

MAHINDRA CIE AUTOMOTIVE LTD





Dear Shareholder:

As you already know, in June 2013 the Mahindra Group and CIE Automotive of Spain announced their Global Alliance whereby CIE Automotive would become the majority shareholder in the Systech Automotive Component businesses while integrating its European Forgings business with ours. The Mahindra Group would reduce its majority stake in its Systech Automotive Components businesses and become the second-largest shareholder in CIE Automotive, Spain which is listed on the Madrid Stock Exchange. This Alliance was subject to a series of regulatory approvals and while some of these are complete, there are some that are yet outstanding. We hope to receive those in the course of calendar year 2014.

From an industry perspective, our European businesses have seen signs of an improving market and we hope to see continued improvement in the health of the industry. In India, we were confronted by another year of listlessness in the passenger vehicle and commercial vehicle industry but the agricultural equipment sector saw robust growth in response to a good monsoon and strong fundamentals. As a diversified player in various segments of the automotive industry, we were protected from the worst. Our belief in the long term potential of the Indian market remains unshaken. And we are working hard to ensure that we are well-positioned for growth as it comes.

Since this is a transition year for the listed companies that comprised the Automotive Components businesses, you will see the introduction of a CIE identity in the Forgings and Composites annual reports.

In time, subject to various approvals, all the Systech Automotive Component businesses will be brought under the Mahindra CIE entity. While this will mean that Mahindra Composites, Mahindra Hinoday and MUSCO will cease to exist as standalone companies, we believe that this is a natural outcome of the increasing globalization and consolidation in the Indian automotive components industry. And one that we have been articulating under the idea of "OneSystech".

Our teams here look forward to working hand-in-hand with their colleagues in CIE Automotive globally to improve their operating efficiencies, to widen their customer base, and bring new products and technologies to our business partners in India and beyond.

Thank you for being invested in us.

Yours sincerely

Hemant Luthra

President, Mahindra Systech Sector

Chairman, Mahindra CIE

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Board of Directors

Mr. Hemant Luthra – Chairman
Mr. K. Ramaswami – Managing Director
Mr. Antonio María Pradera Jáuregui
Mr. Jesus Maria Herrera Barandiaran
Mr. Zhooben Bhiwandiwalla
Mr. Daljit Mirchandani
Mr. Jose Sabino Velasco Ibanez
Mr. Jose Ramon Berecibar Mutiozabal
Mr. Manoj Maheshwari
Mr. Dhananjay Mungale

Audit Committee

Mr. Daljit Mirchandani - Chairman
Mr. Jose Sabino Velasco Ibanez
Mr. Jose Ramon Berecibar Mutiozabal
Mr. Manoj Maheshwari
Mr. Dhananjay Mungale

K. Jayaprakash - Chief Financial Officer
Krishnan Shankar - Company Secretary & Head - Legal

Nomination and Remuneration Committee

Mr. Jesus Maria Herrera Barandiaran - Chairman
Mr. Jose Ramon Berecibar Mutiozabal
Mr. Hemant Luthra
Mr. Daljit Mirchandani

Stakeholders' Relationship Committee

Mr. Dhananjay Mungale - Chairman
Mr. Jose Ramon Berecibar Mutiozabal
Mr. Daljit Mirchandani

Corporate Social Responsibility Committee

Mr. Daljit Mirchandani – Chairman
Mr. Hemant Luthra
Mr. Dhananjay Mungale
Mr. Jose Ramon Berecibar Mutiozabal

- **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 - 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 CIE Automotive Limited

Your Directors present the 15th Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31st March, 2014.

Financial Highlights	[₹ in Lakhs]	
Particulars	2013-14	2012-13
Total Operating Income	38,654	44,036
Profit before Interest, Depreciation, Exceptional Items and tax	5,233	6,646
Add: Other Income	645	420
Less : Depreciation	2,829	2,744
Profit before Interest, Exceptional Items and tax	3,049	4,322
Less : Interest and Finance cost	373	568
Profit before Exceptional Items and Tax	2,676	3,754
Less: Exceptional items	-	-
Profit before tax	2,676	3,754
Profit for the year	1,797	4,087
Balance of Profit & Loss Account brought forward losses from earlier years	(8,347)	(12,434)
Loss carried to Balance Sheet	(6,550)	(8,347)

Financials

During the year under review your Company registered a total operating income of ₹ 38,654 Lakhs as against ₹ 44,036 Lakhs in the previous year and Profit before Interest, Depreciation, Exceptional items and tax of ₹ 5,233 Lakhs as against ₹ 6,646 Lakhs in the previous year. The net profit for the year stood at ₹ 1,797 Lakhs as against a net profit of ₹ 4,087 Lakhs over the previous year.

Operations

During the year under review, with the help of CIE your company is working towards improving the operations in Europe. The plan for improvement is specified as below:

- Price negotiation to reduce "y-o-y reductions" with select customers.
- Availing of electricity subsidy from the government to reduce power cost.
- Improve operational efficiency by reducing cycle times, increasing die life and improving process flow and layout.
- Outsourcing of some services which are low-value-added.

All this will eventually result in reducing fixed costs, including personnel cost.

Your company's operations in India continued to be affected by a decline in sales. Thus the approach has been to increase/maintain profitability by focussing on improving plant operations and gaining an enhanced customer focus. The strategy to achieving these goals is as explained below:

- Enhance the number of products offered to customers by building upon our excellence in crankshafts and steering knuckles.
- Develop new products with new and existing customers using VA/VE.
- Build upon the internal capabilities to provide value added products.
- Focus on the tractor segments to enhance volumes.

Your Company will strive to maintain this performance in the coming year.

Changes in Share Capital and Issue of Shares

During the year ended 31st March, 2014, the Company has allotted 167,160 equity shares of face value of ₹ 10/- each, pursuant to exercise of options under the Company's Employee Stock Option Scheme, out of which 89,887 shares were allotted at an exercise price of ₹ 57/- per equity share and 77,273 shares were allotted at an exercise price of ₹ 44/- per equity share. The aforesaid exercise of options has resulted in issued, subscribed and paid-up equity capital increasing from ₹ 921,733,060/- to ₹ 923,404,660/-.

After the close of financial year the Company allotted 634,208 equity shares of face value of ₹ 10/- each, pursuant to exercise of options under the Company's Employees' Stock Option Scheme. The aforesaid exercise of options has resulted in issued, subscribed and paid-up equity capital increasing from ₹ 923,404,660/- to ₹ 929,746,740/-.

Changes in Promoters Shareholding

The Company along with Mahindra & Mahindra Limited ("M&M") (including its subsidiaries/ associate entities Mahindra Hinoday Industries Limited, Mahindra Ugin Steel Company Limited, Mahindra Gears International Limited, Mahindra Investment (India) Private Limited, Mahindra Overseas Investment Company (Mauritius) Limited and Mahindra Composites Limited) ("Mahindra group") have entered into an alliance with CIE Automotive S. A. ("CIE") (including its subsidiaries Participaciones Internacionales Autometal Dos, S. L. ("PIA 2") and Autometal S. A. ("Autometal"), for consolidating their automotive components business globally ("Transaction").

Pursuant to the shareholders' agreement dated 15th June, 2013, including subsequent modification, between the Company, M&M, CIE, Autometal and PIA2 ("Shareholders Agreement") 48,529,500

equity shares of ₹ 10/- each ("Sale Shares"), of the Company, were transferred from M&M to PIA 2 in October, 2013. Consequently PIA2 has become a Promoter of the Company. PIA2 and M&M are separately considered as Promoters of the Company.

Further, PIA 2 (Acquirer) along with Autometal and CIE, in their capacity as persons acting in concert with the Acquirer, made an open offer, as required under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, for acquisition of 24,502,193 equity shares of ₹ 10 each representing 26% of the then Fully Diluted Equity Capital from the public shareholders of the Company at a price of ₹ 81 per share as described in Detailed Public Statement dated June 21st, 2013 and Letter of Offer dated September 13th, 2013. Consequent to the Open Offer the Acquirer acquired 24,502,193 equity shares representing 26% of the then Fully Diluted Equity paid up capital of the company.

As on 31st March, 2014 PIA2 holds 73,031,693 equity shares in the Company representing 79.09% of the paid up equity capital and M&M holds 296,109 equity shares representing 0.32% of the paid up equity capital.

Scheme of Merger

The Board of Directors of the Company had, at its meeting held on June 15, 2013, approved the proposed merger of Mahindra Hinoday Industries Limited, Mahindra UGINE Steel Company Limited, Mahindra Gears International Limited, Mahindra Investments (India) Private Limited, Participaciones Internacionales Autometal Tres, S.L. with the Company and also approved the related scheme of merger under Sections 391-394 of the Companies Act, 1956 ("Integrated Scheme"). In the same meeting, the Board of Directors of the Company also approved the proposed merger of Mahindra Composites Limited ("MCL") with the Company and approved the related scheme of merger under Sections 391-394 of the Companies Act, 1956 ("Composites Scheme") (The Integrated Scheme and the Composites Scheme are together referred to as the "Schemes").

Securities and Exchange Board of India ("SEBI") vide its observation letters dated 7th March, 2014 has conveyed its comments on the draft Integrated Scheme and the draft Composites Scheme to the BSE Limited ("BSE").

Pursuant to the above SEBI letters, the BSE and the National Stock Exchange of India limited ("NSE") vide their observation letters both dated 7th March 2014 have conveyed their respective no-objections to file the Integrated Scheme and the Composites Scheme with the Hon'ble High Court, subject to certain conditions specified therein.

Court Convened Meetings for approval of the Schemes

Approval of the members was sought for each of the Integrated Scheme and the Composites Scheme, pursuant to the provisions of sections 391 to 394 of the Companies Act, 1956, at the separate meetings of the members held on 5th June, 2014, convened as per the directions of the Hon'ble High Court of Mumbai, received vide its orders, both dated 2nd May, 2014.

The Schemes were approved by requisite majority of shareholders attending and voting at the respective meetings.

Further the Company has also filed petition seeking sanction of the Hon'ble High Court of Mumbai for each of the Integrated Scheme and the Composites Scheme.

Postal Ballot for Approval of the Schemes

In terms of SEBI circular No. CIR/CFD/DIL/5/2013 dated February

4, 2013 read with circular number CIR/CFD/DIL/8/2013 dated May 21, 2013 ("SEBI Circulars"), the Company has obtained approval of the public shareholders of the Company to each of the Integrated Scheme and the Composites Scheme through postal ballot and e-voting process.

The effectiveness of the Integrated Scheme and Composites Scheme is conditional upon and subject to the approvals and/ or sanctions laid down in the respective Schemes.

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 practices. 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 give 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 is conducted.

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

Environmental Initiatives

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 ISO 14001:2004 & OHSAS 18001. 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

Sustainability Initiatives

Your Company's vision on sustainability is "Continuously improve our capability by integrating environmental, social, and economic aspects in operations for creating better tomorrow than today". In line with its vision the Company has identified and implemented on 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 Improved Export Packing with cost optimization, Yield Improvement Projects to reduce Steel requirement for Forgings etc.

Awareness on sustainability

Awareness about the need and the ways to drive sustainable business practices among all stakeholders is key to perpetual growth. The Company continues its initiatives to generate this awareness among employees who are the most important internal stakeholders of the organisation. 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 for the year 2013-14 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 GRI Checked with 'A+'.

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 blood donation camp, drinking water for Pilgrims, distribution of clothes and other articles to needy villagers and health related programs.

Directors

The Board at its meeting held on 4th October, 2013 appointed Mr. Antonio María Pradera Jáuregui and Mr. Jesus Maria Herrera Barandiaran as additional directors (non-independent) and Mr. Jose Sabino Velasco Ibanez, Mr. Jose Ramon Bercibar Mutiozabal, Mr. Manoj Maheshwari and Mr. Dhananjay Mungale as additional directors (independent).

At the same meeting Mr. Ignacio Artazcoz Barrena was appointed as additional director who has resigned from the Directorship with effect from 10th February, 2014.

Further Mr. Zhooben Bhiwandiwalla, Mr. V. K. Chanana, Mr. Nikhilesh Panchal, Mr. Fali P. Mama, Mr. Mohit Burman, Mr. Oliver Scholz and Mr. Harald Korte resigned from the Directorship of the Company with effect from 4th October, 2013.

Further, the Board appointed Mr. Zhooben Bhiwandiwalla as an Additional Director on 29th July, 2014.

Pursuant to Section 161 of the Companies Act, 2013 the additional directors will hold office up to the date of ensuing Annual General Meeting (AGM) of the Company and have offered themselves for re-appointment.

Further Pursuant to Section 149 of the Companies Act, 2013, the Board, at its meeting held on 29th July, 2014, recommended appointment of Ms. Neelam Deo and Mr. Juan Maria Bilbao as Independent Directors of the Company. Mr. Daljit Mirchandani, Independent Director on the Board pursuant to Clause 49 of the Listing Agreement, shall be appointed for a period of five consecutive years at the ensuing AGM.

Pursuant to Section 160 of the Companies Act, 2013 the Company has received notices in writing from members signifying the intention of the members to propose Mr. Antonio María Pradera Jáuregui, Mr. Jesus Maria Herrera Barandiaran, Mr. Jose Sabino Velasco Ibanez, Mr. Jose Ramon Bercibar Mutiozabal, Mr. Manoj Maheshwari, Mr. Dhananjay Mungale Mr. Daljit Mirchandani, Mr. Zhooben Bhiwandiwalla, Mr. Juan Maria Bilbao and Ms. Neelam Deo for the office of Directors of the Company along with the deposit of one lakh rupees each.

Further Mr. Hemant Luthra, Director of the Company, is liable to retire by rotation at the ensuing AGM pursuant to his terms of appointment and offers himself for re-appointment.

Mr. Jose Sabino Velasco Ibanez, Mr. Jose Ramon Bercibar Mutiozabal, Mr. Manoj Maheshwari, Mr. Dhananjay Mungale, Mr. Daljit Mirchandani, Ms. Neelam Deo and Mr. Juan Maria Bilbao are proposed to be appointed as Independent Directors on the Board pursuant to section 149 of the Companies Act, 2013 and in the opinion of the Board they are persons of integrity, have expertise and experience in their area of work which shall be beneficial for the Company. Pursuant to provisions of the Companies Act, 2013, these Directors shall be appointed for a fixed term of upto 5 consecutive years and shall not be liable to retire by rotation.

Mr. Antonio María Pradera Jáuregui Mr. Jesus Maria Herrera Barandiaran and Mr. Zhooben Bhiwandiwalla being non-independent directors shall be liable to retire by rotation.

Detailed profile of the Directors seeking appointment / re-appointment alongwith other details as may be required forms part of the Annual 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, 2014 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 number 2/2011 dated 8th February, 2011 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) retires 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 and Section 139 (1) read with Section 141 of the Companies Act, 2013, 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 2012-13 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 2013-14. The Cost Auditors shall forward their report to the Central Government, Ministry of

Corporate Affairs, New Delhi for the Financial Year 2013-14 within the prescribed time.

As required under the provisions of Section 224(1B) read with Section 233B(2) of the Companies Act, 1956, the Company has obtained a written confirmation from M/s. Dhananjay V. Joshi & Associates to the effect that they are eligible for reappointment as Cost Auditors under the said 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, 2014 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, 29th July, 2014

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014

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 CIE Automotive Limited Employees' Stock Option Scheme - 44,64,883								
(b)	The pricing formula	1 st Tranche	2 nd Tranche		3 rd Tranche	4 th Tranche	5 th Tranche	6 th Tranche	7 th Tranche	8 th 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 - 9 th May, 2008	2,45,000 Options granted at a Discount of 15% on the average price preceding the specified date - 29 th July, 2008	5,00,000 Options granted at a Discount of 15% on the average price preceding the specified date - 26 th August, 2008	93,000 Options granted at a Discount of 15% on the average price preceding the specified date - 12 th May, 2010	20,00,000 Options granted at a Discount of 15% on the average price preceding the specified date - 1 st April, 2011	5,89,883 Options granted at a Discount of 15% on the average price preceding the specified date - 20 th January, 2012
		Average price - Average of the daily high and low of the prices for the Company's Equity Shares quoted on Bombay Stock Exchange Limited during the 15 days preceding the specified date.								
		Specified date - Date on which the Remuneration/Compensation Committee granted the Options.								
(c)	Options vested	16,42,922								
(d)	Options exercised	2,32,160								
(e)	The total number of shares arising as a result of exercise of option	2,32,160 Equity Shares of ₹ 10/- each.								
(f)	Options lapsed	16,43,886								
(g)	Variation of terms of options	Nil								
(h)	Money realised by exercise of options	₹ 1,40,88,621								
(i)	Total number of options in force	25,88,837								
(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'.	₹ 1.95								
(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 ₹ 42.58 Lakhs (Previous Year Nil). Profit after tax Lower by ₹ 42.58 Lakhs (Previous Year Nil), and the basic and diluted earnings per share would have been higher by Nil (Previous Year 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)	<p>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:</p> <p>(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.</p>	<p>Method - Black Scholes Options Pricing Model Please refer note no. XXVII [B] (1) of Notes to Accounts</p>
During the year the Company has not granted any options to employees or senior management personnel		

STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2014

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
Daljit Mirchandani	Nil	10,000	15,000
* Deepak Dheer	Nil	75,000	1,25,000
* Zhooben Bhiwandiwalla	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
* Oliver Scholz	Nil	10,000	#15,000
* S. Ravindran	*40,000	Nil	Nil
* R.R.Krishnan	*10,000	Nil	Nil

* Ceased to be Directors of the Company.

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

7,500 Options each have lapsed since the concerned Directors have resigned before vesting of the same. However the vested portion can be exercised as per terms of the grant.

Unexercised portion of first tranche vested have lapsed due to non-exercise of options by certain Directors.

ANNEXURE II TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2014

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, 2014.

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 optimizing 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 to the Rules is as follows:-

Particulars		2013-14	2012-13
A.	Power & Fuel consumption		
1	a. Electricity Purchased		
	Units (KWH in Lakhs)	376.97	434.43
	Total Amount (₹ in Lakhs)	2764.10	3175.47
	Average Rate Per Unit (₹)	7.33	7.29
	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.)	619.575	531.85
	Total Amount (₹ in Lakhs)	340.81	283.77
	Average Rate per Kilo Litres (₹)	55006.27	54,107.05
4	Liquefied Petroleum Gas		
	Quantity (Tons)	380.34	503.17
	Total Amount (₹ in Lakhs)	252.78	309.29
	Average Rate per Ton (₹)	66461.71	61,468.29
B.	Consumption per unit of Production		
	Production (Tons)	29942	35333
	Fuel Used		
	Electricity Units KWH/Ton	1259.03	1232.27
	Methyl Ester oil Lit/Ton	20.69	15.05
	Liquefied Petroleum Gas Kg/Ton	12.70	14.24

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B of the Annexure to the Rules is as follows:

Research & Development :

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

- Installation and calibration of Load Cells on all Major presses to monitor Load readings and take preventive actions.
- Light weighting of crankshafts to reduce machining allowances
- Established combined trimming and padding tool for better quality of forged parts.

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

- The die nos where the Load on press was exceeding 90%, actions are taken on Dies to reduce the Load. Hence frequent breakdown of presses is reduced
- Customer satisfaction and increase in SOB.

3. Future plan of action:

- Installation and commissioning of Bigger reduce roll with manipulators for Automated process.
- Improvement in OEE
- Automation of 4000T Hasenclever press with Automated Die lubrication
- Introducing waterjet descaler on one of the presses for better quality of billet surface.

4. Expenditure on Research and Development: Nil

Technology absorption, adaptation and innovation:

1. Efforts in brief made towards technology absorption, adaptation and innovation:

Value addition and value Engineering is being done through better product design, Yield Improvements and better process.

2. Benefits derived as result of the above efforts:

Customer delight and satisfaction , with increased share of Business.

3. Import of Technology: Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars with regard to Foreign Exchange Earnings and outgo are given in note number XXVI to Notes Financial Statements.

For and on behalf of the Board

Hemant Luthra
Chairman

29th July, 2014

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 31 st March, 2014 (₹ in Lakhs)	Maximum outstanding during the year (₹ in Lakhs)	Investment by the loanee in the shares of parent company (No. of shares)
N.A	Nil	Nil	Nil

Management Discussion and Analysis

Company Overview

Mahindra CIE Automotive Limited ('Mahindra CIE' or 'MCAL' or 'the Company') is a global forging company having wholly owned subsidiaries in Germany and United Kingdom. Mahindra Forging Europe AG & Stokes Group will be collectively referred to as Mahindra Forgings Europe, Europe ('MFE') for the purpose of this report.

The German operations provide a **full range of forged parts for trucks** and are one of the **top axle beam manufacturers** in the world. In Europe, a significant portion of the product portfolio consists of value added products like complex and machined forgings. MFE is significantly dependent on four large commercial vehicle manufacturers in Europe which together account for ~40% of revenues. It has mitigated this dependence by having a much diversified spectrum of components.

The Indian operations focus on design, development & machining of **crankshafts and steering knuckles for cars & Utility Vehicles**. The product portfolios of our Indian and European operations don't overlap and are complementary in nature.

Industry Outlook & Structure: Caution Ahead

After a sustained run; the slowdown is showing signs of receding in the Eurozone. Uncertainty however continues with scepticism growing about the future of the European economies and real concern about the slowing down of the Indian and Chinese economies. Indeed, China's GDP is now trending downwards for the first time in a decade. This uncertainty is creating a negative perception about global economic prospects; but as things stand currently, the business mood seems darker than what the economic reality warrants. All indicators suggest that the long term future of the global auto industry continues to be attractive, with growth expected to be largely driven by the emerging markets. Nevertheless, there is need for companies to exercise caution and to be ready to deal with a slowing down of demand in the short run.

