



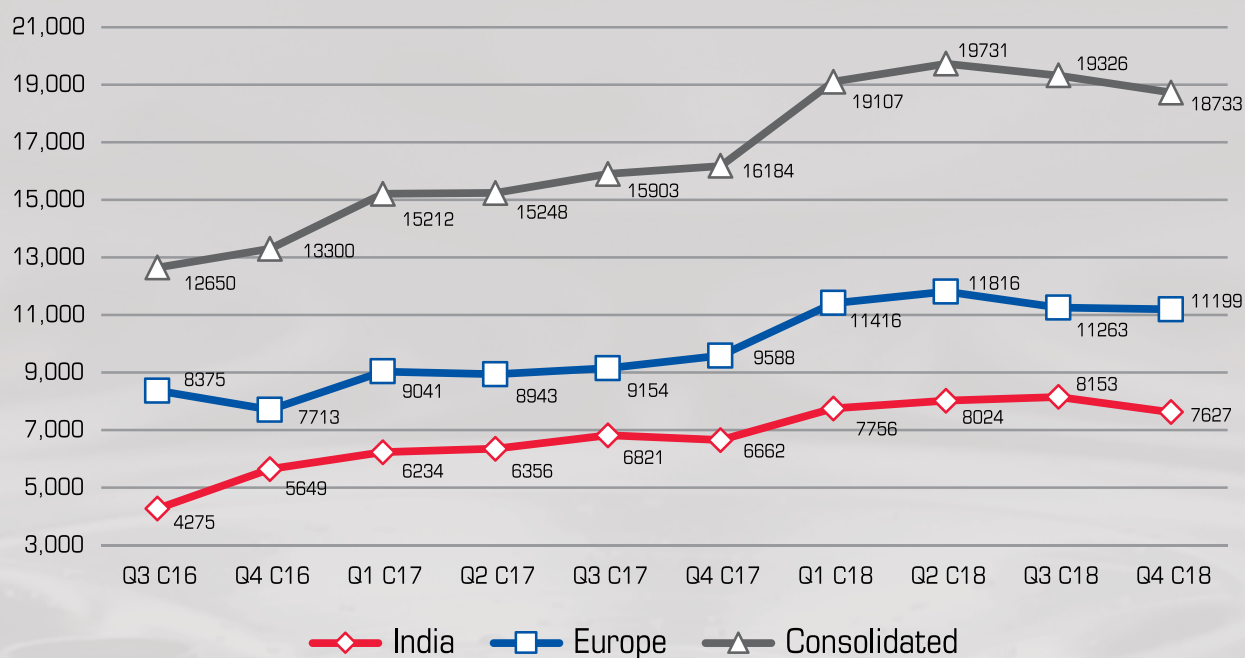
Mahindra *CIE*

2018

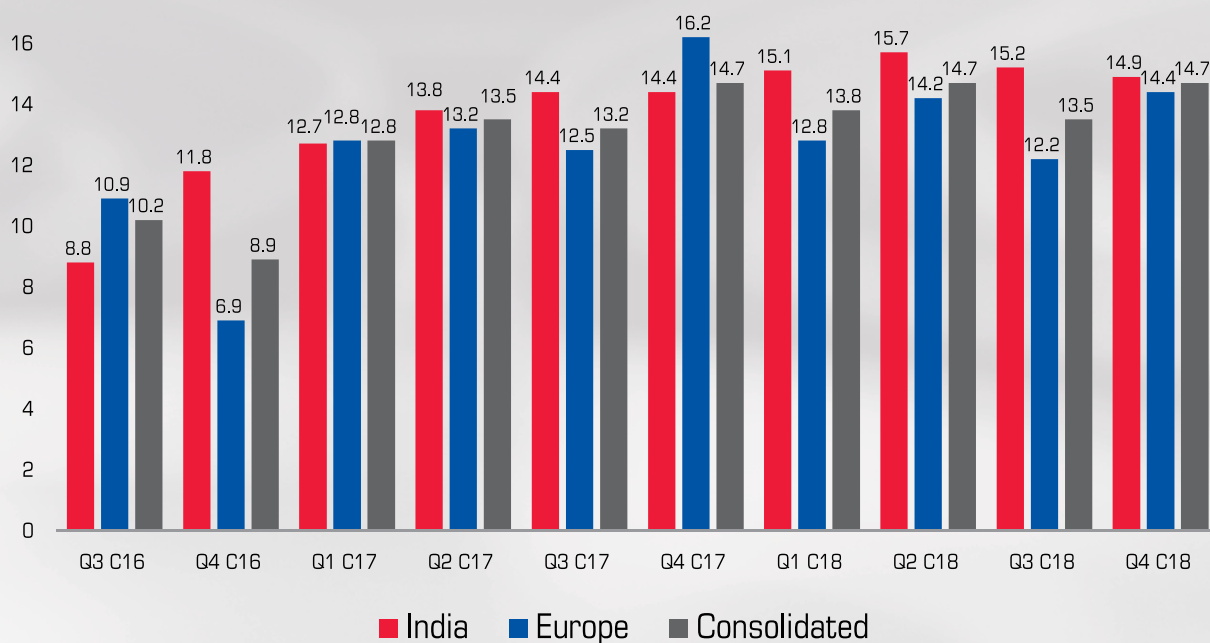
ANNUAL REPORT

FORGINGS • CASTINGS • STAMPINGS • GEARS • COMPOSITES • MAGNETICS

REVENUE EVOLUTION (INR MILLION)



EBITDA % EVOLUTION



2018 ANNUAL REPORT

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Dear Shareholders,

We marked the 5th anniversary of the Mahindra CIE with results that I hope have given all the stakeholders as much satisfaction as it gives the entire team of 12,500 people across the globe that Ander and I are privileged to lead under the guidance of your Board and that of CIE.

The confidence of customers is reflected in the growth of both top and bottom line as the Global Teams have come together as one and are performing better than ever despite the tougher overall market conditions in both Europe and India.

That performance is underpinned by both better operations and structure.

The former has been achieved by tighter integration and cross pollination of ideas and best practices as both CIE and MCIE teams have visited each other's facilities and learnt from each other. The effectiveness of that process is reflected in improved productivity and margins.

The latter is being achieved by simplifying the legal structure of our subsidiaries. All subsidiaries in Europe are now brought under Galfor, and in India your board has approved the merger of Bill Forge in to your company.

The efficacy of both the initiatives and the consistent delivery on our strategic commitments reflects in our group's financial strength. And by the confidence that shareholders large and small have reposed in us which is most emphatically manifested by parent CIE which has increased its stake in your Company by 5% taking its overall shareholding to 56%.

We have positioned your Company as one of the leading publicly held Automotive Component companies in India. We are determined to build on this base by leveraging value accretive opportunities that continue to come our way as consolidation marks the industry with OEMs looking to partner with well capitalized suppliers who can serve them with the best in class technology and products.

Ander and the entire team deserve to be recognized for having built systemic capability which will be instrumental in our quest for delivering operating results consistent with our aim of generating better Returns on both Equity and Capital Employed.

Thank you for the trust reposed in us and we pledge to try harder.

Yours Sincerely,

Hemant Luthra

Chairman – Mahindra CIE



Dear Friends,

This Annual Report attempts to summarise Mahindra CIE Automotive's (MCIE) performance in 2018, another year of sustainable and profitable growth in which we have strived to give above market growth in Sales, while improving on Profitability.

In 2018, MCIE's revenue reached a record ₹ 7,649 crores, while profitability is just shy of our target at 15% EBITDA though we have achieved the target of EBIT of 10%.

These figures, which stack up well on their own, are even more remarkable in light of the macroeconomic uncertainty and sector turmoil in which they were achieved: new emissions regulations in Europe; lower production estimates, and the automotive demand scenario in India becoming difficult especially in last quarter of 2018.

However, it is in times of trouble that the solidity of CIE's business model is demonstrated; thanks to the strategy of geographical, technological and customer diversification and our financial discipline, among other strengths. MCIE has managed to continue to post growth quarter after quarter and end the year with a new set of record earnings. Meanwhile, we continued to invest in incremental capacity and debottlenecking while additionally building a couple of brown field projects.

In short, the fine work done by my team at MCIE in 2018 allows us to look to the future with optimism. We will also continue using the CIE model of manufacturing excellence to keep improving ourselves.

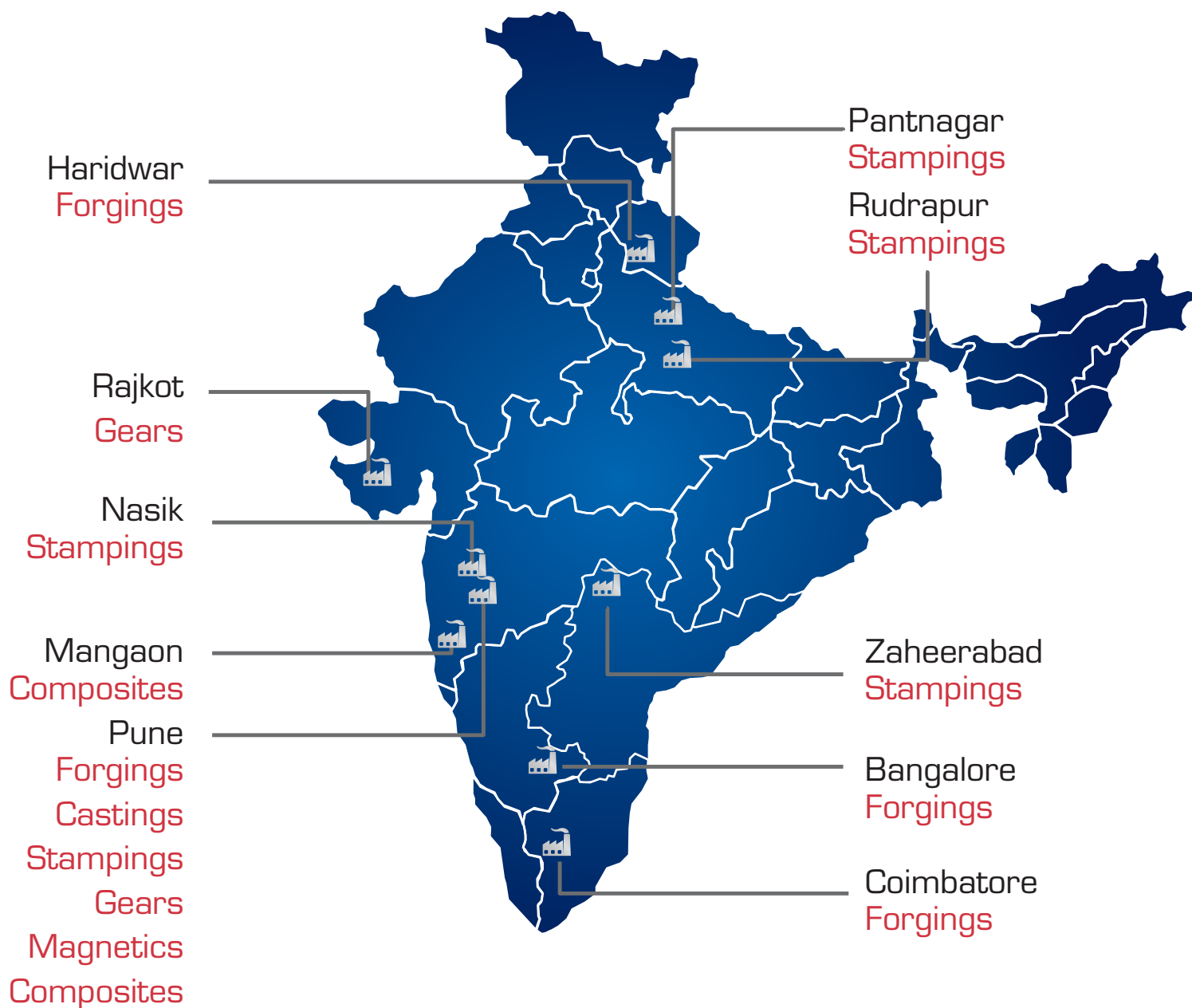
We are convinced that in the coming years we will continue to deliver our objectives, overcoming any and all obstacles, by leveraging the ideas, experience and hard work of all.

Thank you for the trust reposed in us and for being invested in Mahindra CIE.

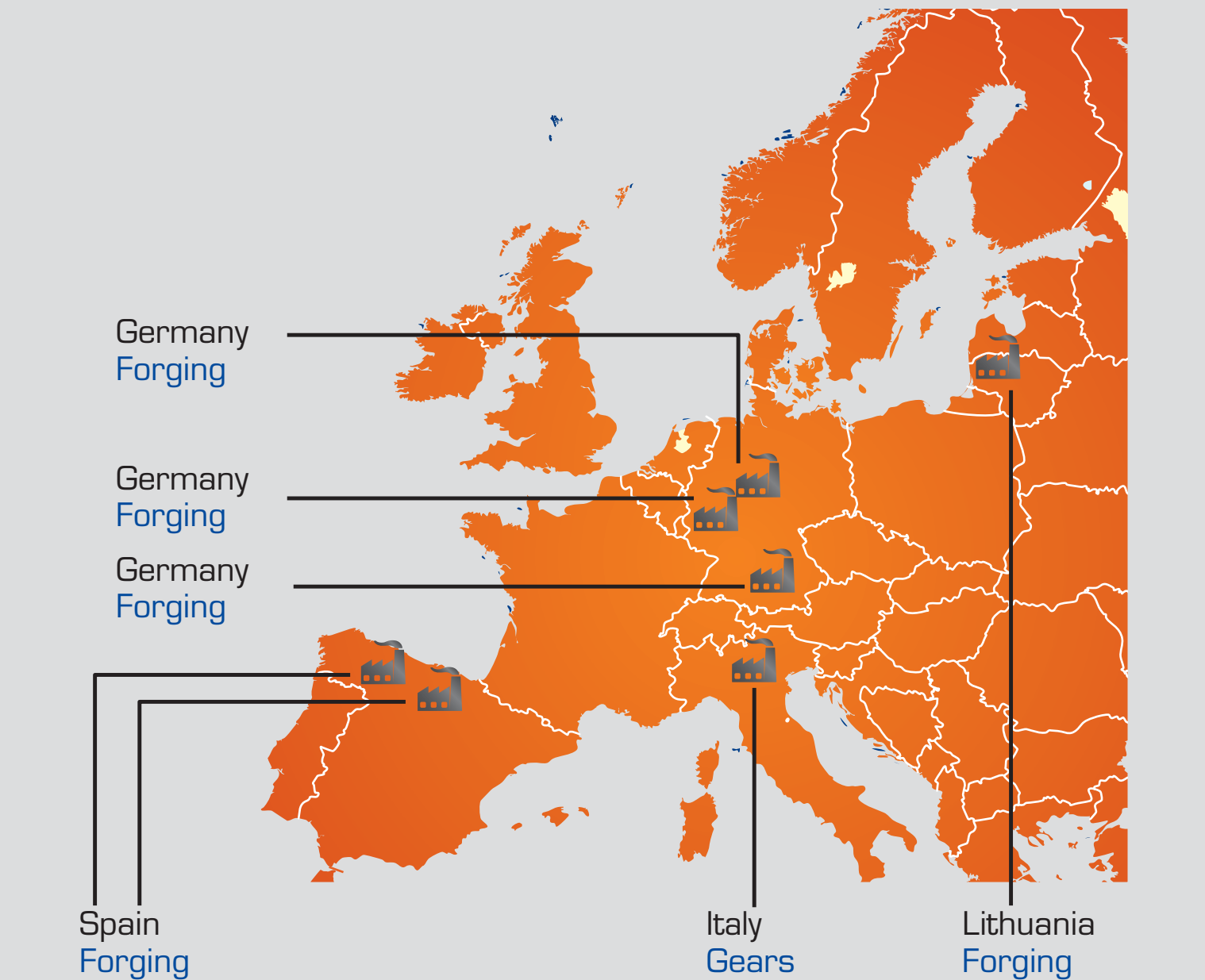
Yours Sincerely,

Ander Arenaza Alvarez

CEO – Mahindra CIE



FORGINGS	 CRANKSHAFTS FORGING & MACHINING			 WHEEL HUBS FORGING & MACHINING			 KNUCKLES FORGING & MACHINING			CASTINGS
STAMPINGS	 SUSPENSION ARMS			 SKIN PANELS			 CHASSIS & STRUCTURAL PARTS			GEARS
COMPOSITES	 FRONT BUMPER			 ELECTRIC BOX TOP TRAY			 FRONT LID			MAGNETS
							 GEARS			
							 HELICAL GEARS			
							 SHAFTS			
							 HARD			
							 SOFT			



 <p>Forgings Passenger Vehicle</p>	 <p>CRANKSHAFT Engine</p>	 <p>CV - JOINTS Transmission & Gearbox</p>	 <p>CV - JOINTS Transmission & Gearbox</p>	 <p>AXLE SHAFT Transmission & Gearbox</p>	 <p>HUBS, OUTER RINGS & SPINDLES</p>
 <p>Forgings Commercial Vehicle</p>	 <p>LEVER FORGING</p>	 <p>STABILIZER BAR</p>	 <p>PISTON</p>	 <p>FRONT AXLE BEAM</p>	
 <p>Gears</p>	 <p>HUBS, OUTER RINGS Chassis & Steering & Structural Parts</p>	 <p>EPS COMPONENT Chassis & Steering & Structural Parts</p>	 <p>DIFFERENTIAL CASE Transmission & Gearbox</p>	 <p>FLANGE Transmission & Gearbox</p>	 <p>AXLE SHAFT Commercial Vehicles</p>

NEW ADDITIONS THIS YEAR AT MCIE



▲ Kanhe 2



Composites New Plant ▲



▲ Voronezh, New Press Line 2500 Tons



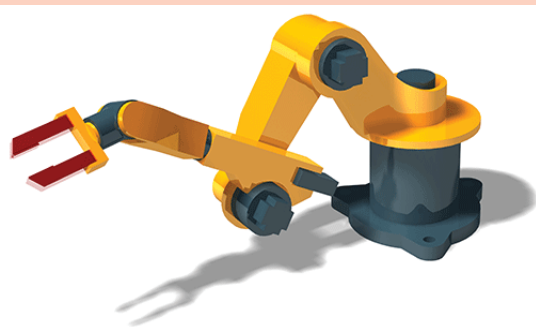
SYNERGIES

Adopting the CIE model of manufacturing excellence

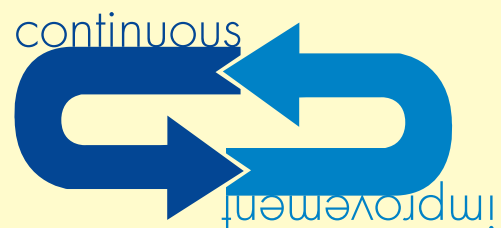


SYNERGY CASE STUDY 1: Stampings Division, Kanhe is in the process of setting up a greenfield plant for a new best-in-class fully automated tandem press line, robotic welding & assembly cells and a well equipped metrology laboratory with the latest engineering & quality assurance processes. This is being done in conjunction with CIE's domain experts and is expected to be a technology demonstrator of the capabilities that MCIE can bring to the industry.

SYNERGY CASE STUDY 2: Forgings Division, Chakan: This year, in house teams in conjunction with operational experts from CIE undertook the project of automation of a press line. The layout around the press was reworked to improve process flow and reduce cycle time. This has resulted in a 25% reduction in cycle time and reduction in number of workstations (thus leading to savings in manpower required) leading to better profitability



SYNERGY CASE STUDY 3: Foundry Division, Urse: Objective was to launch a Quality and Efficiency improvement plan. The project involved adopting castings design standards from CIE's foundry divisions and experts via the process of Implementation as technology transfer. The benefits will be reducing rejection levels in complex Si-Mo parts by 50% and yield improvement which have resulted in savings of ₹ 1 million/month.



Board of Director

Mr. Hemant Luthra - Chairman
Mr. Ander Arenaza Alvarez
Mr. Daljit Mirchandani
Mr. Dhananjay Mungale
Mr. Romesh Kaul
Mr. Jesus Maria Herrera Barandiaran
Mr. Juan Maria Bilbao Ugarriza
Mr. Manoj Maheshwari
Mrs. Neelam Deo
Mr. Shriprakash Shukla
Mr. Suhail A. Nathani
Mr. Zhooben Dossabhoy Bhiwandiwalla

Chief Financial Officer

Mr. K. Jayaprakash

Company Secretary & Head Legal

Mr. Krishnan Shankar

Committees of the Board

Audit Committee

Mr. Daljit Mirchandani - Chairman
Mr. Dhananjay Mungale
Mr. Manoj Maheshwari
Mr. Juan Maria Bilbao Ugarriza

Nomination and Remuneration Committee

Mr. Manoj Maheshwari - Chairman
Mr. Daljit Mirchandani
Mr. Hemant Luthra
Mr. Jesus Maria Herrera Barandiaran

Stakeholders Relationship Committee

Mr. Dhananjay Mungale - Chairman
Mr. Daljit Mirchandani
Mr. Hemant Luthra

Corporate Social Responsibility Committee

Mr. Daljit Mirchandani – Chairman
Mr. Dhananjay Mungale
Mr. Hemant Luthra

Registered Office

Mahindra Towers,
P. K. Kurne Chowk,
Worli, Mumbai - 400 018.
CIN: L27100MH1999PLC121285
Tel: +91 22 2493 1449
Fax: +91 22 2491 5890
Website : www.mahindrachie.com
Email : mcie.investors@mahindrachie.com

Pune Office

Office No. 602 & 603,
Amar Business Park,
Opp. Sadanand Resort,
above Westside showroom
Baner, Pune - 411 045

• Auditors

Price Waterhouse
Chartered Accountants LLP
7th Floor, Tower A,
Business Bay, Air Port Road,
Yerwada, Pune - 411 006

• Bankers

ICICI Bank Limited
Barclays Bank
State Bank of India

• Registrar and Share Transfer Agents

Karvy Fintech Private Limited
Karvy Selenium, Tower B, Plot 31 & 32,
Financial District, Gachibowli,
Hyderabad, 500 032
Website : www.karvy.com
E-mail : support@karvy.com
inward.ris@karvy.com

DIRECTORS' REPORT



DIRECTORS' REPORT

Dear Shareholders

Your Directors present their Report together with the audited financial statements of your Company for the Financial Year (FY) ended 31st December, 2018.

A. FINANCIAL HIGHLIGHTS (STANDALONE)

(₹ in Million)

PARTICULARS	FY ended 31 st December, 2018	FY ended 31 st December, 2017
Total Revenue	25,591	20,760
Profit before Interest, Depreciation, Exceptional Items and Tax	3,340	2,084
Less: Depreciation	739	759
Profit before Interest, Exceptional Items and Tax	2,601	1,325
Less: Interest and Finance cost	82	108
Profit before Exceptional Items and Tax	2,519	1,217
Less: Exceptional items	1,286	69
Profit before tax	1,233	1,148
Profit after tax	355	693
Other Comprehensive income	(8)	(5)
Total Comprehensive income	347	688

Financials

During the Financial Year under review your Company registered a total Revenue of ₹ 25,591 Million as against ₹ 20,760 Million for previous year and Profit before Interest, Depreciation, Exceptional items and Tax of ₹ 3,340 Million as against ₹ 2,084 Million for the previous year. The Profit before exceptional items & Tax for the Financial Year doubled to ₹ 2,519 Million in Financial Year 2018 from ₹ 1,217 Million in Financial Year 2017. The net profit after tax for the current Financial Year stood at ₹ 355 Million (after Exceptional item of ₹ 1,286 Million towards the closure of Stokes Group in UK & transfer of holding from Mahindra Forgings Europe AG to CIE Galfor S.A.) as against a net profit of ₹ 693 Million for the previous financial year.

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

Dividend

The Company would need significant funds for its organic and inorganic growth. The present FDI regulations in India do not

permit acquisition of an Indian Company by Foreign Majority Owned Indian Companies through domestic borrowings. According to the FDI Regulations internal accruals are one of the permitted sources to fund domestic acquisitions. In view of this your Directors do not recommend any dividend for the Financial Year 2018.

Transfer to Reserves

The Company has not transferred any amount of profits to reserves.

B. OPERATIONAL REVIEW

India

Your Company has pursued a strategy which is focused on increasing plant efficiency to improve margins through continuous improvements. We have endeavored to diversify our customer base by actively engaging with new customers and have seen some traction on this front. The integration between your Company and parent CIE means interventions are provided as required. The structured program to have MCIE employees go on plant visits to CIE plants to get first hand understanding of processes, has been received positively and the engagements are deepening.

Operations at Bill Forge Mexico Plant are ramping up; but have had some operational problems, which are being addressed by training, consolidation and rationalization of operations.

Thus, the approach has been to focus on improving plant operations, improving margins through continuous improvements and strive for growth.

Europe

The operations in Germany have been stable, but the management is focusing on improving the profitability in a sustainable manner. Also, during this year, your Company has decided to close down the UK operations and is exploring various options to shift machinery and customer orders to other locations.

Plants in Spain & Lithuania have been consistently profitable over the last few years and profit margins are in line with the margins of the CIE group worldwide. The strategic focus is to maintain profitability at these plants while growing with the market.

The Italian operations are showing positive results accruing from the successful ramp up of the key customer's new orders.

C. Investor Relations (IR)

Your Company continuously strives for excellence in its Investor Relations ("IR") engagement with International and Domestic investors through structured conference-calls and periodic investor/analyst interactions like individual Meetings, participation in investor conferences, quarterly earnings calls and analyst meet from time to time. Your Company participated

in a number of investor meets organized by reputed Global and Domestic Broking Houses, during the year.

Your Company always believes in building a relationship of mutual understanding with investor/analysts. Your Company ensures that critical information about the Company is available to all the investors, by uploading all such information on the Company's website.

D. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiary companies prepared in accordance with the Companies Act, 2013 (the Act) and applicable Accounting Standards along with all relevant documents and the Auditors' Report forms a part of this Annual Report.

In accordance with section 136 of the Act, separate accounts in respect of each of the Subsidiaries are uploaded on the website of the Company at Web-link: <http://www.mahindrachie.com/investors/investor-relations/annual-report.html#subsidiaries-annual-report> and copies of the same shall be provided to shareholders of the Company on request for such copies.

Subsidiary Companies

The subsidiary companies also continue to contribute to the overall growth of the Company.

CIE Galfor S.A. which is the holding company of Mahindra Forgings Europe AG and Metalcastello, Italy registered consolidated revenue of ₹ 47,522 Million (includes MFE & Metalcastello revenue) during the financial year ended 31st December, 2018 as compared to ₹ 37,030 Million in the previous year. The consolidated net profit after tax for the financial year under review was ₹ 3,239 Million (including MFE & Metalcastello) as compared to ₹ 2,266 Million in the previous year.

Bill Forge Private Limited registered consolidated revenue from operations of ₹ 8,713 Million during the financial year ended 31st December 2018 against ₹ 7,381 Million in the previous year. The consolidated net profit after tax for the Financial Year 2018 stood at ₹ 656 Million against ₹ 604 Million in the previous year.

The Company's consolidated total revenue from the continuing operations was ₹ 80,315 Million in the financial year ended 31st December, 2018, of which about 68% was derived from the subsidiaries whereas about 32% was derived from operations of the Company.

The Company has 15 subsidiaries namely Stokes Group Limited (U.K.), CIE Galfor S.A. (Spain), Mahindra Forgings Europe AG (Germany), Jeco Jellinghaus GmbH (Germany), Stokes Forgings Ltd. (U.K.), Stokes Forgings Dudley Ltd. (U.K.), Gesenkschmiede Schneider GmbH (Germany), Falkenroth Umformtechnik GmbH (Germany), Schoneweiss & Co. GmbH (Germany), Metalcastello S.p.A. (Italy), CIE Legazpi S.A. (Spain), UAB CIE LT Forge (Lithuania), Bill Forge Private Limited (India) [Billforge], BF Precision Private Limited (India) and Bill Forge de Mexico S de RL de CV (Mexico).

