goods	-	-	-	-	-	-
	Discounting Charges Paid	-	-	-	-	-	-
	Services	1.18	971.17	-	6.70	899.45	-
	Fixed Assets	12.19	-	-	-	-	-
2.	Sales						
	Goods	19013.64	3116.03	-	16469.26	2286.17	-
	Scrap	-	1828.60	-	-	1868.24	-
	Fixed Assets	-	-	-	-	-	-
3.	Inter Corporate Deposit						
	Accepted	-	-	-	-	-	-
4.	Inter Corporate Deposit						
	Refunded	-	-	-	-	-	-
5.	Interest Paid	-	545.67	-	-	498.31	-
	Discounting Charges Paid	-	-	-	-	-	-
	Discounting Charges Received	-	-	-	-	26.76	-
6.	Outstanding						
	Receivable	1133.41	293.92	-	1063.75	324.93	-
	Payable	406.68	4182.41	-	358.13	12280.40	-
	ICD Outstanding	-	7974.39	-	-	7641.37	-
7.	Reimbursement of Expenses	654.78	-	-	530.73	-	-
8.	Share Application Money						
	- Received	-	-	-	-	-	-
	- Subscription for Preferential Warrants	-	-	-	4417.50	-	-
9.	Managerial Remuneration	-	-	42.72	-	-	86.83

Notes to consolidated financial statements for the year ended 31st March, 2013

6. **Earnings per share**

Particulars	31st March, 2013	31st March, 2012
Amount used as the numerator- Net Profit / (Loss) ₹ in Lakhs	**(11,393.74)**	5,117.41
Weighted Average number of equity shares used in computing basic earnings per share	**9,21,72,598**	9,03,60,074
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	**9,21,72,598**	9,03,60,074
Basic Earnings per share (Face Value of ₹10 per share)	**(12.36)**	5.66
Diluted Earnings per share (₹)	**(12.36)**	5.66

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

7. In the previous year Other Expenses include ₹ 118.41 against the impairment of con rod machines which was part of capital work in progress.

8. Goodwill amounting to ₹ 60,065 Lakhs arises on consolidation of wholly owned subsidiaries the subsidiaries namely MFGL and MFIL and their step down subsidiaries Mahindra Forgings Europe AG (MFE AG) and its wholly owned subsidiary companies namely Jeco Jellinghaus GmbH, Schoneweiss & Co GmbH, Gesenkschmine Schineider GmbH and Falkenroth Unfirmtechnik GmbH (collectively referred to as step-down subsidiaries). Due to downturn in the economic situation in Europe, the market demand declined significantly impacting the sales and profitability of MFE AG and the step down subsidiaries.

   Necessary actions are being taken in MFE AG to:

   - Improve the operating efficiencies and align the cost structure in line with current market demand.
   - Enhanced Focus on exploiting the synergies of business in Europe and India.
   - Closely monitor the performance with increased periodic reviews to facilitate timely corrective actions to improve profitability.

   The management also considers the current market situation, to be temporary and expects that together with its above actions the company should turnaround its performance in the next few years planned.

   Therefore, in the opinion of the management, there is no impairment of the goodwill.

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

As per our Report of even date

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

Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, May 21, 2013

For & on behalf of Board of Directors

V.K.Chanana
(Director)

K. Ramaswami
(Managing Director)

Mohit Burman
(Director)

Daljit Mirchandani
(Director)

Zhooben Bhiwandiwala
(Director)

Fali P. Mama
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Details of Subsidiary Companies

(₹ Lakhs)

Name of the Subsidiary Company	Capital	Reserves & Surplus	Total assets	Total liabilities	Details of investments (excluding invetments in subsidiaries)	Gross Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed dividend and tax thereon
Stokes Group Limited #	1,274.62	4,051.95	6,331.95	6,331.95	-	13,847.94	(930.44)	-	(930.44)	-
Stokes Forgings Dudley Limited #	-	-	-	-	-	-	-	-	-	-
Stokes Forgings Limited #	49.40	(49.40)	-	-	-	-	-	-	-	-
Mahindra Forgings International Limited #	56,919.26	(2,816.43)	76,054.72	76,054.72	-	210.55	(699.76)	-	(699.76)	-
Mahindra Forgings Europe AG #	3,474.50	(1,150.06)	62,044.15	62,044.15	-	1587.85	(5,006.75)	139.67	(5,146.43)	-
Gesenkschmiede Schneider GmbH #	8,527.12	5,101.26	33,285.71	33,285.71	27.80	66,517.22	(822.76)	-	(822.76)	-
Jeco Jellinghaus GmbH #	3,564.84	862.37	9,231.05	9,231.05	-	22,949.77	(819.29)	3.47	(822.76)	-
Falkenroth Umformtechnik GmbH #	712.27	920.05	9,292.20	9,292.20	-	24,270.77	(1,164.65)	6.25	(1,170.91)	-
Schoeneweiss & Co. GmbH #	3,474.50	915.88	33,870.82	33,870.82	-	53,663.65	(7,258.23)	916.57	(8,174.80)	-
Mahindra Forgings Global Limited #	23,522.57	656.68	24,183.21	24,183.21	-	-	573.29	-	573.29	-

The financial statements of the Foreign Subsidiaries have been converted into Indian Rupees at the 31st March, 2013 exchange rates

FORGING A CLEANER FUTURE

From January 1, 2014 all new trucks and buses sold in the European Union must comply with the new Euro VI emissions standard.

The Euro VI standard targets significant reductions in the emissions of Nitrogen Oxides (NOx) and Particulate Matter (PM) and requires modifications to truck engines and exhaust treatment systems to achieve compliance. Truck OEMs in Europe have launched new or improved Euro VI versions of their truck ranges. As a result of these new truck introductions, Mahindra Forgings Europe has been developing a variety of new forged components that find applications in the engine, chassis and steering systems of these exciting new trucks which will take over the European roads in the coming months and years.

Mahindra
Rise.

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