Europe

The European recovery is cautious but is a positive sign. The German economy, long considered the engine of the European economy, is forecast to grow at 1% - 2% in 2014 (*source: European Commission*). France and Netherlands; which along with Germany are considered the 'north' countries of Europe are also expected to grow at approximately similar rates. Italy, Spain, Portugal and Greece; the so called 'south' countries of Europe are expected to experience mild recovery with growth between 0-0.9%. There is increasing pressure on the governments in Europe to curtail the austerity measures adopted in response to the fiscal crisis of 2008 and focus on growth. The resilience of the German economy is a consequence of its export competitiveness and a drive by the government to boost domestic demand, which in turn will increase inflation. The intensifying crisis around the future of Greece and Portugal in the Eurozone, may still affect the European recovery. This crisis has the potential to negatively impact consumer sentiment and lower demand in the process.

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 in the first half of FY13-14 (April – Sept'13) showed a minor decline by approximately 4% over the corresponding half of the previous financial year. The growth returned with a gusto in the second half (Oct'13 – Mar'14) with heavy truck registrations experiencing a spurt of 23.4% against the corresponding period of FY12-13. Domestic sales though might end up being flat due to Eurozone pressures and even though exports out of Germany should mitigate the lack of domestic growth, we believe the demand for heavy trucks might show a slight pickup in F15.

In the medium term, we expect the truck market to experience growth, though it is expected to remain susceptible to fluctuations. Technologically, light-weighting of components continues to remain an important requirement and suppliers are expected to develop capabilities around it.

India

Economic growth in India eased in the just-concluded financial year which is the lowest growth rate in decade.

The Indian economy had been exhibiting inflationary tendencies in the previous years and as a response the Reserve Bank of India (RBI) started raising policy rates in March 2010. High rates as well as policy constraints adversely impacted investment, and in the subsequent two years viz. 2011-12 and 2012-13, the growth rate slowed to 6.2 per cent and 5.0 per cent respectively.

The slowdown, especially in 2012-13, has been across the board, with no sector of the economy unaffected. With the global economy also showing signs of a sustained recovery in 2014, and the post elections improved sentiments should help improve economic conditions. A stable government post-elections is likely to help the country grow at an average of 6.5 per cent for the next five years.

MCAL target segments in India are passenger car and utility vehicle (UV). In the year 2013-14, the cumulative UV production has declined marginally by ~ 2% compared to the previous year. Similarly, the production of passenger cars has declined by 5% compared to the previous year. Thus; in our addressable market, cumulative vehicle production has declined marginally by ~ 4%. The cumulative Tractor industry production has however shown a healthy 20% growth compared to the corresponding period in the previous year.

Leading auto industry analyst Crisil, expects the auto industry to return on to the growth trajectory in 2014-15. But this return to growth is expected to be gradual. In line with this we expect a slight growth in the next quarter. The domestic tractor market is expected to retain it's growth momentum, even though Crisil expects the growth to slow down.

Human Resources and Industrial Relations Climate

India

The automotive cluster centered around Pune in India, where the Company's 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. Employee Relations in Pune region is becoming challenging as the new generation of workmen being more demanding in their expectations however relationship between the management and workers' union continued to remain harmonious.

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 continues with its well established practice of obtaining employees opinions by conducting 'Workmen Engagement Survey' through an independent third party. As on 31st March, 2014 there were 851 employees on the rolls of the Company.

Pursuant to the provisions of 'The Sexual Harrassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013' ("the Act") and Rules framed thereunder, the Company has introduced a policy on Sexual Harrassment and taken necessary steps to ensure compliance with the Act. No complaints were received under the Act by the Company during the financial year ended on 31st March, 2014.

Europe

Your company continues to maintain harmonious relations with its employees. During the year, MFE's long standing CEO resigned and was replaced by a representative of CIE. All these developments have been explained to the employees.

Strategy and Operational Performance

The key elements of our short term strategy are to:

1. Turnaround European Operations
2. Increase Productivity in India

The Company has made considerable progress towards implementation of the strategy.

Turnaround European Operations

During the year under review, with the help of CIE your company is working towards improving the operations in Europe. The plan for improvement is specified as below:

- Improve operational efficiency by reducing cycle times, increasing die life and improving process flow and layout. Die costs and the increasing costs due to process or layout.
- Availing of electricity subsidy from the government to reduce power cost. – Since the Fukushima Nuclear plant disaster in Japan, Germany has decided to close down their nuclear plants and shift focus towards Renewable energy sources, which are costlier. This has added about 15% to our power costs. For Heavy energy users, this increase is being offset by the government giving a subsidy to the industry. MFE needs to claim this subsidy which would lead to savings of about Euro 4 - 5 million per year. The company has to pass the energy audit every year to avail of this subsidy.
- Price negotiation with customers on select parts.
- Outsourcing of low-value-adding services.

All this will eventually result in reducing variable costs and fixed costs, including personnel cost. Further, steps have been taken to replace high cost debt with low cost debt with support from CIE Group.

MFE has established a leadership position in forged components for commercial vehicles and will continue to explore new avenues for newer and better product offerings. The focus will be to improve the profitability by focusing on process improvements and lean management.

Increase productivity in India:

MCAL, India is one of the domestic market leaders in crankshafts and steering knuckles. The Company intends to leverage and strengthen these core capabilities. Simultaneously, with the support of the product engineering expertise of the CIE group, new and improved products are being developed for new and existing customers as well as European OEM's. This new positioning would enable the Company to increase exports from India.

Your Company has focused on increasing Plant efficiency and giving value added components to customers to mitigate the effect of low volumes. The company increased its product offerings by developing light weight crankshafts. Light weighting has also helped in increasing share of business in the tractor segment. In house capabilities in machining ensured retaining Share of Business and also obtaining machining orders from other companies. The Company has also developed new products which will yield more revenue in the coming years.

Productivity has also increased due to efficient utilization of Press Shop and increase in output/day. During the year raw material cost has been controlled by yield improvement. Other cost reduction initiatives continued.

Thus the approach has been to increase/maintain profitability by focussing on improving plant operations and gaining an enhanced customer focus. The strategy to achieving these goals is as explained below:

- Enhance the number of products offered to customers by building upon our excellence in crankshafts and steering knuckles.
- Develop new products with new and existing customers using VA/VE.
- Build upon the internal capabilities to provide value added products.
- Focus on the tractor segments to enhance volumes.

In the long term your Company intends to position itself as a preferred product development partner with its customers thereby increasing business with them.

To summarise, the Company has adopted a strong and proactive strategy that is focused on exploiting the growth opportunity in India, consolidating profitability in Europe and exploiting synergies between India and Europe. Furthermore, MCAL continually seeks synergies with other companies in the CIE Group. Such an integrated approach gives your Company a unique edge in the market place.

India

Financial Performance

On a standalone basis, the total income of the Company decreased by 13% while profits before interest, depreciation, exceptional items & tax (EBITDA) decreased by 21%. The net profit for the year stood at ₹ 179.7 mn as against a net profit of ₹ 408.7 mn in the previous year. On a consolidated basis, the total income of the Company increased by 17% in FY14. The EBITDA% on a consolidated basis was at 4.2%, an increase of 2.3% over FY13. The reduction in the income & the profit was mainly due to reduction in the demand in the automotive industries which are major customers of your company.

The standalone (MCIE, India) & consolidated profit and loss account for Mahindra CIE for 2012-13 (FY 13) and 2013-14 (FY14) is given in the table below.

MCIE's abridged P&L Statement for 2013-14

(₹ million)

Sr. No.	Particulars	Standalone		Consolidated	
		Financial Year Ended		Financial Year Ended	
		31.03.2014 [Audited]	31.03.2013 [Audited]	31.03.2014 [Audited]	31.03.2013 [Audited]
1	Gross Sales/Income from Operations	4302.76	4918.95	26225.64	22608.27
	Less: Excise Duty	454.39	535.37	454.39	535.37
	Net Sales / Income from Operations	3865.35	4383.58	25907.78	22072.90
2	Other Operating Income	16.98	20.00	136.53	91.11
3.	Total Operating Income (1+2)	3865.35	4403.58	25907.78	22164.01
4.	Expenditure				
	a. (Increase) / decrease in stock in trade and work in progress	29.10	(94.70)	(154.47)	414.59
	b. Consumption of raw materials	2002.77	2426.23	10802.03	9590.09
	c. Purchase of traded goods				
	d. Employee cost	345.12	306.33	7297.71	6240.64
	e. Depreciation	282.95	274.44	1199.92	1103.71
	f. Power & Fuel	336.84	377.46	1928.85	1585.63
	g. Other expenditure	628.21	723.62	4946.99	3903.45
	Total Expenditure	3624.99	4013.38	26021.03	22838.12
5.	Profit from Operations before Other Income, Interest and Exceptional Items (3-4)	240.36	390.20	(113.25)	(674.10)
6.	Other Non-operating Income	64.52	41.95	127.65	38.10
7.	Profit before Interest and Exceptional Items (5+6)	304.88	432.15	14.40	(636.00)
8.	Interest	37.27	56.78	628.24	493.32
9.	Profit(+)/Loss(-) after Interest but before Exceptional Items (7-8)	267.61	375.37	(613.84)	(1129.33)
10.	Exceptional items	-	-	83.18	11.50
11.	Profit before Depreciation, Interest and Exceptional Items and Tax (3){4}+(4e)	523.31	664.64	1086.67	429.61
12.	Profit (+)/ Loss(-) from ordinary activities before tax (3+6){4+8+10}	267.61	375.37	(697.02)	(1140.82)
13.	Tax expenses				
	- Current Tax	53.14	21.80	61.57	21.80
	[Less] MAT Credit entitlement	(53.14)	(21.80)	(53.14)	(21.80)
	- Deferred Tax (credit) charge	87.88	(33.29)	101.80	(15.09)
	- Prior period adjustments for Deferred Tax (Net)	-	-	7.67	13.64
14.	Profit (+)/ Loss(-) from ordinary activities after tax (12-13)	179.73	408.66	(814.92)	(1139.37)

Sr. No.	Particulars	Standalone		Consolidated	
		Financial Year Ended		Financial Year Ended	
		31.03.2014 (Audited)	31.03.2013 (Audited)	31.03.2014 (Audited)	31.03.2013 (Audited)
15.	Net Profit (+)/ Loss(-)	179.73	408.66	(814.92)	(1139.37)
16.	Net Profit after Minority Interest	179.73	408.66	(814.92)	(1139.37)

Information for our Indian and overseas operations are summarized in table below:

Segment wise results for 2013-14

(₹ Million)

Sr. No	Particulars	Year Ended	
		31.03.2014	31.03.2013
1	Segment Revenue		Audited
	a) Indian	4,089.14	4,403.58
	b) Overseas	22,042.43	17,921.46
	Total	26,131.57	22,325.04
	Less: Inter Segment Revenue	(223.78)	(161.03)
	Net Sales / Income from Operations	25,907.79	22,164.01
2	Segment Profit/(Loss) before tax and interest from	53.60	247.69
	a) Indian	(143.96)	(896.35)
	b) Overseas		
	Total	(90.36)	(648.66)
	Less:		
	(i) Un-allocable expenditure	606.66	492.16
	(i) Un-allocable income		-
	Total Profit Before Tax	(697.02)	(1,140.82)
3	Capital Employed		
	(Segment Assets- Segment Liabilities)		
	a) Indian	1,147.28	1,712.49
	b) Overseas	4,176.45	4,822.24
	Total	5,323.73	6,534.73

The Mahindra – CIE Deal

On 15th June 2013, Mahindra & Mahindra Limited (M&M) and CIE Automotive Group of Spain (CIE) got into an agreement to create one of India's larger multi-technology automotive component companies.

Step 1:

- CIE has purchased controlling stakes in MCAL, Mahindra Composites Limited (MCL) and Mahindra Hinoday Industries Limited (MHIL) and is a majority shareholder after the closure of Open Offer at MCAL & MCL.
- M&M has purchased a stake of 13.5% in CIE. Therefore, M&M continues to be a strategic investor in the auto components business with participation in Mahindra CIE and CIE Spain (parent level).
- Effective 27th November 2013, Mahindra Forgings Limited has been renamed as Mahindra CIE Automotive Limited.

Step 2:

Mahindra UGINE Steel Company Limited, MHIL, Mahindra Gears International Limited, PIA2 and Mahindra Investments (India) Private limited will merge in to MCAL through an integrated scheme of merger. MCL will merge into MCAL through a separate scheme of merger. This is expected to be completed by October 2014 subject to regulatory approvals.

The structure of the deal is also indicative that M&M is reaffirming its commitment to the automotive components business.

The Rationale for the Deal

Both CIE and M&M have had a strategy to globalize their auto components business interests. This partnership will help both the groups in furthering that aim.

Synergies with Parents

Relationship with CIE Group:

CIE group is a group specialised in providing automotive components and sub-assemblies to the global automotive industry, working with complementary technologies and a number of different associated processes.

With the active involvement of the CIE group, MCAL intends to achieve the following synergies:

1. CIE products and customers can be introduced in India.
2. Gaining Market Share in India with existing CIE customers (Western OEMs' from global markets) and expanding into all the technologies which CIE operates in viz. Aluminium, Painting, and Plastics.
3. Improving operational efficiencies by using CIE's expertise and enhancing the product offerings.

Opportunities

The demand for the auto components is directly related to the uptake by OEM's. By all estimates the Indian auto industry will continue to grow, even though there has been a slowdown in the growth in recent quarters. The Indian auto components industry is thus well poised to achieve strong growth in the near term. The drive towards localization by many foreign car manufacturers in India, also presents an opportunity for Indian Auto component manufacturers.

According to the Auto Components Manufacturers Association (ACMA), the Indian auto components industry is likely to grow to US\$ 110 billion by 2020 with the domestic market share of ~ US\$ 80 billion. The share of the auto components industry in the country's GDP is likely to increase to 3.60% by 2020, up from 2.40% in FY12. Given good long term demand prospects in the domestic market and with India emerging as a favored low-cost sourcing destination, auto component manufacturers are likely to invest in increasing production capacities and technological capabilities.

Risks and Concerns

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

- *Impact of uncertainty in the Eurozone:* Many countries in the Eurozone are facing fiscal crises 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 MCAL 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 any demand movements.
- *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.
- *Ability to service debt:* The Company has financed a substantial part of its liquidity requirements in Germany 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 MCAL 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 used where considered appropriate.

Internal Control Systems and their Adequacy

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

The 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 in optimizing 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 its core values, beliefs and ethics. Your Company believes in attainment of highest levels of transparency in all facets of its operations and maintains an unwavering focus on imbibing good Corporate Governance practices.

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

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with the Clause 49 during the year ended 31st March, 2014.

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 atleast one-half of the Board comprises of Non-Executive Independent Directors.

The Management of the Company is entrusted in the hands of Key Management Personnel, 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 objectives of enhancing stakeholders' value are achieved.

Mr. K. Ramaswami is the Managing Director of the Company. Mr. Hemant Luthra, Chairman of the Company are in whole time employment of the Promoter Mahindra & Mahindra Limited (M&M) and draws remuneration from it. Mr. Antonio Maria Pradera Jáuregui and Mr. Jesus Maria Herrera Barandiaran are Non-Independent Non-Executive Directors who are in whole time employment of CIE Automotiva S.A., the ultimate parent company w.e.f. 4th October, 2013.

The remaining five Non-Executive Directors are Independent Directors and are 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 and the remuneration that these Directors would be entitled to under the Companies Act, 1956 as Non-Executive Directors, 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 Independent Director of the Company upto 4th October, 2013) is a partner, received professional fees of ₹ 10.62 Lakhs.

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

COMPOSITION OF THE BOARD

As on 31st March, 2014, the Company's Board comprised of Nine Directors including the Managing Director. The Chairman is a Non-Executive Director and is a professional Director in his individual capacity.

During the year under review Mr. Mohit Burman, Mr. V. K. Chanana, Mr. Nikhilesh Panchal, Mr. Fali P. Mama, Mr. Harald Korte, Mr. Oliver Scholz and Mr. Zhooben Bhiwandiwalla^{##} ceased to be Directors of the Company w.e.f. 4th October, 2014. Mr. Ignacio Artazcoz Barrena ceased to be Director of the Company w.e.f. 10th February, 2014.

The names and categories of Directors, the number of Directorships and Committee positions held by them in the companies are given in Table 1 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.

Table 1: Composition of the Board of Directors (as on 31.3.2014)

Directors	Category	Total number of Committee memberships + of public companies as on 31 st March, 2014	Total number of Chairmanships of Committees + of public companies as on 31 st March, 2014	Total number of Directorships* of public companies as on 31 st March, 2014
NON - EXECUTIVE				
Mr. Hemant Luthra	Non-Independent	2	2	7
Mr. Antonio Maria Pradera Jáuregui	Non-Independent	Nil	Nil	3
Mr. Jesus Maria Herrera Barandiaran	Non-Independent	Nil	Nil	3
Mr. Daljit Mirchandani	Independent	2	1	2
Mr. Manoj Maheshwari	Independent	3	Nil	7

Directors	Category	Total number of Committee memberships + of public companies as on 31 st March, 2014	Total number of Chairmanships of Committees + of public companies as on 31 st March, 2014	Total number of Directorships* of public companies as on 31 st March, 2014
Mr. Dhananjay Mungale	Independent	9	3	11
Mr. Jose Ramon Berecibar Mutiozabal	Independent	4	Nil	3
Mr. Jose Sabino Velasco Ibanez	Independent	2	Nil	2
EXECUTIVE				
Mr. K. Ramaswami	Managing Director	Nil	Nil	2

* Excludes Directorships/Memberships in private limited companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956, government bodies and alternate Directorships but includes Directorships/Memberships in Mahindra CIE Automotive Limited.

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

The Board has appointed Mr. Zhooben Bhiwandiwalla on 29th July, 2014 as Additional Director of the Company.

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 on the overall performance of the Company, followed by presentations by other senior executives of the Company. The Board also *inter alia* reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, review of major legal issues, minutes of the Board Meetings of 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 seven times during the year on the following dates – 21st May, 2013, 15th June, 2013, 23rd July, 2013, 23rd September, 2013, 4th October, 2013, 22nd October, 2013 and 10th February, 2014. The gap between two meetings was not more than four months.

The Fourteenth Annual General Meeting (AGM) was held on 23rd July, 2013.

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	6	Yes
Mr. Zhooben Bhiwandiwalla	2	No
Mr. Antonio Maria Pradera Jáuregui#	1	N.A
Mr. Jesus Maria Herrera Barandian#	1	N.A
Mr. Ignacio Artazcoz Barrena* *	2	N.A
Mr. Mohit Burman*	2	Yes
Mr. V. K. Chanana*	5	Yes
Mr. Nikhilesh Panchal*	4	Yes
Mr. Fali P. Mama*	5	Yes
Mr. Harald Korte*	1	Yes
Mr. Oliver Scholz*	Nil	No
Mr Daljit Mirchandani	7	Yes
Mr. Manoj Maheshwari#	Nil	N.A
Mr. Dhananjay Mungale#	3	N.A
Mr. Jose Ramon Berecibar Mutiozabal#	2	N.A
Mr. Jose Sabino Velasco Ibanez#	Nil	N.A
Mr. K Ramaswami	7	Yes

* Resigned as Directors of the Company with effect from 4th October, 2013.

** Resigned as Director of the Company with effect from 10th February, 2014.

Appointed as Additional Director of the Company with effect from 4th October, 2013.

DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Mr. Hemant Luthra, retires by rotation and, being eligible, has offered himself for reappointment.

The Board of Directors appointed Mr. Antonio María Pradera Jáuregui, Mr. Jesus Maria Herrera Barandiaran, Mr. Manoj Maheshwari, Mr. Dhananjay Mungale, Mr. Jose Ramon Berecibar Mutiozabal and Mr. Jose Sabino Velasco Ibanez as Additional Directors on 4th October, 2013. Further, the Board, on recommendation of nomination and remuneration committee appointed Mr. Zhooben Bhiwandiwalla as Additional Director on 29th July, 2014. Pursuant to Section 161 of the Companies Act, 2013 the additional directors will hold office up to the date of the ensuing Annual General Meeting of the Company. Pursuant to Section 160 of the Companies Act, 2013 the Company has received notices in writing from the members signifying their intention to propose the above-mentioned additional directors for the office of Directors of the Company at the forthcoming Annual General Meeting.

Further pursuant to Section 149 of the Companies Act, 2013, Mr. Daljit Mirchandani, Independent Director on the Board, shall be appointed for a period of five consecutive years at the ensuing AGM. The Company has received notice in writing from the members signifying their intention to propose Mr. Mirchandani for the office of Independent Director of the Company at the forthcoming Annual General Meeting.

Further, pursuant to Section 149 of the Companies Act, 2013, the Board of Directors at its meeting held on 29th July, 2014, on recommendation of Nomination and Remuneration Committee proposed appointment of Ms. Neelam Deo and Mr. Juan Maria Bilbao as Independent Directors of the Company. The Company has received notice in writing from the members signifying their intention to propose Ms. Neelam Deo and Mr. Juan Maria Bilbao for the office of Independent Director of the Company at the forthcoming Annual General Meeting.

A brief resume of the Directors seeking appointment/re-appointment is annexed to the report and is forming part of the Annual Report.

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.mahindra-cie.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 on financial statements, internal controls and frauds, if any, for the year ended 31st March, 2014.