Scheme of Merger

During the year under review, the Board of the Company approved the Scheme of Merger between Bill Forge Private Limited (Billforge) and Mahindra CIE Automotive Limited (MCIE or Company) and their respective shareholders (the Scheme). In October 2016, the Company completed the strategic acquisition of Billforge. The acquisition was intended to significantly enhance the Company's market position and to acquire various tangible and valuable intangible assets possessed by Billforge. The scheme of merger is expected to enable better realisation of potential of the respective businesses and yield beneficial results and enhanced value for all the stakeholders. Since Billforge is a wholly owned subsidiary of the Company, no shares will be issued as consideration of the merger and shares held by the Company in Billforge shall stand cancelled. The shareholders of the Company will continue to remain beneficial owners of the Company in the same proportion in which they hold shares in the Company prior to the Merger.

The Company and Billforge had filed respective applications seeking necessary direction of Hon'ble National Company Law Tribunal, Mumbai and Bengaluru Bench. Hon'ble National Company Law Tribunal, Mumbai and Bengaluru Bench vide their respective orders dated 4th January, 2019 and 16th January, 2019 directed the companies to serve notices on statutory authorities and called meeting of unsecured creditors of Billforge. The effectiveness of the Scheme is conditional upon and subject to the approvals and / or sanctions as laid down in the respective Scheme.

Transfer of investment held in Mahindra Forgings Europe AG (MFE) to CIE Galfor S. A.

As a result of the past losses, the equity of MFE was fully eroded. Under the German laws, there was a requirement of capital infusion into MFE. MFE and its subsidiaries also required significant funding for their expansion plans. It was therefore proposed that this infusion be done by CIE Galfor S.A., another wholly owned subsidiary of the Company in Spain. To simplify the structure, the Company transferred its 100% stake in MFE to CIE Galfor S.A. at a consideration of Euro 82.6 Million (equivalent in ₹ 6,849 Million) being the fair value of MFE's equity as per the valuation report issued by independent valuer. The transfer of shares of MFE to CIE Galfor S.A. consolidated all businesses and legal entities in Europe under CIE Galfor S.A.

Closure of Stokes Group Limited

The Board of Directors of the Company at its meeting held on 16th October, 2018, reviewed the business situation and the requirement of infusion of additional equity in Stokes Group Limited (Stokes). Sales and profit of Stokes has ramped down considerably and old projects are close to end of life. The business of Stokes is reliant on the British market which does not have significant growth opportunities in the short term. The few long term projects the Company are not sufficient to maintain sustained profitability. The last sales forecast of Stokes clearly suggest that the long term viability of its business is suspect. Hence the Board agreed with the proposed closure of Stokes

within a period of next two years. The Company had already provided for impairment of all the investments it had in Stokes and its goodwill is fully impaired in previous years. Further, to facilitate closure the Company also infused Euro 14 Million in equity of Stokes during the financial year.

Stokes Forgings Limited and Stokes Forgings Dudley Limited are dormant companies and Jeco Jellinghaus GmbH has been operationally closed.

All other subsidiaries are operational.

Associate Company

Gescrap India Private Limited (Gescrap India) was incorporated on 27th March, 2018 which is engaged in metal recycling and total waste management in India. The Company has subscribed 30% of the capital of Gescrap India, thus it is an associate of the Company. Scrap is the main raw material of the Company's Foundry division. Further, more than 10% revenue of the Stampings division comes from scrap sale. Gescrap India will add transparency and best practices to scrap management within the group.

Galfor Eolica SL is an associate Company of CIE Galfor S.A.

As required under section 129(3) of the Companies Act, 2013 read with the Rules, a statement containing the salient features of the financial statement of the subsidiaries in prescribed form AOC-1 is attached to the financial statements. This statement reports the performance and financial position of each of the subsidiaries included in the consolidated financial statement.

The Company has formulated a Policy for determining Material Subsidiaries and the same has been uploaded on the website of the Company at http://www.mahindracie.com/images/pdf/resources/Governance/Policy_on_Material_Subsiary.pdf

E. CHANGE IN SHAREHOLDING OF PROMOTER AND PROMOTER GROUP

During the year under review, Participaciones Internacionales Autometal, Dos S.L, one of the Promoters acquired 18,926,895 equity shares of the Company, increasing its holding from 51.34% to 56.28%.

Shareholding of Mahindra Vehicle Manufacturers Limited, one of the Promoters of the Company has reduced its holding from 17.25% to 11.44% and Prudential Management and Services Private Limited, a member of Promoter Group, liquidated its entire holding.

As a result, as on 31st December, 2018 the aggregate promoter and promoter group holding of the Company was at 67.73%.

F. INTERNAL FINANCIAL CONTROLS

Your Company uses SAP ERP System as a business enabler and also to maintain its books of accounts. The transactional controls built in SAP ERP System provide segregation of duties, appropriate level of approval mechanism and maintenance of supporting records. The System, Standard Operating Procedures

are reviewed by the management. These systems and controls are audited by the Internal Auditors and their findings and recommendations are reviewed by the Audit Committee which ensures its implementation.

Your Company has in place adequate internal financial controls commensurate with the size, scale and complexity of its operations. Such controls have been assessed during the year under review taking into consideration the essential components of internal controls stated in the Guidance note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. Based on the results of such assessments carried out by the management, no reportable or significant deficiencies, no material weakness in the design or operation of any control was observed. Nonetheless your Company recognizes that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audits and review processes ensure that such system are re-enforced on an ongoing basis. The internal financial controls with reference to the Financial Statements are commensurate with the size and nature of business of the Company.

G. MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of financial condition and results of operations of the Company along-with the performance and financial position of each of the subsidiaries is provided in the Management Discussion and Analysis which forms part of this Annual Report.

H. CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All Related Party Transactions entered during the year were in the Ordinary Course of Business and at arm's length basis. During the year under review, your Company had entered into Material Related Party Transactions, i.e. transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements of the Company with Mahindra & Mahindra Limited. These transactions were in the Ordinary Course of Business of your Company and were at arm's length basis. The details of these transactions, as required to be provided under section 134(3)(h) of the Companies Act, 2013 are disclosed in Form AOC-2 as **Annexure I** and forms part of this Report.

The Policy on materiality of and dealing with Related Party Transactions as approved by the Board is uploaded on the website of the Company at http://www.mahindracie.com/images/pdf/resources/Governance/Policy_on_Related_Party_Transaction.pdf

I. AUDITORS

Statutory Auditors and Auditor's report

The members of the Company at the 18th Annual General Meeting (AGM) had appointed Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) as the Statutory Auditors of the Company to hold office from the conclusion of 18th

AGM until the conclusion of the 23rd AGM of the Company to be held in the year 2022.

The Securities and Exchange Board of India ("SEBI") vide its order number WTM/GM/DRA 1/ 83 /2017-18 dated 10th January, 2018 banned the firms practicing as Chartered Accountants in India under the brand and banner of Price Waterhouse (PW), from directly or indirectly issuing, any certificate of audit to listed companies, compliance of obligations to listed companies for the period of two years. Against the said order PW has filed an appeal before the Hon'ble Securities Appellate Tribunal (Tribunal). By the order dated 15th February, 2018 passed by the Securities Appellate Tribunal (SAT), PW firms were allowed to continue with the auditing assignments of their existing clients till 31st March, 2019 or a newly constituted Bench takes an appropriate final decision in the matter, whichever is earlier. PW had filed a miscellaneous application seeking extension of the period of interim relief granted by SAT till 31st march, 2020. However, vide its Order dated 17th October, 2018 SAT dismissed the said application without granting any additional relief against the said order. PW firms filed an appeal before the Supreme Court of India for extension of the period of interim relief on the SEBI order on 7th December, 2018. The Hon'ble Supreme Court heard the PW firms' petition for extension of the period of interim relief and allowed PW firms to continue statutory audits and other related certification work for existing listed clients till at least 31st March, 2019 or final disposal of the matter by a properly constituted SAT. The Court has also allowed the PW firms to seek extension beyond 31st March, 2019, if required.

Price Waterhouse Chartered Accountants LLP, Chartered Accountants have, under Section 139(1) of the Act and the Rules framed thereunder furnished a certificate of their eligibility and has confirmed that they are eligible to act as statutory auditor of the Company for financial year 2019.

The Auditors' Report on the Financial Statement for the year ended 31st December, 2018, is unmodified i.e. it does not contain any qualification, reservation or adverse remark and notes thereto are self-explanatory and do not require any explanations.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Sachin Bhagwat, Practicing Company Secretary (Certificate of Practice No. 6029), Secretarial Auditor to undertake the Secretarial Audit of the Company for the Financial Year ended 31st December, 2018. The Secretarial Audit Report for the Financial Year ended 31st December, 2018 is appended to this Report as **Annexure II**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer.

Cost Auditors

The Board had appointed Messrs. Dhananjay V. Joshi & Associates, Cost Accountants, Pune, (Firm Registration

Number 000030) as Cost Auditor for conducting the audit of Cost Accounting Records of the Company for Financial year ended 31st December, 2018.

In accordance with Section 148 of the Companies Act, 2013, the Board of Directors of the Company, on recommendation of the Audit Committee, re-appointed Messrs. Dhananjay V. Joshi & Associates, Cost Accountants, Pune (Firm Registration Number 000030) as the Cost Auditors of the Company to conduct the Audit of the Cost Accounting Records maintained by the Company for the current Financial Year ending 31st December, 2019. Messrs. Dhananjay V. Joshi & Associates have confirmed that their appointment is within the limits of section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from any disqualifications specified under section 141(3) and proviso to section 148(3) read with section 141(4) of the Companies Act, 2013.

The Audit Committee has also received a Certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company.

As per the provisions of the Companies Act, 2013, the remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to Messrs. Dhananjay V. Joshi & Associates, Cost Auditors is included in the Notice convening the 20th Annual General Meeting.

Reporting of Frauds by Auditors

During the year under review, the Statutory Auditors, Cost Auditors and the Secretarial Auditor have not reported any instance of fraud committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

J. PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES

Particulars of loans given, investments made, guarantees given or securities provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security are provided in the Note No. 8 of the Notes to the Standalone Financial Statements.

The Company has not made any loans and advances in the nature of loans to subsidiaries or to firms/companies in which directors are interested. Hence disclosure pursuant to Regulation 34(3) read with Part A of Schedule V of the Listing Regulations is not required.

K. PUBLIC DEPOSITS AND LOANS/ADVANCES

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

L. TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

The Company has not declared any dividend so far however, pursuant to the Integrated scheme and the Composites scheme

of Amalgamation Mahindra UGINE Steel Company Limited (MUSCO) and Mahindra Composites Limited (MCL) merged with the Company, both MUSCO and MCL had unclaimed dividends which were transferred in the Books of the Company.

During the year, pursuant to the provisions of section 124 of the Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules, 2014, the Company has transferred ₹ 269,170/- to Investor Education and Protection Fund (IEPF) in respect of the dividend declared by MCL (Transferor Company amalgamated with MCIE) for Financial Year ended on 31st March, 2011. With this the Company has transferred the entire unclaimed dividend pertaining to MUSCO and MCL which was transferred in the books of the Company to IEPF. No claim lies against the Company in respect of these dividends. The Company has uploaded the details of said unpaid and unclaimed amounts transferred to IEPF by the Company on its website at <http://www.mahindrachie.com/investors/downloads/documents.html#unclaimed-amounts> and also on the website of IEPF viz. www.iepf.gov.in.

Further, pursuant to the Integrated scheme and the Composites scheme, the fractional entitlement of the Shareholder(s) of the Transferor Companies were consolidated and equity shares arising out of such consolidation were allotted to an Trustee who in turn had sold said shares in the open market at the prevailing market prices and transferred the net sale proceeds thereof to the Company and the Company had in turn distributed the said proceeds to respective shareholders in the ratio of their fractional entitlements by permitted mode. The details of the shareholders whose fractional entitlements are lying unclaimed with the Company is uploaded on the website of the Company at <http://www.mahindrachie.com/investors/downloads/documents.html#unclaimed-amounts> and also on the website of IEPF viz. www.iepf.gov.in

M. EMPLOYEES

Key Managerial Personnel (KMP)

The following have been designated as the Key Managerial Personnel of the Company in accordance with Section 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- 1) Mr. Ander Arenaza – Executive Director
- 2) Mr. Romesh Kaul – Executive Director (with effect from 17th October, 2018)
- 3) Mr. Manoj Menon, Chief Executive Officer – Foundry, Magnetics and Gears Divisions
- 4) Mr. K. Jayaprakash – Chief Financial Officer
- 5) Mr. Krishnan Shankar – Company Secretary and Head-Legal

Mr. Hemant Luthra was appointed as Executive Director of the Company for a period of 3 years from 1st April, 2015. The term of his appointment expired on 31st March, 2018 in consonance with the spirit of separating the role of Chairman from the executive function which has been assumed by Mr. Ander Arenaza, the

CEO, Mr. Luthra volunteered to demit executive responsibilities and he ceased to be a Key Managerial Personnel with effect from 31st March, 2018.

Further, on the recommendation of the Nomination and Remuneration Committee the Board of Directors of the Company at its meeting held on 16th October, 2018 appointed Mr. Romesh Kaul as Executive Director with effect from 17th October, 2018.

There has been no other change in the KMPs during the year under review.

Employees' Stock Option Scheme

The Company has in force the following Schemes which are covered under the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations"):

- a) Mahindra CIE Automotive Limited - Employees' Stock Option Scheme (ESOS-2007)
- b) Mahindra CIE Automotive Limited - Employees' Stock Options Scheme 2015 (ESOS-2015)

Voting rights on the shares issued to employees under above ESOS are either exercised by the employees directly or through their appointed proxies.

During the year, there have been no material changes to these schemes. No stock options have been granted to the employees under ESOS-2007 and ESOS-2015.

Both the schemes are in compliance with the SBEB Regulations. The Certificate issued by the Statutory Auditors of the Company to the effect that the Schemes have been implemented in accordance with the said Regulations and the resolution passed by the members will be placed before the shareholders at the ensuing Annual General Meeting.

The information as required to be disclosed, in relation to ESOS under the Companies Act, 2013, and the details of the ESOS being implemented, as specified by SEBI under Clause 14 of SBEB Regulations, 2014 is uploaded on the website of the Company at <http://www.mahindrachie.com/investors/investor-relations/governance.html>

The said information is also provided in the Note No. 14 of the Notes to Financial Statements.

Particulars of Employees and related disclosures

Disclosures with respect to the remuneration of Directors, KMPs and employees as required under section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure III** to this Report.

Further, as required under provisions of section 197(12) of the Companies Act, 2013 read with Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, a statement including the names and other details of the top ten employees in terms of remuneration drawn and the name of every employee, who were in receipt of remuneration not less than ₹ 10,200,000/- per annum during the year ended 31st December, 2018 or

employee who were employed for a part of the Financial Year and were in receipt of remuneration of not less than ₹ 850,000/- per month during any part of the said year is annexed as **Annexure IV** to this report.

The Company do not have any employee who was employed throughout the Financial Year or part thereof and was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of remuneration drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company.

Industrial Relations

Employee Relations in the Pune region in general have been challenging, however relationship between the Management and Worker's Union continued to remain cordial.

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

N. BOARD AND COMMITTEES

Directors

Mr. Hemant Luthra ceased to be Executive Director of the Company with effect from 31st March, 2018. Mr. Luthra had played a key role in the inorganic and organic growth the Company and the Company wished to have continued advice and guidance of Mr. Luthra and accordingly requested for his continued support. The Board of Directors, on recommendation of Nomination and Remuneration Committee, decided to take advantage of the continued advice and guidance of Mr. Luthra, for another two years starting from 1st April, 2018 to 31st March, 2020, in Company's growth strategy which will inter-alia include managing stakeholders relationship, identifying mergers, acquisition and investment opportunities and leveraging these investments to facilitate the maximization value of the Brand and the Company. Accordingly, Mr. Luthra has been Non-Executive Chairman of the Company with effect from 1st April, 2018.

Further, on the recommendation of the Nomination and Remuneration Committee the Board of Directors of the Company at its meeting held on 16th October, 2018 appointed Mr. Romesh Kaul as an Additional Director of the Company who holds office till the date of ensuing Annual General Meeting. Further, Mr. Kaul was also appointed as an Executive Director of the Company for a period of one year with effect from 17th October, 2018.

Mr. Jose Sabino Velasco Ibanez resigned as an Independent Director of the Company with effect from 20th February, 2018 owing to his other professional commitments which did not allow him to devote the time required for carry out the responsibilities of Independent Director of the Company. Mr. Antonio Maria Pradera Jauregui resigned as Director of the Company with effect from 16th October, 2018. Mr. Pradera in his communication to the Board

informed that, he assumed the role of Non-Executive Chairman of CIE Automotive S.A. and as part of the process of separating executive and non-executive functions, he was stepping down as a Director from the subsidiaries of CIE and his resignation from the Board of the Company was in line with the said process.

Mr. Ander Arenaza Alvarez (DIN: 07591785) and Mr. Jesus Maria Herrera Barandiaran (DIN: 06705854), Directors on the Board, are liable to retire by rotation at the 20th Annual General Meeting (AGM), pursuant to provisions of section 152 of the Act and the Articles of Association of the Company and offered themselves for re-appointment. Further, Section 149, 152 and all other applicable provisions of the Companies Act, 2013, the appointment of Mr. Kaul as Director of the Company is proposed to be regularized at the ensuing Annual General Meeting.

Detailed profile of the Directors seeking re-appointment and appointment along with other details as may be required are provided in the Corporate Governance Report which forms part of this Annual Report and in the Notice of 20th Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, your Directors, based on the representation received from the Operating Management and after due enquiry, confirm that:

- in the preparation of the annual accounts for the Financial Year ended 31st December, 2018, the applicable accounting standards had been followed;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st December, 2018 and of the profit of the Company for the year ended on that date;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on a going concern basis;
- the directors had laid down adequate Internal Financial Controls to be followed by the Company and that such Internal Financial Controls were operating effectively during the Financial Year ended 31st December 2018;
- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and

that such systems were adequate and operating effectively throughout the financial year ended 31st December, 2018;

Board, Committee and Annual General Meeting

A calendar of Meetings is prepared and circulated in advance to the Directors.

The Board of Directors of the Company met six times during the Financial Year ended 31st December, 2018, on 20th February, 2018, 19th April, 2018, 18th July, 2018, 25th September, 2018, 16th October, 2018 and 13th December, 2018.

Details of attendance of meetings of the Board, its Committees and the AGM are included in the Report on Corporate Governance, which forms part of this Annual Report.

Meeting of Independent Directors

The Independent Directors met once during the financial year under review. The Meeting was conducted in an informal manner without the presence of the Chairman, Executive Directors, other Non-Independent Directors, Chief Financial officer and any other Managerial Personnel.

Performance Evaluation of the Board

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance and that of its Committees as well as performance of the Directors individually.

Feedback was sought by way of a structured questionnaire, based on criteria approved by the Nomination and Remuneration Committee, for evaluation of performance of Board, Committees of Board and Individual Directors. The feedback of all the Directors on the said Questionnaire was obtained through electronic platform provided by an Independent Agency a web link of the electronic platform alongwith username and passwords of the board members for accessing such platform was forwarded by the Independent Agency. The members were also able to give qualitative feedback apart from the standard questionnaire.

The Board Members provided their feedback through the electronic platform. The reports of feedback received from all Directors on performance evaluation of Individual Directors were shared with respective Directors and Chairman of the Nomination and Remuneration Committee. The Committee evaluated the performance of all individual directors based on the feedback so received.

The report of the feedback received from all the Directors on performance evaluation of Board and Committees of Board were shared with the Chairman of the Company. The Board on the basis of feedback so received evaluated performance of its own and Committees of Board. The Performance Evaluation of the Chairman of the Company was carried out by the Independent Directors of the Company, taking into account the views of all the Directors including the Executive and Non-Executive Directors.

Familiarisation Programme for Independent Directors

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are given in the Report on Corporate Governance. The familiarisation programme and other disclosures as specified under regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is available on the website of the Company at the link: <http://www.mahindrachie.com/investors/investor-relations/governance.html>

Policy on Appointment and Remuneration

In line with the principles of transparency and consistency, your Company has adopted the following Policies which, inter alia includes criteria for determining qualifications, positive attributes and independence of a Director.

- i) Policy on Appointment of Directors and Senior Management and succession planning for orderly succession to the Board and the Senior Management;
- ii) Policy for the remuneration of Directors, Key Managerial Personnel and other employees of the Company.

During the year under review, no changes were made in the above policies. Salient features of these policies are enumerated in the Corporate Governance Report which forms part of the Annual Report.

The Policies mentioned above are also uploaded on the website of the Company at <http://www.mahindrachie.com/investors/investor-relations/governance.html>

Committees of the Board

Your Company has duly constituted the Committees required under the Companies Act, 2013 read with applicable Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Audit Committee

The Committee comprises of four directors viz:

- 1) Mr. Daljit Mirchandani - Chairman,
- 2) Mr. Juan Maria Bilbao Ugarriza
- 3) Mr. Manoj Maheshwari
- 4) Mr. Dhananjay Mungale

Mr. Jose Sabino Velasco Ibanez ceased to be member for Audit Committee upon his resignation from the Board with effect from 20th February, 2018.

All the Members of the Committee are Independent Directors and possess strong accounting and financial management knowledge. The Company Secretary is the Secretary to the Committee. All the recommendations of the Audit Committee were accepted by the Board during the financial year under review.

O. GOVERNANCE

Corporate Governance

Your Company's philosophy on Corporate Governance sets the goal of achieving the highest level of transparency, accountability in all its dealings with the stakeholders, employees and the government. The practice of responsible governance has enabled your Company to achieve sustainable growth. Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. A Report on Corporate Governance along with a Certificate from the Mr. Sachin Bhagwat, Practicing Company Secretary (ACS Number - 10189, CP Number - 6029) and Secretarial Auditor of the Company regarding the compliance with the conditions of Corporate Governance as stipulated under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report.

Vigil Mechanism

The Vigil Mechanism as envisaged in the Companies Act, 2013, the Rules prescribed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is implemented through the Company's Whistle Blower Policy to enable the directors, employees and all stakeholders of the Company to report genuine concerns, to provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee. The detail of the Policy is explained in the Corporate Governance Report and has been uploaded on the website of the Company at <http://www.mahindrachem.com/investors/investor-relations/governance.html>

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this Policy. The Policy is gender neutral.

During the year, there was no complaint of discrimination and harassment including sexual harassment received by the committee.

Business Responsibility Report

The Business Responsibility Report (BRR) of your Company for the Financial year 2018 forms part of this Annual Report as required under Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Your Company strongly believes that sustainable and inclusive growth is possible by using the levers of environmental and social responsibility while setting aspirational targets and improving economic performance to ensure business continuity and rapid growth.

Risk Management

Your Company has a well-defined risk management framework in place. The risk management framework works at various levels. The Company has a robust organisational structure for managing and reporting on risks. In terms of the requirement of the Act, the Company has developed and implemented the Risk Management Framework. Your Company has constituted a Risk Management council comprising of Senior Executives of the Company. The terms of reference of this council comprises review of risks and risk management policy on periodic intervals. The Audit Committee of the Board as well as the Board reviews the risks periodically. Your Company has also 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.

Brief of the Risk Management Framework is provided in corporate governance report. Important element of risk, including risk which may threaten the existence of the Company are provided in the Management Discussion and Analysis.

P. SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Sustainability

Your Company's vision on sustainability is to 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 various projects for reduction in waste, energy and GHG emissions, to achieve the targets set under its Sustainability Roadmap.

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 organization. External stakeholders, suppliers, contractors and vendors were also made aware of this campaign.

Safety, Health and Environmental Performance

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

Safety and Health

During year 2018, two of our plants upgraded the OHSMS certification from BS OHSAS 18001:2007 to ISO 45001:2018 version. Five of our plants upgraded their EMS certification from ISO 14001:2004 to ISO 14001:2015 version. The OHSAS system aims to eliminate or minimize risk to employees and other parties who may be exposed to Occupational Safety risks

in the Company. At the end of CY 2018, Composites-Pimpri plant has been relocated to Kanhe. After one complete year of operations at this new location, the plant will establish and get the EHSMS certified as per relevant international standards like ISO 14001:2015 and ISO 45001:2018.

All the Stampings division plants including Zaheerabad location and Gears-Rajkot are in the process of completing their EMS and OHSMS re-certifications by February 2019. The renowned certification bodies who are associated with this process are Bureau Veritas, TUVNord, TUVSUD and DNV.

For further enhancement in the performance, near miss incident reporting system, property damage incident investigations and behavioral based safety systems are being launched in each site in a phased manner. The TMSW guidelines are being used for ensuring that our safety culture is more pro-active, preventive and high performing.

The ESG council reviews and each division's monthly Operation reviews are focused on total employee involvement in safety, sustainability and social responsibility.

The Safety Committee of each plant meets periodically to review the status of safety issues and reporting of accidents, if any. Your Company's plant continues to improve their wellbeing of all its personnel by organizing 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 standards. All the plants will be upgrading their EMS to include the requirements of the revised international standard by February 2019.

Sustainable development is promoted through sharing of best practices in the fields of Safety, Occupational Health & Environment.

Your Company considers safety as a value and not just a priority. The Company has taken all possible safety measures to prevent injuries. In CY 2018, your Company had 8 reportable accidents. The Company has investigated all these accidents thoroughly and has taken comprehensive corrective and preventive actions. All legal and social responsibilities with respect to these accidents have been fulfilled and the injured persons have been provided all needed medical and financial assistance. During this year, an increased focus has been given on reporting of near miss incidents and taking preventive measures. All first aid injuries are also analysed and improvements done for preventing recurrence. More emphasis is being given on increasing awareness and use of personal protective equipment.

The highlights of different initiatives taken by your Company at its various plants for environment and sustainability are as under:

- 1) **Water:** On the whole, all plants have continued their efforts for water conservation. The major water consuming plants like Forging, Paint shop in Stampings, Rudrapur and

Magnetic products division have taken good initiatives. Due to such initiatives our Company has recycled about 100,109 cubic meters of water and used in process and also has re-used about 66,913 cubic meters of water for alternative applications like Gardening / Die washing. Rain water harvesting is done at Foundry, Urse and Forgings Chakan which resulted in saving 6,165 Cubic meters of fresh water.

- 2) **Energy:** Each plant continued their focused programs for energy conservation like Use of battery-operated vehicles, VFD installations, LED lighting, Arresting air leakages, use of calendar timers, use of servo motor. These projects have helped achieving specific energy consumption targets in most of the plants. In absolute terms, we have saved about 14.05 Lakh units of electricity & 40,536 liters of diesel. This has resulted in reduction of GHG emissions by 4.58% compared to CY17. We are also exploring possibilities for using solar energy on a large scale.

During the year, your Company used 13.2% of its total energy consumption as renewable energy, mainly wind and solar.

- 3) **Waste Management:** Waste reduction efforts have been continued across all the plants. Commendable efforts have been made by Forgings, Foundry and Stampings for waste reduction. One of the projects for hazardous waste reduction at Stampings, Rudrapur (Having mechanical arrangement at sludge pit collection area to reduce the water contents of the wet sludge (putting weight on the wet sludge) has resulted in reduction of about 3.9% waste). All the plants are now looking at waste management as waste to wealth opportunities. Next year Stampings, Rudrapur and Foundry are planning to reduce paint sludge reduction.
- 4) **Green Supply Chain Management (GSCM):** The Company continued its interactions with the suppliers, transporters and contractors on GSCM primarily to ensure EHS legal compliance, safety, occupational health, human rights and resource conservation. This initiative is being further utilized to relook at our logistics, packaging and milk run systems so that overall waste in supply chain is minimized and the scope of 3 GHG emissions are reduced.