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 Independent Directors are paid sitting fee of ₹ 7,500/-for every meeting of the Board and ₹ 3,750/-for every meeting of Committees of the Board.

The remuneration to the Managing Director is fixed by the Remuneration/Compensation Committee which is subsequently approved by the Board of Directors and by the shareholders at a General Meeting.

Table 3: Details of remuneration paid/payable to the Directors including Managing Director for 2013-14

Name of the Director	Sitting Fees * (₹)	Salary and Perquisites (₹)	Contribution to Provident and Other Funds* (₹)	Performance Linked Incentive (₹)	Total (₹)
* Mr. Mohit Burman	26,250	NA	NA	NA	26,250
* Mr. V. K. Chanana	56,250	NA	NA	NA	56,250
* Mr. Nikhilesh Panchal	45,000	NA	NA	NA	45,000
* Mr. Fali P. Mama	56,250	NA	NA	NA	56,250
* Mr. Harald Korte	7,500	NA	NA	NA	7,500
* Mr. Oliver Scholz	NIL	NA	NA	NA	NIL
Mr. Daljit Mirchandani	78,750	NA	NA	NA	78,750
~ Mr. Manoj Maheshwari	NIL	NA	NA	NA	NIL
~ Mr. Dhananjay Mungale	15,000	NA	NA	NA	15,000
~ Mr. Jose Ramon Berecibar Mutiozbal	18,750	NA	NA	NA	18,750
~ Mr. Jose Sabino Velasco Ibanez	NIL	NA	NA	NA	NIL
Mr. K. Ramaswami (Managing Director)	NA	48,00,000	-	-	48,00,000^

* Net of service tax paid on the sitting fees.

Name of the Director	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 31 st March, 2014
Mr. Hemant Luthra	NIL	2,00,000	NIL	NIL	Nil	#1,000
Mr. Zhooben Bhiwandiwalla *	8,000	2,000	10,000	15000	Nil	Nil
Mr. Mohit Burman *	8,000	2,000	10,000	15000	Nil	19,761
Mr. V. K. Chanana *	8,000	2,000	10,000	15000	Nil	NIL
Mr. Nikhilesh Panchal *	8,000	2,000	10,000	15000	Nil	NIL
Mr. Fali P. Mama *	8,000	2,000	10,000	15000	Nil	2,220
Mr. Harald Korte *	NIL	NIL	10,000	15000	Nil	7,500
Mr. Daljit Mirchandani	NA	NA	10,000	15000	Nil	NIL
Mr. Oliver Scholz *	NA	NA	10,000	15000	Nil	NIL
Mr. K Ramaswami (Managing Director)	NA	NA	NA	NA	3,00,000	26,167#

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

* * Ceased to be Director w.e.f. 4th October, 2014

~ Appointed as Additional Director w.e.f. 4th October, 2014

These shares were allotted pursuant to exercise of Stock Options.

@ 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 including discount 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:

- Notice period applicable to the Managing Director - three month.
- No severance fees and no commission.
- Employee stock Option has been granted to the Managing Director
- All components of remuneration are fixed.

RISK MANAGEMENT

The Company follows well defined and detailed risk management framework. 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. The broad threats and risk to the business of the Company are discussed in Management Discussion and Analysis Report.

COMMITTEES OF THE BOARD OF DIRECTORS

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. Daljit Mirchandani, Mr. Jose Ramon Berecibar Mutiozabal, Mr. Jose Sabino Velasco Ibanez and Mr. Manoj Maheshwari. Mr. Daljit Mirchandani is the Chairman of the Committee. The Chairman of the Audit Committee was present at the last Annual General Meeting to answer queries of shareholders.

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

The Company Secretary is the Secretary to the Committee.

The terms of reference of this Committee are in accordance with the Clause 49 of the Listing Agreement. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory Auditors, the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet them to discuss their findings, suggestions and other related matters. The Committee is empowered to *inter alia* review the remuneration payable to Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. All items listed in Clause 49 II (D) of the Listing Agreement are included in the terms of reference. The Audit Committee has been granted powers as prescribed under Clause 49 II (C).

The Board of Directors of the Company at its meeting held on 29th April, 2014 revised the terms of reference of the Audit Committee to bring it in line with the Companies Act, 2013 and revised clause 49 of the listing agreement effective 1st October, 2014 and Mr. Dhananjay Mungale was appointed as a Member of the Committee.

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 5 meetings during the year 2013-14 on the following dates, i.e. 21st May, 2013, 15th June, 2013, 23rd July, 2013, 22nd October, 2013 and 10th February, 2014. 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*	2
Mr. Fali P. Mama	Independent Director	Member*	3
Mr. Zhooben Bhiwandiwalla	Non-Independent Non-Executive Director	Member*	2
Mr. Daljit Mirchandani	Independent Director	Member (upto 4 th October, 2013) ; Chairman (from 4 th October, 2013)	5
Mr. Jose Ramon Berecibar Mutiozabal	Independent Director	Member#	1
Mr. Ignacio Artazcoz Barrena**	Non-Independent Non-Executive Director	Member (from 4 th October, 2013 to 10 th February, 2014)	1
Mr. Jose Sabino Velasco Ibanez	Independent Director	Member#	Nil
Mr. Manoj Maheshwari	Independent Director	Member#	Nil

* Ceased to be Directors of the Company and Member of the Audit Committee w.e.f. 4th October, 2013

** Ceased to be a Director of the Company and Member of the Audit Committee w.e.f 10th February, 2013

appointed as a Member of the Audit Committee w.e.f 4th October, 2013

b) Remuneration/Compensation Committee#

The function of the Remuneration/Compensation Committee is to look into the remuneration of the Managing Director. The Committee has formulated and administers Company's Stock Option Scheme. It also attends to such other matters as may be prescribed from time to time.

The Remuneration/Compensation Committee comprises of Mr. Jesus Maria Herrera Barandiaran, Mr. Jose Ramon Berecibar Mutiozabal and Mr. Hemant Luthra. Mr. Jesus Maria Herrera Barandiaran is the Chairman of the Committee.

The Company Secretary is the Secretary to the Committee.

The Remuneration/Compensation Committee of the Company fixes the compensation payable to the Managing Director. No meeting of the Committee was held during the year under review.

After the close of the financial year the Board has re-constituted the Committee as "Nomination and Remuneration Committee" in terms of Section 178 of the Companies Act, 2013 and Mr. Daljit Mirchandani was appointed as member of the Committee.

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

The Company's Share Transfer and Shareholders'/Investors' Grievance Committee comprises of Mr. Dhananjay Mungale and Mr. Jose Ramon Berecibar Mutiozabal, all Non-Executive Directors. Mr. Dhananjay Mungale 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 and the Company Secretary are severally authorised to approve of transfers of shares which are up to 5,000 in number. No meeting of the Committee was held during the year under review.

During the year, 41 complaints were received from shareholders and all the 41 complaints have been resolved to the satisfaction of shareholders.

As on 31st March, 2014 there are no pending complaints pertaining to the year under review. As on date there were no pending share transfers pertaining to the year under review.

After the close of the financial year the Company has re-constituted the Committee as "Stakeholders' Relationship Committee" in terms of Section 178 of the Companies Act, 2013 and Mr. Daljit Mirchandani was appointed as member of the Committee.

d) Committee of Independent Directors

The Board of Directors of the Company had formed a Committee of Independent Directors at its meeting held on 23rd July, 2013 for providing the reasoned recommendation to the shareholders on the Open Offer made by Participaciones Internacionales Autometal Dos, S. L., ["Acquirer" or "PIA 2"] alongwith Autometal S.A., ["AUTOMETAL"] and CIE Automotive S.A., ["CIE"] together referred to as persons acting in concert with the Acquirer, to acquire shares of the Company as per the Securities and Exchange Board of India [Substantial Acquisition of Shares and Takeovers] Regulations, 2011 ["Takeover Regulations"], comprising of Mr. Daljit Mirchandani, Chairman, Mr. V. K. Chanana, Mr. Fali P. Mama, , Mr. Nikhilesh Panchal, Mr. Mohit Burman,

The Committee met on 23rd July, 2013, 31st August, 2013 and 23rd September, 2013.

The Committee provided its reasoned recommendation on 24th September, 2013.

e) Corporate Social Responsibility Committee

During the year under review, the Board of the Company has constituted the Corporate Social Responsibility (CSR) Committee in the month of March, 2014. The Committee comprises of Mr. Daljit Mirchandani – Chairman, Mr. Hemant Luthra, Mr. Dhananjay Mungale, Mr. Jose Ramon Berecibar Mutiozabal.

The major role of CSR Committee is to formulate the CSR Policy of the Company and recommend the same for to the Board indicating the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013 and recommend to the Board the amount of expenditure to be incurred on such activities.

The Committee shall also consider any other item which the Committee will have to consider pursuant to the provisions of the Companies Act, 2013 and Rules made there under or the Board may refer for its consideration. No meeting of the Committee was held during the year under review.

Shares held by the Non-Executive Directors

As on 31st March, 2014, Mr. Hemant Luthra held 1,000 shares. The Company has granted 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 of the Company as on 31st March, 2014.

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 foreign 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

A. Disclosures of transactions with Related Parties

During the Financial Year 2013-14, 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) to the Financial Statement for the year ended 31st March, 2014.

B. Disclosure of Accounting Treatment

Your Company has followed the Accounting Standards laid down by The Companies (Accounting Standards) Rules, 2006, as amended from time to time, in preparation of its financial statements.

C. Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its designated employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time. The Code lays down Guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautions them of the consequences of violations.

Shareholder Information

15th Annual General Meeting

Date : Monday, 29th September, 2014
Time : 3.30 p.m.
Venue : Ravindra Natya Mandir
Sayani Road, Prabhadevi,
Mumbai – 400 025

Book Closure

The dates of book closure will be from 22nd September, 2014 to 29th September, 2014 inclusive of both days.

Dividend Payment

The Board of Directors of the Company has not recommended any dividend for the year 2013-14.

Financial Year

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

For the year ending 31st March, 2015, results will be tentatively announced by

- End July, 2014: First quarter
- End October, 2014: Half yearly
- End January, 2015: Third quarter
- End April, 2015 or May, 2015: 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 codes

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

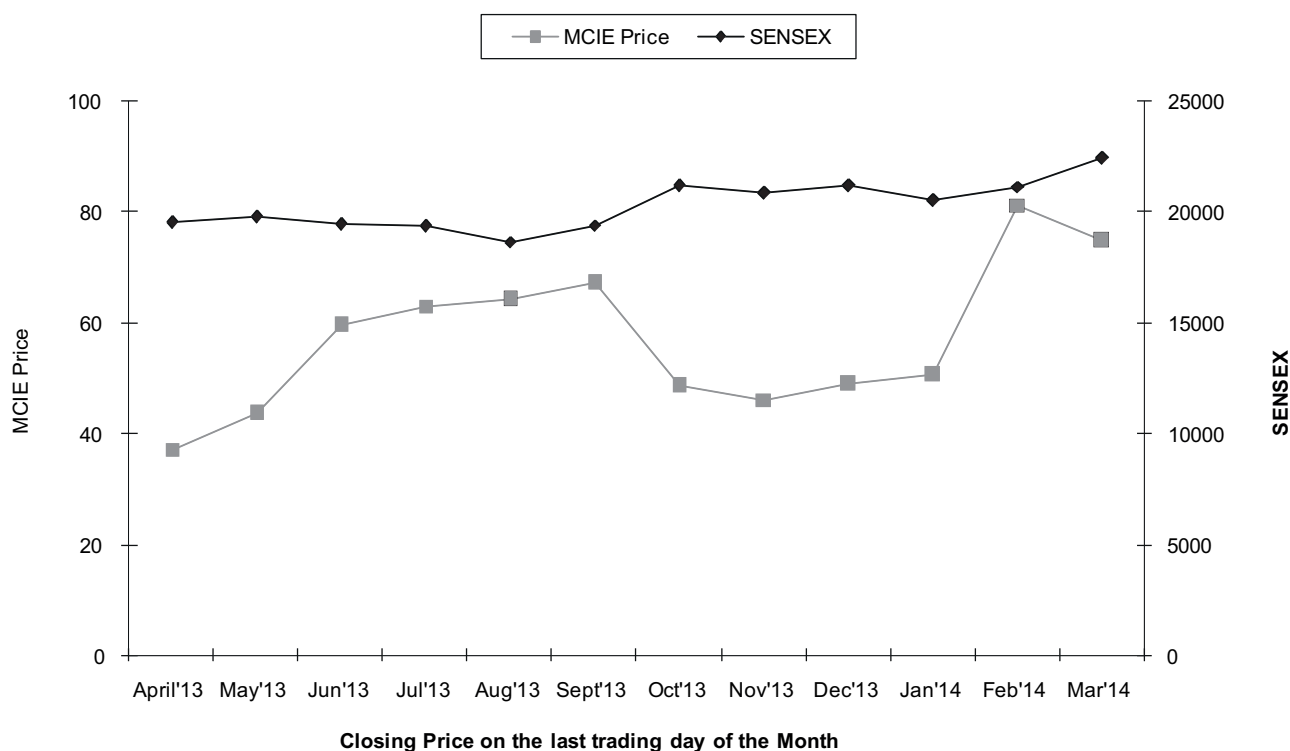
Corporate Identification Number : L27100MH1999PLC121285

Stock Market Price Data

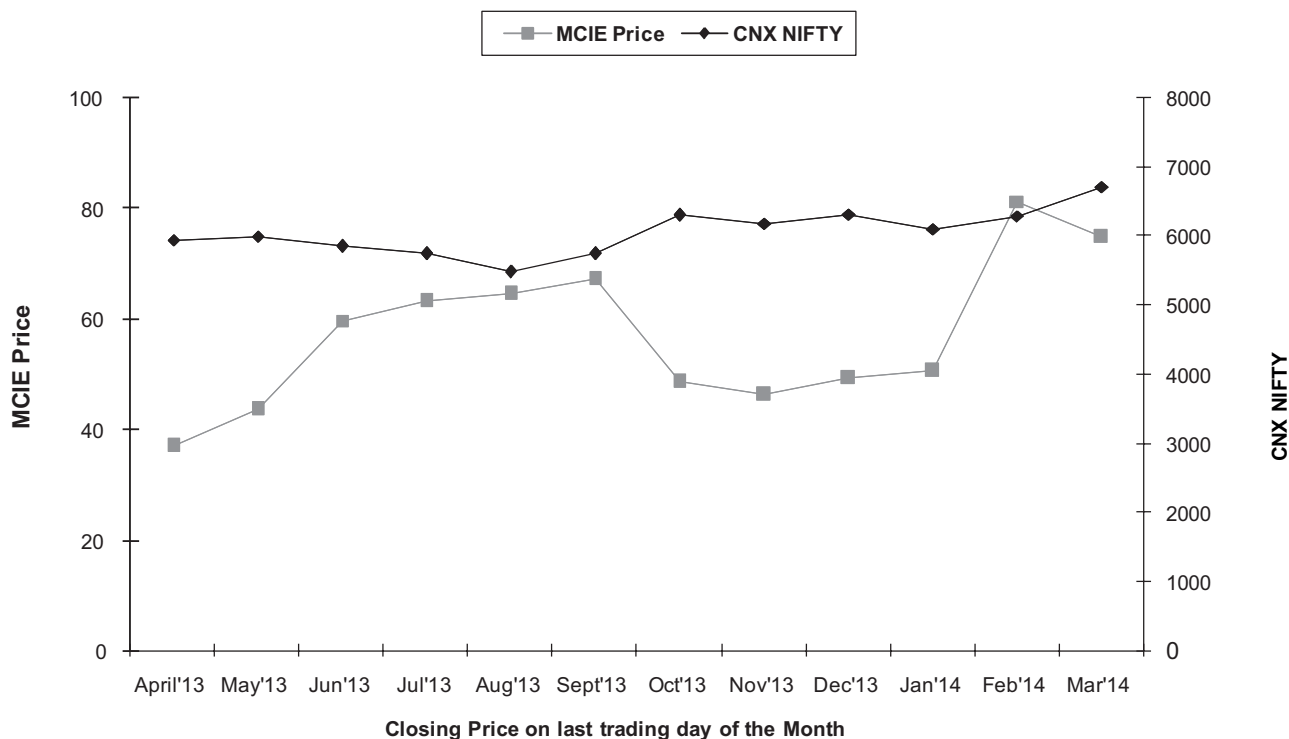
Table 5: High and low price of Company's shares for 2013-14 at BSE & NSE

	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April-2013	39.90	35.50	41.85	34.65
May-2013	47.90	35.55	47.90	35.35
June-2013	72.45	43.65	72.90	43.75
July-2013	65.80	59.45	65.80	59.10
August-2013	65.65	61.30	68.00	61.55
September-2013	67.25	63.65	67.25	63.75
October-2013	68.60	37.60	67.90	37.55
November-2013	49.00	44.55	48.95	44.00
December-2013	49.80	45.00	49.90	44.60
January-2014	58.00	46.60	57.95	46.40
February-2014	89.95	49.15	90.00	49.50
March-2014	84.15	69.35	84.00	69.00

The performance of the Company's share price relative to the BSE sensitive index (SENSEX) is given in the chart below:



The Performance of the Company's share price relative to the NSE Sensitive Index (S&P Nifty Index) is given in the chart below:



Registrar and Transfer Agents

Karvy Computershare Private Limited. Unit: Mahindra CIE Automotive Limited "Karvy House" 46 Avenue 4 Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel. No. + 91 - 40 - 44655124, Fax No. + 91 - 40 -23311968, E-mail: krishnans@karvy.com

Share Transfer System

Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman of the Share Transfer and Shareholders'/Investors' Grievance Committee and the Company Secretary are severally 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. Moreover the committee can also approve the transfer of shares through circulation. The details of share transfer / transmissions approved by the above officials/ committee are properly recorded and placed before the Board for its noting.

Distribution of Shareholding

Table 6: Distribution of shareholding as on 31st March, 2014

Number of shares held	Number of shareholders	% of shareholders	Number of shares	% to shares
1 to 5000	25,710	93.47%	2,210,753	2.39%
5001 to 10000	827	3.00%	681,908	0.74%
10001 to 20000	480	1.75%	727,883	0.79%
20001 to 30000	156	0.57%	408,118	0.44%
30001 to 40000	78	0.28%	279,770	0.30%
40001 to 50000	56	0.20%	266,825	0.29%
50001 to 100000	96	0.35%	712,196	0.77%
100001 & above	104	0.38%	87,053,013	94.28%
Total	27,507	100%	92,340,466	100%

Shareholding pattern

Table 7: Shareholding pattern as on 31st March, 2014

Category of Shareholders	Number of Equity Shares held	Percentage [%]
Promoter & Promoter group	73,327,802	79.41%
Mutual Fund/UTI	3,272,919	3.54%
Financial Institutions/Banks	433,171	0.47%
Insurance Companies	NIL	0.00%
Foreign Institutional Investors	3,145,175	3.41%
Bodies Corporate	3,946,483	4.27%
Resident individuals	6,489,203	7.03%
NRIs	441,476	0.48%
Clearing Members	63,924	0.07%
Foreign companies	1,198,063	1.30%
Trusts	NIL	0.00%
Foreign Nationals	22,250	0.02%
Total	92,340,466	100.00%

Dematerialisation of Shares

As on 31st March, 2014, 99.48% 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 the notification issued by Securities and Exchange Board of India (SEBI).

Outstanding ADRs/GDRs 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 CIE Automotive Limited "Karvy House" 46 Avenue 4, Street No. 1, Banjara Hills Hyderabad – 500 034. Tel. No. + 91 - 40 – 44655124, 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 mcie.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 (SCORES). The investors can send their complaints through SCORES also. For this the investors has to visit 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, Mr. Krishnan Shankar, 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 Fax No. +91-2135-663407 e-mail : shankar.krishnan@mahindra.com

The Company can also be visited at its website: www.mahindra-cie.com

OTHER DISCLOSURES

General Body Meetings

Following table give the details of the Special Resolutions passed at the General Meetings held during the last three years.

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

Year	Date	Time	Special Resolution(s) passed
2011	2 nd 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 31 st March, 2011.
2012	31 st July, 2012	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 4 th October, 2011 to 3 rd 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.
2013	23 rd July, 2013	4.00 p.m.	Alteration of Articles of Association of the Company for modification of the clause pertaining to increase in Maximum number of Directors of the Company.

The Annual General Meetings held on 2nd August, 2011 was held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400 034, Annual General Meeting held on 31st July, 2012 was held at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai–400025 and Annual General Meeting held on 23rd July, 2013 was held at Kishinchand Chellaram College, Rama Watumull Auditorium, Dinshaw Wacha Road, Churchgate, Mumbai - 400020.

Postal Ballot

Three resolutions were passed by postal ballot in the year under review details of which are given in Table 9 below.

Table 9: Details of resolutions passed through Postal Ballot during the Financial Year 2013-14:

Date of Board Meeting	Particulars of Resolutions Passed	% of Votes in favour of the Resolution	Scrutinizer for conducting the Postal Ballot
23 rd September, 2013	1. Change of name of the Company pursuant to Section 21 of the Companies Act, 1956 and all other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government and other regulatory authorities as may be required from "Mahindra Forgings Limited" to "Mahindra CIE Automotive Limited" and consequential amendment in the 'Clause I' i.e. name clause of the Memorandum of Association of the Company.	99.9973 %	Mr. S. N. Ananthasubramanian, Practicing Company Secretary.
	2. Alteration of Articles of Association of the Company by adoption of new set of Articles pursuant to Section 31 of the Companies Act, 1956 and all other applicable provisions of the Companies Act, 1956 and subject to the approval of any regulatory authorities as may be required.	99.9972 %	
	3. Authorising the Board of Directors of the company to invest in securities, make any loan[s], give any guarantee[s] and/or provide security[ies] to its Subsidiaries and Associates ("Proposed Investments") notwithstanding such Proposed Investments are in excess of the limits prescribed, provided that the excess over the ceiling prescribed will not at any time exceed ₹ 600 Crore.	99.9972 %	

* Results declared on 1st November, 2013.

Details of non-compliance etc.

Your Company has complied with all the requirements of regulatory authorities. During the last three years there were no instances of non-compliance at no penalty or strictures were imposed 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 and Sakal which are national and local dailies respectively. These are not sent individually to shareholders. The Company's financial results and official news releases are displayed on the Company's website at www.mahindra-cie.com.

Presentations are also made to institutional investors and analysts which have also been uploaded on the website of the Company.

Management Discussion and Analysis Report

Management Discussion and Analysis Report (MDA) has been attached and forms part of the Annual Report.

Compliance

Mandatory requirements

Your Company is fully compliant with the applicable mandatory requirements of the Clause 49 of the Listing Agreement.

Adoption of non-mandatory requirements

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

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

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

Your Company will always endeavour to attain the best practices in Corporate Governance.

Mumbai, 29th July, 2014.

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

To,

The Members of Mahindra CIE Automotive Limited

I, K. Ramaswami, Managing Director of Mahindra CIE Automotive Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Codes of Conduct for the year ended 31st March, 2014.

K.Ramaswami
Managing Director

Mumbai, July 29, 2014

CERTIFICATE

To

The Members of Mahindra CIE Automotive Limited

We have examined the compliance of conditions of corporate governance by Mahindra CIE Automotive Limited ("the Company") for the year ended on 31st March, 2014 as stipulated in clause 49 of the listing agreements of the company with the 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 the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above referred listing agreements.

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

For B.K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership Number 44784

Mumbai, July 29, 2014

Details of Directors seeking appointment/re-appointment at the Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement with Stock Exchanges)

(1) Mr. Hemant Luthra (DIN - 00231420)

Mr. Hemant Luthra joined the Mahindra & Mahindra in 2001 as Executive Vice President – Corporate Strategy and took over as a President of Systech in 2004. He has a 35 year track record of strategic and operating experience in creating, building and scaling up businesses and has held CXO positions Finance, Operations Business Development and Private Equity

As President of Mahindra Systech he has been instrumental in creating three businesses (i) Auto Components, (ii) Engineering Services and (iii) Aerospace which have a global presence across Australia, Brazil, Mexico, Spain, Germany, Italy and Japan.

Mr. Luthra started his career with IBM where he worked for 8 years in their Indian and Singapore Offices as Head of Financial Services.

Thereafter he moved on and worked with the Thapar Group with interests in paper, chemicals & Engineering for 18 years first as CFO and later as COO.

Subsequently, he founded a Private Equity fund for the ING Group where he led the investment team for two years before returning to operations as the CEO of Essar Telecom where he helped engineer a lucrative merger of the business with Hutchison.

Mr. Luthra is married, graduated with distinction from the Indian Institute of Technology, Delhi [1970] and is an alumni of the Advanced Management Program of the Harvard Business School [AMP115, 1994].

He is an avid golfer and supports select charities. He is on the Board of Trustees of Save the Children and The Lina Luthra Foundation for disadvantaged children.

Mr. Luthra is presently Director of Mahindra Composites Limited, Mahindra Sona Limited, Mahindra Ugin Steel Company Limited, Mahindra Engineering Services Limited, Mahindra CIE Automotive Limited, Stokes Group Limited, Mahindra Gears & Transmission Private Limited, Stokes Forgings Dudley Ltd, Stokes Forgings Limited, Mahindra Aerospace Private Limited, Mahindra Aerostructures Private Limited, Mahindra Castings Limited, Mahindra Sanyo Special Steel Private Limited and Mahindra Investments[India] Private Limited.

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

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Remuneration / Compensation Committee	Member
2.	Mahindra Ugin Steel Company Limited	Investors' / Shareholders' Grievance Committee Remuneration / Compensation Committee	Chairman Member
3	Mahindra Engineering Services Ltd	Nomination and Remuneration committee	Member
4	Mahindra Gears & Transmission Pvt. Ltd.	Audit Committee Remuneration / Compensation Committee	Chairman Chairman
5	Mahindra Hinoday Industries Limited	Audit Committee	Chairman
6	Mahindra Sanyo Special Steel Pvt. Ltd.	Nomination & Remuneration Committee	Member

Mr. Luthra holds 51,000 shares in the Company as on the date of this report.

(2) Mr. Daljit Mirchandani (DIN - 00022951)

Mr. Daljit Mirchandani, born in Karachi on October 26th 1947, is a Graduate Engineer from Birla Institute of Technology.

Beginning his career in 1971 as Graduate Trainee Engineer, in 1992 he rose to the position of Executive Director in Kirloskar Oil Engines, the flagship company of the Kirloskar Group. Between 1992 and 1997, for the Kirloskar Group, he set up the first in a kind, Pig Iron plant with a capacity of 500 thousand ton integrated to a state-of-the-art Foundry with a capacity of 60 thousand tons per annum.

In 1998, he joined Ingersoll-Rand India as the Chairman and Managing Director and retired in 2008.

In 2005, he was the Chairman of the Karnataka State Council of the Confederation of Indian Industries (CII), and in 2007 was nominated by the CII to be the Chairman of the Task Force formed by the Ministry of Agriculture, to examine and recommend policy interventions and set technical standards for the formation of the Cold Chain Infrastructure in India for Fresh Fruits and Vegetables. Implementation of these recommendations has been initiated by the Ministry of Agriculture.

Presently, in partnership with the Sarva Shiksha Abhayan, the flagship project of the Government of India, he is working on the development of a scalable interventions to bring the joy of learning and improve the quality of education to children enrolled in Government Aided schools in Rural Maharashtra.

He serves on the advisory and statutory Board of various Companies in the space of Bio Fuels, Infrastructure Development, Infrastructure Finance, Forgings and a MNC.

Mr. Mirchandani is on the Board of Mahindra Ugine Steel Company Limited, Mahindra Sanyo Special Steel Private Limited and Mahindra CIE Automotive Limited.

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

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Audit Committee Corporate Social Responsibility (CSR) Committee	Chairman Member
2.	Mahindra Ugine Steel Company Limited	Audit Committee Nomination & Remuneration Committee	Member Member
3	Mahindra Sanyo Special Steel Pvt. Ltd.	Audit Committee Nomination & Remuneration Committee	Chairman Member

Mr. Daljit Mirchandani holds 11,250 shares in the Company.

(3) Antonio María Pradera Jáuregui (DIN - 06704890)

Mr. Antonio has University Degree in Engineering. Having started his career in BBV, he has been managing director and afterwards Chairman of the CIE Automotive Group since 1995.

Mr. Antonio is also on Board of Mahindra Hinoday Industries Limited and Mahindra Composites Limited.

Mr. Antonio is not a member of any committee of the Board.

Mr. Antonio does not hold any share in the Company.

(4) Jesus Maria Herrera Barandiaran (DIN - 06705854)

Mr. Jesus Maria has University Degree in Economics. He is expert in internationalisation. He joined CIE Automotive in 1995. He is Managing Director of the America division and then became CEO of the CIE Automotive Group in 2013.

Mr. Jesus Maria is also on Board of Mahindra Hinoday Industries Limited and Mahindra Composites Limited.

Mr. Jesus Maria is a member of following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Corporate Social Responsibility (CSR) Committee	Chairman
2.	Mahindra Composites Limited	Remuneration/Compensation Committee	Chairman

Mr. Jesus Maria does not hold any share in the Company.

(5) Jose Ramon Berecibar Mutiozabal (DIN - 06704914)

Mr. Jose Ramon has University Degree in Law and Economics. He has done LLM in European Law by the College of Europe. He is Legal advisor to several companies and Partner of his law firm.

Mr. Jose Ramon is also on Board of Mahindra Hinoday Industries Limited and Mahindra Composites Limited.

Mr. Jose Ramon Berecibar is a member of following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Audit Committee Remuneration/Compensation Committee Share Transfer and Shareholders'/Investors' Grievance Committee	Member Member Member
2.	Mahindra Composites Limited	Audit Committee Remuneration/Compensation Committee Share Transfer and Shareholders'/Investors' Grievance Committee	Member Member Member

Mr. Jose Ramon does not hold any share in the Company.

(6) Jose Sabino Velasco Ibanez (DIN - 06704932)

Mr. Jose Velasco has University Degree in Business Administration. He is Former CEO of Laminados Velasco, active in the steel business. He is running as an entrepreneur his own businesses related to steel, scrap, real estate, etc.

Mr. Jose Velasco is also on Board of Mahindra Composites Limited.

Mr. Jose Velasco is a Member of following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Audit Committee	Member
2.	Mahindra Composites Limited	Audit Committee	Member

Mr. Jose Velasco does not hold any share in the Company.

(7) Mr. Manoj Maheshwari (DIN - 00012341)

Mr. Manoj Maheshwari is 51 years of age and is a second-generation entrepreneur with interests in the Information Technology, Marketing and Chemical industries. He is a graduate from the Bombay University with a major in Chemistry and has done his post graduation in Industrial Management. Mr. Maheshwari's work experience encompasses the project management, production, marketing, financial and general management areas of medium sized companies.

He is on the Board of directors of Maheshwari Investors Private Limited, Ignite Education Private Limited, R J Investment Private Limited, Ador Welding Ltd., Hamilton & Company Limited, RPG Life Sciences Ltd., Metro shoes Limited, Quadrum Solutions Private Limited and Mahindra Ugine Steel Company Limited and he brings a judicious mix of entrepreneurial and professional skills to the various Boards that he serves on.

Mr. Manoj Maheshwari is a Member of following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Audit Committee	Member
2.	Mahindra Ugine Steel Company Limited	Audit Committee	Member

Mr. Manoj Maheshwari does not hold any share in the Company.

(8) Mr. Dhananjay Mungale (DIN - 00007563)

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

Presently he is Director of Mahindra and Mahindra Financial Services Limited, Mahindra Composites Limited, Mentor Technologies Private Limited, Inestor Advisors Pvt. Ltd., Snowcem Paints Pvt. Ltd., J. P. Morgan Asset Management India Pvt. Ltd., LICHL Trustee Company Pvt. Ltd., Lavgan Dockyard Pvt. Ltd., Chowgule Steamships Ltd., Kalpataru Ltd., National Organic Chemical Industries Limited, Tamilnadu Petroproducts Ltd. Samson Maritime Ltd., L&T Infra Investment Partners Advisory Private Limited, Sicagen India Limited and IL&FS Engineering and Construction Company Limited.

Mr. Dhananjay Mungale is a Member of following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra CIE Automotive Limited	Share Transfer and Shareholders'/Investors' Grievance Committee	Chairman
		Corporate Social Responsibility (CSR) Committee	Member
2.	Chowgule Steamships Limited	Audit Committee	Chairman
		Compensation Committee	Member
3	Mahindra & Mahindra Financial Services Limited	Audit Committee	Chairman
		Compensation Committee	Member
		ALCO Committee	Chairman
4	Mahindra Composites Limited	Audit Committee	Member
		Compensation Committee	Member
5	National Organic Chemical Industries Limited	Audit Committee	Member
		Compensation Committee	Member
6	Sicagen India Limited	Audit Committee	Member
		Compensation Committee	Member
7	IL&FS Engineering and Costruction Company Limited	Audit Committee	Member
8	Kalpataru Limited	Audit Committee	Member
		Compensation Committee	Member
9	Samson Maritime Limited	Audit Committee	Member
		Compensation Committee	Member

Mr. Dhananjay Mungale does not hold any share in the Company.

[9] Mr. Zoooben Bhiwandiwalwa (DIN - 00110373)

Mr. Zoooben Bhiwandiwalwa is the Managing Partner of the Mahindra Partners division. He also heads the Legal function at the Mahindra Group.

As a long standing veteran at the Mahindra Group, he has traversed an interesting path during the three decades across the Group in terms of the diversity of roles, their geographic reach and location, as also the industry exposure.

He has during this tenure, acquired broad ranging cross-functional experience across several industries, and his active roles have embraced finance, legal, HR, marketing, strategy and other commercial functions. Mr. Bhiwandiwalwa has spent around 7 years on deputation to international assignments in the UK and US, has been intimately involved in several of the international start-ups and acquisitions. He has extensive experience in building new businesses, start ups, turn around, joint ventures and mergers & acquisitions.

Currently, Mr. Bhiwandiwalwa is a Director on the Boards of Mahindra Intertrade Limited, Mahindra Retail Private Limited, Mahindra Two Wheelers Limited, Mahindra Logistics Limited, Mumbai Mantra Media Limited, Mahindra Steel Service Centre Limited, Mahindra Holdings Limited, Mahindra Defence Systems Limited, Mahindra Telephonics Integrated Systems Limited, Mahindra Ocean Blue Marine Private Limited, The Indian & Eastern Engineer Company Private Limited, Ekatra Hospitality Ventures Private Limited, Mahindra Defence Naval Systems Private Limited, Mahindra Solar One Private Limited, Epic Television Networks Private Limited, Mahindra Suryaprakash Private Limited, Mahindra Auto Steel Private Limited, Script Stories Media Private Limited, Cinestaan Digital Private Limited, Cinestaan Film Company Private Limited, Cinestaan Entertainment Private Limited, i-Probono (India) Legal Services, Mahindra Middle East Electrical Steel Service Centre FZC, UAE Mahindra Overseas Investment (Mauritius) Ltd., Mauritius, Mahindra Emirates Vehicle Armouring FZ-LLC, UAE, The East India Company Group Limited. BVI, Mahindra Finance USA LLC., USA, Mahindra Tractor Assembly Inc., USA (GENZE), Mahindra Metal Castello, Italy.

He is also a member of the Global Advisory Board of i-Probono, UK.

Mr. Bhiwandiwalwa is one of the chief architects of Mahindra Partners. The Division adapts the Group's unique strengths of constant innovation, prudence and creative business models with a mandate of incubating new ventures for the Group. Mahindra Partners accelerates value creation through a diversified portfolio of emergent businesses spanning various industry sectors like Cleantech, Logistics, Steel, Retail, Consulting, Media, Speed Boat Manufacturing, Conveyor Systems and Vocational Education.

While professionally qualified as a Chartered Accountant, he has through these exposures collected a rich basket of experience and made valuable contributions to the Mahindra Group.

Mr. Bhiwandiwalwa is a Member of following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra Intertrade Ltd.	Audit Committee Remuneration Committee	Member Member
2.	Mahindra Retail Pvt. Ltd.	Audit Committee	Member
3	Mahindra Two Wheelers Ltd.	Audit Committee	Chairman
4	Mahindra Steel Service Centre Limited	Audit Committee	Member
5	Mahindra Holdings Ltd.	Audit Committee	Member

Mr. Bhiwandiwalwa holds 17,500 shares in the Company.

[10] Ms. Neelam Deo (DIN - 02817083)

A distinguished diplomat, Ms. Neelam Deo has been the Indian Ambassador to Denmark and Ivory Coast with concurrent accreditation to several West African countries. She has also served in Indian embassies in Washington D.C., Bangkok and Rome. Her last assignment was as Consul General in New York. Her most challenging mission was liaising with the U.S. congress on strategic issues in Washington DC. During her assignments in the Ministry of External Affairs, she was Joint Secretary for Bangladesh, Sri Lanka, Myanmar and the Maldives. At different times she has been on the desk for South East Asia and the Pacific, the Middle East and North Africa and Bhutan. Ambassador Deo has a Master's degree from the Delhi School of Economics.

Ms. Neelam Deo is currently on the board of Breakthrough (a human rights organization), Oxfam India. She writes for several mainstream publications, and is an occasional commentator for mainstream television news channels.

Ms. Neelam Deo does not hold any share in the Company.

[11] Mr. Juan Maria Bilbao (DIN - 06963805)

Mr. Juan Maria Bilbao is a graduate on Economy and Business Administration of the Deusto (Bilbao) University, Bilbao. He has over forty years of experience in the Business and Economic area. Over the years has gained practical experience working in enterprises such a Graver Española S.A. (Bilbao) and Didier Técnicas S.A. Since 1992 and until 2012 he has been responsible for the administrative and financial department of the Spanish subsidiary of the Beroa Group. Mr. Juan Maria Bilbao has a valuable international profile as he holds a proficient experience in multinational companies and profits from a good knowledge of German language and good communication skills on both French and English.

Mr. Bilbao is not on the Board or in any Committee of the Board of any other Company.

Mr. Bilbao does not hold any share in the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAHINDRA CIE AUTOMOTIVE LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of Mahindra CIE Automotive Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statements of Profit and Loss and Cash Flow 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, 2014;
 - (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

7. We draw attention to Note XXVII (B) (2) to the financial statements and for the reasons detailed therein the management of the company does not perceive any diminution other than temporary in the value of long term investment of ₹ 73,493.41 lakhs in the wholly owned subsidiaries namely Mahindra Forgings Global Limited and Mahindra Forgings International 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

8. 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 (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.
9. 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 and the Statements of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, the Statements of Profit and Loss and Cash Flow dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **B.K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No.: 044784

Place : Mumbai
Date : April 29, 2014

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph [7] under 'Report on Legal and Regulatory Requirements, section of our Report of even date:

1. (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (ii) The Company has a regular programme of verification of fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to this the Company had verified a substantial proportion of its fixed assets in the prior year. During the year the Company has not conducted any verification of its fixed assets.
- (iii) There was no disposal of a substantial part of fixed assets during the year.
2. (i) The Management has conducted physical verification of inventory at reasonable intervals during the year. Confirmations have been received in respect of inventories lying with third parties. In our opinion, the frequency of verification is reasonable.
- (ii) 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.
- (iii) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of account.
3. 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. Accordingly, the provisions of clause 4(iii) of the Order is not applicable to the Company.
4. 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. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.
5. 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.
6. 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.
7. In our opinion, the company has an internal audit system commensurate with the size of the Company and the nature of its business.
8. 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.
9. (i) According to the records of the Company and information and explanations given to us, the Company has been 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.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty were outstanding, at the year end for a period of more than six months from the date they became payable.
- (iii) According to the information and explanations given to us, there are no dues outstanding on account of any dispute March 31, 2014, other than as summarised below:

Name of statute	Nature of dues	₹ lakhs	Period to which amount relates	Forum where pending
Central Excise Act, 1944	Excise Duty	29.90	2002-03 to 2003-04	CESTAT, Mumbai
	Excise Duty	60.98	2002-03 to 2003-04	CESTAT, Mumbai
	Excise Duty	81.50	2010-11 to 2012-13	CESTAT, Mumbai

10. The Company's accumulated losses at the end of the financial year are not more than 50% of its net worth. The Company has not incurred cash losses in the current year as well as in the immediately preceding financial year.

11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company has not issued any debentures.
12. 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.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures or any other investments. Accordingly the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institution.
16. The Company has not taken any term loan during year.
17. According to information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have, prima facie, been used for long term investment.
18. The company has not made any preferential allotment to parties or companies covered under register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not issue any debentures during the year.
20. During the year, the Company has raised money by way of a public issue during the year.
21. Based on the audit procedures performed and as per the information and explanations given to us by management, no fraud on or by the Company has been noticed or reported during the year.