- 5) **EHS Legal Compliances:** All the plants have robust systems for ongoing EHS legal compliance monitoring, evaluation and corrective actions. The fire NOC, fire hydrant systems development projects have been undertaken at Stampings, Kanhe and Foundry divisions. The legal requirements for fire NOC at Composites Mangaon plant are being re-examined through fire safety and legal experts and adequate alternative arrangements are being ensured.

Corporate Social Responsibility (CSR)

Your Company has constituted a CSR Committee in accordance with section 135 of the Companies Act, 2013; it has developed

and implemented the policy on Corporate Social Responsibility. The CSR Committee comprises of Mr. Daljit Mirchandani (Chairman), Mr. Dhananjay Mungale and Mr. Hemant Luthra. The Committee, inter alia, monitors the CSR activities. The CSR thrust areas have been identified where the Company wishes to create equity and also lay down guiding criteria for selecting projects which includes sustainability, social impact etc.

The Company was required to spend an amount of ₹ 34.28 Million (including ₹ 16.57 Million unspent amount of last year carried forward). The Company could spend an amount of ₹ 16.13 Million during the year.

During the year the Company had approved to undertake various CSR projects including in the areas of Education and Skill Development, Rural Development, Sanitation and Social Need Assessment Survey. The Budgeted Expenditure of these projects is ₹ 55.79 Million over three years.

The unspent amount in CY18 of ₹ 18.15 Million is primarily for two reasons

1. In year CY18 at Rajkot the Company undertook the major project (Project Vidya) to impart social skills, life skills and on job technical skilling opportunity to young students from ITI Gondal and Women, ITI Rajkot. While we could complete the Soft Skills imparting program, on job technical skilling portion could not be sufficiently covered due to Students getting engaged with their academic and examination schedules. In CY19 we will use this learning and re-adjust the program to fulfill the originally planned objectives.
2. The Company CSR Board reviewed the Swachh Bharat – Community Toilet Block project at Village Urse in mid CY18 and advised CSR implementation committee to focus more on long term strategic initiatives of developing technically qualified youth for the Automobile and Auto ancillaries industry. The Company is in the process of developing a technical skilling centre in Pune and the ground work including identification of strategic partner and development of Syllabi, course material etc. is in progress. In CY19 this project will be driven as one of the top priorities.

Given the challenges and associated learnings seen during the implementation, including obtaining certain legal clearances, changes in members of CSR teams, the implementation of the projects was delayed and related expenditure is deferred to the next year. The implementation of these approved projects is now on track, although with some delays, the Company is confident of achieving its social objective.

The Company, in order to a boost efforts and pinpoint those to the needs of the Society, engaged an NGO for carrying out 'Social Need Assessment Survey' to identify the needs of the communities around the plant locations of the Company, from social, economic and environmental aspect. We have obtained the report and Plant execution committees are studying the same for identifying Projects and initiatives to be focused in year CY19

onwards. This will help Company in addressing the community specific needs by directing its resources towards CSR Projects which will provide practical and sustainable solutions to the identified issues.

With this, the Company will have enough opportunities to spend the money carried forward, for the chosen Projects in areas more efficiently and effectively.

The CSR Policy of the Company is hosted on the Company's website at <http://www.mahindracie.com/images/pdf/resources/Governance/csr-policy-mcie.pdf> and a brief outline of the CSR Policy and the CSR initiatives undertaken by the Company during the year as prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as **Annexure V**.

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

The information pertaining to energy conservation, technology absorption and foreign exchange earnings and outgo, as required under section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 are provided in **Annexure VI** to this Report.

Q. SECRETARIAL

Issue of Shares

During the year under review, the Company has issued and allotted 413,690 equity shares of face value of ₹ 10/- each, the same were issued and allotted due to exercise of options by the employees under the Company's Employee Stock Option Scheme - 2007 and Employee Stock Option Scheme - 2015.

Pursuant to the above, as on 31st December, 2018 the issued capital of the Company was increased to ₹ 3,787,818,770/- and subscribed and paid-up equity capital increased to ₹ 3,787,809,320/-.

Compliance with the provisions of Secretarial Standard 1 and Secretarial Standard 2

The Company have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems are adequate and operating effectively. During the year under review the Company was in compliance with the Secretarial Standards, i.e., SS-1 and SS-2, relating to "Meetings of the Board of Directors" and "General Meetings" respectively.

Compliance with Downstream Investment conditionalities

The Company is a Foreign Owned and Controlled Company within the meaning of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 ("FDI Regulations"). All the Downstream Investments made by the Company are in compliance with the FDI Regulations.

Annual Return

Pursuant to Section 92(3) of the Companies Act, 2013, the Company have placed a copy of the Annual Return of the Company on its website at: <http://www.mahindrachie.com/investors/downloads/documents.html>

Other Policies under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In accordance with the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed a Policy for determination of Materiality for disclosure of events or information. The same has been hosted on the website of the Company at: <http://www.mahindrachie.com/images/pdf/resources/Governance/policy-on-criteria-for-determining-materiality-of-events.pdf>

Dividend Distribution Policy

Pursuant to regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a dividend distribution policy which became effective from 1st January, 2018 stipulating factors to be considered in case of Dividend declaration which forms part of this report as **Annexure VII**.

The same has also been hosted on the website of the Company at: <http://www.mahindrachie.com/images/pdf/resources/Governance/dividend-distribution-policy.pdf>

Further the Company has also framed

- i) Policy for preservation of documents
- ii) Archival Policy for disclosures hosted on the website, beyond five years.

R. GENERAL

None of the Executive Directors (Whole-time Director or Managing Director) were in receipt of any commission from the Company or any remuneration from the Subsidiaries of the Company.

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions/ events relating to these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of Shares (including sweat Equity shares) to employees of the Company under any Scheme save and except ESOS referred to in this Report.
3. Significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operation in future.
4. Voting rights which are not directly exercised by the employees in respect of shares for the subscription/ purchase of which loan was given by the Company (as there is no scheme pursuant to which such persons can beneficially hold shares as envisaged under section 67(3) (c) of the Companies Act, 2013).

Acknowledgement

Your Directors wish to place on record their sincere appreciation to the Company's Customers, Investors, Vendors and to the Bankers 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

DIN: 00231420

Date: 20th February, 2019

Place: Mumbai

Annexure I

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis—

There were no contracts or arrangements or transactions entered into during the financial year ended 31st December, 2018, which were not at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis—

The details of material contracts or arrangements or transactions at arm's length basis for the financial year ended 31st December, 2018 are as follows:

Sr. No.	Name(s) of the related party & Nature of relationship	Nature of contracts/ arrangements/ transactions	Value of contracts/ arrangements/ transactions (₹ in Million)	Duration of contracts/ arrangements/ transactions	Salient terms of contracts/ arrangements/ transactions	Date of approval by the board, if any	Amount paid as advance (₹ in Million)
1	Mahindra & Mahindra Limited (Holding Company of the Investing Company in respect of which the Company is an Associate)	Rent paid	42	Jan-Dec 18	The related party transactions (RPTs) entered during the year were in the ordinary course of business and on arm's length basis.	Since these RPTs are in the ordinary course of business and are at arm's length basis, approval of the board is not applicable. However, necessary approvals were granted by the Audit committee from time to time. Moreover, pursuant to provisions of Listing Regulations the shareholders of the Company by passing ordinary resolution at the 19 th Annual General Meeting held on 19 th April, 2018, accorded their approval for the Material Related Party Transactions, entered into or to be entered into with Mahindra and Mahindra Limited upto ₹ 15,000 Mio per annum starting from 1 st April, 2018 and every year thereafter.	Nil
		Reimbursements Made / Paid	14				
		Sale of Goods	13,675				
		Purchase	24				
		Total	13,755				

For and on behalf of the Board

Date: 20th February, 2019
Place: Mumbai

Hemant Luthra
Chairman
DIN: 00231420

Annexure II

SECRETARIAL AUDIT REPORT

For the financial year ended December 31, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Mahindra CIE Automotive Limited
Mahindra Towers, P. K. Kurne Chowk,
Worli, Mumbai 400 018

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra CIE Automotive Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on December 31, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on December 31, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the regulations and bye-laws framed thereunder to the extent of foreign direct investment and overseas direct investment;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not applicable to the Company during the audit period)
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the audit period)
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period) and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the audit period)

I further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, no law was applicable specifically to the Company.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India;

(ii) Listing Agreements entered into by the Company with BSE Ltd. and the National Stock Exchange of India Ltd. and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the following event took place having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. referred to above:

During the audit period, the Board of Directors has approved, subject to the statutory approvals, merger of the Company's Wholly-owned Subsidiary - Bill Forge Private Limited with the Company.

Place: Pune

Date: 16th February, 2019

Sachin Bhagwat

ACS: 10189

CP: 6029

Annexure III

DETAILS OF REMUNERATION

Details pertaining to remuneration as required under Section 197(12) of the Act and Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The ratio of the remuneration of each director to the median remuneration of employees of the company for the financial year	Name of Director	Designation	The ratio of the remuneration of each director to the median remuneration of employees
	Mr. Hemant Luthra#	Chairman	22.53
	Mr. Ander Arenaza Álvarez	Executive Director	4.17
	Mr. Romesh Kaul ##	Executive Director	10.79
	Mr. Jesus Maria Herrera Barandiaran *	Director	-
	Mr. Zhooben Dosabhoy Bhiwandiwalla *	Director	-
	Mr. Shriprakash Shukla *	Director	-
	Mr. Daljit Mirchandani@	Independent Director	2.92
	Mr. Dhananjay Mungale@	Independent Director	2.76
	Mr. Manoj Maheshwari@	Independent Director	2.19
	Mrs. Neelam Deo@	Independent Director	1.35
	Mr. Juan Maria Bilbao Ugarriza@	Independent Director	0.81
	Mr. Suhail A. Nathani@	Independent Director	0.81
# Became Non-Executive Director with effect from 1 st April, 2018, hence remuneration as Executive Director till 31 st March, 2018 is only considered.			
## Appointed as Executive Director with effect from 17 th October, 2018, hence remuneration is considered from that date only.			
* Non-Executive Non-Independent Directors neither received any remuneration from the Company nor were paid any sitting fees for attending the meetings.			
@ Independent Directors were not paid any remuneration except the sitting fees for attending meeting of Board and committees.			

The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Name of Director/KMP	Designation	% increase in Remuneration
	Mr. Hemant Luthra @	Chairman	N.A.
	Mr. Ander Arenaza Alvarez	Executive Director	N.A.
	Mr. Romesh Kaul #	Executive Director	19.9%
	Mr. Manoj Menon	Chief Executive officer	9%
	Mr. K. Jayaprakash	Chief Financial Officer	9%
	Mr. Krishnan Shankar	Company Secretary & Head – Legal	9%
Note: 1. Non-Executive Non-Independent Directors neither receive any remuneration from the Company nor paid any sitting fees for attending the meetings. 2. Independent Directors were not paid any remuneration except the sitting fees for attending meeting of the Board and committees thereof. @ Appointed as Non-Executive Chairman with effect from 1 st April, 2018 # Appointed as Executive Director with effect from 17 th October, 2018 and received 10% increase in his remuneration, prior to the same he was Chief Executive Officer and received 9% increase in remuneration as compared to his remuneration in CY17.			
The percentage increase in the median remuneration of employee in the financial year	7.09% increase in median employees remuneration Note: For calculating median employee remuneration, employees (excluding Directors) who were in employment for the whole of the Financial Year 31 st December, 2017 and Financial Year ended 31 st December, 2018 are only considered.		
The number of permanent employees on the rolls of company as on 31 st December, 2018	3,333		
Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	On an average, employees other than the managerial personnel received an annual increase of 10.02 %. Note: No increase was made in the salaries of any of the Managerial Personnel (i.e. Whole Time Directors) during the Financial Year under review.		
Affirmation that the remuneration is as per the remuneration policy of the company	The remuneration paid / payable is as per the "Policy on Remuneration of Directors, Key Managerial Personnel and other Employees" of the Company.		

For and on behalf of the Board

Date: 20th February, 2019
Place: Mumbai

Hemant Luthra
Chairman
DIN: 00231420

Annexure IV

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

(₹ in Million)

Sl. No.	Name of the employees	Designation	Remuneration received [in ₹ Million] (Excluding perquisite value pursuant to exercise of ESOPs of the Company), if any	Perquisite value of the ESOP of the Company exercised during the year, if any	Qualification	Experience in years	Age in years	Date of commencement of current employment	Last employment held
1	Mr. Hemant Luthra*	Chairman and Non-Executive Director	8.33	-	IIT Graduate, Alumnus of the Advanced Management Programme, Harvard Business School	42	69	1-04-2015	Mahindra & Mahindra Limited
2	Mr. Romesh Kaul	Executive Director & Chief Executive Officer – Stampings, Composites & Forgings Divisions	18.57	2.99	BE, M. Tech	38	61	12-12-2014	Mahindra & Mahindra Limited
3	Mr. Vikas Chandra Sinha	Sr. Vice President – Strategy	12.83	5.62	MBA, BE	25	44	10-12-2014	Mahindra & Mahindra Limited
4	Mr. Manoj Menon !	Chief Executive Officer – Foundry, Magnetics and Gears Divisions	9.02	0.80	B. Tech, MMS	29	51	01-09-2013	Anand Auto – Sr. VP & COO
5	Mr. Shantanu Parvati	Chief Operating Officer – Stampings Division	9.09	-	BE. Mechanical, MBA	22	46	01-02-2017	Schrader Duncan Ltd.
6	Mr. K. Jayaprakash	Chief Financial Officer	7.96	-	CWA and CS	35	53	29-03-2007	Mahindra Hinoday Industries Limited@
7	Mr. Anup Mishra!	Chief Business Controller	7.19	1.93	CA and CWA	29	51	01.12.2005	Karnavati Engineering Limited !
8	Mr. Lalmani Shukla	Plant Chief – Stampings Rudrapur	5.14	-	BE Mechanical	28	54	16-08-2006	JBM Components Ltd.
9	Mr. Rahul Desai	Chief Operating Officer–Magnetics Products Division	4.99	-	BE Mechanical, MBA	22.5	45	24-09-2015	Mahindra Hinoday Industries Limited@
10	Mr. Krishnan Shankar	Company Secretary & Head Legal	4.91	-	CS, LLB	40	65	1-09-2006	Deepak Fertilizers and Petro Chemicals Corporation Limited

@ merged with the Company pursuant to integrated scheme of amalgamation sanctioned by the Hon'ble High Court of Judicature at Mumbai by its order dated 31st October, 2014. The Scheme became effective on 10th December, 2014.

* Mr. Luthra was Executive Director till 31st March, 2018, hence remuneration considered till that period.

! Employee (s) of Mahindra Gears & Transmissions Private Limited (MGTPPL), the wholly owned subsidiary of the Company, which was merged into the Company pursuant to Scheme of Amalgamation which came into effect from 31st December, 2017. The date of commencement of employment is the date of joining MGTPPL. Further, last employment refers to the employment before joining MGTPPL.

Notes:

- All the employees are permanent employees of the Company. All appointments are / were non-contractual.
- None of the above Directors / Employees is related to any other Director of the Company.
- The Company has no employee who was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than 2% of the equity shares of the company.
- Remuneration included in column 4 above is calculated as per section 17(1) and 17(2) of the Income Tax Act, 1961. This excludes amount of performance pay paid during the period under review since the same relates to previous Financial Year and includes the amount provided in books of accounts towards the performance pay for the period under review.
- There were no employees who were posted outside and working in a country outside India and drawing remuneration from the Company more than ₹ 1.02 Cr in the financial year or ₹ 8.5 lakh per month, as the case may be.

For and on behalf of the Board

Hemant Luthra
Chairman
DIN: 00231420

Date: 20th February, 2019
Place: Mumbai

Annexure V

ANNUAL REPORT ON CSR ACTIVITIES

<p>1) Brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs</p>	<p>Corporate Social Responsibility (CSR) has been an integral part of the way Mahindra CIE Automotive Limited, (MCIE or the Company) doing business since inception. MCIE is committed to its social responsibilities and takes initiatives to serve the society as a good corporate citizen.</p> <p>The objective of the CSR policy is to -</p> <ul style="list-style-type: none"> Promote a unified and strategic approach to CSR across the Company by incorporating under one umbrella the diverse range of activities, select constituencies and causes to work for, thereby ensuring a high social impact Ensure an increased commitment at all levels in the organisation, by encouraging employees to participate in the Company's CSR and give back to society in an organised manner through the employee volunteering programme called ESOPs. <p>The Company continues to focus its CSR activities on the surrounding communities in and around Company's offices and factories in the domains of rural development, education, skill development, health and environment. The Company may also make contributions to Prime Minister's National Relief Fund or any other fund set up by the Central/State Government for socio economic development relief & welfare which qualifies the criteria as per CSR Rules and the relevant provisions of the Companies Act 2013.</p> <p>During the year, the Company has undertaken the following CSR Projects:</p> <ol style="list-style-type: none"> Enhancing Employability Quotient (EmQ) of Babasaheb Ambedkar Technological University (BATU) students in Mangaon; Pathway to excellence – BM Pawar High School, Birdawadi, Chakan; "N Star – Life skills Center for Girls"; Enhancing Road Safety by providing Street Lights at Village Kanhe, Maval, Pune; and Village Sale, Taluka Mangaon, District Raigad. Building Community Toilet Blocks at Village Urse, Pune thereby contributing to 'Swachh Bharat Abhiyan'. Project Vidya - To improve employability and skill development at ITI Gondal & Mahila ITI Rajkot. Health Enhancement program for Villagers for Maval Taluka,Pune. Social Need Assessment Survey for all Divisions through Shashwat Eco Solution Foundation <p>Further, the Company also undertaken various CSR activities as a part of Employees Social options plan and other CSR activities as under:</p> <ol style="list-style-type: none"> Cleaning initiatives under Swacha Bharat Abhiyan Health Checkup and Blood Donation Camps Providing Educational & sports Aids to School Children Tree plantation at different places <p>Apart from above the Company is also considering various other projects which are in the pipeline like Projects for Skill development and enhancing the Employability of Students and Projects in the area of Health Care, etc. and the Company is reviewing these projects with the help of experts in relevant fields.</p> <p>The CSR policy has been uploaded on the Company's website at http://www.mahindracie.com/images/pdf/resources/Governance/csr-policy-mcie.pdf</p>
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2)	The Composition of the CSR Committee	Sr. No.	Name of the Director	Category	Designation
		1	Mr. Daljit Mirchandani	Independent Director	Chairman
		2	Mr. Dhananjay Mungale	Independent Director	Member
		3	Mr. Hemant Luthra	Chairman and Non-Executive Director	Member
3)	Average net profit of the Company for last three financial years	₹ 885.67 Million			
4)	Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	Particulars		Amount (₹ In Million)	
		Two percent of the amount as in item 3 above		17.71	
		Amount unspent last year		16.57	
		Total CSR expenditure required		34.28	
5)	Details of CSR spent during the financial year <ul style="list-style-type: none">Total amount spent during the financial yearAmount unspent, if anyManner in which the amount spent during the financial year is detailed below	As under:			
		₹ 16.13 Million			
		₹ 18.15 Million			
		CSR Activities as stated below			

(₹ In Million)

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is covered (as in Sch VII)	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (Budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1 st January 2018 to 31 st December, 2018 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: directly or through implementing agency
1.	Enhancing Employability Quotient (EmQ) of students in Babasaheb Ambedkar Technological University (BATU)	Education and Skill Development	Local - Lonere, District Raigad, State: Maharashtra	5.92	2.2	5.92	Naandi Foundation
2.	N Star – Life skills Center for Girls	Education and Skill Development	Local at - 1) Mumbai 2) Birdawadi, Chakan State: Maharashtra	17.94	3.15	10.85	Naandi Foundation
3.	Pathway to excellence – BM Pawar High School, Birdawadi, Chakan	Education and Skill Development	Local at - 1) Birdawadi, Chakan State: Maharashtra	4.29	1.40	3.92	Naandi Foundation

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is covered (as in Sch VII)	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs were undertaken	Amount Outlay (Budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1 st January 2018 to 31 st December, 2018 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: directly or through implementing agency
4.	Garden on Gram Panchayat Land for village community	Rural Development Projects	Local – at Village Ambethan Near Forgings Plant, Chakan District: Pune State: Maharashtra	2.44	0.08	2.47	Direct through contractor
5.	Community Toilet Project	Rural Development Projects	Local – at Village Urse Near Foundry Plant, Urse Tal:- Maval District: Pune, State: Maharashtra	15.90	3.92	4.68	Through Mahindra Consulting Engineers Limited
6.	Street Light Project at Group Gram Panchayat Sale (Mangaon)	Rural Development Projects	Local - At Village Mangaon, Pune	1.25	1.25	1.25	Direct through contractor
7.	Street Light Project at Group Gram Panchayat Kanhe (1)	Rural Development Projects	Local - At Village Kanhe, Pune	1.43	1.43	1.43	Direct through contractor
8.	Project Vidya at Gears Division, Rajkot	Education and Skill Development	Local - at Village Gondal, Gujarat	4.38	0.0145	0.0145	Direct through contractor
9.	Social Need Assessment Survey for all Divisions through Shashwat Eco Solution Foundation and Mahindra & Mahindra Ltd - CSR Cell	Rural Development Projects	All Divisions across India	1.58	1.58	1.58	Direct through Agency
10.	Health Enhancement program organised by MLA (FD, MPD, Stampings)	Promotion of Health Care and sanitation	Pune	0.05	0.5	0.05	Direct by Company
11.	Promotion of Health care and sanitation through various initiatives including activities under Swachh Bharat Abhiyan	Promotion of Health Care and sanitation	Local at - 1) Lalpur, Dist.-Udaham Singh Nagar, State-Uttarakhand 2) Local area-Kichha, Dist.-Udaham Singh Nagar, State-Uttarakhand 3) Dist.-Nasik, State-Maharashtra 4) Kanhe village, Pune, Maharashtra 5) Telangana, Medak, Zaheerabad	0.05	0.05	0.05	Direct

Sr. No.	CSR Project or Activity Identified	Sector in which the Project is covered (as in Sch VII)	Projects or programs 1) Local areas or other 2) Specify the State and district where projects or programs was undertaken	Amount Outlay (Budget) project / program wise	Amount spent on the project or programs Sub-heads: during Financial Year 1 st January 2018 to 31 st December, 2018 (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount Spent: directly or through implementing agency
12.	Providing Educational Aids to School Children	Education	Local at - 1) Lalpur, Dist.-Udaham Singh Nagar State-Uttarakhand 2) Local area-Kichha, Dist.-Udaham Singh Nagar, State-Uttarakhand 3) Dist.-Nasik, State-Maharashtra 4) Kanhe village, Pune, Maharashtra 5) Telangana, Medak, Zaheerabad	0.23	0.23	0.23	Direct
13.	Tree Plantation	Environment	Local at - 1) Urse Village, Taluka Maval, District Pune 2) Lalpur, Dist.-Udaham Singh Nagar, State-Uttarakhand 3) Local area-Kichha, Dist.-Udaham Singh Nagar, State-Uttarakhand 4) Dist.-Nasik, State-Maharashtra 5) Kanhe village, Pune, Maharashtra	0.07	0.07	0.07	Direct
14.	Employee Social Option		Local at - 1) Urse Village, Taluka Maval, District Pune 2) Lalpur, Dist.-Udaham Singh Nagar, State-Uttarakhand 3) Local area-Kichha, Dist.-Udaham Singh Nagar, State-Uttarakhand 4) Dist.-Nasik, State-Maharashtra 5) Kanhe village, Pune, Maharashtra	0.26	0.26	0.26	Direct
Total				55.79	16.13	33.22	

6) Reasons for not spending full amount

The Company was required to spend an amount of ₹ 34.28 Million (including ₹ 16.57 Million unspent amount of last year carried forward). The Company could spend an amount of ₹ 16.13 Million during the year. The Company reiterate its commitment to discharge its social obligation. The CSR thrust areas have been identified where the Company wishes to create equity and also lay down guiding criteria for selecting projects which includes sustainability, social impact etc.

During the year the Company had approved to undertake various CSR projects including in the areas of Education and Skill Development, Rural Development, Sanitation Social Need Assessment Survey. The Budgeted Expenditure of these projects is ₹ 55.79 Million over three years.

The unspent amount in CY18 of ₹ 18.15 Million is primarily for two reasons.

1. In year CY18 at Rajkot the Company undertook the major project (Project Vidya) to impart social skills, life skills and on job technical skilling opportunity to young students from ITI Gondal and Women ITI Rajkot. While we could complete the Soft Skills imparting program, on job technical skilling portion could not be sufficiently covered due to Students getting engaged with their academic and examination schedules. In CY19 we will use this learning and re-adjust the program to fulfill the originally planned objectives.
2. The Company CSR Board reviewed the Swachh Bharat – Community Toilet Block project at Village Urse in mid CY18 and advised CSR implementation committee to focus more on long term strategic initiatives of developing technically qualified youth for the Automobile and Auto ancillaries industry. The Company is in the process of developing a technical skilling centre in Pune and the ground work including identification of strategic partner and development of Syllabi, course material etc. is in progress. In CY19 this project will be driven as one of the top priorities.

Given the challenges and associated learnings seen during the implementation, including obtaining certain legal clearances, changes in members of CSR teams, the implementation of the projects was delayed and related expenditure is deferred to next year. The implementation of these approved projects is now on track, although with some delays, the Company is confident of achieving its social objective.

For addressing community needs in a structured manner, the Company has set up CSR Working Committee at every plant of the Company which meets every month to discuss the social needs of the communities around such plant and solutions required to address the same. These projects are evaluated by CSR Co-ordination Committee and are finally approved by the CSR Committee of Board. While we are taking some time to define and articulate our internally generated CSR Projects better, seeking help from external experts and incorporating the key suggestions of the Committee, we are satisfied with the progress we have been making in our CSR efforts. The Company is in the process of procuring an IT enabled tool for effective monitoring and accounting of various CSR projects and activities. We are confident that the CSR governance structure will deliver an accelerated level of progress in times to come. What we are experiencing today is initial learning and ramp-up.

The Company, in order to boost efforts and pinpoint those to the needs of the Society, engaged an NGO for carrying out 'Social Need Assessment Survey' to identify the needs of the communities around the plant locations of the Company, from social, economic and environmental aspect. We have obtained the report and Plant execution committees are studying the same for identifying Projects and initiatives to be focused in year CY19 onwards. This will help Company in addressing the community specific needs by directing its resources towards CSR Projects which will provide practical and sustainable solutions to the identified issues.

With this, we will have enough opportunities to spend the money carried forward, for the chosen Projects in areas more efficiently and effectively.