For **B.K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No.: 044784

Place : Mumbai
Date : April 29, 2014

Balance Sheet as at 31st March, 2014

	Note	As at March 31, 2014 ₹ in Lakhs	As at March 31, 2013 ₹ in Lakhs
I EQUITY & LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(i) Share capital	I	9,234.05	9,217.33
(ii) Reserves & surplus.....	II	83,917.25	80,967.84
		93,151.30	90,185.17
2 Non-Current Liabilities			
(i) Deferred Tax liabilities (Net).....	XII	545.89	-
(ii) Long-term borrowings.....	III	1,460.94	1,701.52
(ii) Other long-term provisions.....	IV	89.98	74.61
		2,096.81	1,776.13
3 Current Liabilities			
(i) Short-term borrowings.....	V	5,920.79	1,403.17
(ii) Trade payables	VI	8,168.97	9,012.33
(iii) Other current liabilities	VII	1,465.85	1,019.13
(iv) Short-term provisions	VIII	165.12	70.99
		15,720.73	11,505.62
Total		110,968.84	103,466.92
II ASSETS			
Non-current assets			
1 (a) Fixed Assets			
(i) Tangible assets	IX	17,314.54	19,231.16
(ii) Intangible assets		39.05	70.12
(iii) Capital work-in-progress.....		1,179.65	1,104.47
		18,533.24	20,405.75
(b) Non-current investments	X	75,527.86	68,444.42
		75,527.86	68,444.42
(c) Deferred tax assets (net)	XII	-	332.91
(d) Long-term loans and advances	XIII	934.30	622.23
		934.30	955.14
2 Current Assets			
(a) Current Investment	XI	5,565.11	3,908.34
(b) Inventories.....	XV	4,435.27	4,672.71
(c) Trade receivables	XVI	4,931.85	4,203.98
(d) Cash and bank balances	XVII	605.22	237.31
(e) Short-term loans and advances.....	XIII	426.57	611.25
(f) Other current assets	XIV	9.42	28.02
		15,973.44	13,661.61
Total		110,968.84	103,466.92
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. 44784
Firm Registration No. 105102W

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)
Daljit Mirchandani
(Director)
Dhananjay Mungale
(Director)

K. Ramaswami
(Managing Director)
Jose Ramon Bercibar Mutiozabal
(Director)
Manoj Maheshwari
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

K. Jayaprakash
(Chief Financial Officer)

Mumbai, April 29, 2014

Profit & Loss Statement for the year ended 31st March, 2014

	Note	Year ended March 31, 2014 ₹ in Lakhs	Year ended March 31, 2013 ₹ in Lakhs
I. Revenue from operations	XVIII	43,197.42	49,389.48
Less: Excise duty		4,543.89	5,353.67
Net revenue from operations		38,653.53	44,035.81
II. Other Income	XIX	645.20	419.53
III. Total Revenue (I+II)		39,298.73	44,455.34
IV. EXPENDITURE :			
Cost of materials consumed.....	XX	20,027.71	24,262.25
(Increase) / Decrease in inventories.....	XXI	291.00	(947.00)
Employee benefit expenses.....	XXII	3,451.24	3,063.30
Finance costs	XXIII	372.67	567.83
Depreciation and amortisation expenses.....	XXIV	2,829.48	2,744.42
Other expenses	XXV	9,650.47	11,010.84
Total Expenses		36,622.57	40,701.64
V. Profit before tax (V - VI).....		2,676.16	3,753.70
VI. Tax expenses			
Current Tax		531.43	218.00
Less : MAT credit entitlement		(531.43)	(218.00)
VII. Deferred Tax (credit)/charge			
Deferred Tax	XII	878.81	(332.91)
VIII. Profit / loss after tax		1,797.35	4,086.61
IX. Earnings per equity share:			
(1) Basic (₹).....		1.95	4.43
(2) Diluted (₹).....		1.95	4.43
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. 44784
Firm Registration No. 105102W

For & on behalf of Board of Directors

Hemant Luthra
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(Company Secretary & Head Legal)

K. Jayaprakash
(Chief Financial Officer)

Mumbai, April 29, 2014

Cash Flow Statement for the year ended 31st March, 2014

	As at March 31, 2014 ₹ in Lakhs	As at March 31, 2013 ₹ in Lakhs
Profit before tax	2,676.16	3,753.70
Add: Adjustment for		
Depreciation and Amortisation Expenses including ESOS	2,734.49	2,785.09
Provision for doubtful debts / write off's / (written back)	(108.24)	80.40
Interest Expenses	372.67	567.83
Loss on sale of Fixed Assets / Assets written off	14.44	22.79
Amortisation of investment in WPCL	8.01	8.01
Sub Total	5,697.53	7,217.82
Less: Adjustments for:		
Interest / Dividend income	257.66	15.48
Profit on sale of investment	22.54	10.86
Sub Total	280.20	26.34
Operating profit before working capital changes	5,417.33	7,191.48
Movement in		
Trade & other receivables	(367.25)	23.29
Inventories	237.44	163.49
Liabilities & provisions	(328.08)	1,395.16
Sub Total	(457.89)	1,581.94
Cash generated from operations	4,959.44	8,773.42
Income tax refund/(paid)	(575.79)	(167.20)
Net cash flow from operating activities	4,383.65	8,606.22
Cash flow from investing activities		
Purchase of fixed assets	(741.72)	(1,049.03)
Sale of fixed assets	11.12	18.57
Purchase of investments		
In mutual funds	(18,425.12)	(8,950.00)
In subsidiary company	(5,912.90)	-
Sale of Investments		
In mutual funds	16,790.88	5,052.52
Interest / Dividend received	257.66	15.48
Net cash from investing activities	(8,020.08)	(4,912.46)

Cash Flow Statement for the year ended 31st March, 2014

	As at March 31, 2014 ₹ in Lakhs	As at March 31, 2013 ₹ in Lakhs
Cash flow from financing activities		
Term loans repayment	(160.66)	(3,237.53)
Issue of share capital.....	85.25	2.42
Short-term loans from banks	(1,395.38)	(365.84)
Interest paid.....	(372.67)	(567.83)
Loan from others.....	5,913.00	-
Net cash from financing activities	4,069.54	[4,168.78]
Net (Decrease) / Increase in cash or cash equivalents	433.11	(475.02)
Opening cash and cash equivalents.....	98.84	573.86
Closing cash and cash equivalents	531.95	98.84

Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents represents cash and bank balances only.

As per our Report of even date

For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Registration No. 105102W

Mumbai, April 29, 2014

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)
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(Director)

K. Jayaprakash
(Chief Financial Officer)

Notes to financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

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
	<u>16,794.26</u>	<u>16,794.26</u>

B Issued,Subscribed and paid-up

923,40,466, (PY 921,73,306) equity shares of ₹ 10 each fully paid-up	9,234.05	9,217.33
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Total (Equity)	<u>9,234.05</u>	<u>9,217.33</u>
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Reconciliation of equity shares

(₹ In Lakhs)

	As at March 31, 2014		As at March 31, 2013	
	No. of shares	Amount	No. of shares	Amount
Balance as at the beginning of the year	92,173,306	9,217.33	92,169,056	9,216.91
Add: issued under the employees stock option scheme	167,160	16.72	4,250	0.42
Balance at the end of the year	<u>92,340,466</u>	<u>9,234.05</u>	<u>92,173,306</u>	<u>9,217.33</u>

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, 2014 No. of shares	As at March 31, 2013 No. of shares
Equity shares		
Mahindra & Mahindra Limited (Holding company till 3 rd October 2013)	296,109	48,825,609
	0.32%	52.97%
PARTICIPACIONES INTERNACIONALES AUTOMETAL, DOS S.L (Holding Company since October 4, 2013)	73,031,693	Nil
	79.09%	Nil

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

	As at March 31, 2014 No. of shares	As at March 31, 2013 No. of shares
Equity shares		
Mahindra & Mahindra Limited (Holding company till October 3, 2013)	296,109	48,825,609
	0.32%	52.97%
PARTICIPACIONES INTERNACIONALES AUTOMETAL, DOS S.L (Holding Company since 4 th October, 2013)	73,031,693	Nil
	79.09%	Nil
Scholz AG	Nil	6,298,843
	Nil	6.83%

Notes to financial statements for the year ended 31st March, 2014

		(₹ In Lakhs)	
		As at March 31, 2014	As at March 31, 2013
Note II Reserve and surplus			
A Capital Reserve			
1	Securities premium account		
	Balance at the beginning of the year	30,318.01	30,315.62
	Add:-		
	Received upon issue of shares to employees under ESOS Scheme.....	84.99	2.39
	Balance at the end of the year	30,403.00	30,318.01
2	Employee stock options outstanding		
	Options granted till date	654.36	614.08
	Add : Options granted during the year	-	-
	Deferred employee compensation expenses	43.89	85.41
	Less : Forfeiture of option granted earlier	(138.90)	(44.74)
	Option exercised during the year	(16.47)	(0.39)
	Balance at the end of the year	542.88	654.36
3	Foreign exchange fluctuation reserve		
	Balance at the beginning of the year	671.58	559.98
	Add: Foreign exchange gain on investment in subsidiary company.....	1,178.55	111.60
	Balance at the end of the year	1,850.13	671.58
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 Deficit in statement of profit and loss			
	Balance at the beginning of the year	(8,346.89)	(12,433.50)
	Profit during the year	1,797.35	4,086.61
	Balance at the end of the year	(6,549.54)	(8,346.89)
Total		83,917.25	80,967.84
		(₹ In Lakhs)	
		As at 31-March-14	As at 31-March-13
Note III Long - term borrowings (Non- Current)			
(A) Unsecured Loans			
	Sales Tax Deferral Loan	1,460.94	1,701.52
		1,460.94	1,701.52
Total		1,460.94	1,701.52
		(₹ In Lakhs)	
		As at March 31, 2014	As at March 31, 2013
Note IV Other long-term provisions			
	Provision for Employee benefits		
	Provision for compensated absences [Note No XXVI].....	89.98	74.61
Total		89.98	74.61

Notes to financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note V Short - term borrowings

Secured

Loans repayable on demand

from Banks 7.79 1,403.17

(Secured against 1st charge on movable assets and 2nd charge on immovable assets)

Other Loans 5,913.00 -

Total **5,920.79** **1,403.17**

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note VI Trade payables

Trade Payables

Acceptances 786.10 1,572.79

Trade Payables - Micro & Small Enterprises [Note No XXVI (2)]..... 32.11 15.59

Others 7,350.76 7,423.95

Total **8,168.97** **9,012.33**

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note VII Other current liabilities

1 Current maturities of long term loans

Sales tax deferral loan 240.58 160.66

2 Advance from customers 46.44 34.57

3 Stamp Duty Payable..... 132.79 132.79

4 TDS payable 54.87 33.95

5 Vat Payables 112.57 124.15

6 Provident fund and welfare fund payable 21.22 19.09

7 Provision for Other current employee benefits..... 399.96 316.34

8 Creditors for capital expenditure 96.75 135.71

9 Provision for redemption of Preference shares..... 44.78 44.87

10 Interest accrued but not due..... 298.89 -

11 Others 17.00 17.00

Total **1,465.85** **1,019.13**

Notes to financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note VIII Short-term provisions

Employee benefits:

Provision for Gratuity [Refer Note XXVI]	135.13	46.13
Provision of compensated absences	29.99	24.86
Total	165.12	70.99

Note IX Fixed assets

(₹ In Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	April 1, 2013	Addition	Disposal / adjustments	March 31, 2014	April 1, 2013	Charge for the year	Disposal / adjustments	March 31, 2014	March 31, 2014	March 31, 2013
A: Tangible assets										
Land	37.53	-	-	37.53	-	-	-	-	37.53	37.53
Buildings	4,410.26	0.61	-	4,410.87	853.05	138.82	-	991.87	3,419.00	3,557.21
Plant & Equipment	29,450.96	847.43	-	30,298.39	14,267.32	2,594.68	-	16,862.02	13,436.37	15,183.64
Furniture & Fittings	317.23	0.93	-	318.16	107.83	20.14	-	127.97	190.18	209.40
Office Equipment	87.04	3.92	-	90.96	19.03	4.28	-	23.31	67.65	68.01
Cars & Vehicles	149.97	34.12	41.19	142.90	34.88	13.32	15.63	32.57	110.33	115.09
Computers	243.64	12.28	-	255.92	183.36	19.08	-	202.44	53.48	60.28
Sub Total : A	34,696.63	899.29	41.19	35,554.73	15,465.48	2,790.32	15.63	18,240.18	17,314.54	19,231.16
B: Intangible assets										
Software	405.56	8.09	-	413.65	335.44	39.16	-	374.60	39.05	70.12
Sub Total : B	405.56	8.10	0.00	413.66	335.45	39.16	0.00	374.60	39.05	70.12
C: Capital Work-in-progress										
Sub Total : C	-	-	-	-	-	-	-	-	1,179.65	1,104.49
Total (A+B+C)	35,102.19	907.38	41.19	35,968.38	15,800.92	2,829.48	15.63	18,614.78	18,533.24	20,405.75
Previous Year	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, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note : X Non current investments

Non Current

Other Investments (unquoted investment valued at cost unless otherwise stated)

50 fully paid up equity shares of ₹ 10 each in The Saraswat Co-operative Bank Limited (Previous year 50 equity 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

Trade investments valued at cost unless otherwise stated

Trade investment valued at cost unless otherwise stated

Equity Shares (Unquoted)

Investment in - Subsidiary companies

1,54,65,310 (Previous Year 1,54,65,310) equity shares of GBP 0.10 each in Stokes Group Limited (Refer Foot 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
7,99,10,001 (Previous Year 7,29,10,001) equity shares of Euro 1 each in Mahindra Forgings International Limited.....	48,272.36	42,359.46

Preference Shares - (Unquoted)

Investment in 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	82,712.34	76,799.44

Less:- Aggregate provision for diminution in value of unquoted investment

Stokes Group Limited	(9,018.59)	(9,018.59)
Wardha Power Company Limited	(16.02)	(8.01)

Add/(Less):- Exchange rate fluctuation reserve/ provision	1,850.13	671.58
---	----------	--------

Total	75,527.86	68,444.42
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Note

- Investment in Wardha Power Company Limited entitles the company to obtain energy equivalent of 5MW from the Group Captive 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.
- 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 a provision for diminution in the value of the investment of ₹ 9018.59 Lakh representing the entire value of the investment.

Notes to financial statements for the year ended 31st March, 2014

Note : XI Current Investment

(₹ In Lakhs)

	As at March 31, 2014	As at March 31, 2013
Current Investment		
(Valued at Lower of cost or Net realisable Value)		
Investment in Mutual Funds		
Nil Units(PY 49898.46) SBI magnum insta cash fund liquid floater - Regular plan- growth	-	1,000.00
17397.568 Units (PY158029.36) SBI premiere liquid fund-Regular plan- Growth.....	350.00	2,908.34
737867.363 Units (PY Nil) ICIC Prudential Money Market Regular Plan Growth	1,310.30	-
1508894.564 Units (PY Nil) Sundaram Money Fund Regular Growth	407.65	-
1613180.280 Units (PY Nil) HDFC Liquid Fund - Growth	407.66	-
87588.339 Units (PY Nil) HSBC Cash Fund - Growth.....	1,119.69	-
35634988 Units (PY Nil) Axis Mutual Fund - Growth (CF-GP).....	505.75	-
83661.004 Units (PY Nil) Taurus Mutual Fund - Existing Plan - Super Insti Growth.....	1,158.30	-
17405.959 Units (PY Nil) L&T Liquid Fund Growth	305.76	-
Total	5,565.11	3,908.34
Fair value of unquoted investment	5,571.39	3,918.93

(₹ In Lakhs)

	As at March 31, 2014	As at March 31, 2013
Note XII Deferred tax assets / liabilities (net)		
Deferred tax liability		
1 On fiscal allowances of fixed assets	1,352.37	1,554.39
Total deferred tax liability (A)	1,352.37	1,554.39
Deferred tax assets		
1 On unabsorbed fiscal losses and unabsorbed depreciation	585.95	1,601.13
2 On other timing differences	220.53	286.17
Total deferred tax assets (B)	806.48	1,887.30
Deferred Tax Assets (liability) (Net) (A-B).....	(545.89)	332.91

(₹ In Lakhs)

	Non-Current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Note XIII Loans and advances				
1 Capital advances				
Unsecured, considered good	25.77	305.59	-	-
	25.77	305.59	-	-
2 Security deposits				
Unsecured, considered good	67.62	44.84	-	-
	67.62	44.84	-	-
3 Advances				
Advances to Sundry Creditors				
Unsecured, Considered Good	-	-	78.51	222.86
Doubtful	-	-	20.00	20.00
Less: Provision for doubtful advances	-	-	(20.00)	(20.00)
Octroi Claims receivable	-	-	-	45.12
Other Claims receivable	-	-	8.01	70.77
Advance Income Tax (Net of provision for tax)	272.18	9.82	-	-
MAT credit entitlement	531.43	218.00	-	-
Prepaid Expenses	-	-	103.67	64.33
Loans to employee	-	-	0.58	1.51
Balance with / refund due from statutory/ Government authorities	37.30	43.98	235.80	206.66
	840.91	271.80	426.57	611.25
Total	934.30	622.23	426.57	611.25

Notes to financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

Current	
As at March 31, 2014	As at March 31, 2013

Note XIV Other current assets

Interest receivable	9.42	10.43
Export duty drawback receivable	-	17.59
Total	9.42	28.02

(₹ In Lakhs)

As at March 31, 2014	As at March 31, 2013
-------------------------	-------------------------

Note XV Inventories

1 Raw materials	636.45	656.77
2 Work-in-progress	2,252.40	2,612.87
3 Finished goods	356.99	287.52
4 Die steel block	65.61	53.57
5 Stores and Spares	760.43	775.37
6 Dies	363.39	286.61
Total	4,435.27	4,672.71

(₹ In Lakhs)

As at March 31, 2014	As at March 31, 2013
-------------------------	-------------------------

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	44.27	20.08
b) Doubtful	10.60	260.08
c) Less: Allowance for trade receivables	10.60	260.08
	44.27	20.08
2 Trade Receivables outstanding for less than six months from the date they are due for payment		
Unsecured, considered good	4,887.58	4,183.90
Total	4,931.85	4,203.98

Notes to financial statements for the year ended 31st March, 2014

		[₹ In Lakhs]	
		As at March 31, 2014	As at March 31, 2013
Note : XVII Cash and Bank balances			
A	Cash & Cash Equivalents		
	Balances with the Banks		
	On current account in Scheduled Banks.....	496.94	96.99
	Cheques in Transit.....	33.16	-
	Cash on hand.....	1.85	1.85
		<u>531.95</u>	<u>98.84</u>
B	Other bank balances		
	Margin money deposits		
	Deposit with original maturity more than 3 months and less than 12 months.....	73.27	133.76
	Deposit with original maturity more than 12 months.....	-	4.71
		<u>73.27</u>	<u>138.47</u>
	Total	<u>605.22</u>	<u>237.31</u>

		[₹ In Lakhs]	
		Year ended March 31, 2014	Year ended March 31, 2013
Note : XVIII Revenue from operations			
	Revenue from -		
a)	Sale of finished goods - Forgings	39,665.84	44,820.17
b)	Other operating revenues		
	Sale of Scrap	3,361.77	4,369.30
	Processing Charges.....	-	98.77
	Other Operating income.....	169.81	101.24
	Revenue from operations (Gross)	<u>43,197.42</u>	<u>49,389.48</u>
	Less: Excise Duty	<u>4,543.89</u>	<u>5,353.67</u>
	Revenue from operations (Net)	<u>38,653.53</u>	<u>44,035.81</u>

		[₹ In Lakhs]	
		Year ended March 31, 2014	Year ended March 31, 2013
Note : XIX Other Income			
	Interest Received		
	Interest on bank deposit	7.03	15.48
	Interest on ICD Given to subsidiary company	57.38	225.17
	Foreign Exchange Gain/(Loss).....	227.47	117.01
	Profit on Sale of Investments.....	22.54	10.86
	Discount Received.....	29.29	31.55
	Dividend Income on mutual fund	193.25	-
	Write Back Of Doubtful Debts.....	108.24	-
	Miscellaneous Income.....	-	19.46
	Total	<u>645.20</u>	<u>419.53</u>

Notes to financial statements for the year ended 31st March, 2014

	(₹ In Lakhs)	
	Year ended March 31, 2014	Year ended March 31, 2013
Note : XX Raw Material consumed		
Alloy & Non Alloy Steel		
Inventory at the beginning of the year	710.34	1,554.66
Add: Purchases (Net)	20,019.43	23,417.93
	<u>20,729.77</u>	<u>24,972.59</u>
Less: inventory at the end of the year	702.06	710.34
Cost of material consumed	<u>20,027.71</u>	<u>24,262.25</u>

	(₹ In Lakhs)	
	Year ended March 31, 2014	Year ended March 31, 2013
Note : XXI (Increase) / decrease in inventories		
(Increase) / Decrease in stocks		
A Stock at the beginning of the year:		
Work in Progress.....	2,612.87	1,753.15
Finished Products Produced.....	287.52	200.24
Total (A)	<u>2,900.39</u>	<u>1,953.39</u>
B Less : Stock at the closing of the year		
Less: Closing Stock of		
Work in Progress.....	2,252.40	2,612.87
Finished Products Produced.....	356.99	287.52
Total (B)	<u>2,609.39</u>	<u>2,900.39</u>
(Increase) / Decrease in stocks	<u>291.00</u>	<u>(947.00)</u>

	(₹ In Lakhs)	
	Year ended March 31, 2014	Year ended March 31, 2013
Note : XXII Employee benefit expenses		
1 Salaries, wages and bonus	3,133.92	2,659.60
2 Contribution to Provident & other funds	123.53	113.55
3 Gratuity expenses	68.67	53.33
4 Expense on Employee Stock Option Plan - (Refer Sch.XXVII Note No B 1)	(95.00)	40.67
5 Staff welfare expenses	220.12	196.15
Total	<u>3,451.24</u>	<u>3,063.30</u>
Contribution to Provident and other funds		
Provident Fund.....	66.74	58.28
Pension Fund.....	43.75	43.88
Labour Welfare Fund	0.34	0.36
Deposit Linked Insurance Scheme.....	12.71	11.03
Total	<u>123.54</u>	<u>113.55</u>

	(₹ In Lakhs)	
	Year ended March 31, 2014	Year ended March 31, 2013
Managerial Remuneration for directors included in the profit and loss account is as under:		
Salaries & Allowances [Including provident fund and other benefits].....	42.72	42.72
Total	<u>42.72</u>	<u>42.72</u>

Notes to financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

Year ended
March 31, 2014

Year ended
March 31, 2013

Note : XXIII Finance costs

1 Interest on term loans, bonds and debentures	-	228.56
2 Interest on other loans	328.38	283.19
3 Finance charges	44.29	56.08
Total	372.67	567.83

(₹ In Lakhs)

Year ended
March 31, 2014

Year ended
March 31, 2013

Note : XXIV Depreciation and amortisation expense

Depreciation on tangible assets.....	2,790.32	2,705.90
Amortisation of intangible assets.....	39.16	38.52
Total	2,829.48	2,744.42

(₹ In Lakhs)

Year ended
March 31, 2014

Year ended
March 31, 2013

Note : XXV Other expenses

1 Stores consumed	1,647.81	1,806.18
2 Tools consumed	362.84	609.57
3 Power and fuel	3,368.36	3,774.65
4 Rent including lease rentals	-	0.71
5 Rates & Taxes.....	75.67	102.86
6 Insurance.....	80.92	91.08
7 Repairs and maintenance		
Buildings	48.01	53.35
Machinery.....	1,222.37	1,362.75
Others.....	115.13	145.92
8 Postage, Telephone and Communication	27.64	21.98
9 Legal and Professional Charges	186.06	132.13
10 Corporate Overheads	303.95	221.50
11 Freight outward.....	643.39	825.42
12 Travelling & Conveyance Expenses.....	104.07	104.36
13 Subcontracting, Hire & Service Charges.....	1,082.75	1,303.74
14 Provision for doubtful trade receivables	-	80.40
15 Auditors' remuneration	37.71	19.99
16 Director's fees	3.04	3.48
17 Loss/[gain] on Fixed Assets sold/scrapped/written off.....	14.44	22.79
18 Miscellaneous expenses	241.01	237.71
19 Printing and Stationery	23.24	21.26
20 Bank charges	8.43	12.42
21 Discount allowed.....	53.63	56.59
Total	9,650.47	11,010.84

Notes to financial statements for the year ended 31st March, 2014

Note : XXVI

1 Repayment of term loan from Bank

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

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 due to micro and small enterprises, which were outstanding for more than stipulated period are given below:

(₹ In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Dues remaining unpaid as at 31 st March		
Principal	32.11	15.59
Interest for the current year.....	1.70	0.15
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.....	8.91	2.40
Amount of interest accrued and remaining unpaid as at 31 st March.....	14.73	5.82

3 Contingent Liabilities

(₹ In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
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
b) Disallowance of certain expenses	1,237.59	418.14
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) Show Cause cum Demand Notice pending with the Commissioner of Central Excise Relating to reversal of Cenvat on shortages in inventories	81.15	-
iv) Bill Discounting facilities availed under Bill Marketing Scheme from customers.....	495.26	717.59
v) During the previous year the Company has given guarantee to ICICI Bank plc, UK for EURO 5 Million for a loan taken by step down subsidiary Mahindra Forging Europe AG Germany	4,129.50	3,474.50
vi) 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	1,615.17	1,519.30
vii) Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for	234.06	508.98

4 Turnover, Opening and Closing stock

Forging	Year ended March 31, 2014		Year ended March 31, 2013	
	Qty (M.T.)	(₹ In Lakhs)	Qty (M.T.)	(₹ In Lakhs)
Turnover	28,385	35,156.30	33,034	39,466.00
Opening stock	230	287.52	671	200.24
Closing stock	290	356.99	230	287.52

5 Details of Raw Materials Consumed

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	M.T.	(₹ In Lakhs)	M.T.	(₹ In Lakhs)
Alloy & non alloy steel	40,680	20,027.71	48,877	24,262.86
Total	40,680	20,027.71	48,877	24,262.86

Notes to financial statements for the year ended 31st March, 2014

6 Value of Raw Material Consumed

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	(₹ in Lakhs)	(%)	(₹ In Lakhs)	(%)
Indigenous	20,025.36	99.99	24,262.25	100.00
Imported	2.35	0.00	-	-
Total	20,027.71	100.00	24,262.25	100.00

7 Value of Stores & Spares Consumed

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	(₹ in Lakhs)	(%)	(₹ In Lakhs)	(%)
Indigenous	1,906.23	88.27	1,863.47	78.93
Imported	253.30	11.73	244.89	21.07
Total	2,159.53	100.00	2,108.36	100.00

8 CIF Value of Imports

(₹ In Lakhs)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Stores and Spares	253.30	244.89
Capital Goods	4.89	18.96
Total	258.19	263.85

9 Earnings in Foreign Exchange

(₹ In Lakhs)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
FOB Value of Exports	2453.76	1816.24
Total	2453.76	1816.24

10 Expenditure in Foreign Currency

(₹ In Lakhs)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
i) Foreign Travel	19.71	17.16
ii) Other Expenses	27.57	15.90
Total	47.28	33.06

11 Auditors remuneration (Net of service Tax where applicable)

(₹ In Lakhs)

Sl. No.	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
	Auditors' remuneration includes payment to auditors -		
(a)	As statutory auditor	9.50	9.50
(b)	For taxation matters	5.43	-
(c)	For Tax audit fees	1.25	1.25
(d)	For other services	19.60	7.85
(e)	For reimbursement of expenses	1.93	1.33
	Total	37.71	19.93

Notes to financial statements for the year ended 31st March, 2014

12 Details of Leave Encashment

(₹ In Lakhs)

Sl. No.	Particulars	Leave encashment	
		March 31, 2014	March 31, 2013
1	Current Service Cost	22.19	24.99
2	Interest Cost	7.96	6.00
3	Expected return on plan assets	-	-
4	Actuarial Losses/(Gains)	20.55	12.97
5	Total expense	50.70	43.96
Reconciliation of Net Assets / (Liability) recognised in the Balance Sheet during the period			
1	Net Asset/ (Liability) at the beginning of the period	(99.48)	(75.04)
2	Employee Expense	(50.70)	(43.96)
3	Employee Contributions	30.20	19.52
4	Net Asset/ (Liability) at the end of the period	(119.98)	(99.48)
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	7% per annum
4	Mortality Table	Indian Assured Lives Mortality (2006-2008) 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		

Disclosure of gratuity as per Accounting standard A15 Revised 2005

(₹ 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 31 st March 2014	March 31, 2014	March 31, 2013
Present value of obligations at the beginning of the year	280.32	209.91
Interest Cost	22.43	16.79
Current service cost	38.23	36.38
Benefits paid	(26.26)	(8.56)
Actuarial [gain]/loss on obligations	54.59	25.79
Present value of obligations as at the end of year	369.31	280.32

Table showing changes in the fair value of plan assets as on 31 st March 2014	March 31, 2014	March 31, 2013
Fair value of plan assets at the beginning of the year	234.18	208.54
Expected return on plan assets	19.23	25.64
Contributions	-	-
Benefits paid	(26.25)	-
Actuarial gain/[loss] on obligations	-	-
Fair value of plan asset at end of year	227.16	234.18

Amounts to be recognised in the Balance Sheet	March 31, 2014	March 31, 2013
Present Value of obligations as at the end of the year	369.31	280.32
Fair value of plan assets as at the end of the year	227.16	234.18
Net Asset/(Liability) recognised in balance sheet	(142.15)	(46.13)

Notes to financial statements for the year ended 31st March, 2014

Disclosure of gratuity as per Accounting standard A15 Revised 2005

(₹ In Lakhs)

Expenses Recognised in statement of Profit & Loss Account	March 31, 2014	March 31, 2013
Current Service Cost	38.23	36.38
Interest Cost	22.43	16.79
Expected return on plan assets	(19.23)	(25.64)
Net Actuarial(gain)/Loss recognised in the year	54.59	25.79
Expenses recognised in statement of Profit & Loss	96.02	53.32

Actuarial Assumptions:	March 31, 2014	March 31, 2013
Discounted rate	8.00%	8.00%
Rate on return on assets	9.25%	12.30%
Salary escalation	7.00%	7.00%
Attrition rate	5 to 2%	3 to 1%
Mortality	Indian Assured Lives Mortality (2006-2008) Ultimate	LIC (1994-96) ULTIMATE

(₹ In Lakhs)

	March 31				
	2014	2013	2012	2011	2010
Experience adjustments					
On plan liability gain/(loss)	(54.59)	(25.79)	1.16	(17.54)	14.44
On plan asset gain/(loss)	0.50	2.67	N.A.*	N.A.*	N.A.*

Notes to financial statements for the year ended 31st March, 2014

Notes to accounts Note No – XXVII

Notes forming part of the Financial Statement for the Year ended 31st March, 2014.

A. Significant Accounting Policies: -

1. Method of Accounting

The financial statements are prepared under the historical cost convention and on accrual basis in accordance with generally accepted accounting principles in India, in accordance with the accounting standards notified under the Companies Act, 1956.

All assets & liabilities have been classified as current and 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.

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous year.

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 statement of Profit and Loss.
- (c) Free hold land is stated at cost.
- (d) Depreciation on assets is calculated on Straight Line Method at estimated useful lives which are as per the rates 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 other than temporary diminution in value thereof, if any.

Investments other than long-term investments are classified as current investments and valued at lower of net realisable value.

6. Inventories

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

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

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

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 recognised in the statement of Profit and Loss.
- (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 statement of Profit and Loss.
- (c) In case of forward exchange contracts entered as hedge transactions, the premium or discount arising at the inception of forward exchange contract is amortised as income or expense over the life of the contract. Exchange differences are recognised

Notes to financial statements for the year ended 31st March, 2014

as an income or expense in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or expiry of such forward exchange contract is recognised as income or expense for the period.

- (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 recognised 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 recognised 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 statement of Profit and loss.

- (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 assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using the tax rates enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless in the management judgment, there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised except in case of deferred tax assets arising from brought forward tax losses wherein deferred tax assets is only recognised when there is virtual certainty.

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 recognised 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.

Notes to financial statements for the year ended 31st March, 2014

B) Notes to Financial Statements

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.

- b. Summary of Stock Options:-

Date of the Tranche	Exercise Price	Options Outstanding as on 1 st April 2013	Options granted during the year	Options forfeited during the year	Options Exercised during the year	Options outstanding as at end 31 st March 2014	Options vested but not exercised as on 31 st March 2014
26 th Oct 2007	197.00	131,000	-	41750	-	89250	89250
26 th Feb 2008	83.00	309,000	-	65250	-	243750	243750
26 th Feb 2008	197.00	10,000	-	2500	-	7500	7500
9 th May 2008	151.80	156975	-	45500	-	111475	111475
29 th Jul 2008	102.00	127440	-	29500	-	97940	97940
26 th Aug 2008	109.00	297000	-	13000	-	284000	284000
12 th May 2010	97.06	69000	-	-	-	69000	51750
1 st April 2011	57.00	1710271	-	274936	89887	1345448	625656
20 th Jan 2012	44.00	589581	-	171834	77273	340474	131601

- 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 ₹. (95.00) Lakhs (Previous Year: ₹.40.67 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 ₹. 42.58 Lakhs (Previous Year ₹. Nil Lakhs), Profit after tax lower by ₹. 42.58 (Previous Year ₹. Nil Lakhs), and the basic and diluted earnings per share would have been higher by ₹. Nil (Previous Year ₹. [Nil]).

- 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

Notes to financial statements for the year ended 31st March, 2014

expenses.

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 29 th July 2008	Grant dated 26 th August 2008	Grant dated 12 th May 2010	Grant dated 1 st April 2011	Grant dated 20 th 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. Long term investment in Mahindra Forgings Global Limited (MFGL) and Mahindra Forgings International Limited (MFIL)

MFGL and MFIL, the wholly owned subsidiaries of the Company have invested in Mahindra forging Europe AG (MFE AG) and its wholly owned subsidiary companies namely Jeco Jellinghaus GmbH, Schoneweiss & Co GmbH, Gesenkschmiede Schneider GmbH and Falkenroth Unfirmtechnik GmbH (collectively referred to as step-down subsidiaries). After the significant decline in demand due to economic downturn in Europe the market demand showed a gradual recovery in the year under consideration. Action initiated by management such as improving operational efficiencies, close monitoring and improving piece realisation, under active guidance and CIE Automotive S.A., the ultimate parent company, started yielding results which were more visible in Q4 F14. Market demand picked up in Q4 F14 which coupled with management actions, results in a positive net result after successive losses. During the year the company invested a further ₹ 5912.90 Lakhs through equity in MFE and its subsidiaries, which helped partly offset the net worth erosion.

The management expects this momentum to continue in future. The company will continue to closely monitor the performance with periodic reviews to facilitate timely corrective actions to improve profitability.

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

3. Related parties during the year ending on 31st March, 2014 are as follows:

Holding Company (till 3 rd October, 2013)	1.	Mahindra & Mahindra Limited
Subsidiary Companies (With whom the company has entered into transactions during the current/previous year)	1.	Stokes Group Limited
	2.	Mahindra Forgings International Limited
	3.	Mahindra Forgings Europe AG
	4.	JECO-Jellinghaus GmbH
	5.	Schoneweiss & Co GmbH
	6.	Mahindra Forgings Global Limited
Fellow Subsidiaries (With whom the company has entered into transactions during the current (till 3 rd October, 2013)/previous year)	1.	Mahindra Ugine Steel Company Limited
	2.	Mahindra Trucks & Buses 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 Conveyors systems Private Limited
	9.	Mahindra BPO Services Private Limited
	10.	Mahindra Sanyo Special Steels Private Limited (Formerly known as Navyug Special Steels Private Limited)
	11.	Defence Land system India Private Limited
Fellow Subsidiaries (With whom the company has entered into transactions during the current year after 4 th October, 2013)	1.	Mahindra Hinoday Industries Limited.

Notes to financial statements for the year ended 31st March, 2014

Key management personnel	1.	K Ramaswami
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Transactions with related parties

(₹ In Lakhs)

Nature of Transactions	31 st March, 2014					31 st March, 2013			
	Holding Co. (till 3 rd October 2013)	Fellow subsidiaries (till 3 rd October 2013)	Fellow subsidiaries (after 4 th October, 2013)	Subsidiary Co.	Key Mgmt personnel	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt. personnel
Sales :	9105.97	758.64	-	-	-	-	-	-	-
- Goods		846.44	-	2237.82	-	19013.64	2787.25	1644.59	-
- Scrap	-	-	-	-	-	-	2157.58	-	-
- Fixed Assets	-	-	-	-	-	-	-	-	-
Purchases:	-	6189.29	-	-	-	-	-	-	-
- Raw material/ Goods	-	-	0.86	1.97	-	-	10725.25	4.18	-
- Capital goods	-	409.20	-	-	-	12.19	-	20.62	-
- Services Received	-	-	-	-	-	1.18	904.68	-	-
Inter corporate deposit given	-	-	-	1696.35	-	-	-	2104.43	-
Inter corporate Deposit Refunded	-	-	-	1696.35	-	-	-	2104.43	-
Interest on ICD received	-	-	-	53.56	-	-	-	224.50	-
Guarantee given	-	-	-	4129.50	-	-	-	3474.00	-
- Receivables	-	-	-	528.15	-	1133.41	268.21	347.59	-
- Payables	-	-	-	-	-	136.36	2141.96	-	-
Reimbursement received	175.82	-	-	3.82	-	-	-	3.16	-
Reimbursement of Expense	-	-	-	0.50	-	430.51	-	-	-
Managerial remuneration	-	-	-	-	42.72	-	-	-	42.72
Investment in subsidiaries	-	-	-	5,912.90	-	-	-	-	-
Subscription for preferential warrant's	-	-	-	-	-	-	-	-	-
Discount received	-	-	-	-	-	-	-	-	-

The company ceased to be a subsidiary of Mahindra & Mahindra Limited effective from 4th October, 2013. Consequently the transactions indicated above with Mahindra & Mahindra Limited and its Fellow subsidiaries are till the date the company was a subsidiary of Mahindra & Mahindra Limited.

Notes to financial statements for the year ended 31st March, 2014

Significant transactions with Related Parties

Relationship	Name of the Company	Nature of transaction	Amount in ₹ Lakhs 31 st March, 2014	Amount in ₹ Lakhs 31 st March, 2013
Holding Company	Mahindra & Mahindra Limited (till 3 rd October, 2014)	Sales – Products	8728.39	19013.64
		Service Charges Paid	-	1.18
		Reimbursement of Expenses	175.82	430.51
		Receivables	-	1133.41
		Payables	-	136.36
		Fixed assets	-	12.19
Fellow Subsidiaries (till 3 rd Oct 2014)	Mahindra Ugine Steel Company Limited	Sales – Scrap	-	478.78
		Purchases – Raw Material	-	2864.36
		Payables	-	0.41
		Sub Contracting	-	0.41
	Mahindra Sanyo Special Steels Pvt Ltd (formerly known as Navyug Special Steels private Limited)	Scrap sales	846.44	1673.35
		Purchases- Raw material	6189.29	7858.05
	Mahindra Vehicle Manufacturers Limited	Payables	-	2052.08
		Sales – Products	692.15	2584.94
	Defence Land system India Limited	Receivables	-	230.88
		Sales products	-	11.73
	Mahindra Trucks & Buses Ltd. (formerly known as Mahindra Navistar Automotives Limited)	Sales – Products	52.49	166.54
		Receivables	-	27.76
	Mahindra Hinoday Industries Limited	Scrap sales	-	5.45
		Tool Sales	11.88	2.84
		Purchase – Consumables	0.86	-
Subsidiary Companies	Mahindra Engineering Services Limited	Service Charges Paid	-	5.06
		Payables	-	-
	Mahindra Reva Electric Vehicles Private Limited	Sales- Products	2.12	14.56
		Receivable	-	9.57
	Mahindra BPO Services Private Limited	Services Charged Paid	3.13	6.99
		Payables	-	0.51
	Mahindra Logistics Limited	Service Charges Paid	406.08	892.23
		Payables	-	89.37
	JECO-Jellinghaus GmbH	Sales- Products	1172.02	846.49
		Receivables	104.90	4.17
		Purchases – Raw Material	1.97	-
		Payables	-	47.72
Subsidiary Companies	Stokes Group Limited, U.K.	Sales- Products	1065.80	798.15
		Receivables	423.24	299.87
		Purchase of fixed assets	-	20.62
	Mahindra Forgings International Limited	Interest recovered	53.56	224.49
		ICD Given	1696.35	2104.43
		ICD Refunded	1696.35	2104.43
		Reimbursement of expenses	3.82	3.16
	Mahindra Forging Europe A.G.	Guarantee Given	4129.50	3474.50
Key Managerial Personnel	Mr. K. Ramaswami, Managing Director	Remuneration	42.72	42.72

Notes to financial statements for the year ended 31st March, 2014

4. Earnings per Share:

(₹ In Lakhs)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Profit/(Loss) as per the statement of Profit & Loss (₹ in Lakhs)	1792.35	4086.61
Weighted Average Number of equity shares outstanding during the year		
No. of shares for Basic earnings per share	9,22,44,081	9,21,72,598
No of shares for Diluted earnings per share	9,23,80,548	9,21,72,598
Basic Earnings per share (₹)	1.95	4.43
Diluted Earnings per share (₹)	1.95	4.43

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

Signatures 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. 44784

Firm Registration No. 105102W

For & on behalf of Board of Directors

Hemant Luthra

(Chairman)

Daljit Mirchandani

(Director)

Dhananjay Mungale

(Director)

K. Ramaswami

(Managing Director)

Jose Ramon Berecibar Mutiozabal

(Director)

Manoj Maheshwari

(Director)

Krishnan Shankar

(Company Secretary & Head Legal)

K. Jayaprakash

(Chief Financial Officer)

Mumbai, April 29, 2014

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

Name of the Subsidiary Company	No of Shares in the Subsidiary Company held by Mahindra CIE Automotive 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 CIE Automotive Limited			
			For the Current Financial Year		For the Previous Financial Year	
			Dealt with in the accounts of Mahindra CIE Automotive Limited for the year ended 31 st March 2014	Not Dealt with in the accounts of Mahindra CIE Automotive Limited for the year ended 31 st March 2014	Dealt with in the accounts of Mahindra CIE Automotive Limited for the year ended 31 st March 2013	Not Dealt with in the accounts of Mahindra CIE Automotive Limited for the year ended 31 st March 2013
	Equity	Extend of Holding				
	Nos	%	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Stokes Group Limited	15,465,310	100%	-	(49.93)	-	937.03
* Stokes Forgings Dudley Limited	-	100%	-	-	-	-
* Stokes Forgings Limited	-	100%	-	-	-	-
Mahindra Forgings International Limited	79,910,001	100%	-	(118.93)	-	(113.96)
~ Mahindra Forgings Europe AG	-	100%	-	(3,897.42)	-	(2,021.46)
@ Gesenkschmiede Schneider GmbH	-	100%	-	(794.52)	-	(1597.71)
@ Jeco Jellinghaus & Co GMBH	-	100%	-	(891.15)	-	(10.79)
@ Falkenroth Umformtechnik GmbH	-	100%	-	(1,563.43)	-	(1,176.49)
@ Schoeneweiss & Co. GmbH	-	100%	-	(2,736.21)	-	(9,129.60)
Mahindra Forgings Global Limited	33,849,836	100%	-	(14.04)	-	(13.20)
* 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 December, 2013

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Daljit Mirchandani
(Director)

Dhananjay Mungale
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

K. Ramaswami
(Managing Director)

Jose Ramon Berecibar Mutiozabal
(Director)

Manoj Maheshwari
(Director)

K. Jayaprakash
(Chief Financial Officer)

Mumbai, April 29, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mahindra CIE Automotive Limited

We have audited the accompanying consolidated financial statements of Mahindra CIE Automotive Limited ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the 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

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 responsibility 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

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.

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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of 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 Group as at March 31, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Emphasis of matter

We draw attention to Note no. XXIV (6) 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. 60,064.70 lakhs arising 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

We did not audit the financial statements of the subsidiaries of the Company whose financial statements reflect total assets (net) of Rs. 166,564 lakhs as at March 31, 2014, total revenues of Rs. 222,662 lakhs and net cash flows amounting to Rs. 337 lakhs for the year then ended.