The CSR Committee hereby confirms that, the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Ander Alvarez
Executive Director

Daljit Mirchandani
Chairman - CSR Committee

Romesh Kaul
Executive Director

Date: 20th February, 2019
Place: Mumbai

Annexure VI

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO SEC 134(3) (M) OF RULE 8(3) OF COMPANIES (ACCOUNTS) RULES, 2014 IS FORMING PART OF THE BOARD'S REPORT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2018

A) Conservation of Energy

Your Company has considered Sustainability as one of the strategic priorities and energy conservation is one of the strong pillars for preserving natural resources and improving bottom line. Your Company is continuously striving towards improving the energy conservation measures in all areas. Energy policy is formulated and deployed at different locations for Sustainable Development. Energy Management process has been established and awareness campaigns have been conducted. Your Company ensures strict compliance with all the statutory requirements and has taken several sustainable steps voluntarily to contribute towards better environment. Few steps are listed below:

- Conservation of natural resources like electricity, oil and fuel.
- Use of renewable energy in Manufacturing.
- Use of natural lighting and natural ventilation.
- Encouraging green building initiatives.
- Rain water harvesting and water conservation.
- Reduce, reuse, recycle of waste and eco-friendly waste disposal.

i) The steps taken or impact on conservation of energy

- Diesel saving by replacement of battery operated forklifts in place of diesel operated forklift
- Calciner – Reduction in blower capacity by Horizontal suction at charge car.
- 8 M3 Ball Mill – Batch speed (50 to 45 Hz) and Batch unloading (50 Hz to 25 Hz) speed reduction.
- Use of LED street lights.
- Replacing old coolant pump with Energy Efficient pump.
- Identify the Air leakage and close it on regular Basis
- Furnace controls up gradation from Z control to EZ control to save energy by 8-10 kWh/LMT.
- Use of day light roofs.

ii) The steps taken by the company for utilizing alternate sources of energy

- We are increasing our efforts in sourcing energy from renewable sources like Wind & Solar. 13.2 % of total energy consumed is from renewable sources.
- Proposal for roof top solar plant under consideration approx. 7.5 MW.

iii) The capital investment on energy conservation equipments

Your Company has focused on investing in modern technology for improving the specific energy consumption. For the year under review aggregate capital investment on energy conservation equipment from all Plant is as under:

Overall investment for Energy reduction projects - ₹ 106.77 Lakhs.

Saving from above investment - ₹ 98.41 Lakhs.

B) Technology absorption

Your Company is committed towards technology driven innovation and lays strong emphasis on inculcating an innovation driven culture within the organization. During the year under review, your company continued to work on technology upgradation and capability development in the critical areas of product quality and process improvements at its different divisions.

The Company at its Foundry Division installed 3D Blue light scanning for the inspection leading to reduced inspection time, total profile scanning and surface inspection which resulted in improved quality and reduced rejections. Exothermic sleeves were replaced by alternate source to reduce cost. Fettling (Finishing) of castings eliminated for Crankshaft, Lift arm and Rocker arm (500 Tons/Month) to improve quality and reduction in time and cost.

At Forgings Division the Company completed installation of (1) Automatic MPI machine for crankshaft inspection (2) Flash conveyors (3) Rapid conveyor for job transportation (4) Robotic Forging unloader and stacker at the exit of the press forge

cooling conveyors (5) New machine for fine boring (6) Automatic washing machine (7) Upgradation of Balancing machine; these all has resulted in improved operational efficiency and quality, improved job movement and handling, improved machining performance and enhancement in quality of projects.

At Gears Division the Company adopted robotic technology as part of digital journey for laser welding operations. Automatic Gear Roll testing equipment has been developed which is used for Gear Roll testing at final inspection. These efforts have increased the productivity and improved quality.

At Nasik plant of the Stampings Division, the Company adopted use of adaptive spot welding technique in Robotic spot welding Cell for coated parts.

At Kanhe plant inter-alia installed Blue Light ATOS GOM scanner for 3D data generation & measurement of component and purchased CMM machine from HEXAGON, Spain which is an advanced 3 coordinate measurement system for calibration & accurate defining, Purchased & Installed Autoform software for component simulation etc.

At the Composites Division, the Company have imported Injection Molding Equipment from Krauss Maffei, Germany and its full commissioning is under process.

The Company has not incurred any expenditure on Research and Development.

C) Foreign Exchange Earnings and Outgo

FOB value of exports is ₹ 1,848 Million and CIF value of imports & other expenditure made is ₹ 606 Million.

For and on behalf of the Board

Date: 20th February, 2019
Place: Mumbai

Hemant Luthra
Chairman
DIN: 00231420

Annexure VII

Dividend Distribution Policy

The Dividend Distribution Policy ("the Policy") establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company. The policy shall come into force for accounting periods beginning from 1st January, 2017.

Dividend would be declared on per share basis on the Ordinary Equity Shares of the Company having face value ₹ 10 each. The Company currently has no other class of shares. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

Dividends will generally be considered by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, as may be permitted by the Companies Act. The Board may also declare interim dividends as may be permitted by the Companies Act.

The dividend policy would have twin objective of appropriately rewarding shareholders through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support the future growth.

The Company has not paid any dividend to the shareholders in the past. Going forward, subject to the provisions of the applicable law, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return.

While determining the nature and quantum of the dividend payout, including amending the suggested payout range as above, the Board would take into account the following factors:

- **Internal Factors**
 - i. Profitable growth of the Company and specifically, profits earned during the financial year as compared with:
 - a. Previous years and
 - b. Internal budgets,
 - ii. Cash flow position of the Company,
 - iii. Accumulated reserves,
 - iv. Earnings stability,
 - v. Future cash requirements for organic growth/expansion and/or for inorganic growth,
 - vi. Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
 - vii. Deployment of funds in short term marketable investments,
 - viii. Long term investments,
 - ix. Capital expenditure(s), and
 - x. The ratio of debt to equity (at net debt and gross debt level).
- **External Factors**
 - i. Business cycles,
 - ii. Economic environment,
 - iii. Cost of external financing,
 - iv. Applicable taxes including tax on dividend,
 - v. Industry outlook for the future years,
 - vi. Inflation rate, and
 - vii. Changes in the Government policies, industry specific rulings & regulatory provisions.

Apart from the above, the Board also considers sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, in the event of challenging circumstances such as regulatory and financial environment. In such event, the Board will provide rationale in the Annual Report.

The retained earnings of the Company may be used in any of the following ways

- i. Capital expenditure for working capital,
- ii. Organic and/ or inorganic growth,
- iii. Investment in new business(es) and/or additional investment in existing business(es),
- iv. Declaration of dividend,
- v. Capitalisation of shares,
- vi. Buy back of shares,
- vii. General corporate purposes, including contingencies,
- viii. Correcting the capital structure,
- ix. Any other permitted usage as per the Companies Act, 2013.

This policy may be reviewed periodically by the Board. Any changes or revisions to the policy will be communicated to shareholders in a timely manner.

The policy will be available on the Company's website and the link to the policy is: <http://www.mahindrachie.com/investors/investor-relations/governance.html>

MANAGEMENT DISCUSSION & ANALYSIS



Management Discussion and Analysis

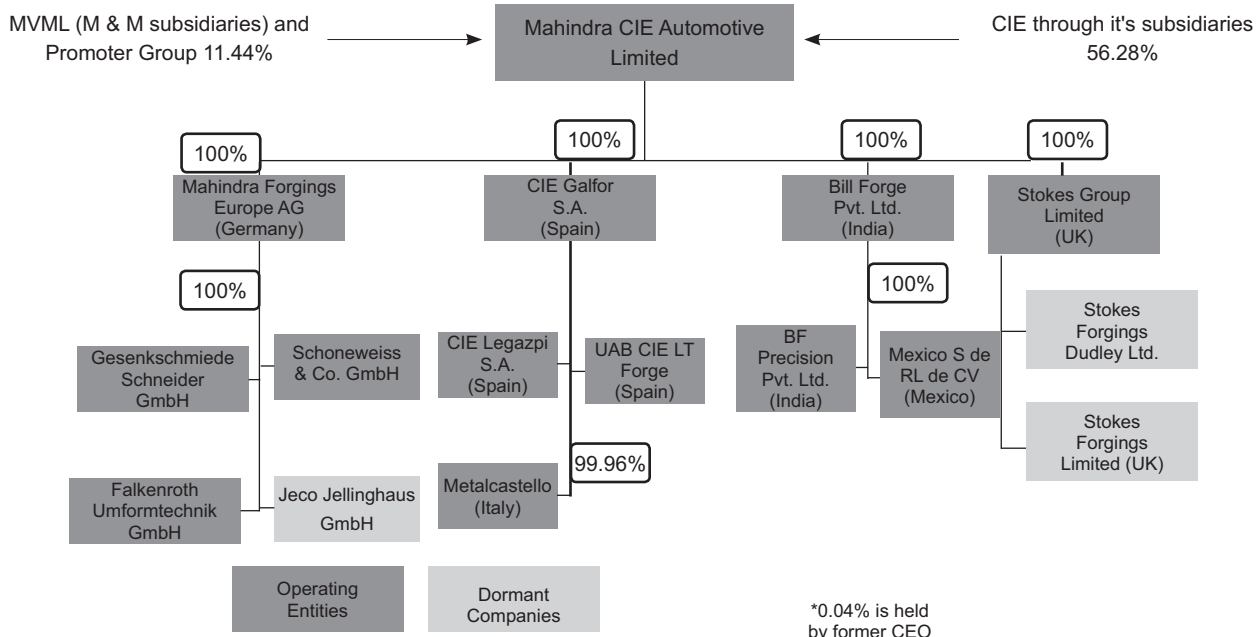
Background

Mahindra CIE Automotive Limited ('Mahindra CIE' or 'MCIE') is a multi-locational and multi-technology business with engineering capabilities and manufacturing facilities of its own and of its subsidiaries in India, Germany, Spain, Lithuania, Mexico and Italy. Your company has an established presence in each of these locations and supplies automotive components to customers based there and exports products to customers based in other countries as well. MCIE is listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) and currently has about 378.78 Million shares listed.

MCIE is part of the CIE Automotive Group of Spain and is the CIE Automotive Group's platform to operate its automotive components business in South East Asia across all production technologies and for the growth of its forgings business globally.

Set out below in Exhibit 1 is a graphical representation of the manner in which we and our businesses are organized:

Exhibit 1: Legal Structure of Mahindra CIE



The list of subsidiaries of Mahindra CIE Automotive and their ownership interest is provided in Exhibit 2.

Exhibit 2: Mahindra CIE Automotive Limited Subsidiary Companies as on 31st December, 2018

Subsidiary Companies Information			
Sr. No.	Name of the Subsidiary	Proportion of Ownership Interest	Remarks
1	CIE Galfor SA [#]	100%	Collectively known as CIE Forgings
1	UAB CIE LT Forge	100%	
2	CIE Legazpi S.A.	100%	
3	Mahindra Forgings Europe AG	100%	Collectively known as Forgings, Germany
4	Jeco Jellinghaus GmbH [#]	100%	
5	Gesensschmiede Schneider GmbH	100%	
6	Falkenroth Umformtechnik GmbH	100%	
7	Schoeneweiss & Co. GmbH	100%	Gears, Italy
8	Metalcastello S.p.A.	99.96%	
2	Bill Forge Private Limited	100%	Collectively known as Bill Forge
1	BF Precision Private Limited	100%	
2	Bill Forge Mexico S DE RL DE CV	100%	
3	Stokes Group Limited	100%	Collectively known as Stokes UK
1	Stokes Forgings Dudley Limited*	100%	
2	Stokes Forings Limited*	100%	

Note: *These are Dormant Companies, [#]Galfor SA is now the holding company for all businesses in Europe, except Stokes UK

MCIE Overview

MCIE today is a large diversified auto-components company with presence across many processes/ product lines, geographies and customers. It manufactures parts, not systems and aggregates, but these parts are complex and value added thus differentiating it from other 'tier 2 parts' companies. It should also be noted that MCIE is focused on the automotive market – cars, utility vehicles, commercial vehicles, two wheelers and tractors.

MCIE now has 29 manufacturing facilities including 8 manufacturing facilities in Europe and 1 in Mexico. Our manufacturing locations are generally located close to major automotive manufacturing hubs in order to facilitate supplies to our customers. In certain instances, we also provide services such as value analysis and value engineering to add value to our customers' products. Our unique combination of specialization in high value-added products, which is usually delivered directly to OEMs and our presence across multiple production technologies, differentiates us from other component suppliers.

A brief description of the key businesses of MCIE is presented in Exhibit 3.

Exhibit 3: MCIE – Lines of business

Geography	Product Speciality	Focus Areas	Key Customers	FY 2018 Revenue (₹ in Million)
Forgings				
India	Crankshafts - As forged and Machined, Stub Axles As forged and Machined	Passenger & Utility Vehicles and Tractors	M&M, Maruti Suzuki India Limited, Tata Motors	5,312
Bill Forge	2 Wheelers: Steering races and engine valve retainers Pass Vehicles: constant velocity joints, tulips, steering shafts, steering yokes and wheel hubs	Passenger Vehicles and Two Wheelers	Hero, Bajaj, HMSI and TVS, Ford, GKN, NTN, Nexteer, RaneNSK	8,737
Germany	Forged and Machined parts, Front Axle Beams and Steel Pistons	Heavy Commercial Vehicles	Daimler AG, Man, DAF, Volvo Group, KS, Linde, AGCO, ZF, Scania, Ford, SAF Holland, Robert Bosch	21,093
Spain + Lithuania	Forged steel parts for Industrial Vehicles and Crankshafts, Common Rail, Stubs, Tulips for passenger cars	Passenger Vehicles	Reanult, VW Group, Daimler, GKN, JLR, GM, Fiat, DAF, Bosch, NTN, Faurecia, Dana, ZF, BMW	20,965
Stampings				
India	Sheet Metal Stampings, Components and Assemblies	Passenger & Utility Vehicles	M&M, Tata Motors	10,077
Castings				
India	Turbocharger Housings, Axle & Transmission Parts	Passenger & Utility Vehicles, Construction Equipment & Earthmoving, Tractors and Tier 1	M&M, Honeywell, Cummins, Hyundai, JCB, Automotive Axle, New Holland, Dana India CV, John Deere	5,269
Magnetic Products				
India	Soft and Hard Magnets, Magnetic Induction Lighting	Tier 1 of Passenger Vehicles, Utility Vehicles, Two Wheelers	Denso, Sumida, Varroc, Intica, Mitsuba	1,210
Composites				
India	Compounds, Components, and Products	Electrical Switchgear, Auto Components	L&T Switchgear, Phoenix Mecano, TVS, M&M, Volvo Eicher	1,092

Geography	Product Speciality	Focus Areas	Key Customers	FY 2018 Revenue (₹ in Million)
Gears				
India	Engine Gears, Timing Gears, Transmission Gears, Transmission Drive Shafts	Passenger & Utility Vehicles, Construction & Earthmoving Equipment	M&M, Eaton, Caterpillar, NHFI, Turk Tractor (CNH), BEML, New Holland	2,333
Italy	Engine Gears, Transmission Drive shafts, Crown Wheel Pinion	Tractors, Construction & Earthmoving Equipment	Caterpillar, CNH, Merritor, GDLS/Mowag/Cormer, Argo, John Deere	5,572

Industry Outlook & Structure: Caution Ahead

According to the IMF, global output is estimated to have grown by 3.7 percent in 2018. The global economy is projected to grow at 3.5 percent in 2019 and 3.6 percent in 2020. The global growth forecast for 2019 and 2020 will be affected by the negative effects of tariff increases enacted in the United States and China earlier in 2018. The suppressed expectations are due to a carryover from softer momentum in the second half of 2018—including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand—but also weakening financial market sentiment as well as a contraction in Turkey now projected to be deeper than anticipated. (Source: IMF, *World Economic Outlook*, January, 2019).

Europe

According to the European Commission's autumn 2018 forecast, the commission expects growth in the euro area to ease from a 10-year high of 2.4% in 2017 to 2.1% in 2018 before moderating further to 1.9% in 2019 and 1.7% in 2020. The same pattern is expected for the EU27, with growth forecast at 2.2% in 2018, 2.0% in 2019 and 1.9% in 2020. The improving labor market, slightly stronger wage growth and expansionary fiscal measures in some Member States, should help to sustain consumption next year. (Source: *European Economic Forecast*, Autumn 2018).

In the automotive markets of Europe, our customers use our products as components primarily in heavy commercial vehicles, passenger vehicles, off-road vehicles, earth-moving vehicles and agricultural equipment vehicles.

As per the IHS, the commercial vehicle production numbers in Europe in Calendar Year 2018 have been flat at -0.2% as compared to the previous year and are projected to grow at a CAGR of 1.2% over the period of 2019-23.

Passenger Vehicles

Period	2018	2017	Change
Full Year	18,481,322	18,851,084	-2.0%
Oct-Dec	4,501,385	4,760,473	-5.4%
Jul-Sep	3,855,324	4,160,223	-7.3%
Apr-Jun	5,096,085	4,864,493	4.8%
Jan-Mar	5,028,528	5,065,895	-0.7%

For Passenger Vehicles, the data from IHS shows that the production of passenger vehicles in Europe has been subdued at -2% in Calendar Year 2018 as compared to the same period from the previous year. There was some growth in Apr-Jun of this period but this could not stem the decline. The strength of Europe's domestic growth drivers should however be sufficient to allow activity to continue growing and unemployment falling. As per IHS data the passenger vehicle market in Europe is forecasted to grow at a CAGR of 0.54% over the period of 2019-23.

India

In Fiscal 2018, the Central Statistical Office (CSO) of the Government of India has said that the growth in real GDP during 2018-19 is estimated at 7.2 percent. The CSO does not put out any growth forecasts; however, the Niti Aayog through its strategy document has estimated 8% average GDP growth CAGR during 2018-23.

In 2018, the Indian automotive market demand was hit by a credit crunch. This was triggered due to the adverse balance sheet of a housing finance company. This soon snowballed into a temporary credit crisis, where all financial institutions became cautious in lending.

MCIE's main target segments in India are passenger car & utility vehicle, tractors and two wheelers

CRISIL expects the domestic Passenger vehicle (Passenger Vehicles and Utility Vehicles) sales to grow at 7-9% on-year in fiscal 2019 on a moderate base. This is due to significant 7-9% increase in total cost of ownership as compared to 2-4% considering average

growth in last 5 years. This has led to a slowdown in demand in festive season which accounts for one-fifth of fiscals' sales. However, higher gross domestic product growth (7.5% expected in fiscal 2019), higher kharif output, government support to increase farm income and increased infrastructure spending are expected to boost rural and semi-rural sentiments, and thereby automobile sales.

Passenger Vehicles (PV's+UV's+Vans)

Period	2018	2017	Change
Full Year	4,312,936	4,250,268	1.5%
Oct-Dec	1,072,941	1,016,052	5.6%
Jul-Sep	1,025,460	930,432	10.2%
Apr-Jun	1,078,952	1,040,323	3.7%
Jan-Mar	1,135,583	1,263,461	-10.1%

Data from the Society of Indian Automobile Manufacturers (SIAM) shows that the UV segment has remained slightly flat in Calendar Year 2018 with 0.9% growth over the corresponding period last year. The production of passenger cars has also stayed flat at 0.1% in Calendar Year 2018 compared to the previous year.

Crissil Research expects Domestic car sales to grow at 7-9% year-on-year in fiscal 2019 on a moderate base. Fiscal 2020; however, is expected to grow at a higher pace of 9-11% due to expected pre-buying in Q1 CY20 of the lower priced pre BSVI vehicles. The long term picture remains healthy, given the current low vehicle penetration levels. Regulatory compliance, though, will push up prices slightly.

Tractors

Period	2018	2017	Change
Full Year	891,988	749,632	19.0%
Oct-Dec	189,818	144,532	31.3%
Jul-Sep	236,079	198,800	18.8%
Apr-Jun	246,135	216,852	3.7%
Jan-Mar	219,956	189,448	-10.1%

The cumulative Tractor industry production has shown an increase by about 19% compared to the corresponding period in the previous year (source: Tractor Manufacturers Association/TMA). The quarter wise performance reveals the growth has been consistent and has led to manufacturers increasing production. These were largely due to the uptick in demand due to the normal monsoon this year. CRISIL has forecasted growth of 10-12% in FY 19-20 and 7-9% CAGR from 2018 to fiscal 2023. Government announcements in terms of higher MSPs and compensation for difference between MSP and mandi prices are expected to be positive for the industry and support the growth.

Two Wheelers

Period	2018	2017	Change
Full Year	25,083,553	21,842,439	14.8%
Oct-Dec	5,989,795	4,680,248	28.0%
Jul-Sep	6,462,185	5,637,729	14.6%
Apr-Jun	6,874,426	6,269,823	9.6%
Jan-Mar	5,757,147	5,254,639	9.6%

The Two-Wheeler industry production has shown an increase by about 14.8% compared to the corresponding period in the previous year (source: SIAM). The quarter wise performance reveals the growth has been consistent and has led to manufacturers increasing production. We can see that the demand in the first two quarters was steady, however the subsequent quarters have seen demand increasing at an increasing rate. CRISIL Research expects the domestic two-wheeler sales to grow 7-9% for fiscal 19 and at a CAGR of of 6-8% from fiscal 2018 to fiscal 2023.

Human Resources and Industrial Relations Climate

India

As on 31st December, 2018 there were 6391 employees on the rolls of MCIE in India, including Bill Forge. A portion of our permanent labor workforce in certain locations is part of labor unions. We have signed collective bargaining and other agreements with labor unions at several of our plants where we have agreed to certain guaranteed bonuses, guaranteed wage increases and wages linked to productivity. In addition to our own employees, we also employ additional workers who are hired on a contract labor basis through registered contractors for ancillary activities. Our human resources ("HR") policies are designed to meet the specific requirements at each plant location, are comprehensive and based on the prevailing HR practices. We provide our employees with ongoing career development opportunities. Our performance evaluation and management process continues to be the backbone of all our HR activities and is based on an appropriate goal-setting process. Employee Relations in the Pune region in general have been challenging, however relationship between the management and workers' union continued to remain cordial.

Europe

MFE: As on 31st December 2018, there were 834 employees on the rolls of the company.

CIEF: 846 people work at CIE Galfor S.A., CIE Legazpi S.A. and CIE LT Forge on the rolls of the company as of 31st December 2018

MC: As on 31st December 2018, there were 280 employees on the rolls of the company. The company continues to maintain harmonious relations with its employees.

Strategy and Operational Performance

This year, your company has tried to simplify the legal structure of the company as a result of which the forgings businesses in Germany have moved from MCIE India to CIE Galfor (Which is a 100% subsidiary of MCIE) and consolidating some holding companies.

India

Your Company has pursued a strategy which is focused on increasing plant efficiency to improve margins through continuous improvements. We have endeavoured to diversify our customer base by actively engaging with new customers and have seen some traction on this front. The integration between your company and parent CIE means interventions are provided as required; in the form of two full time operational experts from CIE being stationed at the plants in Pune and training where required. The structured program to have MCIE employees go on plant visits to CIE plants to get first hand understanding of processes, has been received positively and the engagements are deepening.

Operations of Bill Forge Mexico plant are ramping up; but have had some operational problems, which are being addressed by training and consolidation and rationalization of operations.

Thus, the approach has been to focus on improving plant operations, improving margins through continuous improvements and strive for growth.

Europe

The operations in Germany have been stable, but the management is focusing on improving the profitability in a sustainable manner. Also; during this year, your company has decided to close down the UK operations and is exploring various options to shift machinery and customer orders to other locations.

Plants in Spain & Lithuania have been consistently profitable over the last few years and profit margins are in line with the margins of the CIE group worldwide. The strategic focus is to maintain profitability at these plants while growing with the market.

The Italian operations are showing positive results accruing from the successful ramp up of the key customer's new order.

Strategy Roadmap

MCIE has followed a strategy focused on the simple principle of pursuing operational excellence and customer diversification to drive profitability improvement. This is achieved by focusing on improving productivity and incremental investments in debottlenecking.

Financial Performance

The financial performance of the entity for the year ended 31st December, 2018 and 31st December, 2017 is presented below:

MCIE's abridged P&L Statement for the Financial Year 2018

(₹ in Million)

Sr. No.	Particulars	Standalone		Consolidated	
		Year Ended		Year Ended	
		December 18	December 17	December 18	December 17
		Audited	Audited	Audited	Audited
1	Income from continuing operations				
	(a) Net sales	23,067	19,366	76,485	63,082
	(b) Other operating income	2,226	1,273	3,830	2,627
	Total Income from operation	25,293	20,639	80,315	65,709
2	Expenses				
	(a) Cost of material consumed	14,224	10,508	37,738	28,923
	(b) Change of inventories of finished goods and work-in progress	(262)	(127)	(1,421)	(761)
	(c) Employee benefit expenses	2,847	2,458	13,297	11,527
	(d) Depreciation and amortisation expenses	739	759	2,867	2,683
	(e) Other Expenses	5,442	5,837	20,192	17,877
	Total expenses	22,990	19,435	72,672	60,249
3	Profit/(loss) from operation before other income finance cost and exceptional items (1 - 2)	2,303	1,204	7,643	5,460
4	Other Income	298	121	387	268
5	Profit/(Loss) from ordinary activities before finance cost and exceptional items (3 +4)	2,601	1,325	8,030	5,728
6	Finance cost	82	108	502	510

(₹ in Million)

Sr. No.	Particulars	Standalone		Consolidated	
		Year Ended		Year Ended	
		December 18	December 17	December 18	December 17
		Audited	Audited	Audited	Audited
7	Profit/(Loss) from ordinary activities after finance cost but before exceptional items (5-6)	2,519	1,216	7,528	5,218
8	Exceptional items	1,286	68	-	68
9	Profit/(Loss) from ordinary activities before tax (7-8)	1,233	1,148	7,528	5,150
10	Current Tax	796	532	1,899	1,266
	Deferred Tax (Credit) / Charge	82	(77)	144	217
11	Net Profit/(Loss) from ordinary activities after tax(9-10)	355	693	5,485	3,667
12	Net Profit/(Loss) for the period - continuing operations	355	693	5,485	3,667
13	Paid - Up equity share capital (Face value of ₹ 10 per equity share)	3,788	3,784	3,788	3,784
14	Earnings per share (after extraordinary items) (of ₹ 10/- each) - from continuing operations				
	(a) Basic	0.94	1.83	14.49	9.70
	(b) Diluted	0.94	1.83	14.48	9.68

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

Segment wise results for 2018

(₹ in Million)

Sr. No.	Particulars	Year ended	
		31 st December 2018	31 st December 2017
		Audited	Audited
1	Segment Revenue		
	a) India	33,886	28,948
	b) Europe	46,789	37,030
	Total	80,675	65,978
	Less: Inter Segment Revenue	360	269
	Net Sales / Income from Operations	80,315	65,709
2	Segment Profit/(Loss) before tax and interest from		
	a) India	3,588	2,267
	b) Europe	4,443	3,392
	Total	8,031	5,659
	Less:		
	(i) Un-allocable expenditure	502	510
	(ii) Un-allocable income	-	-
	Total Profit Before Tax	7,529	5,149
3	Segment Assets		
	a) India	41,158	34,460
	b) Europe	44,146	41,454
	Total	85,304	75,914
4	Segment Liabilities		
	a) India	13,305	13,611
	b) Europe	29,110	25,148
	Total	42,415	38,759

Synergies with Parents

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

With the active involvement of the CIE group, MCIE aims for long term growth and profitability. The focus on operational efficiency being paramount, all the businesses under MCIE will envision imbibing and following the excellence models employed by CIE.

Your companies has initiated efforts in this regard and below are summaries of a few projects under execution.

Synergy Case Study 1: Stampings Division Kanhe:

Your company is in the process of setting up a greenfield plant for a new best-in-class fully automated tandem press line, robotic welding & assembly cells and a well-equipped metrology laboratory with the latest engineering & quality assurance processes. This is being done in conjunction with CIE's domain experts and is expected to be a technology demonstrator of the capabilities that MCIE can bring to the industry. This world-class plant infrastructure is supported by Engineering & Technology capabilities leveraging CIE's expertise. Your Company has invested in the best-in-class Design, Simulation & Validation software for Tooling and Process optimisation, Program Management tools, top of the line Co-ordinate Measuring Machine and 3D Scanning machine. These investments will go a long way in establishing your Company's credentials as a Technology driven business and open up new business opportunities for long term growth.

Synergy Case Study 2: Forgings Division Chakan: In the forgings division; this year, in house teams in conjunction with operational experts from CIE undertook the project of automation of a press line. This was done with the intention of improving cycle time and to increase profitability. The layout around the press was reworked to improve process flow and reduce cycle time. This has resulted in a 25% reduction in cycle time and reduction in number of workstations (thus leading to savings in manpower required). This project has led to a lot of learning and confidence in the team to implement it across the other press lines as well.