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion insofar as it relates to these financial statements, 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
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
Membership No.: 044784

Place : Mumbai

Date : April 29, 2014

Consolidated Balance Sheet as at 31st March, 2014

	Note	As at March 31, 2014 ₹ in Lakhs	As at March 31, 2013 ₹ in Lakhs
I EQUITY & LIABILITIES			
1 SHAREHOLDERS' FUNDS			
(i) Share capital	I	9,234.05	9,217.33
(ii) Reserves & surplus.....	II	56,369.69	66,224.23
		<u>65,603.74</u>	<u>75,441.56</u>
2 Non-Current Liabilities			
(i) Long Term Borrowings	III	31,575.55	26,856.87
(ii) Deferred tax liabilities (Net)	XXV	556.91	-
(iii) Other long term liabilities	IV	304.60	1,094.30
(iv) Other long term provision	V	18,590.97	15,528.49
		<u>51,028.03</u>	<u>43,479.66</u>
3 Current Liabilities			
(i) Short term borrowings	VI	36,421.89	36,817.59
(ii) Trade payables	VII	27,201.28	23,925.59
(iii) Other current liabilities	VIII	20,090.71	13,995.98
(iv) Short term provisions	IX	1,315.86	993.66
		<u>85,029.74</u>	<u>75,732.82</u>
Total		<u>201,661.51</u>	<u>194,654.04</u>
II ASSETS			
Non-current assets			
1 (a) Fixed Assets	X		
(i) Tangible assets		60,809.17	55,416.13
(ii) Intangible assets		60,325.09	60,479.50
(iii) Capital work-in-progress.....		2907.46	5,133.74
		<u>124,041.72</u>	<u>121,029.37</u>
(b) Non-current investments	XI	218.17	220.82
		<u>218.17</u>	<u>220.82</u>
(c) Deferred tax assets (net)	XXV	6,554.61	5,958.13
(d) Long-term loans and advances	XII	935.09	622.23
		<u>7,489.70</u>	<u>6,580.36</u>
2 Current Assets			
(a) Current Investment.....	XI	5,565.11	3,908.33
(b) Inventories	XIV	36,825.31	30,229.94
(c) Trade receivables.....	XV	16,094.14	26,679.89
(d) Cash and bank balances.....	XVI	4,359.48	3,654.07
(e) Short-term loans and advances	XII	7,058.46	2,321.85
(f) Other current assets.....	XIII	9.42	29.41
		<u>69,911.92</u>	<u>66,823.49</u>
Total		<u>201,661.51</u>	<u>194,654.04</u>
Summary of accounting policies	XXVI		
See accompanying notes to the financial statements			

As per our Report of even date

For & on behalf of Board of Directors

For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Registration No. 105102W

Hemant Luthra
(Chairman)
Daljit Mirchandani
(Director)
Dhananjay Mungale
(Director)

K. Ramaswami
(Managing Director)
Jose Ramon Berecibar Mutiozabal
(Director)
Manoj Maheshwari
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

K. Jayaprakash
(Chief Financial Officer)

Mumbai, April 29, 2014

Consolidated Statement of Profit & Loss for the year ended 31st March, 2014

	Note	Year ended March 31, 2014 ₹ in Lakhs	Year ended March 31, 2013 ₹ in Lakhs
I. Revenue from operations	XVII	263,621.72	226,993.80
Less: Excise duty		4,543.89	5,353.67
Net revenue from operations		259,077.83	221,640.13
II. Other Income	XVIII	1,276.53	380.95
III. Total Revenue (I+II)		260,354.36	222,021.08
IV. EXPENDITURE :			
Cost of materials consumed.....		108,020.29	95,900.97
Changes in Inventories of finished goods/WIP/stock in trade		(1,544.68)	4,145.86
Employee benefits expenses	XIX	72,977.12	62,406.39
Finance costs	XX	6,282.35	4,933.16
Depreciation and amortisation expenses	XXI	11,999.18	11,037.15
Other expenses	XXII	68,758.40	54,890.80
Total Expenses		266,492.66	233,314.33
V. Profit / (Loss) before exceptional items and tax (III - IV)		(6,138.30)	(11,293.25)
VI. (Add) / Less : Exceptional Items (Refer Note XXV)		831.86	114.95
VII. Profit before tax (V - VI)		(6,970.16)	(11,408.20)
VIII. Less : Tax expense			
- Current tax		615.59	218.00
- MAT Credit entitlement.....		(531.43)	(218.00)
		84.16	-
- Prior year tax.....		76.87	136.48
- Deferred tax.....		1,017.99	(150.94)
Profit (Loss) for the period (VIII - IX)		(8,149.18)	(11,393.74)
IX. Earnings per equity share:			
(1) Basic (₹)		(8.83)	(12.36)
(2) Diluted (₹)		(8.82)	(12.36)
Summary of significant accounting policies Note No XXIV			
See accompanying notes to the financial statements			

As per our Report of even date

For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Registration No. 105102W

Mumbai, April 29, 2014

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)
Daljit Mirchandani
(Director)
Dhananjay Mungale
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

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(Managing Director)
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(Director)
Manoj Maheshwari
(Director)

K. Jayaprakash
(Chief Financial Officer)

Consolidated Cash Flow Statement for the year ended 31st March, 2014

	As at March 31, 2014 ₹ in Lakhs	As at March 31, 2013 ₹ in Lakhs
Profit / [Loss] before tax after prior period adjustments	(6,970.16)	[11,408.20]
Add: Adjustment for		
Depreciation and Amortisation Expenses as ESOS	11,904.18	11,077.83
Provision for doubtful debts / write off's	-	80.40
Interest Expenses	6,282.35	4,933.16
Amortisation of Investments in WPCL	8.01	8.01
Loss on sale of Fixed Assets (Net)	377.83	-
Sub Total	11,602.21	4,691.20
Less: Adjustment for		
Interest / Dividend Income	204.91	16.85
Profit on sale of Investment.....	22.54	10.87
Profit on sale of Fixed Assets	-	168.31
Provision written back.....	138.99	-
Unrealised foreign exchange gain	1,608.66	9,190.33
Sub Total	1,975.10	9,386.36
Operating Profit before Working Capital Change	9,627.11	-4,695.16
Movement in		
Trade & other Receivables	5,638.79	2,890.39
Inventories	(6,595.37)	7,772.28
Liabilities & Provisions.....	13,110.46	4,392.78
Sub Total	12,153.88	15,055.45
Cash Generated from Operations	21,780.99	10,360.29
Income Tax Refund/(Paid)	(679.64)	(176.93)
Net cash flow from operating activities.....	21,101.34	10,183.36
Cash Flow from Investing Activities		
Purchase of Fixed Assets.....	(7,596.48)	(6,586.04)
Sale of Fixed Assets	271.61	267.22
Purchase of Investments.....	(18,430.48)	(8,950.00)
Sale of Investments	16,790.88	5,052.53
Interest/ Dividend Received	204.91	16.85
Net Cash from Investing Activities	(8,759.56)	(10,199.43)

Consolidated Cash Flow Statement for the year ended 31st March, 2014

	As at March 31, 2014 ₹ in Lakhs	As at March 31, 2013 ₹ in Lakhs
Cash Flow from Financing Activities		
Term Loans repayment / received.....	(3,619.32)	6,855.47
Issue of Share Capital.....	85.23	2.41
Interest Paid	(8,102.28)	(4,933.16)
Net Cash from Financing Activities	(11,636.37)	1,924.72
Net (Decrease)/ Increase in Cash or Cash Equivalents.....	705.41	1,908.65
Opening Cash and Cash equivalents	3,654.07	1,745.42
Closing Cash and Cash equivalents.....	4,359.48	3,654.07

Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India
2. Cash and cash equivalents represents cash and bank balances only.
3. Previous years figures have been regrouped/ reclassified wherever necessary to correspond with the current year classification / disclosure

As per our Report of even date

For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Registration No. 105102W

Mumbai, April 29, 2014

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)
Daljit Mirchandani
(Director)
Dhananjay Mungale
(Director)

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(Company Secretary & Head Legal)

K. Ramaswami
(Managing Director)
Jose Ramon Berecibar Mutiozabal
(Director)
Manoj Maheshwari
(Director)

K. Jayaprakash
(Chief Financial Officer)

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

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
Total	16,794.26	16,794.26

B Issued, Subscribed and paid-up

923,40,466, (PY 921,73,306 equity shares of ₹10 each fully paid-up).....	9,234.05	9,217.33
Total (Equity)	9,234.05	9,217.33

Reconciliation of equity shares

(₹ In Lakhs)

	As at March 31, 2014		As at March 31, 2013	
	No. of shares	(₹ In Lakhs)	No. of shares	(₹ In Lakhs)
Balance as at the beginning of the year	92,173,306	9,217.34	92,169,056	9,216.91
Add: issued under the company employees stock option scheme	167,160	16.72	4,250	0.42
Balance at the end of the year	92,340,466	9,234.06	92,173,306	9,217.33

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.

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.

Share held by holding company and their subsidiaries and associates

	As at March 31, 2014	As at March 31, 2013
	No. of shares	No. of shares
Equity shares		
Mahindra & Mahindra Limited (Holding company till 3 rd Oct 2013).....	296,109	48,825,609
	0.32%	52.97%
PARTICIPACIONES INTERNACIONALES AUTOMETAL, DOS S.L (Holding Company since October 4, 2013).....	73,031,693	Nil
	79.09%	Nil

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

	As at March 31, 2014	As at March 31, 2013
	No. of shares	No. of shares
Equity shares		
Mahindra & Mahindra Limited (Holding company till October 3, 2013).....	296,109	48,825,609
	0.32%	52.97%
PARTICIPACIONES INTERNACIONALES AUTOMETAL, DOS S.L (Holding Company since 4 th October, 2013)	73,031,693	Nil
	79.09%	Nil
Scholz AG	Nil	6,298,843
	Nil	6.83%

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note II Reserve and surplus

A Capital Reserve

1 Capital Reserve on Consolidation		
Opening Balance.....	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	30,318.01	30,315.62
Add:-		
Received upon issue of shares to employees under ESOP scheme	84.99	2.39
Balance at the end of the year	30,403.00	30,318.01
3 Employee stock options outstanding		
Option granted till date	654.36	614.08
Less : Forfeiture of option granted earlier	(138.90)	(44.74)
Deferred employee compensation expenses	43.89	85.41
Option exercised during the year	(16.47)	(0.39)
Balance at the end of the year	542.88	654.36
4 Foreign exchange fluctuation reserve		
Balance at the beginning of the year	(2,139.95)	(1,775.73)
Add: Foreign exchange gain/(loss) on investment in subsidiary	(1,678.87)	(364.22)
Balance at the end of the year	(3,818.82)	(2,139.95)

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	(32,191.93)	(20,798.19)
Profit/ (Loss) during the year	(8,149.18)	(11,393.74)
Balance at the end of the year	(40,341.11)	(32,191.93)
Total	56,369.69	66,224.23

Notes to consolidated financial statements for the year ended 31st March, 2014

	As at March 31, 2014	(₹ In Lakhs) As at March 31, 2013
Note III Long-term borrowings (Non- Current)		
(A) Secured Loans		
Term loans:.....		
Loans in Foreign currency from Banks	13,007.93	17,180.96
	13,007.93	17,180.96
(B) Unsecured Loans		
Foreign Currency Term Loans	133.80	
Sales Tax Deferral	1,460.94	1,701.52
Loans from holding company (PIA2) (Refer Sch XXVI Note No.5 b)	16,972.88	7,974.39
	18,567.62	9,675.91
Total	31,575.55	26,856.87
Note IV Other long-term liabilities		
1 Interest Accrued but not due	304.60	1,094.30
Total	304.60	1,094.30
Note V Other long-term provisions		
Provision for Employee benefits		
Non Funded		
Provision for Pension Fund	18500.99	15,453.88
Provision for compensated absences	89.98	74.61
Total	18,590.97	15,528.49
Note VI Short - term borrowings		
Loans repayable on demand		
- Loans from Banks in Foreign currency	30,429.21	35,414.42
- Loans from Banks in INR	7.79	1,403.17
Unsecured		
- Loans in Foreign currency from Banks	71.89	-
- Other Loans	5,913.00	-
Total	36,421.89	36,817.59

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note VII Trade payables

Trade payables

Acceptances	786.10	1,572.79
Trade payables - Micro & Small Enterprises	32.11	15.59
Others	26,383.07	22,337.21
Total	27,201.28	23,925.59

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note VIII Other current liabilities

1 Current maturities of long term loan

Secured Loans

i) Loans in foreign currency from banks 5,172.70 4,521.28

Unsecured Loans

ii) Sales Tax deferred Loan 240.58 160.66

5,413.28 4,681.94

2 Provision for other current employee benefits 7807.74 5,626.88

3 Interest accrued but not due 298.89 -

4 Interest accrued but due 5.78 1,334.90

5 Provision for other liabilities 6,565.02 2,352.26

14,677.43 9,314.04

Total **20,090.71** **13,995.98**

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note IX Short-term provisions

1 Employee benefits:

Provision for Gratuity 135.12 46.13

Provision of Earned leave encashment 29.99 24.87

Provision for Current Tax - 71.41

2 Others:

Provision - Others 150.59 -

Provision for Warranties [Refer Note XVII (2)] 1,000.16 851.25

Total **1,315.86** **993.66**

Notes to consolidated financial statements for the year ended 31st March, 2014

Note X Fixed assets

(₹ In Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	April 1, 2013	Addition / Adjustment	Disposal / adjustment	March 31, 2014	April 1, 2013	Charge for the year	Disposal / adjustment	March 31, 2014	March 31, 2014	March 31, 2013
A: Tangible Assets										
Land	2,750.42	-	(511.42)	3,261.84	-	-	-	-	3,261.84	2,750.42
Buildings										
- Freehold	28,299.74	0.61	(4,513.70)	32,814.05	17,864.94	587.82	(3,218.34)	21,671.10	11,142.95	10,434.80
- Leasehold	493.21	171.74	(104.88)	769.83	223.97	55.72	(49.99)	329.68	440.15	269.24
Plant & Equipment	170,448.97	8,515.32	(26,299.84)	205,264.13	133,646.26	8,733.84	(22,317.42)	164,697.52	40,566.61	36,802.71
Furniture & Fitting	18,890.54	1,719.63	(2,739.89)	23,350.06	14,285.88	2,204.18	(1,978.69)	18,468.75	4,881.31	4,604.66
Office Equipment	1,801.35	26.33	(372.01)	2,199.69	1,620.09	35.84	(351.32)	2,007.25	192.44	181.26
Cars & Vehicles	1,620.86	48.99	(100.36)	1,770.21	1,418.60	35.17	(134.13)	1,587.90	182.31	202.26
Computers	750.93	32.45	(101.58)	884.96	580.15	81.54	(81.71)	743.40	141.56	170.78
Sub Total : A	225,056.02	10,515.07	(34,743.68)	270,314.77	169,639.89	11,734.11	(28,131.60)	209,505.60	60,809.17	55,416.13
B: Intangible Assets										
Goodwill on Consolidation	62,334.61			62,334.61	2,269.91			2,269.91	60,064.70	60,064.70
Software	3,124.71	50.21	(472.13)	3,647.05	2,709.91	264.12	(412.63)	3,386.66	260.39	414.80
Sub Total : B	65,459.32	50.21	(472.13)	65,981.66	4,979.82	264.12	(412.63)	5,656.57	60,325.09	60,479.50
C: Capital work- in progress	-	-	-	-	-	-	-	-	2,907.46	5,133.74
Sub Total : C	-	-	-	-	-	-	-	-	2,907.46	5,133.74
D: Intangible Assets under Development										
Sub Total : D	-	-	-	-	-	-	-	-	-	-
Total (A+B+C)	290,515.34	10,565.28	(35,215.81)	336,296.43	174,619.71	11,998.23	(28,544.23)	215,162.17	124,041.72	121,029.37
Previous Year	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	124,457.33

Note: Accumulated Depreciation of Goodwill on consolidation is the impairment of Goodwill of Stokes Group Limited.

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

As at
March 31, 2014

As at
March 31, 2013

Note : XI Non current investments

Non Current

Non trade, unquoted investment valued at cost unless otherwise stated

50 fully paid up equity shares of ₹ 10 each in The Saraswat Co-operative Bank Limited (Previous year 50 equity 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	33.86	28.49
Less:- Aggregate provision for diminution in value of unquoted investment Wardha Power Company Limited	(16.03)	(8.01)
Total	218.17	220.82

Note

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

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, 2014

As at
March 31, 2013

Note : XI Current Investment

Current Investment

(Valued at Lower of cost or Net realisable Value)

Investment in Mutual Funds

Unquoted

Nil Units (PY 49898.46) SBI magnum insta cash fund liquid floater - Regular plan- growth	-	1,000.00
17397.568 Units (PY158029.36) SBI premiere liquid fund-Regular plan- Growth	350.00	2,308.33
737867.363 Units (PY Nil) ICIC Prudential Money Market Regular Plan Growth	1,310.30	-
1508894.564 Units (PY Nil) Sundaram Money Fund Regular Growth	407.65	-
1613180.280 Units (PY Nil) HDFC Liquid Fund - Growth	407.66	-
87588.339 Units (PY Nil) HSBC Cash Fund - Growth	1,119.69	-
35634988 Units (PY Nil) Axis Mutual Fund - Growth (CF-GP)	505.75	-
83661.004 Units (PY Nil) Taurus Mutual Fund - Existing Plan - Super Insti Growth	1,158.30	-
17405.959 Units (PY Nil) L&T Liquid Fund Growth	305.76	-
Total	5,565.11	3,908.33
Fair Value of unquoted investments in Mutual Funds	5,571.39	3,918.33

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

	Non-Current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Note XII Loans and advances				
1 Capital advances				
Secured, considered good	-	-	-	-
Unsecured, considered good	25.77	305.59	-	-
Doubtful.....	-	-	-	-
Less: Provision for doubtful capital advances.....	-	-	-	-
	<u>25.77</u>	<u>305.59</u>	<u>-</u>	<u>-</u>
2 Security deposits				
Secured, considered good	-	-	-	-
Unsecured, considered good	67.60	44.84	-	-
Doubtful.....	-	-	-	-
Less: Provision for doubtful Security Deposits	-	-	-	-
	<u>67.60</u>	<u>44.84</u>	<u>-</u>	<u>-</u>
3 Loans and advances to related parties				
Unsecured, Considered Good.....	-	-	-	25.71
Doubtful.....	-	-	-	-
Less: Provision for doubtful loans & advances to related parties.....	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>25.71</u>
4 Advances				
Advances to Sundry Creditors				
Secured, Considered Good				
Unsecured, Considered Good	-	-	6,674.73	1,899.77
Doubtful	-	-	-	-
Less: Provision for doubtful advances	-	-	-	-
Other Claims receivable	-	-	8.01	115.89
Advance Income Tax (Net of provision for taxation)	804.42	227.82	-	-
Prepaid Expenses	-	-	139.91	73.83
Balance with / refund due from statutory/ Government authorities	37.30	43.98	235.81	206.65
	<u>841.72</u>	<u>271.80</u>	<u>7,058.46</u>	<u>2,296.14</u>
Total	<u>935.09</u>	<u>622.23</u>	<u>7,058.46</u>	<u>2,321.85</u>

(₹ In Lakhs)

	As at March 31, 2014	As at March 31, 2013
Note XIII Other Current Assets		
Interest receivable	9.42	10.43
Others	-	18.98
Total	<u>9.42</u>	<u>29.41</u>

Notes to consolidated financial statements for the year ended 31st March, 2014

			(₹ In Lakhs)
			As at
			March 31, 2013
			As at
			March 31, 2014
Note XIV Inventories			
1	Raw materials	7,051.71	6,245.02
2	Work-in-progress.....	19,184.59	17,013.44
3	Finished goods	8,264.98	5,195.60
4	Stores and spares	1,086.94	1,061.10
5	Dies	1,237.09	714.78
	Total	36,825.31	30,229.94

			(₹ In Lakhs)
			As at
			March 31, 2013
			As at
			March 31, 2014
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	200.37	361.97
b)	Doubtful	166.70	525.53
c)	Less: Allowance for trade receivables	(166.70)	(525.53)
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.....	15,893.77	26,317.92
c)	Doubtful.....	319.62	161.22
d)	Less: Allowance for trade receivables.....	(319.62)	(161.22)
	Total	16,094.14	26,679.89

			(₹ In Lakhs)
			As at
			March 31, 2013
			As at
			March 31, 2014
Note : XVI Cash and bank balances			
A.	Cash and cash equivalents		
	Balances with the bank		
	On current account in scheduled banks	496.94	127.38
	On current account in non scheduled banks	3,605.44	3,381.39
	Cheques on hand	33.16	-
	Cash on hand	150.68	6.84
		4,286.22	3,515.61
B.	Other bank balances		
	Deposit with original maturity more than 3 months and less than 12 months	73.26	133.75
	Deposit with original maturity more than 12 months	-	4.71
		73.26	138.46
	Total	4,359.48	3,654.07

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

Year ended
March 31, 2014 March 31, 2013

Note : XVII Revenue from operations

Revenue from -		
a) Sale of finished goods - Forgings	251,035.21	215,032.68
b) Other operating revenues (details below)		
Scrap sales	11,221.23	11,050.03
Processing charges	161.40	98.77
Other operating income	1,203.88	812.32
Revenue from operations (Gross)	263,621.72	226,993.80
Less: Excise Duty	4,543.89	5,353.67
Revenue from operations (Net)	259,077.83	221,640.13

(₹ In Lakhs)

Year ended
March 31, 2014 March 31, 2013

Note : XVIII Other Income

Interest Received		
Interest on Bank Deposits	7.03	16.15
Interest Others	4.63	34.35
Discount received	29.29	-
Foreign Exchange Gain/ (Loss)	746.25	-
Profit on Sale of Investments	22.54	10.87
Profit on Sale of Fixed Assets	-	168.31
Dividend Received	193.25	-
Write back of Doubtful Debts	138.99	11.99
Write back of Warranty provision	11.33	144.18
Others	123.22	151.27
Other Income	1,276.53	537.12

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

Year ended

March 31, 2014 March 31, 2013

Note : XIX Employee Benefit Expenses

1	Salaries, wages, bonus, etc	62,830.30	50,532.50
2	Contribution to Provident & other funds.....	529.91	454.11
3	Gratuity expenses.....	68.67	53.32
4	Expense on Employee Stock Option Plan.....	(95.00)	40.67
5	Staff welfare Expenses	9,643.24	11,325.79
	Total	72,977.12	62,406.39

(₹ In Lakhs)

		Gratuity		Pension		Leave encashment	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
1	Current service cost	38.23	36.38	176.74	120.91	22.19	24.99
2	Interest cost	22.43	16.79	624.38	630.27	7.96	6.00
3	Expected return on plan assets	-	-	-	-	-	-
4	Actuarial losses/(gains)	54.59	25.79	299.80	(2,812.50)	20.55	12.97
5	Actuarial losses/(gains)	-	-	132.14	-	-	-
6	Total expense	115.25	78.96	1,233.06	(2,061.32)	50.70	43.96
	Reconciliation of Net Asset / Liability] recognised in the Balance Sheet during the period						
1	Net Asset/ (Liability) at the beginning of the period	(280.31)	(209.91)	18,367.19	12,482.24	(99.48)	(75.04)
2	Employee Expense	(115.25)	(78.96)	1,233.06	2,061.32	(50.70)	(43.96)
3	Employee Contributions		8.56		910.32	30.20	19.52
4	Benefits paid	26.26		(1,099.03)			
5	Net Asset/ (Liability) at the end of the period	(369.30)	(280.31)	18,501.22	15,453.88	(119.98)	(99.48)
6	Actual Return on Plan Assets						
	Actuarial Assumptions * * *						
1	Discount Rate	8% per annum		3.34% per annum	3.5% per annum	8% per annum	
2	Expected rate of return on plan assets	9.25%	12%	N.A	N.A	NA	
3	Expected rate of salary increase	7% per annum				7% per annum	6% per annum
4	Mortality Table	Indian Assured Lives Mortality (2006-2008) Ultimate	LIC [1994-96] Ultimate			Indian Assured Lives Mortality (2006-2008) 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.