Synergy Case Study 3: Objective was to launch a Quality and Efficiency improvement plan. The project involved adopting castings design standards from CIE's foundry divisions and experts via the process of Implementation as technology transfer. The benefits will be reducing rejection levels in complex Si-Mo parts by 50% and yield improvement which have resulted in savings of ₹ 1 Million/month.

Opportunities

Globally, CIE Automotive is focusing on growth in emerging markets like Mexico, India & the ASEAN region. MCIE will continue to lead this growth strategy in South East Asia. MCIE's European operations have the opportunity to use CIE's expertise to significantly improve their profitability. MCIE is also better placed to leverage CIE's experience in working with OEMs on their new electric vehicle programs.

Risks and Concerns

The business has a specific set of risk characteristics which are managed through an internal risk management practice. These risks are as follows:

- We are highly dependent on the performance of the automotive industry in India and Europe. Any adverse changes in the conditions affecting these markets may adversely affect our business, results of operations, financial condition and prospects.
 - Your company is monitoring the situation so that corrective actions are immediately taken in response to any demand movements
- Potential inability to pass-through to our customers via a price increase the cost increases, in labor, energy, etc. could reduce our future profitability.
- The loss of certain principal customers or a significant reduction in purchase orders from certain customers could adversely affect our business, results of operations, financial condition and prospects.
 - In India we are dependent on three main customers and your company is focusing on gaining entry into newer customers and newer products
- Advancement of emission and safety norms in India would require MCIE to work with OEMs to meet the changed requirements. This may require further investments.
- Your company will need to be ready for changes in its product portfolio to counter the impact of changes in automotive technology like hybrids and electrical engines.

Internal Control Systems and their Adequacy

In the opinion of the Management, MCIE has adequate internal audit and control systems to ensure that all transactions are authorized, 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. This year your company has also started using the compliance portal to track all management decisions through the use of a compliance portal.

Looking Ahead

MCIE is embarking on an exciting new phase in its evolution, a phase that will be marked with building on the integration with its parent and focusing on growth. The company is also optimistic about inorganic growth opportunities in the South East Asian market which will drive its future strategy.

Cautionary Statement

Certain statements in the Management Discussion and 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 expressed 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.

REPORT ON CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is based on preserving core beliefs and ethical business conduct while maintaining a strong commitment to maximise long-term stakeholder value. Your Company is focused 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.

Your Company continues to strengthen its governance principles to generate long-term value for its various stakeholders on a sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

The Company is in compliance with the requirements mandated by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as "Listing Regulations"). A Report on compliance with the Corporate Governance provisions as prescribed under the Listing Regulations is given herein below:

II. BOARD OF DIRECTORS

The composition of the Board is in conformity with Regulation 17 of the Listing Regulations and provisions of the Companies Act, 2013 as amended from time to time (hereinafter referred to as "the Act"). The Board has an optimum combination of Executive and Non-Executive Directors with the Chairman being Non-Executive Director and not less than fifty percent of the Board of Directors comprising Non-Executive Independent Directors including one woman Independent Director.

The Management of the Company is entrusted in the hands of Key Managerial Personnel(s), headed by Mr. Ander Arenaza, the Executive 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. The ultimate holding company, CIE Automotive S.A. ("CIE") provides continuous guidance by active involvement of its Global CEO who is also on the Board of the Company.

During the year under review, the term of appointment of Mr. Hemant Luthra as Executive Director of the Company expired on 31st March, 2018. In consonance with the spirit of separating the role of the Chairman from the executive function which has been assumed by Mr. Ander Arenaza, Mr. Luthra volunteered to demit executive responsibilities and he retired from the services of the Company. Post retirement Mr. Luthra has continued to provide his

support and advice to the Company as the Non-Executive Chairman with effect from 1st April, 2018.

Mr. Jose Sabino Velasco Ibanez resigned as Independent Director of the Company with effect from 20th February, 2018 owing to other professional commitments he had which did not allow him to devote the time required for carry out the responsibilities of Independent Director of the Company. Mr. Antonio Maria Pradera Jauregui resigned as Director of the Company with effect from 16th October, 2018. Mr. Pradera informed that in the beginning of 2018 he assumed the role of Non-Executive Chairman of CIE Automotive S.A. and as part of the process of separating executive and non-executive functions, he was stepping down as Director in the subsidiaries of CIE and his resignation from the Board of the Company was in line with the said process.

Mr. Romesh Kaul was appointed as Executive Director of the Company with effect from 17th October, 2018 for the period of one year.

Mr. Jesus Maria Herrera Barandiaran is a Non-Independent Non-Executive Director drawing remuneration from CIE (ultimate holding Company of the Company). Mr. Zhooben Bhiwandiwalla and Mr. S. P. Shukla, the Non-Independent Non-Executive Directors, are in Whole-time employment of Mahindra & Mahindra Limited and draw remuneration from it.

The remaining six Non-Executive Directors including the Woman Director are Independent Directors and are professionals drawn from diverse fields, possess requisite qualifications and experience which enable them to discharge their responsibilities, provide effective leadership to business and enhance the quality of Board's decision making process.

The maximum tenure of Independent Directors is in compliance with the Companies Act, 2013 ("the Act") and the Listing Regulations. All the Independent Directors have confirmed that, they meet the criteria as mentioned in Regulation 16(1)(b) of the Listing Regulations and Section 149(6) of the Act.

Apart from reimbursement of expenses incurred in the discharge of their duties and remuneration by way of sitting fees that Independent Directors would be entitled to under the Act and the remuneration which an entity, in which an Independent Director may be a partner, may receive for the professional services rendered by such entity, none of the Independent Directors have any other pecuniary relationships with your Company, its Subsidiaries or Associates or their Promoters or Directors during the two immediately preceding financial years or the current financial year. The Company has availed professional services from Economic Law Practice (ELP), Advocates & Solicitors, in which Mr. Suhail Nathani, Non-Executive and Independent Director is a partner. For services availed the Company has not received any invoice from ELP during the year under review.

None of the Directors of your Company are inter-se related to each other.

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

A. Composition of the Board

The Board of your Company comprises of Twelve Directors as on 31st December, 2018.

The names and categories of Directors, DIN, the number of Directorships and Committee positions held by them, in the Companies as on 31st December, 2018 are given in Table 1 below.

Table 1: Composition of the Board of Directors

Directors	Category \$	Directors Identification Number	Total number of Committee Memberships of Public Companies as on 31 st December, 2018@	Total number of Chairmanships of Committee of Public Companies as on 31 st December, 2018@	Total number of Directorships of Public Companies as on 31 st December, 2018*	Total number of Directorships of Private Companies as on 31 st December, 2018*
NON – EXECUTIVE						
Mr. Hemant Luthra	Chairman Non-Independent (Executive Director till 31 st March, 2018)	00231420	1	Nil	3	1
Mr. Jesus Maria Herrera Barandiaran	Non-Independent	06705854	Nil	Nil	1	1
Mr. Zoooben Bhiwandiwalla	Non-Independent	00110373	1	1	7	8
Mr. S. P. Shukla	Non-Independent	00007418	Nil	Nil	7	Nil
Mr. Daljit Mirchandani	Independent	00022951	1	2	3	Nil
Mr. Manoj Maheshwari	Independent	00012341	2	1	5	2
Mr. Dhananjay Mungale	Independent	00007563	3	3	7	4
Mr. Juan Maria Bilbao Ugarriza	Independent	06963805	1	Nil	1	Nil
Mrs. Neelam Deo	Independent	02817083	Nil	Nil	2	Nil
Mr. Suhail Nathani	Independent	01089938	1	Nil	2	2
EXECUTIVE						
Mr. Ander Arenaza Alvarez	Executive Director	07591785	Nil	Nil	2	Nil
Mr. Romesh Kaul	Executive Director	00209261	Nil	Nil	3	Nil

\$ Participaciones Internacionales Autometal, DOS S.L (PIA2), one of the Promoters of the Company, has nominated Mr. Hemant Luthra, Mr. Romesh Kaul, Mr. Jesus Maria Herrera Barandiaran and Mr. Ander Arenaza Alvarez on the Board of the Company. Mahindra and Mahindra Limited (M&M) [holding company of Mahindra Vehicle Manufacturers Limited (MVML) one of the Promoter of the Company] has nominated, Mr. Zoooben Bhiwandiwalla and Mr. S.P. Shukla on the Board in accordance with rights vested in PIA2 and M&M (jointly with MVML) under the Articles of Association of the Company. However, the Directors are not appointed as “Nominee Directors” in terms of provisions of the Companies Act, 2013 and they are acting as Directors of the Company in their professional capacity.

* Excludes Directorships in Companies registered under Section 8 (of the Companies Act, 2013) and Companies registered outside India but includes Directorship in the Company.

@ Chairpersonship and Membership of the Audit Committee and the Stakeholders’ Relationship Committee held in all the Public Companies including that of the Company is considered. Committee Membership(s) and Chairmanship(s) are counted separately.

B. Board Procedure

A detailed agenda, setting out the business to be transacted at the Meeting(s), supported by detailed notes and presentations, if any is sent to each Director at least seven days before the date of the Board Meeting(s) and of the Committee Meeting(s). The Directors are provided the facility of video conferencing to enable them to participate effectively in the Meeting(s), as and when required.

To enable the Board to discharge its responsibilities effectively and take informed decisions, the Executive Directors along-with Chief Executives of respective divisions apprise the Board at every meeting on the performance of the Company, followed by presentations by other senior Executives of the Company.

The Board also, inter alia, periodically reviews strategy and business plans, annual operating and capital expenditure budget(s), compliance report(s) of all laws applicable to your Company, as well as steps taken by your Company to rectify instances of non-compliances, if any, review of major legal issues, minutes of the Committees of the Board, minutes of Board Meetings of your Company's Subsidiary Companies, significant transactions and arrangements entered into by the Unlisted Subsidiary Companies, approval of quarterly / half-yearly/annual results, significant labour problems and their proposed solutions, safety and risk management, transactions pertaining to purchase/disposal of property(ies), sale of investments, remuneration of Key Managerial Personnels, major accounting provisions and write-offs, corporate restructuring, details of any joint ventures or collaboration agreement, material default in financial obligations, if any, fatal or serious accidents, any material effluent or pollution problems, transactions that involve substantial payment towards goodwill, brand equity or intellectual property, any issue that involves possible public or product liability claims of substantial nature, including judgement or order which may have passed strictures on the conduct of your Company, quarterly details of foreign exchange exposures and the steps taken by Management to limit the risks of adverse exchange rate movement and information on recruitment

of Senior Officers just below the Board level.

The Board sets annual performance objectives, oversees the actions and results of the management, evaluates its own performance, performance of its Committees and individual Directors on an annual basis and monitors the effectiveness of the Company's governance practices for enhancing the Stakeholders' value.

Apart from the Directors and the Company Secretary, the Board and Committee meetings are generally attended by the Chief Executive Officers of each Business Divisions of the Company, the Chief Financial Officer, the Business Controller and the Head of Strategy and Investors Relations. The Chairperson of the Board or Chairperson of the Committees of the Board also invite other officers of the Company or of its Subsidiaries as and when necessary.

C. Number of Board Meetings, Attendance of the Directors at Meetings of the Board and at the last Annual General Meeting (AGM)

The Board of Directors met six times during the Financial Year ended 31st December, 2018 on 20th February, 2018, 19th April, 2018, 18th July, 2018, 25th September, 2018, 16th October, 2018 and 13th December, 2018. The Board met at least once in a calendar quarter and the gap between any two meetings did not exceed one hundred and twenty days.

The Nineteenth Annual General Meeting (AGM) of Members of your Company was held on 19th April, 2018.

The attendance of the Directors at these meetings is presented in Table 2 below.

Table 2: Number of Meetings and Attendance

Sr. No	Directors	No. of Board Meetings Attended	Attendance at the last AGM
1	Mr. Hemant Luthra	6	Yes
2	Mr. Zhooben Bhiwandiwalla	2	Yes
3	Mr. Antonio Maria Pradera Jáuregui (upto 16 th October, 2018)	4	No
4	Mr. Jesus Maria Herrera Barandiaran	3	No
5	Mr Daljit Mirchandani	6	Yes
6	Mr. Manoj Maheshwari	5	Yes
7	Mr. Dhananjay Mungale	6	No
8	Mr. Juan Maria Bilbao Ugarriza	2	No
9	Mrs. Neelam Deo	5	No
10	Mr. Suhail Nathani	3	Yes
11	Mr. Jose Sabino Velasco Ibanez (upto 20 th February, 2018)	1	NA
12	Mr. Shriprakash Shukla	3	Yes
13	Mr. Ander Arenaza Alvarez	6	Yes
14	Mr. Romesh Kaul (with effect from 17 th October, 2018)	1	NA

D. Meeting of Independent Directors

The Independent Directors of your Company met on 13th December, 2018 without the presence of the Chairman, Executive Directors, other Non-Independent Director(s) and any other Managerial Personnel.

The meeting was conducted in an informal and flexible manner to enable the Independent Directors to, inter alia, discuss matters pertaining to review of performance of Non-Independent Directors and the Board as a whole, review the performance of the Chairman of the Company (taking into account the views of the Executive and Non-Executive Directors), assess the quality, quantity and timeliness of flow of information between the Company's Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

E. Directors seeking appointment / re-appointment

Mr. Jesus Maria Herrera Barandiaran and Mr. Ander Arenaza Alvarez, retire by rotation and being eligible, have offered themselves for re-appointment.

The Board at its meeting held on 16th October, 2018, on recommendation of Nomination and Remuneration Committee, appointed Mr. Romesh Kaul (DIN: 00209261) as an Additional Director with effect from 17th October, 2018. Pursuant to Section 161 of the Companies Act, 2013, Mr. Romesh Kaul will hold office up to the date of the ensuing Annual General Meeting of the Company. In accordance with Section 160 of the Companies Act, 2013 the Company has received notice in writing from a member signifying the intention of the member to propose the candidature of Mr. Kaul for the office of Director of the Company. The Board of Directors of the Company on recommendation of the Nomination and Remuneration Committee proposed appointment of Mr. Kaul as Director liable to retire by rotation at the forthcoming Annual General Meeting of the Company.

A brief resume of the Directors seeking appointment/re-appointment is given as under:

Table 3: Brief resume of the Directors seeking appointment / re-appointment-

	Mr. Jesus Maria Herrera Barandiaran	Mr. Ander Arenaza Alvarez	Mr. Romesh Kaul
DIN	06705854	07591785	00209261
Age	52	50	61
Education	University Degree in Economics	Industrial Engineering (Superior Engineering School of Bilbao), MBA from Deusto University (Bilbao)	Mr. Kaul was the university topper in Mechanical Engineering from NIT Srinagar, after which he did his post graduation from IIT, Delhi
Brief profile including Nature of expertise in specific functional areas;	Mr. Herrera is an expert in internationalisation. He joined CIE Automotive in 1995. He was Managing Director of the America division and then became CEO of the CIE Automotive Group in 2013	Mr. Arenaza has extensive experience in the automotive sector and has in the past held important responsibilities within the CIE Automotive Group across several key locations worldwide. He has been working with CIE Automotive Group for 10 years and managed the machining and aluminium divisions. He has developed his professional career in the automotive sector, where he has performed different roles with an international footprint. His role as an Executive Director of the Company is to oversee the Company's Business in India and Europe.	Mr. Kaul joined Mahindra & Mahindra in 2004 as Head of Projects for Systech Sector (then MSAT) and executed several new projects in the Sector that were growing. In 2005 Mr. Kaul was appointed the Director of Mahindra Forgings Limited where one of his key contributions was commissioning the Greenfield Machining Operations at Mahindra Forgings in 2006. In 2008, Mr. Kaul took over responsibility as Global CEO of the Gears Vertical (India and Italy Operations) in Systech and was the Global Chief Executive Officer, Gears Business. In 2010, he was inducted into the Group Executive Board of the Mahindra Group.

	Mr. Jesus Maria Herrera Barandiaran	Mr. Ander Arenaza Alvarez	Mr. Romesh Kaul
			In 2012, Mr. Kaul was also appointed as the Executive Director of Mahindra Composites Limited. In 2016, after successfully establishing the gears business and nurturing the next level of leadership within the business, Mr. Kaul took over the enhanced responsibility of the Stampings Division of Mahindra CIE. He currently heads the Stampings, Forgings and Composites Divisions of Company.
Names of other Companies in which the Non-Executive / Executive Director holds the Directorship (excludes Directorships in Body Corporate)	Gescrap India Private Limited	Bill Forge Private Limited	1) Bill Forge Private Limited 2) BF Precision Private Limited
Names of the other Membership of Committees of the Non-Executive/ Executive Director (includes Membership of Audit Committee and Stakeholders Relationship Committee only)	Nil	Nil	Nil
Shareholding of Executives/ Non-Executive Directors	Nil	Nil	44,500

F. Codes of Conduct

The Board of your Company has laid down separate Codes of Conduct ("Codes"), for all the Board Members, for Independent Directors and for Senior Management Personnel's and Employees of the Company. These Codes have been posted on the Company's website <http://www.mahindrachie.com>. All the Board Members and Senior Management Personnel have affirmed compliance with these Codes. A declaration signed by the Executive Director to this effect is enclosed at the end of this Report.

G. CEO/CFO Certification

As required under Regulation 17 (8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Ander Arenaza, Executive Director and Mr. K. Jayaprakash, Chief Financial Officer of the Company have certified to the Board that the Financial Statements for the year ended 31st December, 2018 do not contain any untrue statement and that these statements represent a true and fair view of the Company's affairs and other matters as specified thereunder.

H. Performance evaluation of Board, its Committees and Directors

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations the Board has carried out an Annual Performance Evaluation of its own performance, and that of its Committees as well as performance of all the Directors individually.

The Performance Evaluation of Board, its Committees and Directors has been discussed in detail in the Directors' Report.

I. Familiarisation programme for Independent Directors

A new Director is welcomed to the Board of Directors of the Company by sharing various documents and information of the Company for his/her reference such as brief introduction to the Company and profile of Board of Directors of the Company, Details of various Committees of the Board, Latest Annual Reports, Code of Conduct for Directors, Code of Conduct for Senior Management and Employees, Code of Conduct for Independent Directors, Code of Conduct for Prevention of Insider Trading in shares of the Company etc.

The Company updates the Board Members on a continuing basis on any significant changes and provides them an insight in to their expected roles and responsibilities so as to be in a position to take a well-informed and timely decisions and contribute significantly to the Company.

Other Initiatives to update the Directors on a continuing basis:

All Directors are apprised of any changes in the codes or policies of the Company. The Board of Directors has access to the information within the Company which is necessary to enable it to perform their role and responsibilities diligently.

The Company through its Executive Director/Senior Managerial Personnel makes presentations regularly to the Board, Audit Committee, Nomination and Remuneration Committee or such other Committees, as may be required, covering, inter alia, the business strategies, operations review, quarterly and annual results, budgets, review of Internal Audit Report and Action Taken Report, statutory compliances, risk management, operations of its Subsidiaries, joint venture Company, etc.

This enables the Directors to get a deeper insight into the operations of the Company and its Subsidiaries. Such presentations also provide an opportunity to the Independent Directors to interact with the Senior Management team of the Company and its Subsidiaries and help them to understand the Company's policies, its long-term vision and strategy, business model, operations and such other areas as are relevant from time to time. Press Releases, disclosures to Stock Exchanges, news and articles related to the Company are circulated to provide updates from time to time.

Thus, the Company ensures that, there is an adequate mechanism to ensure that the Directors remain familiar with their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., and continue to be updated on the state of the Company's affairs and the industry in which it operates.

Details of familiarisation program during the year under review

During the year under review, a Factory visit was organized for the members of the Board on 17th July, 2018, to the factories of Gears Division and Forgings Division of the Company at Chakan. The members of Board were inter-

alia briefed on the manufacturing process, machineries and equipments used, products manufactured etc. Further, on 18th July, 2018, discussion on strategy among members of Board of Directors was organized during which the Board was inter-alia briefed on the evolution of sales over last three years from 2015 to 2017, profit and loss evolution for similar period, key success factors etc. The members of the Board were further briefed on the Market, expected industry and market growth going forward including the growth factors, MCIE key customers and updates relating to them, technological challenges etc.

As required under Regulation 46 of the Listing Regulations the details of familiarisation programme for the Independent Directors has been hosted on the Company's website and can be viewed by visiting the following link:

<http://www.mahindrachie.com/investors/investor-relations/governance.html>

J. Risk Management

Your 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.

III. 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:

i. Composition, name of Members and Chairperson

The Audit Committee comprises of four Non-Executive Independent Directors namely Mr. Daljit Mirchandani (Chairman of the Committee), Mr. Manoj Maheshwari, Mr. Dhananjay Mungale and Mr. Juan Maria Bilbao Ugarriza. The Chairman of the Audit Committee was present at the last Annual General Meeting to answer queries of Shareholders.

During the year under review Mr. Jose Sabino Velasco Ibanez ceased to be member of the Committee with effect from 20th February, 2018.

All the Members of the Audit Committee have vast experience and possess financial / accounting expertise / exposure. The composition of Committee meets with requirements of Section 177 of the Act and Regulation 18 (1) of Listing Regulations.

The Company Secretary is the Secretary to the Committee.

ii. Terms of reference

The terms of reference of this Committee are very wide and are in line with the regulatory requirements mandated by the Act and Part C of Schedule II of the Listing Regulations. 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 and monitor and review the Auditor's independence and performance, effectiveness of the audit process, oversee of the Company's financial reporting process and the disclosure of its financial information, review with the management the quarterly and annual financial statements before submission to the Board for approval, select and establish accounting policies, approve wherever necessary transactions of the Company with related parties including subsequent modifications thereof, grant omnibus approvals subject to fulfillment of certain conditions, scrutinise inter-corporate loans and investments, review the risk assessment and minimisation procedures, evaluate internal financial controls and risk management systems. The Committee is also empowered to recommend, the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary.

The Committee is also empowered to recommend to the Board the term of appointment and remuneration of the Cost Auditor, Internal Auditor and Chief Financial Officer (i.e., the Whole-time Finance Director or any other person heading the finance function or discharging that function), etc. The Committee also reviews Financial Statements and investments of Unlisted Subsidiary Companies, Management Discussion & Analysis of financial condition and results of operations, material individual transactions with related parties not in normal course of business or which are not on an arm's length basis, if any and reviews all the information as prescribed in Part C of Schedule II of the Listing Regulations including the working of whistle blower mechanism. The Audit Committee has been granted powers as prescribed under Regulation 18 (2) Listing Regulations.

The Committee also reviews on quarterly basis the Report on compliance under Code of Conduct for Prevention of Insider Trading adopted by the Company pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

iii. Meetings and attendance

The Committee held 6 (Six) meetings during the Financial Year ended 31st December, 2018 on 20th February, 2018, 19th April, 2018, 18th July, 2018, 25th September, 2018, 16th October, 2018 and 13th December, 2018. The time gap between two meetings did not exceed one hundred and twenty days. 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. Daljit Mirchandani	Independent Director	Chairman	6
Mr. Jose Sabino Velasco Ibanez*	Independent Director	Member	1
Mr. Manoj Maheshwari	Independent Director	Member	5
Mr. Dhananjay Mungale	Independent Director	Member	6
Mr. Juan Maria Bilbao Ugarriza	Independent Director	Member	2

(* Mr. Jose Sabino Velasco Ibanez ceased to be Director of the Company with effect from 20th February, 2018)

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

The Cost Auditor also attends the Committee Meeting at which the Cost Audit Report is considered.

B. Nomination and Remuneration Committee:

i. Composition, name of Members and Chairperson

The Nomination and Remuneration Committee comprised of four Members with half of them being Independent Directors, including its Chairman, namely Mr. Manoj Maheshwari (Chairman of the Committee), Mr. Daljit Mirchandani, Mr. Jesus Maria Herrera Barandiaran, Non-Executive Director and Mr. Hemant Luthra, Non-Executive Director and Chairman of the Company.

The Company Secretary is the Secretary to the Committee.

ii. Terms of reference

The terms of reference of the Nomination and Remuneration Committee inter-alia includes, identification of persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, determining the criteria for determining qualifications, positive attributes and independence of a Director, recommend to the Board appointment and removal of Directors & Key Managerial Personnel's, carry out evaluation of every Director's performance and recommend to the Board a policy, relating to the remuneration of Directors, Key Managerial Personnel and other employees.

The scope of the Committee further includes review and recommend to the Board appointment and remuneration of the Executive Director(s) and Key Managerial Personnel of the Company.

The Committee also administers the Company's Employee Stock Option Schemes formulated from time to time including Mahindra CIE Employees Stock Option Scheme 2007 and Mahindra CIE Employees Stock Option Scheme 2015 and take appropriate decisions in terms of the concerned Scheme(s). It also attends to such other matters as may be prescribed from time to time.

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Part D of Schedule II of the Listing Regulations.

iii. Meetings and attendance

The Committee held 3 (Three) meetings during the Financial Year ended 31st December, 2018 on 20th February, 2018, 18th July, 2018 and 16th October, 2018.

The above meetings were attended by all the members of the Committee except by Mr. Jesus Maria Herrera Barandiaran.

Mr. Manoj Maheshwari, the Chairman of the Committee and Mr. Daljit Mirchandani, Mr. Hemant Luthra members of the Committee were present at the 19th Annual General Meeting of the Company held on 19th April, 2018.

iv. Performance evaluation of Directors and criteria for Independent Directors.

The Board carried out the evaluation of the performance of the Board and Committees of the Board. Further, in accordance with Schedule IV to the Companies Act, 2013 and the Listing Regulations, performance evaluation of Independent Directors was done by the entire Board excluding the Director being evaluated.

Feedback was sought by way of a structured questionnaire, based on criteria approved by the Nomination and Remuneration Committee, for evaluation of performance of Board, Committees of Board and Individual Directors. Structured questionnaires covers various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and performance evaluation is carried out based on the responses received from the Directors.

The performance evaluation of Independent Directors were based on various criteria, inter alia, including attendance at Board and Committee Meetings, skill, experience, ability to challenge views of others in a constructive manner, knowledge acquired with regard to the Company's business, understanding of industry and global trends, etc.

The manner in which the annual performance evaluation is done by the Board including the criteria for the same is discussed in detail in the Directors' Report.

C. Stakeholders' Relationship Committee:

As on 31st December, 2018 the Stakeholders' Relationship Committee comprises of two Non-Executive Independent

Directors of the Company namely Mr. Dhananjay Mungale, Chairman of the Committee and Mr. Daljit Mirchandani. 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, request for issue of duplicate share certificates and monitors redressal of the grievances of the security holders relating to transfers, non-receipt of balance-sheet etc. With a view to expediting the process of share transfers, necessary authorisation has been delegated to the Chairman of the Committee and the Company Secretary who are severally authorised to approve the transfers/ transmission of not more than 5,000 ordinary equity shares per transfer provided that the transferee does not hold 100,000 or more ordinary equity shares in your Company.

The Committee is also authorised to approve request for transmission of shares and issue of duplicate share certificates. The role and terms of reference of the Committee covers the areas as contemplated under Regulation 20 read with Part D of Schedule II of the Listing Regulations and Section 178 of the Act, as applicable, besides the other terms as referred by the Board of Directors.

The Committee met two times during the year under review on 20th February, 2018 and 16th October, 2018. The Committee also considered the matters relating to issue of duplicate share certificates through circular resolution. The details of shares transferred, transmitted etc. and report of Investors Complaints received and resolved was presented to Board on quarterly basis.

The above meetings were attended by all the members of the Committee.

During the year ended 31st December, 2018, 77 complaints were received from Shareholders and all of which have been attended /resolved to the satisfaction of Shareholders. As of date, there are no pending share transfers pertaining to the year under review.

As per Section 178(7) of the Act and the Secretarial Standards, the Chairman of the Committee or, in his absence, any other Member of the Committee authorised by him in this behalf shall attend the General Meetings of the Company. The member of the Committee, Mr. Daljit Mirchandani was present at the 19th Annual General Meeting of the Company held on 19th April, 2018.

D. Allotment Committee:

The Board of Directors have constituted 'Allotment Committee' for considering issue and allotment of shares pursuant to exercise of options granted under ESOP scheme of the Company. Allotment Committee comprises of Mr. Daljit Mirchandani (Chairman) and Mr. Dhananjay Mungale.

During the year under review, no meeting of the Committee was held however the Committee considered the matters relating to the issue and allotment of shares through circular resolution.

E. Corporate Social Responsibility Committee:

As on 31st December, 2018 the Committee comprises of three Members namely Mr. Daljit Mirchandani - Chairman, Mr. Dhananjay Mungale and Mr. Hemant Luthra.

The terms of reference of the CSR Committee inter-alia included to formulate and recommend to the Board the CSR Policy indicating the activities to be undertaken by the Company in compliance with the provisions of the Companies Act, 2013 and Rules made there under, allocate the amount of expenditure to be incurred on CSR activities as enumerated in Schedule VII to the Companies Act, 2013, and monitor the implementation of CSR Policy and projects of the Company periodically.

Four meetings of the Committee were held during the Financial Year under review on 20th February, 2018, 18th July, 2018, 25th September, 2018 and 16th October, 2018.

The above meetings were attended by all the members of the Committee.

The details of CSR initiatives undertaken by the Company are provided in the CSR Report annexed to the Directors Report.

IV. APPOINTMENT AND REMUNERATION OF DIRECTORS

A. Policy on appointment of Directors and Senior Managerial Personnel

Your Company has a well-defined Policy for on appointment of Directors and senior management. The Policy was approved by the Board of your Company at its Meeting held on 11th May, 2015 based on the recommendations made by the Nomination and Remuneration Committee.

i. Appointment of Directors

The Nomination and Remuneration Committee (NRC) reviews and assesses the Board Composition and recommends the appointment of new Directors. All Board appointments are based on merit, skills, experience, independence and knowledge of individuals. NRC also takes into account ability of candidates to devote sufficient time in discharging his/her duties.

ii. Appointment of Senior Managerial Personnel:

The Nomination and Remuneration Committee (NRC) has laid down the criteria for identification of persons who may be appointed in the Senior Management which includes the qualification, skills and experience of the candidate for the responsibility the position shall carry. Senior Management personnel are appointed or promoted and removed/relieved with the authority of Chairman and/or Managing

Director or Executive Director based on the business need and the suitability of the candidate in accordance with the criteria laid down. The details of the appointment made and the personnel removed is presented to the NRC.

B. Policy on remuneration

Your Company has a well-defined Compensation Policy for Remuneration of the Directors, Key Managerial Personnel and other Employees. The Policy was approved by the Board of your Company at its Meeting held on 11th May, 2015 based on the recommendations made by the Nomination and Remuneration Committee.

i. Remuneration to Non-Executive including Independent Directors

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and Variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise and submit its recommendations to the Board.

ii. Remuneration to Executive Directors:

The remuneration to Executive Director(s) is recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and is paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and Shareholders. While the fixed compensation of the Executive Directors is determined at the time of their appointment, the variable compensation is determined annually by the NRC based on their performance.

iii. Remuneration to Key Managerial Personnel's (Excluding Managing Director and Executive Directors) (KMPs)

Pursuant to the provisions of Section 203 of the Companies Act 2013, the Board approves the remuneration of KMP at the time of their appointment on recommendation of the Nomination and Remuneration Committee. Remuneration of KMPs consists of both fixed and variable compensation and is paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board on recommendation of the Nomination and Remuneration Committee. The terms of remuneration of Chief Financial Officer (CFO) are also approved by the Audit Committee.

The remuneration to Directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

iv. Senior Management Personnel's and other Employees

The Company has a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a

variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year.

Remuneration for the new employees other than KMPs is decided by the HR of the respective divisions/plant as the case may be, in consultation with the concerned head of the Division, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

C. Remuneration / Compensation paid to Directors

Table 5: Details of remuneration paid/payable to the Directors for the year ended 31st December, 2018

(₹ In Million)

Name of the Director	Sitting Fees*	Salary and Perquisites	Other Compensation / Fees	Total	Contract Period
Mr. Hemant Luthra (Executive Director upto 31 st March, 2018)	Nil	8.33	Nil	8.33	1 st April, 2015 to 31 st March, 2018
Mr. Hemant Luthra (Non-Executive Director with effect from 1 st April, 2018)	Nil	Nil	21.00	21.00	1 st April, 2018 to 31 st March, 2020
Mr. Ander Arenaza Alvarez	Nil	1.54	Nil	1.54	13 th September, 2016 to 12 th September, 2019. (appointment was effective from 5 th May, 2017 as per the approval of Central Government)
Mr. Romesh Kaul (with effect from 17 th October, 2018)	Nil	3.99	Nil	3.99	17 th October, 2018 to 16 th October, 2019
Mr. Daljit Mirchandani	1.08	NA	Nil	1.08	NA
Mr. Dhananjay Mungale	1.02	NA	Nil	1.02	NA
Mr. Manoj Maheshwari	0.81	NA	Nil	0.81	NA
Mrs. Neelam Deo	0.50	NA	Nil	0.50	NA
Mr. Juan Maria Bilbao Ugarriza	0.30	NA	Nil	0.30	NA
Mr. Jose Sabino Velasco Ibanez (Upto 20 th February, 2018)	0.15	NA	Nil	0.15	NA
Mr. Suhail Nathani	0.30	NA	Nil	0.30	NA

*Net of service tax paid on the sitting fees

Except for Mr. Hemant Luthra, the other Non-Executive, Non-Independent Directors of the Company, namely, Mr. Antonio Maria Pradera Jauregui (resigned with effect from 16th October, 2018), Mr. Jesus Maria Herrera Barandiaran, Mr. Zhooben Bhiwandiwalla and Mr. Shriprakash Shukla were not paid any remuneration or sitting fees.

Non-Executive Independent Directors were paid sitting fees of ₹ 1,00,000/- for attending every meeting of the Board, ₹ 50,000/- for attending every meeting of the Audit Committee and ₹ 20,000/- for attending other Committee meetings of the Board.

None of the Non-Executive Directors had any pecuniary relationship or transactions vis-à-vis the Company.

The remuneration to the Executive Director is fixed by the Board of Directors of the Company on recommendation of the Nomination and Remuneration Committee of the Company and also approved by the Shareholders of the Company.

The Company did not advance loans to any of its Directors.

Notes:

- Notice period applicable to the Executive Directors - three months.
- No severance fees and no commission.
- Performance Pay and Employee Stock Option is the only component of remuneration that is performance-linked.

All other components are fixed.

D. Table 6: The Stock options granted to Directors, the period over which accrued and over which it is exercisable are as under:

Name of the Director	ESOP - 2007						ESOP-2015	No. of Ordinary (Equity) shares held as on 31 st December, 2018
	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 options granted on 12 th December, 2014 against the options held in MCL@@@@@	No. of Options granted in February, 2016\$	
Mr. Hemant Luthra	NIL	200,000	NIL	NIL	NIL	5,220	4,16,700	387,653#
Mr. Zhooben Bhiwandiwalla	8,000	2,000	10,000	15,000	NIL	NIL	-	21,500#
Mr. Daljit Mirchandani**	NA	NA	10,000	15,000	NIL	NIL	-	25,000#
Mr. Romesh Kaul (Executive Director with effect from 17 th October, 2018)	NA	6,250	6,250	6,250	6,250	NIL	133,330	44,500

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

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

@@@@ These Options vested in four equal instalments 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 in four equal instalments 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.

@@@@@@ These Options were granted in lieu of the Options held in Mahindra Composites Limited (MCL) which was amalgamated with the Company as per the Scheme of Amalgamation. These options were vested in three equal instalments on July, 2010, July 2011 and July, 2012 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price ₹ 52.67/-per share.

These shares were allotted pursuant to exercise of Stock Options / pursuant to Integrated Scheme and Composites Scheme of Amalgamation.

** The Stock options were granted to Mr. Mirchandani before the Companies Act, 2013 and the Listing Regulations came into force. The Independent Directors are not entitled to any stock options with effect from 1st April, 2014.

\$ These Options vested in three equal instalments in February, 2017, February, 2018 and February, 2019 respectively. These Options can be exercised within four years from the date of vesting of the Options at an Exercise Price ₹ 150/-per share.

V. GENERAL BODY MEETINGS

- a. Details of Location, time, venue and special resolutions passed in the Annual General Meetings (AGMs) and Extra-Ordinary General Meetings (EGMs) in last three Financial Years are given in Table 7 below:

Table 7:

Year	Date and Venue	Time	Special Resolution(s) passed
AGM 2016	17 th May, 2016 Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai – 400025	3:30 p.m.	Nil
EGM 2016	13 th October, 2016 Kishinchand Chellaram College, 124, Dinshaw Wacha Road, Churchgate, Mumbai - 400020	3:00 p.m.	<ol style="list-style-type: none"> 1. Re-classification of Authorized share Capital 2. Alteration of Articles of Association of the Company 3. Approval of further issue of equity shares by way of preferential allotment to the promoter of the Company and the Shareholders of Bill Forge Private Limited. 4. Approval of further issue of securities under Section 42 and Section 62(1)(c) of the Companies Act, 2013, SEBI (ICDR) Regulations, 2009 and other applicable law for the proposed issue of securities. 5. Appointment of Mr. Ander Arenaza Alvarez as Executive Director of the Company. 6. Increase in overall limits of Managerial remuneration. 7. Payment of minimum remuneration to Mr. Hemant Luthra. 8. Payment of minimum remuneration to Mr. K Ramaswami.
AGM 2017	27 th April, 2017 Kishinchand Chellaram College, 124, Dinshaw Wacha Road, Churchgate, Mumbai - 400020	11:00 a.m.	<ol style="list-style-type: none"> 1. Approval for payment of remuneration to Mr. Ander Arenaza Álvarez (DIN: 07591785) as the Whole-time Director (Executive Director) of the Company with effect from 1st April, 2017 till the remaining tenure of his appointment upto 12th September, 2019.
AGM 2018	19 th April, 2018 Kishinchand Chellaram College, 124, Dinshaw Wacha Road, Churchgate, Mumbai - 400020	10:30 a.m.	<ol style="list-style-type: none"> 1. Modification in the sub-limits of remuneration payable to Directors of the Company. 2. Remuneration payable to Mr. Hemant Luthra (DIN: 00231420) as Non-Executive Chairman of the Company.

a. Postal Ballot

During the Financial Year ended 31st December, 2018 no resolution was passed through Postal Ballot.

b. Resolution proposed to be passed through Postal Ballot

None of the businesses proposed to be transacted in the ensuing Annual General Meeting requires the passing of a Resolution by way of Postal Ballot

VI. DISCLOSURES**a. Policy for determining 'material' Subsidiaries**

Your Company has formulated a Policy for Determining 'Material' Subsidiaries as defined in Regulation 16 of the Listing Regulations. This Policy has also been posted on the website of the Company and can be accessed through web link: <http://www.mahindrachie.com>.

b. Policy on Materiality of and Dealing with Related Party Transactions

Your Company has formulated a Policy on Materiality of and Dealing with Related Party Transactions which specify the manner of entering into related party transactions. This Policy has also been posted on the website of the Company and can be accessed through web link: <http://www.mahindrachie.com>

c. Disclosure of Transactions with Related Parties

All related party transactions that were entered into during the Financial Year were on an arm's length basis and were in the ordinary course of business. During the Financial Year ended 31st December, 2018, there were no materially significant

related party transactions or arrangements entered into (exceeding 10% of the annual consolidated turnover of the Company) by the Company with its Directors, Key Managerial Personnel or any other designated persons which may have a potential conflict with the interest of the Company at large. The Company has obtained approval of the shareholders by way of special resolution passed at the 19th AGM of the Company held on 19th April, 2018 for related party transaction to be entered into with Mahindra and Mahindra Limited (Holding Company of the Investing Company in respect of which the Company is an Associate), for Financial Year starting from 1st January, 2018 and every Financial Year thereafter, provided that aggregate amount of all such Transactions during any one Financial Year shall not exceed ₹ 15,000,000,000 (Rupee Fifteen Thousand Million). Details of related party transactions are presented in Note no. 31 to the Financial Statement for the year ended 31st December, 2018.

All the related party Transactions were approved by the Audit Committee from time to time. The Audit Committee has also granted omnibus approval to related party transactions of repetitive nature. A statement of all the Related Party Transaction entered into by the Company pursuant to the omnibus approval granted placed before the meeting of Audit Committee for its review on quarterly basis.

d. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contract, temporary, trainees) are covered under this Policy. The Policy is gender neutral. Status of complaints during the year under review is as follows:

- a. number of complaints filed during the Financial Year 2018: Nil
- b. number of complaints disposed of during the Financial Year 2018: Nil
- c. number of complaints pending as on end of the Financial Year 2018: Nil

e. Whistle Blower policy

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed thereunder and the Listing Regulations is implemented through the Whistle Blower Policy which also, provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

As per the Whistle Blower Policy implemented by the Company, the Directors, Employees and other stakeholders are free to report illegal or unethical behavior, actual or suspected fraud or violation of the Company's Codes

of Conduct or Corporate Governance Policies or any improper activity to the Chairman of the Audit Committee of the Company. The Whistle Blower Policy provides for protected disclosure and protection to the Whistle Blower. Under the Whistle Blower Policy, the confidentiality of those reporting violation(s) is protected and they are not subject to any discriminatory practices. The Whistle Blower Policy has been appropriately communicated within the Company and has also been hosted on the website of the Company: <http://www.mahindrachie.com/>

No Personnel has been denied access to the Audit Committee. All employees, Directors, vendors, suppliers or other stakeholders associated with the Company can make the Protected Disclosure to the Chairman of the Audit Committee.

The Chairperson of the Audit Committee can be reached by sending an email to email@daljit.net or by sending a letter to the below address:

Chairperson of the Audit Committee

Mahindra CIE Automotive Limited

Mr. Daljit Mirchandani

101 Sindh Housing Society

Aundh, Pune 411 007

Res: +91 2025851320

f. Disclosure of Accounting Treatment in preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Act.

The Company adopted Indian Accounting Standards (Ind AS) from 1st January, 2016. Accordingly, the financial statements have been prepared in accordance with Ind AS as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Act and other relevant provisions of the Act.

g. Code for Prevention of Insider-Trading

The Company has formulated and adopted the 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' and 'Code of Conduct for Prevention of Insider Trading in Securities of Mahindra CIE Automotive Limited' ("MCIE Code of Conduct") for its designated employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. These Codes were also made effective from 15th May, 2015. The MCIE Code of Conduct has been formulated to regulate, monitor and ensure reporting of trading by the Employees and Connected Persons designated on the basis of their functional role in the Company towards achieving compliance with the Regulations and is designed to maintain the highest ethical standards of trading in Securities of the Company by persons to whom it is

applicable. 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.

h. Details of non-compliance etc.

During the last three years there were no instances of non-compliance and 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.

i. Compliance

i) Mandatory requirements

The Company is fully compliant with the applicable mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as were applicable during the year under review.

The Company has also complied with the requirements of Corporate Governance Report of Paras (2) to (10) mentioned in Part 'C' of Schedule V of the Listing Regulations and disclosed necessary information as specified in Regulation 17 to 27 and Regulation 46(2) (b) to (i) in the respective places in this Report.

ii) Adoption of non-mandatory requirements

Adoption of non-mandatory requirements of the Listing Regulations is being reviewed by the Board from time-to-time.

The Company has been a strong believer in good Corporate Governance and has been adopting the best practices that have evolved over the last two decades.

During the year under review, there is no audit qualification in your Company's standalone financial statements. Your Company continues to adopt best practices to ensure a regime of financial statements with unmodified audit opinion.

j. Ethics/Governance Policies

The Company adheres to ethical standards to ensure integrity, transparency, independence and accountability in dealing with all stakeholders. Therefore, the Company has adopted various codes and policies to carry out our duties in an ethical manner. Apart from the policies/codes specified in the report elsewhere the Company has also adopted following:

- i) Familiarisation Program for Independent Directors
- ii) Policy on appointment of Directors and senior management and succession planning for orderly succession to the board and the senior management
- iii) Whistle Blower Policy (Vigil Mechanism)
- iv) Policy for determining Material Subsidiaries
- v) Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions.
- vi) Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

vii) Archival policy

viii) Policy on criteria for determining materiality of events

ix) Corporate Social Responsibility Policy

The disclosure in respect of above is hosted on the website of the Company and can be accessed at:

<http://www.mahindrachie.com/investors/investor-relations/governance.html>

k. Shares held by the Non-Executive Directors

As on 31st December, 2018, Mr. Hemant Luthra holds 3,87,653 equity shares, Mr. Daljit Mirchandani holds 25,000 equity shares and Mr. Zhooben Bhiwandiwalla holds 21,500 equity shares of the Company. The Company has granted Employees Stock Options to its Directors details of which are disclosed in Table 6 of this Report. Apart from this, no other Non-Executive Director held any shares or convertible instruments of the Company as on 31st December, 2018.

l. Subsidiary Companies

Regulation 16 Listing Regulations defines a "material Subsidiary" as Subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Listed entity and its Subsidiaries in the immediately preceding accounting year.

Under this definition, Bill Forge Private Limited is "material non-Listed Subsidiary" incorporated in India. The Subsidiaries of the Company function independently, with an adequately empowered supervisory Board of Directors and sufficient resources. However, for more effective governance, the Minutes of Board Meeting of Subsidiaries of the Company are placed before the Board of Directors of the Company at its meeting for its review.

During the year the Company has not disposed off shares in any of its Subsidiaries which would reduce its Shareholding (either on its own or together with other Subsidiaries) to less than 50% or ceased to exercise of control over any of its Subsidiary.

The other requirement of Regulation 24 of the Listing Regulations with regard to Corporate Governance requirements for Subsidiary Companies have been complied with.

VII. MEANS OF COMMUNICATION

Your Company, from time to time and as may be required, communicates with its security-holders and investors through multiple channels of communications such as dissemination of information on the website of the Stock Exchanges, Press Releases, the Annual Reports and uploading relevant information on its website i.e., www.mahindrachie.com.

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 the Shareholders.

The unaudited quarterly results are announced within forty five days of the close of each quarter, other than the last

quarter. The audited annual results are announced within sixty days from the end of the Financial Year as required under the Listing Regulations. The aforesaid financial results are announced to the Stock Exchanges within the statutory time period from the conclusion of the Board Meeting(s) at which these were considered and approved.

Your Company discloses to the Stock Exchanges, all information required to be disclosed under Regulation 30 read with Part 'A' and Part 'B' of Schedule III of the Listing Regulations including material information having a bearing on the performance / operations of the Company and other price sensitive information. All information is filed electronically on BSE's online portal – BSE Corporate Compliance & Listing Centre (Listing Centre) and on NSE Electronic Application Processing System (NEAPS), the online portal of National Stock Exchange of India Limited.

Presentations are also made to international and national institutional investors and analysts. These presentations and other disclosures which are required to be disseminated under the Listing Regulations are submitted to stock exchanges besides being hosted on the Company's website and as per the Archival Policy of the Company would be hosted on the website for a minimum period of five years from the date of respective disclosures.

Presentations made to institutional investors and analysts, if any, are submitted to stock exchanges besides being hosted on the website of the Company.

VIII. Management Discussion and Analysis

Management Discussion and Analysis forms part of the Directors Report and forms part of the Annual Report.

IX. Confirmation of compliance with Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-Regulation (2) of Regulation 46

Particulars	Regulation Number	Compliance Status (Yes/No/NA)
Independent Director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	Yes
Board composition	17(1)	Yes
Meeting of Board of Directors	17(2)	Yes
Review of Compliance Reports	17(3)	Yes
Plans for orderly succession for appointments	17(4)	Yes
Code of Conduct	17(5)	Yes
Fees/compensation	17(6)	Yes
Minimum Information	17(7)	Yes
Compliance Certificate	17(8)	Yes
Risk Assessment & Management	17(9)	Yes
Performance Evaluation of Independent Directors	17(10)	Yes
Composition of Audit Committee	18(1)	Yes
Meeting of Audit Committee	18(2)	Yes
Composition of nomination & remuneration Committee	19(1)&(2)	Yes
Composition of Stakeholder Relationship Committee	20(1)&(2)	Yes
Composition and role of risk management Committee	21(1),(2),(3),(4)	NA
Vigil Mechanism	22	Yes
Policy for related party Transaction	23(1),(5),(6),(7) & (8)	Yes
Prior or Omnibus approval of Audit Committee for all related party transactions	23(2),(3)	Yes
Approval for material related party transactions	23(4)	Yes
Composition of Board of Directors of Unlisted Material Subsidiary	24(1)	NA
Other Corporate Governance requirements with respect to Subsidiary of Listed Entity	24(2),(3),(4),(5) & (6)	Yes
Maximum Directorship & Tenure	25(1) & (2)	Yes
Meeting of independent Directors	25(3) & (4)	Yes
Familiarization of independent Directors	25(7)	Yes
Memberships in Committees	26(1)	Yes
Affirmation with compliance to code of conduct from Members of Board of Directors and Senior Management Personnel	26(3)	Yes
Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
Policy with respect to Obligations of Directors and Senior Management	26(2) & 26(5)	Yes
Disclosures on website of the Company	46(2)	Yes

X. SHAREHOLDER INFORMATION

a) 20th Annual General Meeting

Date : Monday, 6th May, 2019

Time : 3:30 p.m.

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

b) Financial Year

The Financial Year of the Company has ended on 31st December, 2018 covering a period of twelve months starting from 1st January 2018 to 31st December, 2018.

For the Financial Year ending 31st December 2019, results will be tentatively announced by:

- First quarter: First week of May 2019
- Second Quarter and Half yearly: End of July, 2019
- Third quarter: End of October, 2019
- Fourth Quarter and Annual: End of February, 2020

c) Book Closure

The Transfer books of the Company will be closed from 30th April, 2019 to 6th May, 2019 inclusive of both days.

d) Dividend Payment

The Board of Directors of the Company has not recommended dividend for the Financial Year ended 31st December, 2018.

e) Listing of Ordinary (Equity) shares, Debentures on Stock Exchanges and Stock Code

At present, the equity shares of your Company are Listed on

h) Stock Price Data

Table 8: High and low price of Company's shares for the period January 2018 – December, 2018 on BSE Limited and National Stock Exchange of India Limited

	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January, 2018	259.25	221.00	259.45	219.95
February, 2018	245.20	199.20	245.90	200.00
March, 2018	240.40	204.00	242.20	203.30
April, 2018	252.20	208.95	252.00	205.55
May, 2018	252.00	231.20	251.85	230.50
June, 2018	276.65	234.75	276.10	234.15
July, 2018	268.45	224.00	265.00	223.35
August, 2018	268.90	247.70	269.25	248.00
September, 2018	301.80	252.00	302.00	250.00
October, 2018	272.00	240.00	272.00	238.55
November, 2018	272.00	244.75	271.60	244.00
December, 2018	260.85	236.60	263.75	236.00

1. Name of Stock Exchange: **BSE Limited (BSE)**

Address- Phiroze Jeejeebhoy Towers Dalal Street, Kala Ghoda, Mumbai - 400001

2. Name of Stock Exchange: **National Stock Exchange of India Limited (NSE)**

Address- Exchange Plaza, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (East) Mumbai - 400051

The Company has duly executed the Uniform Listing Agreement with the Stock Exchange(s) i.e. BSE & NSE as specified under Listing Regulations.

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

The securities of the Company have never been suspended from trading on any of the Stock Exchanges.

3. **Corporate Identification Number:**

L27100MH1999PLC121285

f) **Registered Office Address:**

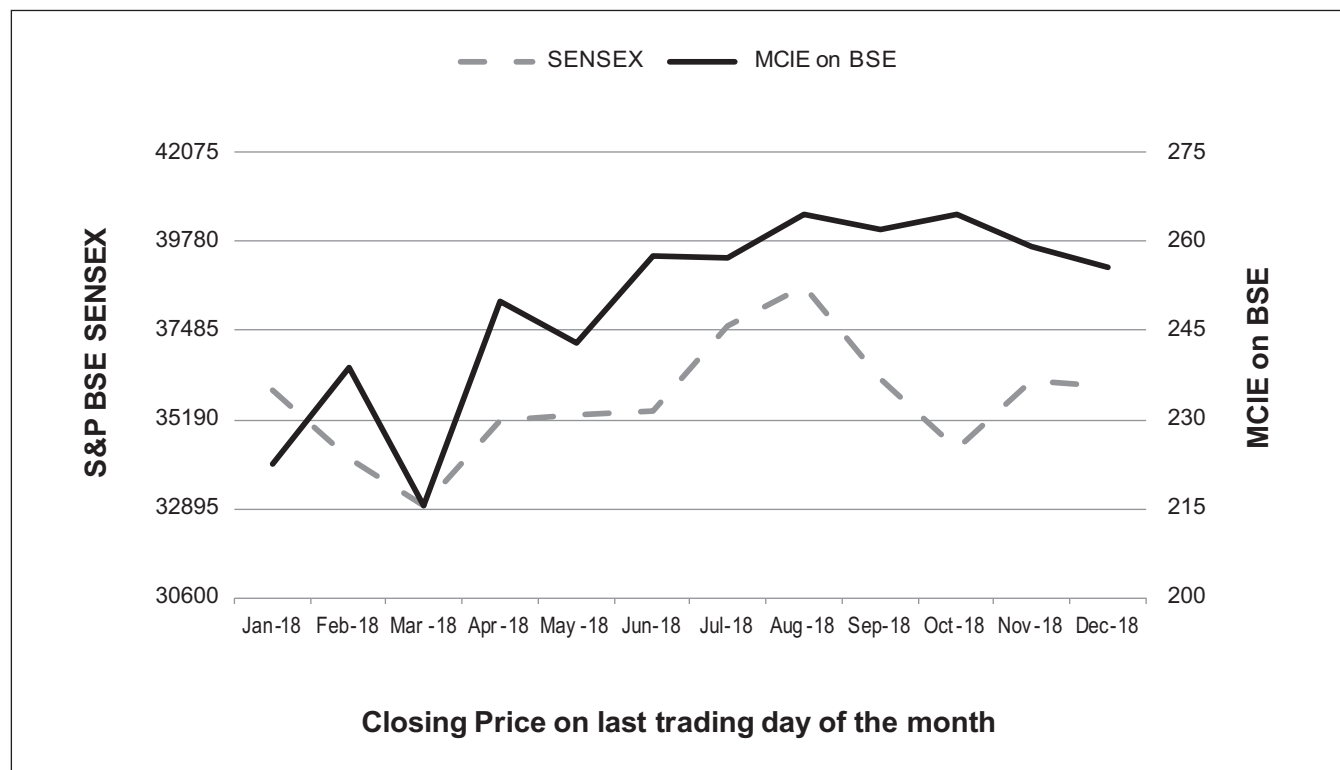
1st Floor, Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018 Maharashtra

g) **Stock codes**

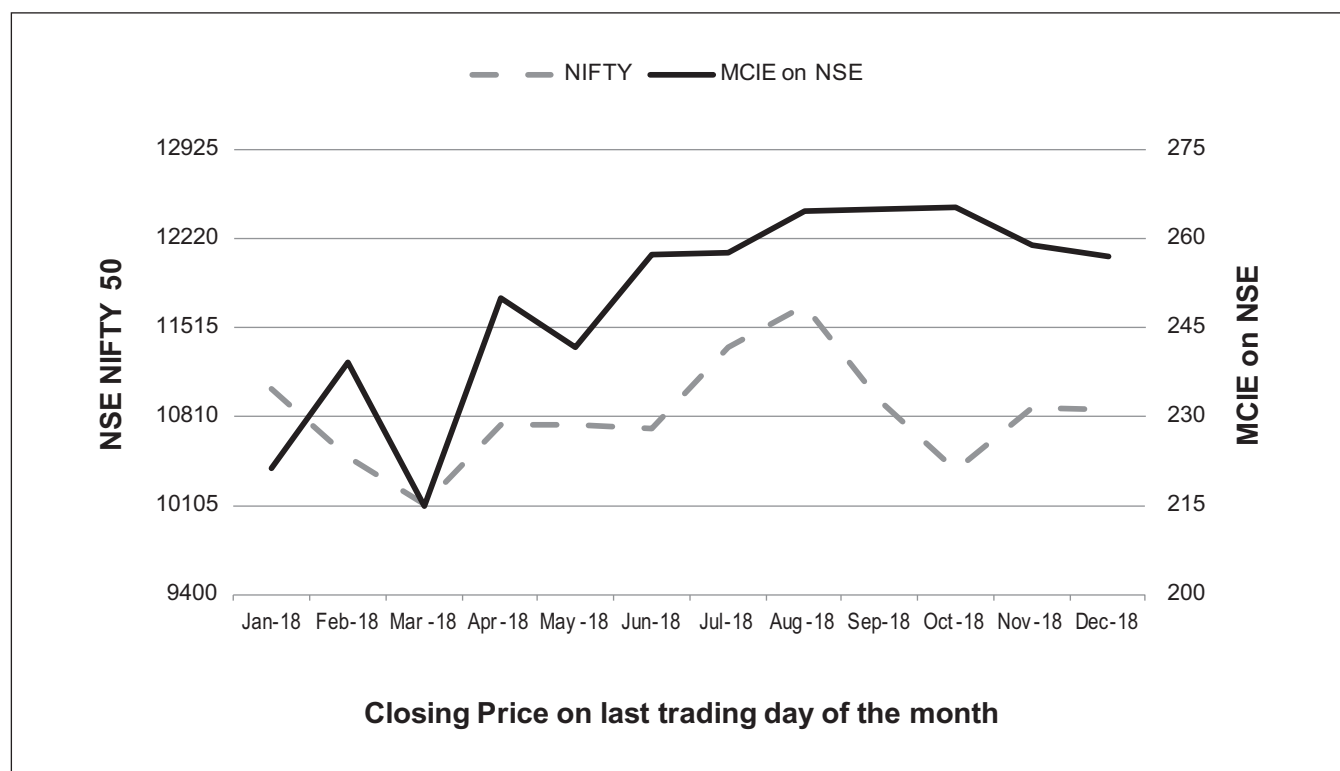
Particulars	Stock Code
BSE Limited	532756
National Stock Exchange of India Limited	MAHINDCIE
Demat International Security Identification Number (ISIN) in NSDL & CDSL for equity shares	INE536H01010

i) STOCK PERFORMANCE

The performance of the Company's share price relative to the BSE SENSEX is given in the chart below as per closing price on the last trading day of the month:



The Performance of the Company's share price relative to the NSE NIFTY 50 is given in the chart below as per closing price on the last trading day of the month:



j) **Registrar and Transfer Agents:**

Karvy Fintech Private Limited*

Karvy Selenium, Tower B, Plot 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032.