Notes to consolidated financial statements for the year ended 31st March, 2014

(₹ In Lakhs)

Year ended
March 31, 2014 March 31, 2013

Note : XX Finance costs

1	Interest on term loans, bonds and debentures	683.06	684.93
2	Interest on other loans	5,554.19	3,012.82
3	Finance charges	45.10	1,235.41
	Total	6,282.35	4,933.16

(₹ In Lakhs)

Year ended
March 31, 2014 March 31, 2013

Note : XXI Depreciation and amortisation expense

	Depreciation on tangible assets	11735.06	10,788.07
	Amortisation on Intangible assets	264.12	249.07
	Total	11,999.18	11,037.14

(₹ In Lakhs)

Year ended
March 31, 2014 March 31, 2013

Note : XXII Other Expenses

1	Stores consumed	3,109.99	3,018.55
2	Tools consumed	4,448.11	4,237.93
3	Power and fuel	19,288.47	15,856.28
4	Rent including lease rentals	3,096.59	2,324.77
5	Rates and taxes	328.02	320.20
6	Insurance	669.96	668.86
7	Repairs and maintenance		
	Buildings	498.28	483.98
	Machinery	10,535.09	7,796.99
	Others	2,654.39	2,310.96
8	Postage, Telephone and Communication	84.99	70.29
9	Legal and Professional Charges	1,192.33	1,079.92
10	Advertisement	70.40	151.18
11	Freight outward	3,678.46	2,635.91
12	Travelling & Conveyance Expenses	591.00	509.79
13	Subcontracting, Hire & Service Charges	13,899.95	10,015.80
14	Loss/[gain] on foreign exchange transactions and translations	-	195.23
15	Loss on Sale of Tangible Assets/ Scrapped/ written off	377.83	-
16	Miscellaneous expenses	3,946.24	3,063.18
17	Commission on sales / contracts	234.67	250.56
18	Discount allowed	53.63	56.59
	Total	68,758.40	55,046.97

Notes to consolidated financial statements for the year ended 31st March, 2014

Note: XXIII

1. Segment Reporting

(₹ In Lakhs)								
Particulars	Indian		Overseas		Elimination		Consolidated	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Revenue								
Revenue from Operations	43197.42	47,779.16	220,424.30	179,214.64	-	-	263,621.72	226,993.80
Less: Excise Duty on Sales	4543.89	5,353.67	-	-	-	-	4,543.89	5,353.67
Net External Revenue.....	38,653.53	42,425.49	220,424.30	179,214.64	-	-	259,077.83	221,640.13
Inter Segmental Revenue.....	2237.82	1,610.32	-	-	(2,237.82)	(1,610.32)	-	-
Total	40,891.35	44,035.81	220,424.30	179,214.64	2,237.82	(1,610.32)	259,077.83	221,640.13
Result								
Segmental Result before Exceptional items.....	536.00	2,476.87	(607.74)	(9,078.42)	-	-	(71.74)	(6,601.55)
Exceptional Items allocated to Segments	-	-	831.86	114.95	-	-	831.86	114.95
Segmental Result after Exceptional items	536.00	2,476.87	(1,439.60)	(8,963.47)	-	-	(903.60)	(6,486.60)
Un allocated Expenses/ (Income).....							215.79	11.56
Operating Profit.....							(687.81)	(6,475.04)
Less: Interest Cost not allocable.....							6282.35	4,933.16
Add: Other Income not allocable							-	-
Profit / (Loss) before tax							(6,970.16)	(11,408.20)
Less: Tax expense								
- Current tax.....							84.16	-
- Prior year tax							76.87	136.48
- Deferred tax							1,017.99	(150.94)
Profit / (Loss) before prior period adjustments							(8,149.18)	(11,393.74)
Less: Adjustments pertaining to previous year							-	-
Profit / (Loss) for the year before Minority Interests.....							(8,149.18)	(11,393.74)
Less: Minority Interests.....							-	-
Profit / (Loss) carried forward to Balance Sheet							(8,149.18)	(11,393.74)
Other Information								
Segment Assets	28,744.45	30,624.64	159,993.73	153,935.12			188,738.18	184,559.76
Segment Liabilities.....	17,271.65	13,499.75	118,229.21	105,712.73			135,500.86	119,212.48
Capital Expenditure.....	702.75	1,010.43	7,356.43	5,926.90			8,059.18	6,937.33
Depreciation and Amortization.....	2,829.48	2,744.42	9,169.70	8,292.73			11,999.18	11,037.15
Non Cash Expenditure other than Depreciation.....							(86.98)	48.68

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.

Gross segment revenue comprises of :

	(₹ In Lakhs)	
	March 31, 2014	March 31, 2013
Sales	259,077.83	221,640.13
Other Allocable Income	1,276.53	537.12
	260,354.36	222,177.25

Notes to consolidated financial statements for the year ended 31st March, 2014

Notes : XXIII (Contd.)

2 Provision for Warranty

(₹ In Lakhs)

	As at March 31, 2014	As at March 31, 2013
Balance as at the beginning of the year	851.25	976.66
Add: Provision made during the year	160.24	-
Less: Utilisation/Reversal during the year	11.33	125.41
	<u>1,000.16</u>	<u>851.25</u>

3 Deferred tax liability / (assets)

(₹ In Lakhs)

	As at March 31, 2014	As at March 31, 2013
Deferred Tax Liability (Net)		
On Fiscal Allowances on Fixed Assets	1,352.37	-
Unabsorbed depreciation carried forward	(585.95)	-
On other timing differences	(209.51)	-
	<u>556.91</u>	<u>-</u>
Deferred Tax Asset (Net)		
On Fiscal Allowances on Fixed Assets	-	(1,554.39)
Others	(69.38)	(58.37)
Unabsorbed depreciation carried forward	-	1,601.13
On share issue expenses	-	-
On other timing differences	-	286.17
Provision Others.....	6,623.99	5,683.59
	<u>6,554.61</u>	<u>5,958.13</u>

4 Contingent Liabilities

(₹ In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
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
b) Disallowance of certain expenses	1,237.59	418.14
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) Show Cause cum Demand Notice pending with the Commissioner of Central Excise Relating to reversal of Cenvat on shortages in inventories	81.15	-
iv) Bill Discounting facilities availed under Bill Marketing Scheme from customers.....	495.26	717.59
v) During the previous year the Company has given guarantee to ICICI Bank plc, UK for EURO 5 Million for a loan taken by step down subsidiary Mahindra Forging Europe AG Germany	4,129.50	3,474.50
vi) Guarantee extended by step subsidiary to IKB AG, Dusseldorf amounting to Euro 1.75 Million	1,445.33	-
vii) 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	1,615.17	1,519.30
viii) Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for	234.06	508.98

Notes to consolidated financial statements for the year ended 31st March, 2014

Notes : XXIII (Contd.)

5 Exceptional Items

(₹ In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Redundancy and restructuring costs in Schoneweiss & Co. GmbH (previous year in Stokes Group Limited)	831.86	114.95
	<u>831.86</u>	<u>114.95</u>

6 Hire Purchase Contracts and Operating Leases

(₹ In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Net obligations repayable		
Within one year	1,651.98	1,577.38
Between one to five years	2,671.21	3,304.67
	<u>4,323.19</u>	<u>4,882.05</u>

7 Details of Lease

(₹ In Lakhs)

Particulars	As at March 31, 2014	As at March 31, 2013
Break up the Lease		
Within one year		
Land and Building	1,202.45	953.79
Between one to five years		
Land and Building	4,809.79	3,951.83
	<u>6,012.24</u>	<u>4,905.62</u>

Notes to consolidated financial statements for the year ended 31st March, 2014

Notes : XXIV

1. The Consolidated Financial Statements relate to Mahindra CIE Automotive Limited (Formerly known as 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 costs of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.
- iii) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of date of disposal is recognised in the Consolidated Profit and Loss Account as profit or loss on disposal of investment in subsidiary.
- iv) Minority Interest in the net assets of consolidated subsidiaries consist of :
 - a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and
 - b) The minorities' share of movements in equity since the date the parent- subsidiary relationship comes into existence.
- v) The Financial Statements of the subsidiaries are drawn up to 31st March, 2014.

The subsidiaries (which along with Mahindra CIE Automotive Limited (Formerly known as 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
		as at 31.03.2014
Stokes Group Limited	U.K.	100.00%
Stokes Forgings Dudley Limited	U.K.	100.00%
Stokes Forgings Limited	U.K.	100.00%
Mahindra Forgings International Limited	Mauritius	100.00%
Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	Germany	100.00%
Gesensschmine Schneider GmbH	Germany	100.00%
Jeco Jellinghaus GmbH	Germany	100.00%
Falkenroth Umformtechnik GmbH	Germany	100.00%
Schoneweiss & Co. GmbH -	Germany	100.00%
Mahindra Forgings Global Limited	Mauritius	100.00%

During the year Stokes Group Limited became 100% subsidiary of the company consequent upon extinguishing of the shares held by the minority shareholder.

(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, 2014

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 and 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) (i) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.
- (ii) 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 Statement of Profit and Loss.
- (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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

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 Statement of Profit and Loss.

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.

Notes to consolidated financial statements for the year ended 31st March, 2014

(H) Revenue Recognition:

- (a) Sales of products and services are recognised when the products are dispatched or services rendered which coincide with transfer of risk and rewards. Sales are exclusive of sales tax and net of sales return and trade discounts. Revenue from sale of tools which are manufactured on specific requirement of the customers is recognized to the extent of surplus over the cost of manufacturing of such tools.
- (b) Dividends from investments are recognised in the Profit and Loss Account when the right to receive Dividend is established.
- (c) Interest income is accounted on accrual basis/ time proportionate basis on contractual rate.
- (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 encashable at retirement/cessation are provided for based on valuations, as at the Balance Sheet date at the year end, made by independent actuaries.

(a) Defined Contribution Plan

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

(b) Defined Benefit Plan/ Long term compensated absences

Group's liability towards gratuity, compensated absences and post retirement medical benefit schemes are determined by independent actuaries, using the projected unit credit method. Past service costs are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and Loss 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 statement of profit and loss by equal annual installments over the expected useful lives of the relevant assets.

Government grants of a revenue nature are credited to the statement of profit and loss account 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

Notes to consolidated financial statements for the year ended 31st March, 2014

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 statement of profit and loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of profit and loss on a 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 exercisable on specified dates in 4 tranches with in the period of 5 years from the date of vesting. During the year, the Employee Stock Option Holders (ESOS) of the Company exercised their 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 (Holding Company till October 3, 2013)
2.	PARTICIPACIONES INTERNACIONALES AUTOMETAL, DOS S.L (Holding Company since October 4, 2013)

Fellow Subsidiaries: (till October 3, 2013)

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

Fellow Subsidiaries: (Post October 4, 2013)

1.	CIE GALFOR S.A.	2.	CIE Automotive Gameko
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Notes to consolidated financial statements for the year ended 31st March, 2014

Key Management Personnel:

Sr. No.	Name of the Person
1	Mr. K. Ramaswami

The company ceased to be a subsidiary of Mahindra & Mahindra Limited effective from October 4, 2013. Consequently the transactions indicated above with Mahindra & Mahindra Limited and its Fellow subsidiaries are till the date the company was a subsidiary of Mahindra & Mahindra Limited.

(b) Details of related party transactions are as under:

Sr. No	Nature of Transactions	31 st March, 2014					31 st March, 2013		
		Holding Company (till October 3, 2013)	Holding Company (since October 4, 2013)	Fellow Subsidiaries (till October 3, 2013)	Fellow Subsidiaries (after October 4, 2013)	Key Managerial Personnel	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
1.	Purchases	-	-	-	-	-	-	10725.25	-
	Raw Material	-	-	-	915.26	-	-	-	-
	Capital Goods	-	-	6189.29	-	-	-	0	-
	Discounting Charges Paid	-	-	-	-	-	0	971.17	-
	Services	-	-	-	-	-	1.18	-	-
	Fixed Assets	-	-	438.33	-	-	12.19	-	-
2.	Sales								
	Goods	8728.39	-	758.64	4.05	-	19013.64	3116.03	-
	Scrap	-	-	846.44	-	-	-	1828.60	-
	Fixed Assets	-	-	-	-	-	-	-	-
3.	Inter Corporate Deposit	-	16972.88	-	-	-	-	-	-
	Accepted	-	-	-	-	-	-	-	-
4.	Inter Corporate Deposit								
	Refunded	-	-	-	-	-	-	-	-
5.	Interest Paid	-	304.60	324.29	-	-	-	545.67	-
6.	Outstanding								
	Receivable	-	-	-	4.13	-	1133.41	293.92	-
	Payable	-	-	-	280.81	-	406.68	4182.41	-
	ICD Outstanding	-	17277.48	-	-	-	-	7974.39	-
7.	Reimbursement of Expenses	365.17	-	-	308.30	-	654.78	-	-
8.	Managerial Remuneration	-	-	-	-	42.72	-	-	42.72

6. Goodwill amounting to ₹ 60065 lakhs arises on consolidation of wholly owned subsidiaries the subsidiaries namely MFGL and MFIL and their step down subsidiaries Mahindra forging Europe AG(MFE AG) and its wholly owned subsidiary companies namely Jeco Jellinghaus GmbH, Schoneweiss & Co GmbH, Gesenkschmine Schneider GmbH and Falkenroth Unfirmtechnik GmbH (collectively referred to as step-down subsidiaries). After the significant decline in demand due to economic downturn in Europe the market demand showed a gradual recovery in the year under consideration. Action initiated by the management such as improving operational efficiencies, close monitoring and improving price realisation, under active guidance and supervision of CIE Automotive S.A, the ultimate parent company, started yielding results which were more visible in Q4, FY 14. Market demand picked up in Q4 FY 14 which coupled with management actions, resulted in a positive net result after successive losses. During the year the company invested a further ₹ 5913 Lakhs through equity in MFE and its subsidiaries, which helped partly offset the net worth erosion. In view of the improved performance of MFE AG and its subsidiaries, the management is of the view that, there is no impairment of the goodwill.

Notes to consolidated financial statements for the year ended 31st March, 2014

7. Earnings per share

Particulars	31 st March, 2014	31 st March, 2013
Amount used as the numerator- Net Profit / (Loss) ₹ In Lakhs	(8194.27)	(11393.74)
Weighted Average Number of equity shares outstanding during the year		
No. of shares for Basic earnings per share	9,22,44,081	9,21,72,598
No of shares for Diluted earnings per share	9,23,80,548	9,21,72,598
Basic Earnings per share (Face Value of ₹10 per share)	(8.88)	(12.36)
Diluted Earnings per share ₹	(8.87)	(12.36)

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

8. 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. 44784
Firm Registration No. 105102W

Mumbai, April 29, 2014

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Daljit Mirchandani
(Director)

Dhananjay Mungale
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

K. Ramaswami
(Managing Director)

Jose Ramon Berecibar Mutiozabal
(Director)

Manoj Maheshwari
(Director)

K. Jayaprakash
(Chief Financial Officer)

Details of Subsidiary Companies for the Financial Year 1st April, 2013 to 31st December, 2013

(₹ Lakhs)

Name of the Subsidiary Company	Capital	Reserves & Surplus	Total assets	Total liabilities	Details of investments (excluding investments in subsidiaries)	Gross Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed dividend and tax thereon
Stokes Group Limited #	1,575.61	-5,081.47	7,906.16	11,412.02	-	12,999.20	-68.98	-	-68.98	-
Stokes Forgings Dudley Limited #	-	-	-	-	-	-	-	-	-	-
Stokes Forgings Limited #	61.13	-61.13	-	-	-	-	-	-	-	-
Mahindra Forgings International Limited #	80,400.58	-8,632.64	99,350.79	27,582.85	99,313.13	-	-648.70	-	-648.70	-
Mahindra Forgings Europe AG #	4,267.00	-4,267.00	64,168.64	64,168.64	33,642.41	-	-3,350.00	-206.56	-3,556.56	-
Gesenkschmiede Schneider GmbH #	10,472.07	6,264.89	35,424.50	18,687.54	35.00	63,766.83	-1,799.50	-30.51	-1,830.01	-
Jeco Jellinghaus GmbH #	4,377.94	1,059.04	11,750.83	6,313.85	-	24,323.33	-634.97	-18.34	-653.31	-
Falkenroth Umformtechnik GmbH #	874.74	1,129.83	8,231.22	6,226.65	-	21,363.56	-1,684.60	-10.35	-1,694.95	-
Schoeneweiss & Co. GmbH #	3,135.48	3,881.24	33,431.62	26,414.90	-	56,440.51	-2,972.59	-69.36	-3,041.95	-
Mahindra Forgings Global Limited #	28,887.45	1,352.29	30,247.02	7.28	29,818.73	-	545.23	-	545.23	-

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

NOTES

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This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal grey lines across its entire width, providing a guide for handwriting or typing. The background is a clean, solid white color.



The Mahindra Group (India) and CIE Automotive S. A. (Spain) announced on 15 June 2013, the signing of a global alliance agreement between Mahindra's automotive component businesses (held under its Systech Sector) and CIE Automotive (involving also its subsidiary Autometal).

Subject to regulatory approvals, the agreement will see the formation of a global automotive component supply network with combined annual sales of approximately INR 15000 Crores / Euro 2.2 Billion / USD 3 Billion with operations in North America, South America, Europe and Asia held through listed businesses in Spain, Brazil and India.

The Management Discussion & Analysis section of this report contains details relevant to your company.

"Eight years ago, we at Mahindra set out to build an Indian automotive supplier with a global footprint and this drove a series of acquisitions in India and Europe for us. We have been listening closely to our customers who have asked to step up our globalization efforts and follow them around the world. This Grand Alliance with CIE enables us to "Rise" above competition, quickly extends our reach into new geographies, and grow our collective product portfolio in the coming years,"

- Anand Mahindra, Chairman of the Mahindra Group.

"CIE's leadership and shareholders have a strategy to develop India as the gateway to the Asian market. We have been impressed by the promise of the Indian automotive market and the growing emergence of India as a key global production hub for small cars. In Mahindra, we found a partner that has a multi-technology portfolio similar to ours and shares the same business values. So while we are happy to see CIE gaining an entry to India, we are equally pleased to have M&M as one of CIE's largest shareholders."

- Anton Pradera, Chairman of CIE Automotive

"CIE's focus on growth with operational excellence is a value shared with the Mahindra Group. And as we join hands to become a bigger and better supplier, we see a bright future ahead of us."

- Jesus Maria Herrera, CEO of CIE Automotive and Chairman of Autometal

"Systech businesses are the result of acquisitions and alliances that we have struck around the world as we sought to quickly expand in the components business with our unique "Art to Part" proposition. This Alliance with CIE dwarfs everything we have done in the past and marks the next bold step towards global supplier consolidation."

- Hemant Luthra, President of Mahindra's Systech Sector

Mahindra CIE



FORGINGS



CASTINGS



MAGNETICS



COMPOSITES



STAMPINGS



GEARS

* Post Merger View

Registered Office:

MAHINDRA CIE AUTOMOTIVE LIMITED

(formerly known as Mahindra Forgings Limited)

CIN: L27100MH1999PLC121285

Mahindra Towers, P. K. Kurne Chowk, Worli,
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