E-mail: support@karvy.com / einward.ris@karvy.com

*Karvy Computershare Private Limited amalgamated with Karvy Fintech Private Limited with effect from 17th November, 2018

k) **Share Transfer System**

Trading in equity shares of the Company is permitted only in dematerialised form.

Shares sent for transfer in physical form are registered and returned within a period of fifteen days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman of the Stakeholders' Relationship Committee and the Company Secretary are severally authorised to approve of transfers of shares of not more than 5,000 equity shares per transfer provided that the transferor does not hold 1,00,000 equity shares in the share capital of your Company. The Stakeholders' Relationship Committee meets as and when required to consider the other transfer proposals, requests for duplicate share certificate and attend to Shareholder grievances.

Securities and Exchange Board of India (SEBI) vide its notification dated 8th June, 2018 has notified Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 (Listing Regulations) and SEBI (Registrars to an Issue and Share Transfer Agents) (Amendment) Regulations 2018 (RTA Regulations) and amendment to Regulation 40 of the Listing Regulations and Clause 5(c) of Schedule III of the RTA Regulations. These amendments have mandated that the transfer of securities would be carried out only in dematerialized form.

Accordingly, attention of all the shareholders holding shares in physical form is brought to the following:

- Request for effecting transfer of securities shall not be processed by the Company or Karvy Fintech Private Limited (Karvy), Registrar and Share Transfer Agents (RTA) of the Company, unless the securities are held in dematerialized form with effect from 1st April, 2019
- This restriction shall not be applicable to the request received for transmission or transposition of shares held in physical mode

l) **Distribution of Shareholding**

Table 9: Distribution of Shareholding as on 31st December, 2018

Number of shares held	Number of Shareholders	% of Shareholders	Total shares	% of share holding
1 to 5000	65,964	98.39	18,712,561	4.94
5001 to 10000	540	0.81	3,870,542	1.02
10001 to 20000	249	0.37	3,497,637	0.92
20001 to 30000	96	0.14	2,427,258	0.64
30001 to 40000	37	0.06	1,287,730	0.34
40001 to 50000	28	0.04	1,268,257	0.33
50001 to 100000	46	0.07	3,279,349	0.87
100001 & above	83	0.12	344,437,598	90.93
Total	67,043	100.00	378,780,932	100.00

m) **Shareholding pattern as on 31st December, 2018 is as below:**

Category of Shareholders	Number of equity shares held	Percentage (%)
Promoter & Promoter group	256,538,944	67.73
Mutual Fund/UTI	22,812,320	6.02
Financial Institutions/Banks	4,462,897	1.18
Foreign Institutional Investors / Foreign Portfolio Investors	36,700,471	9.69
Bodies Corporate	3,371,201	0.89

Category of Shareholders	Number of equity shares held	Percentage (%)
Resident individuals	44,588,542	11.77
NRIs	1,707,763	0.45
Clearing Members	114,877	0.03
Foreign Companies	7,962,497	2.10
Trusts	30,137	0.01
Foreign National	118,103	0.03
Venture Capital Fund	1,440	0.00
Alternate Investment Funds	349,927	0.09
NBFC Registered with RBI	21,813	0.01
Total	378,780,932	100.00

n) Dematerialisation of shares

As on 31st December, 2018, 99.50% 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. Non-Promoters' holding as on 31st December, 2018 is around 31.90%

o) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments on Conversion date and which has likely impact on equity.

The Company has no outstanding GDR / ADR / Warrants or any Convertible Instruments.

p) Commodity price risk or Foreign exchange risk and hedging activities

i. Risk management policy of the listed entity with respect to commodities including through hedging

The Company is a net forex earner and cover is taken based on budgeted rates and management judgement. The Company does not have any significant exposure to commodity price risk.

ii. Exposure of the Company to commodity and commodity risks faced by the entity throughout the year:

- Total exposure of the listed entity to commodities in INR: Nil.
- Exposure of the listed entity to various commodities:

Commodity Name	Exposure in INR towards the particular commodity	Exposure in Quantity terms towards the particular commodity	% of such exposure hedged through commodity derivatives				Total
			Domestic market		International market		
			OTC	Exchange	OTC	Exchange	
NA	NA	NA	NA	NA	NA	NA	NA

q) Plant Locations

A. Stampings Division

- Kanhe I - Plot 371, Takwe Road, At & Post Kanhe, Taluka – Maval, Dist – Pune – 412 106.
- Kanhe II - Plot 445, 446, Takwe Road, At & Post Kanhe, Taluka – Maval, Dist – Pune – 412 106
- D-2 MIDC, Ambad, Nashik – 422 010.
- Maharajpur Road, Village Lalpur, Tehsil – Kichha, Rudrapur, Dist – Udham Singh Nagar – 263 148.
- Plot No-2, Sector – 11, TATA Vendor Park, IIE SIDCUL, Pantnagar, Dist. Udham Singh Nagar, – 263 153.
- 35/A, Village Buchinelly, Mahindra Vendor Park, APIIC Industrial Area, Mandal, Zaheerabad, Dist – Medak (Telengana) – 502 228.

B. Composites Division

- 178/B, Mumbai-Goa Highway NH17, Village Sale, Taluka Mangaon, Dist- Raigad - 402 112.
- Gat. 467 & 470, Takway Road, Kanhe, Tal. Maval, Dist. Pune - 412 106

C. Forgings Division

Gat No. 856 to 860, Chakan Ambethan Road, Tal. Khed, Dist Pune – 410501

D. Foundry Division

Gat No. 318, Gaon Urse, Tal. Maval, Pune – 410506.

E. Magnetic Products Division

G Block, Bhosari Industrial Estate, Bhosari, Pune - 411026.

F. Gears Division

1. Plot No. C-23/2, Phase – II, Chakan Industrial Area, Village – Varale, Tal. Khed, Dist – Pune – 410501.
2. Survey No. 278/P, Shapar Village Road, Village: Shapar, Taluka: Kotda – Sangani, Dist. Rajkot – 360024
3. Survey No-298/P, Village: Shapar, Taluka: Kotda - Sangani, Dist. Rajkot - 360024

r) Address for correspondence:

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Fintech Private Limited*

Unit: Mahindra CIE Automotive Limited

“Karvy Selenium” Tower B, Plot No. 31 & 32,

Financial District, Gachibowli,

Hyderabad - 500 032.

Tel. No. + 91 - 40 – 6716 2222

Fax No. + 91 – 40 - 2300 1153

E-mail: support@karvy.com / einward.ris@karvy.com

*Karvy Computershare Private Limited amalgamated with Karvy Fintech Private Limited w.e.f. 17th November, 2018

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@mahindrachie.com as an exclusive email ID for Shareholders for the purpose of registering complaints and the same has been hosted 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 <https://www.scores.gov.in>.

Security holders would have to correspond with the respective Depository Participants for shares held in dematerialised form for transfer/transmission of shares, change of Address, change in Bank details, etc.

For all investor related matters, Mr. Krishnan Shankar, Company Secretary & Head – Legal can be contacted at: 602 & 603, Amar Business Park, Opp. Sadanand Resort, Above “Westside” showroom Baner Road, Pune 411045. Tel No. +91 – 020 – 29804620. E-mail: shankar.krishnan@mahindrachie.com.

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

s) Disclosures with respect to Demat Suspense Account/ Unclaimed Suspense Account:

The Company does not have any shares in the Demat Suspense Account/Unclaimed Suspense Account.

Mumbai, 20th February, 2019

DECLARATION BY THE EXECUTIVE DIRECTOR UNDER REGULATION 34 (3) READ WITH PARA (D) OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To,

The Members of Mahindra CIE Automotive Limited

I, Ander Arenaza Álvarez, Executive 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 period from 1st January, 2018 to 31st December, 2018.

Ander Arenaza Álvarez
Executive Director
(DIN: 07591785)

Mumbai, 20th February, 2019

CERTIFICATE

To

The Members of Mahindra CIE Automotive Limited

I have examined the compliance of conditions of corporate governance by Mahindra CIE Automotive Limited ("the Company") for the year ended on 31st December 2018 as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and para C and D of schedule V of the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015. ("Listing Regulations")

The compliance of the conditions of Corporate Governance is the responsibility of the management. My responsibility was limited to examining the procedure and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance.

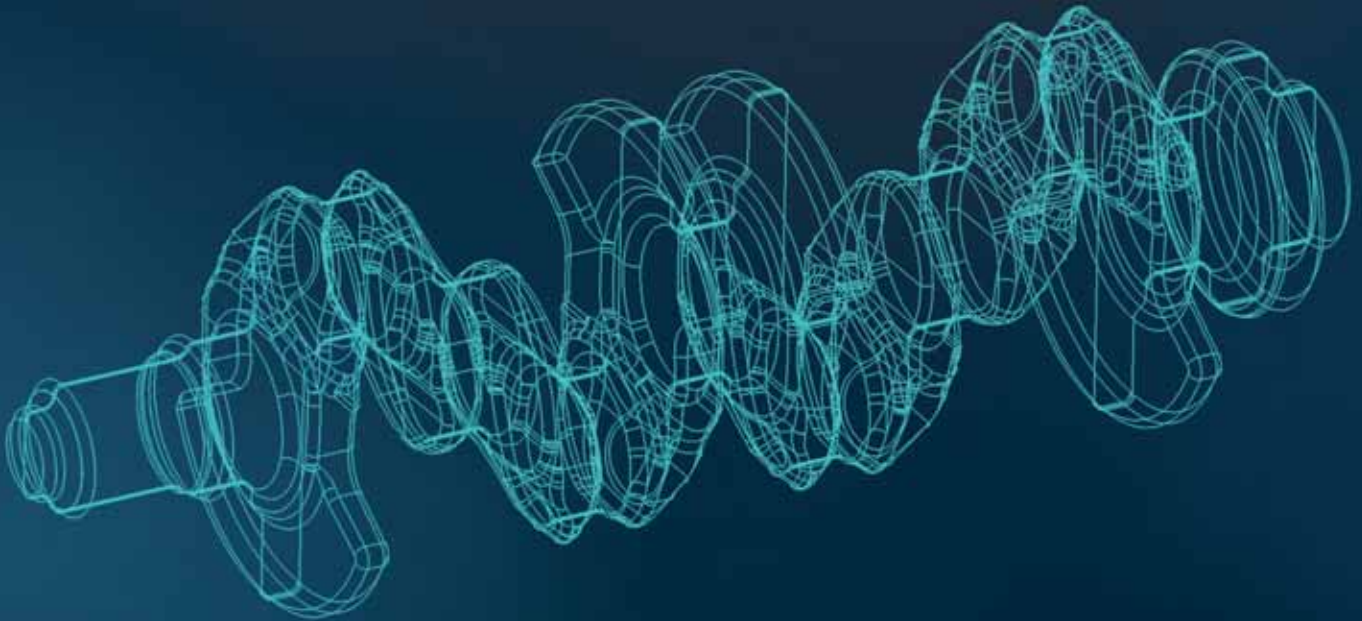
Based on my examination of the relevant records and according to the information and explanations provided to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and para C and D of schedule V of the Listing Regulations, during the year ended on 31st December 2018.

I 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.

Place: Pune
Date: 12th February, 2019

Sachin Bhagwat
ACS: 10189
CP: 6029

BUSINESS RESPONSIBILITY REPORT



BUSINESS RESPONSIBILITY REPORT – FY 2018

Pursuant to Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **Corporate Identity Number (CIN) of the Company** : L27100MH1999PLC121285
2. **Name of the Company** : Mahindra CIE Automotive Limited
3. **Registered address** : Mahindra Towers, P.K. Kurne Chowk, Worli, Mumbai – 400018
4. **Website** : www.mahindracie.com
5. **E-mail id** : mcie.investors@mahindracie.com
6. **Financial Year reported** : 1st January, 2018 to 31st December, 2018
7. **Sector(s) that the Company is engaged in (industrial activity code-wise)**

The Company is an auto components supplier with presence in many technologies viz. forgings, castings, stampings, magnetic products, gears and composites. The NIC code in respect of each of these is as follows:

Sr. No.	Activity	NIC Code
1	Forgings	25910 & 25920
2	Casting/Foundry	24319
3	Stampings	25910
4	Magnetic	2393 & 23939
5	Composites	22207
6	Gears	2814 & 28132

8. List three key products/services that the Company manufactures/provides (as in balance sheet)

- a) Crankshafts
- b) Sheet Metal Stampings
- c) Turbocharger Housings

9. Total number of locations where business activity is undertaken by the Company -

- (a) Number of International Locations (Provide details of major 5) : Nil
However, the subsidiaries of the Company have overseas manufacturing facilities in Germany, Spain, Lithuania, Italy and the United Kingdom in Europe
- (b) Number of National Locations : 10 (Ten)

The Company has its primary presence in the state of Maharashtra with its registered office located at Mumbai and factories at Pune, Mangaon, Nashik, Rudrapur, Pantnagar, Rajkot and Zaheerabad.

10. Markets served by the Company - Local/ State/ National/ International : All

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR) : ₹ 3,787.81 Million
2. Total Turnover (INR) : ₹ 25,591 Million
3. Total profit after taxes (INR) : ₹ 355 Million
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) : ₹ 16.13 Million
4.54%
5. List of activities in which expenditure in 4 above has been incurred:-
 - a) Skill development and Education
 - b) Promotion of Health Care
 - c) Rural Development Projects
 - d) Environment
 - e) Community development

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/Companies?

The Company has 2 subsidiaries in India and 13 direct and indirect overseas subsidiaries as on 31st December, 2018.

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

No

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

The Company's respective purchasing and sustainability teams conducts sustainability awareness programs for its suppliers. Key suppliers shortlisted on the basis of turnover and the criticality of processes in respect of EHS issues are audited on various aspects of sustainability.

The Supplier code of conduct (Suppliers Corporate Social Responsibility Commitment) has been communicated to all the suppliers requesting them to further cascade the communication to their suppliers. During the audit they are made aware about the Suppliers Corporate Social Responsibility Commitment.

Green supply chain management (GSCM) policy of the Company has also been communicated to the suppliers. The suppliers have participated in company's GSCM initiative through training, site audits and as on date of this report about 40% of suppliers have participated in the BR initiatives at different levels.

The Company is implementing GSCM processes across all its locations in a phased manner and is making continuous progress in this area. The major suppliers have been trained on the GSCM practices this includes sharing of case studies on resource productivity etc. At some locations Suppliers are involved for tree plantation under CSR Program. We have also supported the suppliers for obtaining the QEHS management systems certifications.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies

DIN Number	00231420
Name	Mr. Hemant Luthra
Designation	Chairman

b) Details of the BR head

DIN Number (if applicable)	00209261
Name	Mr. Romesh Kaul
Designation	Executive Director and CEO- Stampings, Forgings and Composites Division
Telephone number	022-24905840
e-mail id	kaul.romesh@mahindrachie.com

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

a) Details of compliance

Sr. No.	Questions	P1 Ethics and Transparency	P2 Product Responsibility	P3 Wellbeing of employees	P4 Responsiveness to Stakeholders	P5 Respect Human Rights	P6 Environmental Responsibility	P7 Public Policy Advocacy	P8 Support inclusive growth	P9 Engagement with Customers
1	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	N Note 1	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	NA	Y Note 2	Y Note 2
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	NA !	Y Note 3	Y Note 3
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y Note 4	N Note 4	Y Note 4	Y Note 4	Y Note 4	N Note 4	NA	N Note 4	Y Note 4
5	@ Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	NA	Y	Y
6	Indicate the link for the policy to be viewed online?	Y	N Note 5	Y	Y	Y	N Note 5	NA	N Note 5	N Note 5
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8	Does the company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
10	# Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	NA	Y	Y

! This question is not applicable for influencing public and regulatory policy.

@ The Company has established internal governance structure to ensure implementation of various policies. The Company reviews the implementation of policies through our internal audit, risk management process, in-line with established Policies.

The Quality, Safety and Health and Environmental Policies are subject to internal and external audits as part of certification process and ongoing periodic assessments. Other policies are periodically evaluated for their efficacy through Internal Audit mechanism.

- Note 1 The Company is a member of trade and industry chambers like The Automotive Component Manufacturers Association of India (ACMA), The Confederation of Indian Industry (CII), Maharashtra Chamber of Commerce and Industries (MCCI), Association of Indian Forging Industry (AIFI). The Company is in the process of reviewing the need and formulation of policy on principle 7.
- Note 2 While there is no formal consultation with all stakeholders, the relevant policies have evolved over a period of time by taking inputs from the concerned internal stakeholders.
- Note 3 The policies are in line with international standards and practices such as ISO 9001, IATF Guidelines, ISO 14001, ISO 27001, OHSAS 18000/ISO45001 and meet National regulatory requirements such as the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Note 4 The Board of directors of the Company have approved the policies required to be framed under Companies Act, 2013 and SEBI Regulations including Code of conduct for Directors, Code of conduct for Senior Management, Whistle Blower Policy, CSR Policy, Code for Fair Disclosures, Policy on Related Party Transactions and Business Responsibility Policy and these policies are signed by respective officers authorised by the Board for its implementation. Other operational internal policies are approved by management and signed by the respective business head. Further, the Company has also adopted few global policies framed by CIE Automotive S.A. the ultimate holding company.

It has been Company's practice to upload all policies on internal server or display at prominent places in respective locations or shared with relevant stakeholders for the information and implementation by the internal stakeholders. The Code of Conduct for Directors, the Code of Conduct for Senior Management and Employees, Business Responsibility Policy and CSR Policy are available on the website <http://www.mahindrachie.com/investors/investor-relations/governance.html>

- b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Sr. No.	Questions	P1	P2	P3	P4	P5	P5	P6	P7	P8	P9
1	The company has not understood the Principles	----	----	----	----	----	----	----	----	----	----
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	----	----	----	----	----	----	----	----	----	----
3	The company does not have financial or manpower resources available for the task	----	----	----	----	----	----	----	----	----	----
4	It is planned to be done within next 6 months	----	----	----	----	----	----	----	----	----	----
5	It is planned to be done within the next 1 year @	----	----	----	----	----	----	----	✓	----	----
6	Any other reason (please specify)	----	----	----	----	----	----	----	----	----	----

@ The Company is continuously reviewing its policies to align with the BR principles in full spirit. The assessment for adoption/ implementation of specific policies is under process which will be continued in next financial year.

3. Governance related to BR

- a. Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:

The CSR committee of the Board meets regularly & reviews the progress of Corporate Social Responsibility projects. This CSR committee of the Board has empowered one of its CEO's to lead CSR projects across MCIE plants in India. There is a CSR co-ordination committee led by Executive Director & the committee comprises of HR Heads of all Divisions & Company Secretary. This committee meets every three months to review the progress on the CSR projects approved and carries internal review on the CSR proposals to be placed before Board CSR committee, as and when required, after carrying all assessments. Depending upon the specific agenda, related senior executives are also invited for this meeting. Individual plant has a working committee which ensures the implementation of CSR activities & projects.

The BR performance (Sustainability, Safety, CSR & Business Performance) is regularly reviewed by CEO in areas of Energy conservation, water conservation, waste management including waste to wealth initiatives & safety performance & further directions are set for continual improvement.

For Safety performance review each plant has a statutory safety committee led by Factory Manager which meets quarterly. Safety performance is also reviewed in depth during the ESG council meetings. Mahindra CIE being well connected with Mahindra group, also participates in their Group Central Safety Council which meets every quarter. The Mahindra Safety Way guidelines and related standards also form part of MCIE's safety excellence processes.

The Integrated performance on Safety, Sustainability & CSR is collected every month & is reviewed by a fulltime team of senior officers which also facilitates in relevant projects & capacity building. The Company has invested in developing an integrated data management software for real time data collection and use for various parameters

under GRI, ESG, Safety, etc. The software is now live and is continuously being upgraded.

The top Management of the Company has formed BR performance review council called as ESG Council (Environmental, Social & Governance council) which reviews the performance at an interval of six months to assess the BR performance.

- b. **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company published its BR report for the first time for the financial year ended on 31st December, 2016. The copy of the BR reports is available at the website of the Company at <http://www.mahindrachie.com/investors/investor-relations/governance.html>

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. **Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others?**

The Company has a Code of Conduct for Directors as well as for Senior Management personnel. It also has Mahindra CIE Internal Code of Professional Conduct for its employees. It includes issues among others related to ethics and bribery. It covers all dealings with suppliers, customers and other stakeholders and other business partners including Joint Ventures and other stakeholders.

Suppliers Corporate Social Responsibility Commitment document has been communicated to all its suppliers through respective CEO's and an undertaking has been obtained to comply with the same.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

During the year under review, no complaints were received from the stakeholders. The Company has different mechanism for receiving and dealing with complaints from various stakeholders like investors, customers, employees, suppliers etc.

Principle 2 – Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

The Company is an auto component supplier to OEMs and Tier I supplier. Most of its products are manufactured as per the customer's design. The business development & new product development teams closely interact with the customers & fulfill PPAP (Production Part Approval Process) requirements. The Company continuously strives

to minimize waste in materials & processing requirements by initiatives such as reduction in flash thickness of Components in Composites division.

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):**

- a) **Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?**

The Company continuously monitors and tracks the use of natural resources. The reduction in resource consumption for current year against previous year is as under:

- ✓ Reduction in Specific Energy Consumption (KWh /MT) by 3.38 %
- ✓ Reduction in Specific Water Consumption (Cub.mtr/ MT) by 5.68 %

- b) **Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

Our products are used by OEMs and Tier I supplier. Hence specific details about energy conservation achieved by end customers due to our products cannot be computed.

3. **Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.**

Apart from the extensive Sustainable/GSCM drive across all divisions, our plants have adopted the milk run system for sourcing materials and have also implemented the same for downward supply chain with the customers. The Company is also working on sourcing maximum from local and nearby suppliers so that our engagement is more effective and scope 3 emissions are reduced to a maximum extent. The Restricted and hazardous substances (RoHS) testing is done from accredited laboratories and reports are shared with the customers on demand. The Company continued to work on reducing packaging waste like card boards, wood, etc. through use of steel and returnable plastic packaging, increasing size of containers, etc.

Overall sustainable sourcing initiatives will be implemented across MCIE Divisions in next two to three years in a phased manner.

4. **Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

- a) **If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

Yes, the Company does take proactive steps to help the local and small producers including the

communities surrounding our workplaces. Few steps taken by the Company to improve their capacity and capability are as follows.

At Foundry division, we have engaged local people for Forklift & Tractor trolleys requirement of our company & their periodic audits, risk assessments is done by safety department.

At Magnetic products division, we have engaged Local Suppliers. Their assessment using Sustainability parameters has been completed.

For Composites division, we have small vendors for assembly work, Labour contract and they have been assessed based on sustainability parameters.

5. **Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

Yes, the Company has been giving attention to a systematic process of sustainable development in line with GRI guidelines since year 2008 (MCIE in its earlier form of Mahindra Systech has been participating in Mahindra group sustainability drive). Few examples of waste recycling and re-use are as follows:

The scrap from stamping division is used as a part of raw material in Foundry Division. In Foundry process 550 tons of reclaimed sand is procured from the rejected core and brought in and used. In Magnetic product division grinding swarf & Sintered scrap is reused in production process.

In overall raw material used, we are using 41% material from internal and external recycled material. Major use of recycled material is in Magnetic Product Division & Foundry Division. This has resulted in saving fresh excavation of precious minerals from the earth.

At Stampings Rudrapur, we use treated waste water from STP - for garden and greenery development. In the Plant. Paint shop, water is recycled through ETP.

Principle 3 - Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees : 8062
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis : 4750
3. Please indicate the Number of permanent women temporary/contractual/casual basis : 56
4. Please indicate the Number of permanent employees with disabilities : 9
5. Do you have an employee association that is recognized by management : Yes
6. What percentage of your permanent employees is members of this recognized employee association? : 53.26
7. **Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

Category	No. of complaints pending at the beginning of the financial year	No. of complaints filed during the financial year	No. of complaints resolved during the financial year	No. of complaints pending as on end of the financial year
Child labor/forced labor/involuntary labor	Nil	Nil	Nil	Nil
Sexual harassment	Nil	Nil	Nil	Nil
Discriminatory employment	Nil	Nil	Nil	Nil

8. **What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**
- a) Permanent Employees: 81%
 - b) Permanent Women Employees: 41%
 - c) Casual/Temporary/Contractual Employees: 99%
 - d) Employees with disabilities: 100%

Principle 4 -Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. **Has the company mapped its internal and external stakeholders?**
Yes
2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**
Yes

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

Yes, as a part of the CSR activities the Company has engaged with disadvantaged, vulnerable and marginalized stakeholders through multiple activities like donation of sweaters to needy school children, scholarships to meritorious students of village school from economically weaker section of society, donating School Uniforms and other necessary items to students of Orphanage, skill development of adolescent girl children, etc. Composites-Mangaon started a project titled "Kapda bank" wherein used but wearable clothes are collected by the employees and their family members and are distributed amongst the marginalized and vulnerable category of people like adivasis in nearby villages and padas. This is also followed at Forgings and Stampings divisions.

The Company encourages its employees to participate in various social activities under (Employee Social Option Scheme) ESOPs. Many of its employees have voluntarily contributed for Girl child education and Women empowerment initiatives like Nanhi kali.

The Company has constructed a community toilet block in the close vicinity of Urse village where it has Foundry Operations. This toilet block has proved to be very useful for the communities from marginalized and migrant laborers and their families. The local village has weekly bazaar wherein more than 1000 people use this toilet block facility. This has resulted in eradication of open defecation, has improved health and hygiene in the area.

Principle 5 - Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Business Responsibility Policy covers the aspects on Human Rights for the Company. Human Rights issues are a part of the supplier selection process and are also included in the contracts drawn up with them.

Suppliers Corporate Social Responsibility Commitment document has been communicated to all the suppliers through respective CEO's and an undertaking has been obtained.

Under GSCM initiative at suppliers & contractors training & interaction sessions Human Rights related topic is covered in-depth.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

The Company has not received any complaint involving issues related to Principle-5

Principle 6 - Business should respect, protect and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

The Company has formulated various policies related to environmental protection like Environment, Safety, Energy & GSCM Policies. The GSCM Policy includes environment protection and covers suppliers. The subsidiaries have their own policies which are in sync with the Company's environmental policies.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

Yes, targets taken in Sustainability Roadmap relate to energy conservation, GHG reduction and water conservation. These strategies and initiatives are also aligned to the National Action Plan on Climate Change. The strategies and new initiatives continue year on year. In the current reporting year, various initiatives on energy saving, water saving, waste reduction etc. were implemented. An indicative list in this regard is appended below.

Overall investment for Energy reduction projects (Electricity & Gas) – INR. 106.77 Lakhs.

Saving from above investment – INR. 98.41 Lakhs.

Energy Savings (Major initiatives)

- Diesel saving by replacement of battery operated forklifts in place of diesel operated forklift
- Calciner – Reduction in blower capacity by Horizontal suction at charge car.
- 8 M3 Ball Mill – Batch speed (50 to 45 Hz) and Batch unloading (50 Hz to 25 Hz) speed reduction.
- Use of LED street lights.
- Replacing old coolant pump with Energy Efficient pump.
- Identify the Air leakage and close it on regular basis.
- Furnace controls upgradation from Z control to EZ control to save energy by 8-10 kWh/LMT.
- Use of day light roofs.

Water Savings

1. Reduction in water consumption by 5.68%
2. Rain water harvesting
3. Awareness for Water Conservation through Posters.
4. Provided Water Sprinklers for optimum use of Water.
5. Float valves installed for cooling towers.
6. Periodic observation for Water leakages.
7. Daily monitoring & Analysis

Waste Reduction

1. Reclamation of rejected sand core
2. Minimise the water content from paint sludge (Mechanical pressing unit installed)
3. Reduction in Residues / sludge by the use of Gunny bags.
4. Does the company identify and assess potential environmental risks? Y/N

Yes, the Company has a mechanism to identify and assess potential environmental risks across all locations through their certified Environmental Management System. All the Divisions / Locations have initiated steps for upgrading system to revised standard. Six plants have already upgraded their EMS certification to ISO 14001:2015 version as on date.

5. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

The Company has not done any significant work so far in CDM/ Carbon credit related areas. However, we are increasing our efforts in sourcing energy from renewable sources like Wind & Solar. 13.2% of total energy consumed is from renewable sources. Under Environment Protection Act and Rules Form-V (Environmental statement) is submitted to SPCB by respective plants.

6. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

Yes. Same is stated under point 2 above.

7. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes

8. Number of show cause / legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

Nil

Principle 7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

Yes, The Company is a member of trade and industry chambers like The Automotive Component Manufacturers Association of India (ACMA), The Confederation of Indian Industry (CII), Maharashtra Chamber of Commerce and

Industries (MCCI), The Institute of Indian Foundrymen CEO forum, Association of Indian Forging Industry, etc.

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

No significant contribution. However, our COO at Foundry is making specific efforts through Indian Foundrymen CEO Forum in related areas of association.

Principle 8 - Businesses should support inclusive growth and equitable development

1. Does the company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. The Company and its applicable Indian subsidiaries have been socially responsible corporate, making investments in the community which go beyond any mandatory legal & statutory requirements. The CSR vision of the Company is to focus efforts in Skill Development, Health, Community Development, etc. by innovatively supporting them through programs designed in respective areas. Our efforts in CSR initiatives are focused on those sections of the society who are normally deprived of the development programs.

In accordance with the Companies Act, 2013, the Company is committed to spend 2% of its net profits towards CSR initiatives. Your Company encourages its employees to participate in the Employee Social Options (ESOPs) programs, to drive positive change in society, through Health checkup camps, tree plantation, vocational guidance to school children in the nearby schools, providing education and sports aids etc. During the year under review, the employees of your Company participated in various education, health and environment related programs in local communities.

In CY 2018, the Company could make a positive impact in the lives of about 15,042 beneficiaries through major projects. The ESOPs activities being smaller in nature, exact number of beneficiaries could not be accurately accounted for. However, for the upcoming ESOPs initiatives, we will devise a mechanism for the same.

During the year under review, the Company strengthened its partnership with Naandi Foundation and implemented following CSR projects in the area of Education and Skill Development:

- a) Pathway to Excellence–B M Pawar High School and Junior College, Birdawadi, Chakan

- b) Enhancing Employability Quotient (EmQ) of Babasaheb Ambedkar Technological University (BATU) students in Mangaon.
- c) Open new “N Star –Life skills Center for Girls” at Pune.
- d) Project Vidya, to improve employability and skill development at ITI Gondal & Mahila ITI Rajkot

Following projects were implemented directly by the Company through plant level CSR execution teams.

- e) Enhancing Road Safety by providing Street Lights at Village Kanhe, Maval, Pune and village Mangaon, Tal. Mahad, Raigad district.
- f) Building Community Toilet Blocks at Village Urse, Pune thereby contributing to ‘Swachh Bharat Abhiyan’.
- g) Health Enhancement programme along with the local Governance body by conducting health check up campaign and also distributing the medicines to the needy patients as per professional doctors’ advice in Maval, village Kanhe.

The details on the above projects are as under:

a. Enhancing Employability Quotient - Skill Development Program (Mangaon-Lonere area)

The Project objective is to overcome the imbalance in the Employability opportunities at BATU wherein Final year diploma students need to be better prepared for jobs. Key factors of poor employability is lacking improvements in i) Soft Skills, ii) Communication & Presentation Skills, iii) Interview Preparation, iv) Life Skills. Hence, to redress the problem, the following measures to be adopted;

- a) Result oriented soft-skills program of 140 hours for all final year diploma students to increase their employability.
- b) Measure of employability using an Employability Quotient (EmQ) defined with industry inputs.
- c) BATU teachers as trainers. Intense, hands-on training workshop for all trainers.
- d) Pre and Post assessment of EmQ to measure the impact.

Key deliverables are:

- Identified of competencies and inputs for the EmQ test.
- Course Design, content creation and training of trainers, hand holding for nine months.
- Mid-course reviews, administering both pre and post assessment of EmQs.
- Freelancer Training.

b. Setting up seven “N Star – Life skills Center for Girls”

Naandi Foundation and K. C. Mahindra Education Trust have introduced ‘Project Nanhi Kali++ Centers’ with primary goal to ensure that by the age of 21, the young girls are able to earn a viable livelihood and ensure that there are no under-age marriages. These Centers are safe, socially acceptable, “go-to” place for girls to learn and have fun after they complete Class 10. The Company has approved to undertake seven such centers called “N Star – Life skills Center for Girls”.

Girls in the age group of 16-21 will learn a range of things that will enable them to become a responsible 21st century citizen – functional English, digital literacy, and financial literacy, awareness of personal health and safety, physical fitness. Once they turn 18, they will take an EmQ (Employability Quotient Test) be skilled and placed in jobs. Project aims to provide academic, material and social support that allows a girl child to access quality education, attend school with dignity and reduces the chances of her dropping out.

The Centre will be managed by a Champion. Measurable Outcome will be number of girls who start earning a viable livelihood.

c. Pathway to excellence – BM Pawar High School, Biradwadi, Chakan

With the objective of facilitating access to quality education for underprivileged rural school children near Company’s plants and bridge the knowledge, economic and opportunity gaps of nearby village community, the Company approved to undertake a project ‘Pathway to excellence’ at BM Pawar High School at Biradwadi Chakan. The Project will spread across a period of 3 years during which various initiatives will be undertaken by the Company along-with Naandi Foundation as its implementing partner.

These initiatives will aim at improving pedagogy, improving understanding of students, providing better amenities and best-in-class teaching aids to students.

d. Enhancing Road Safety by providing Street Lights at Village Kanhe, Maval, Pune and village Mangaon, Tal. Mahad, Raigad district.

The Company installed High Mast light and erected street light Poles thus improving visibility in the night at Village Kanhe and Village Sale at Mangaon. This has improved the safety and security of villagers & commuters. The women security, reduction in thefts and violence, road safety, security from snake bites are some of the key benefits.

e. Building Community Toilet Blocks at Village Urse, Pune thereby contributing to ‘Swachh Bharat Abhiyan’.

The objective of this project is to eradicate open defecation in the community and ensure health and hygiene. The psychological benefits of the project are enhancing dignity of the Women.

f. Project Vidya – Vocational Initiatives development for young aspirants.

The project is started at ITI Gondal & Mahila ITI Rajkot with the objective of skill development through soft and technical skill training and create talent pool and provide employability. This is a tripartite collaboration amongst industry, technical institution and the NGO.

g. Health Enhancement programme along with the local Governance body, at Maval.

The Company has participated in health check up campaign and has distributed the medicines to the needy patients as per advice of the professional doctors.

2. Are the programmes / projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?

CSR initiatives are implemented either directly by the Company through its ESOPs structure where its employees directly participate and implement the CSR programmes or through implementing partners which include NGOs having an established track record of at least 3 years in carrying on the specific activity. The main implementation agency with which the Company works are the Nandi Foundation, The K. C. Mahindra Education Trust and Mahindra Pride School.

3. Have you done any impact assessment of your initiative?

In F18 Social Impact assessment for the project 'Enhancing Employability Quotient - Skill Development Program at Mahad has been conducted which highlights the increasing trend of placement of students undergoing the program.

The members of CSR Co-ordination committee are actively involved to assess the progress by visiting the implemented CSR project site and interacting with Implementing Partner, beneficiaries and officials of the Institute. They also suggest and monitor implementation of corrective course of action wherever required.

While for all the key projects, the main implementation partner, namely Naandi foundation and MACE have submitted the periodic project progress reports including the social impacts, in CY 2019, the Company has drawn up specific plans to engage an independent competent agency in this field to conduct systematic social impact studies for the selected key projects completed during last 3 financial years.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

The Company's contribution to community development projects amounts to ₹ 16.13 Million during the Calendar Year 2018. Details of some of the major initiatives the

Company has invested in the financial year (CY18) are given in Point 1 above.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The Company ensures that the CSR initiatives are successfully adopted by the community. The projects are implemented through renowned NGOs and they are responsible to conduct periodic assessment of the projects to ensure that targeted deliverables are achieved with maximum benefits to the community.

The Company has signed bi-partite agreement with the local governing bodies such as Group Gram Panchayat to ensure that these CSR projects are adopted and cared for. The initial agreement and MoUs, stakeholder's engagement during all phases of project management ensure that projects are owned and self managed after handing over. E.g. Toilet block project at Village Urse, Street Light project at Village Kanhe & Village Sale Mangaon.

Principle 9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

Pending Customer complaints of your plant CY-18					
Receiving Period	Total Complaints Registered in this period	Open	Close	Open %	Close %
CY18	804	4	800	0.50%	99.50%

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks(additional information)

Given the nature of business it is done only as per the Customer Specified Standards of packaging and part labeling.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

Nil

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

Customer satisfaction surveys have been conducted by almost all the Divisions for their key customers.

STANDALONE FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra CIE Automotive Limited

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of **Mahindra CIE Automotive Limited** ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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, of the state of affairs of the Company as at December 31, 2018, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditors' Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books of account.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash

Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on December 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i The Company has disclosed the impact, if any, of pending litigations as at December 31,

2018 on its financial position in its standalone Ind AS financial statements – Refer Note 30;

- ii. The Company has long-term contracts as at December 31, 2018 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at December 31, 2018.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended December 31, 2018.
- iv. The reporting on disclosure relating to Specified Bank Notes is not applicable to the Company for the year ended December 31, 2018.

**For Price Waterhouse Chartered
Accountants LLP**

Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani

Partner

Membership Number-48125

Place: Mumbai

Date: February 20, 2019

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Mahindra CIE Automotive Limited on the standalone Ind AS financial statements for the year ended December 31, 2018

Report on the Internal Financial Controls with reference to Ind AS financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to Ind AS financial statements of Mahindra CIE Automotive Limited ("the Company") as of December 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial

controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at December 31, 2018, based on the internal control over financial reporting

criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Price Waterhouse Chartered
Accountants LLP**

Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani

Place: Mumbai

Partner

Date: February 20, 2019

Membership Number - 48125

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Mahindra CIE Automotive Limited on the standalone Ind AS financial statements as of and for the year ended December 31, 2018

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 5 and Note 10 to the financial statements, are held in the name of the Company, except for:-

₹ in Million

Nature of property	Total Number of cases	Gross Block as at December 31, 2018	Net Block as at December 31, 2018
Freehold land	1	25	25
Leasehold land	3	546	473
Building	4	576	495

These properties are in name of Mahindra Hinoday Industries Limited, Mahindra Gears and Transmissions Private Limited and Mahindra Ugine Steel Company Limited. These properties have vested into the Company pursuant to amalgamations of these entities with the Company.

- ii. The physical verification of inventory excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues, including provident fund, income tax, profession tax, employees' state insurance, duty of customs, cess, goods and services tax and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, duty of customs and excise duty as at December 31, 2018 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹) in Million	Amount paid under protest	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	163*	48	2004-05 to 2014-15	CIT (Appeals) to High Court
Central Excise Act, 1944	Excise Duty	192	4	1999-00 to 2016-17	Commissioner of Central Excise (Appeals) to High Court

Name of the statute	Nature of dues	Amount (₹) in Million	Amount paid under protest	Period to which the amount relates	Forum where the dispute is pending
Finance Act, 1994	Service Tax	61	-	2005-06 to March'12	Commissioner of Central Excise to Customs, Excise and Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	384	28	1995-96 to 2013-14	Commissioner of VAT (Appeals) to Central Appellate Tribunal
Customs Act, 1962	Custom Duty	2	-	2013-14	Commissioner of Custom

* Amount is net of refund adjusted for AY 2008-09 to AY 2013-14 amounting to ₹ 135 Million.

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **Price Waterhouse Chartered**
Accountants LLP
Firm Registration Number: 012754N/N500016

Place: Mumbai
Date: February 20, 2019

Jeetendra Mirchandani
Partner
Membership Number-48125

Balance Sheet as at 31st December, 2018

		(₹ in Million)	
	Note No.	As at 31 st December, 2018	As at 31 st December, 2017
I ASSETS			
1 NON-CURRENT ASSETS			
(a) Property, Plant and Equipment	5	5,597	5,648
(b) Capital Work-in-Progress	5	632	253
(c) Goodwill	6	391	391
(d) Other Intangible Assets	7	66	73
(e) Financial Assets			
Investments	8	20,062	27,036
(f) Income Tax Assets (net)		342	377
(g) Other Non-Current Assets	10	1,013	938
TOTAL NON-CURRENT ASSETS		28,103	34,716
2 CURRENT ASSETS			
(a) Inventories	11	2,436	1,728
(b) Financial Assets			
(i) Investments	8	6,788	515
(ii) Trade Receivables	9	3,914	3,293
(iii) Cash and Cash Equivalents	12	302	192
(iv) Other Bank Balances	12	43	42
(c) Other Current Assets	10	296	439
TOTAL CURRENT ASSETS		13,779	6,209
TOTAL ASSETS		41,882	40,925
II EQUITY AND LIABILITIES			
1 EQUITY			
(a) Equity Share Capital	13	3,788	3,784
(b) Other Equity	14	31,628	31,212
		35,416	34,996
LIABILITIES			
2 NON-CURRENT LIABILITIES			
(a) Provisions	18	499	463
(b) Deferred Tax Liabilities (net)	19	295	217
(c) Other Non-Current Liabilities	22	17	47
		811	727
3 CURRENT LIABILITIES			
(a) Financial Liabilities			
(i) Borrowings	15	1,372	1,014
(ii) Trade Payables	16		
Total outstanding dues of Micro enterprises and Small enterprises; and		109	158
Total outstanding dues of creditors other than micro enterprises and small enterprises		2,908	3,001
(iii) Other Financial Liabilities	17	151	117
(b) Provisions	18	104	100
(c) Current Tax Liabilities (Net)		368	107
(d) Other Current Liabilities	22	643	705
		5,655	5,202
TOTAL EQUITY AND LIABILITIES		41,882	40,925

The accompanying notes 1 to 39 are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125
Mumbai 20th February, 2019

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**
Hemant Luthra
Chairman

K. Jayaprakash
Chief Financial Officer
Mumbai 20th February, 2019

Ander Alvarez
Director
Daljit Mirchandani
Director
Krishnan Shankar
Company Secretary & Head - Legal

Statement of Profit and Loss for the year ended 31st December, 2018

(₹ in Million)

	Note No.	Year Ended 31 st December, 2018	Year Ended 31 st December, 2017
I Revenue from operations	23	25,293	20,639
II Other Income	24	298	121
III Total Revenue (I+II)		25,591	20,760
IV Expenses			
(a) Cost of materials consumed	25	14,224	10,508
(b) Changes in inventories of finished goods and work-in-progress	25	(262)	(127)
(c) Employee benefit expense	26	2,847	2,458
(d) Finance costs	27	82	108
(e) Depreciation and amortisation expense	5,7	739	759
(f) Excise duty on sales	37	-	1,032
(g) Other expenses	28	5,442	4,806
Total Expenses (IV)		23,072	19,544
V Profit before exceptional items and tax (III-IV)		2,519	1,216
VI Exceptional Items	33	1,286	68
VII Profit before tax (V-VI)		1,233	1,148
VIII Income Tax Expense			
(1) Current tax	20	831	532
(2) (Excess)/short provision for tax of earlier years	20	(35)	-
(3) Deferred tax	20	82	(77)
Total tax expense		878	455
IX Profit for the year (VII-VIII)		355	693
X Other comprehensive income			
A (i) Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligation	29	(12)	(8)
(ii) Income tax relating to items that will not be reclassified to profit or loss	20	4	3
Other comprehensive Income/(loss) for the year, net of tax		(8)	(5)
XI Total comprehensive income for the year (IX+X)		347	688
XII Earnings per equity share of face value of ₹10 each :			
Basic	32	0.94	1.83
Diluted	32	0.94	1.83

The accompanying notes 1 to 39 are an integral part of these financial statements.

This is the Statement of profit and loss account referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125
Mumbai 20th February, 2019

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**
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Statement of changes in equity for the year ended 31st December, 2018

(₹ in Million)

A. Equity Share Capital

	Number of Shares	Equity share capital
Balance as at January 1, 2017	378,088,265	3,781
Changes in equity share capital during the year		
Issue of equity shares pursuant to exercise of employee share options	278,977	3
Balance as at December 31, 2017	378,367,242	3,784
Changes in equity share capital during the year		
Issue of equity shares pursuant to exercise of employee share options	413,690	4
Balance as at December 31, 2018	378,780,932	3,788

B. Other Equity

	Reserves and surplus								Total
	Capital Reserve	Securities Premium Reserve	Equity-settled employee benefits reserve	General Reserve	Capital Redemption Reserve	Retained Earnings	Investment fluctuation Reserve	Other Comprehensive Income	
As at 1 st January, 2017	6,386	15,079	73	6,536	165	2,555	86	(25)	30,855
Profit for the year	-	-	-	-	-	693	-	-	693
Remeasurements of post-employment benefit obligation	-	-	-	-	-	-	-	(5)	(5)
Total Comprehensive Income for the year	-	-	-	-	-	693	-	(5)	688
Exercise of employee stock options	-	63	33	-	-	-	-	-	96
Addition on account of merger	116	-	-	-	-	(463)	-	-	(347)
Any other changes	-	-	-	-	-	6	(86)	-	(80)
As at 31st December, 2017	6,502	15,142	106	6,536	165	2,791	-	(30)	31,212
Profit for the year	-	-	-	-	-	355	-	-	355
Remeasurements of post-employment benefit obligation	-	-	-	-	-	-	-	(8)	(8)
Total Comprehensive Income for the year	-	-	-	-	-	355	-	(8)	347
Exercise of employee stock options	-	92	(43)	-	-	-	-	-	49
Any other changes	-	-	-	-	-	20	-	-	20
As at 31st December, 2018	6,502	15,234	63	6,536	165	3,166	-	(38)	31,628

The accompanying notes 1 to 39 are an integral part of these financial statements

This is the Statement of Changes in Equity referred to in terms of our report even date
For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

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Partner
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Mumbai 20th February, 2019

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Statement of Cash Flows for the year ended 31st December, 2018

Particulars	(₹ in Million)	
	Year ended 31 st December, 2018	Year ended 31 st December, 2017
I Cash flows from operating activities		
Profit before tax for the year	1,233	1,148
Adjustments for:		
Finance costs recognised in profit or loss	82	108
Investment income recognised in profit or loss	(55)	(8)
Net Gain on sale of investment and change in fair value of investments held at FVTPL	(47)	-
Allowances for trade receivables	4	16
Net Gain on disposal of Property, Plant and Equipment	(5)	1
Depreciation and amortisation of non-current assets	739	759
Provision for slow moving	(8)	64
Loss on sale of subsidiary (Refer Note 33)	125	-
Impairment of non-current assets (Refer Note 33)	1,161	25
Employee Share based payment expenses	14	47
	3,243	2,160
Change in operating assets and liabilities:		
Increase in trade and other receivables	(624)	(617)
(Increase)/decrease in inventories	(700)	(179)
(Increase)/decrease in other assets	121	275
Increase/(decrease) trade and other payables	(144)	232
Increase/(decrease) in provisions	28	22
Increase/(decrease) in other liabilities	(92)	(166)
	(1,411)	(433)
Income taxes paid	(498)	(208)
Net cash inflow from operating activities	1,334	1,519
II Cash flows from investing activities		
Purchase of Property, Plant and Equipment	(1,093)	(589)
(Purchase)/Sale of current investments	(6,171)	(208)
Proceeds from sale of Property, Plant and Equipment	20	9
Change in Fair value of investments	-	8
Proceeds from Sale of subsidiary	6,849	-
Investment in Subsidiary company	(1,161)	-
Investment in Associate company	-*	-
Net cash outflow from investing activities	(1,556)	(780)
III Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	57	66
Net Proceeds/(Repayment) of borrowings	358	(592)
Interest paid	(82)	(108)
Net cash inflow/ (outflow) from financing activities	333	(634)
* Amount is below the rounding off norm adopted by the Company.		
IV Net increase in cash and cash equivalents	111	106
Cash and cash equivalents at the beginning of the year	234	128
V Cash and cash equivalents at the end of the year	345	234

This is the Cash Flow statement referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

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Mumbai 20th February, 2019

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Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

1. General information

Mahindra CIE Automotive Limited and activities

Mahindra CIE Automotive Limited (MCIE) is a Company incorporated in India having its registered office in Mumbai. MCIE is engaged in the business of production and sale of automotive components to original equipment manufacturers and other customers (including leading suppliers of components) in India and overseas.

The Company has manufacturing facilities in various locations across the country in India. MCIE has an established presence in each of these locations and supplies automotive components to its customers based there and exports products to customers based in other countries as well.

MCIE is a subsidiary of CIE Automotive S.A. based in Spain. Mahindra Vehicle Manufacturing Ltd. (MVML), a Company based in India is a significant shareholder in MCIE. Pursuant to a global alliance between the two companies Mahindra's automotive components businesses across various products in India and Europe were brought together.

These standalone financial statements for the year ended December 31, 2018 were approved for issue by the Board of Directors in accordance with their resolution dated February 20, 2019.

2. Summary of significant accounting policies

2.1 Basis of presentation

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act. The financial statements have been prepared on a historical cost basis, except for share based payments, non-current assets and disposal group classified as held for sale, derivative financial instruments and certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in Million INR except earnings per share data and unless stated otherwise. All values are rounded to the nearest Million except when otherwise indicated.

2.2 Segment information

Operating segments (Note 34) are reported consistently with the internal reporting provided to the Board of Directors. The Board of Directors is responsible for allocating resources to and assessing the performance of the operating segments.

2.3 Current and non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets or liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

2.4 Foreign currencies

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

2.5 Revenue recognition

- a. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.
- b. Based on the Educational Material on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

However, Goods and Services Tax effective from 1st July 2017 and sales tax/ value added tax (VAT) before 1st July 2017 is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

- c. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest income

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

Dividends

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.6 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

2.7 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or in equity. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the amount of Goods and Services taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.8 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives, of the assets as follows:

- | | |
|--------------------------|---------------|
| • Buildings | 3 to 60 years |
| • Plant and equipment | 5 to 25 years |
| • Furniture and fixtures | 5 to 10 years |
| • Office equipments | 5 to 10 years |
| • Vehicles | 3 to 8 years |
| • Computers | 3 to 6 years |

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

The Company, based on technical assessment made by technical expert and management estimate, depreciates certain items of building, plant and equipment over estimated useful lives, which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is calculated on a straight-line basis over the estimated useful lives of 3 to 5 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- Raw materials: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicator.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five year. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior year. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31st December.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31st December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.13 Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2.14 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

2.15 Share based payments

Share based compensation benefits are provided to employees via the Employee Stock Options Scheme.

The fair value of options granted under the above scheme is recognised as employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions.

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises the estimates of the number of options that are expected. It recognises the impact of the revision of original estimates, if any, in the income statement, with corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the Company).

2.16 Financial Assets and Financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

2.17 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.18 Cash dividend

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders.

2.19 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is due in one year or less they are classified as current assets.

Commercial receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables. Indications of impairment are deemed to exist when the debtor is in serious financial difficulty; it is probable that the borrower will enter bankruptcy or other financial reorganisation, and in the event of default of payment or delinquency. The amount of the provision is the difference between the asset's carrying amount and present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision is used and the loss is recognised in the income statement. When a receivable is deemed uncollectible, it is written off against the provision for receivables. Any subsequent recovery of previously written-off amounts is recognised in the income statement.

Financing through the discounting of bills of exchange is not derecognised from trade receivables until they are collected and is reflected as bank financing.

Financing by means of non- recourse factoring or the sale of trade receivables triggers derecognition of the receivable as all associated risks are transferred to the financial institution in question.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from supplier. Account payable is classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Fees paid on for availing the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.22 Non-current assets held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Non current assets and disposal group classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

2.23 The list of standards issued but not yet effective:

Ind AS 115, Revenue from contracts with customers

The Ministry of Corporate Affairs (MCA) has notified Ind AS 115, 'Revenue from Contracts with Customers', on 28 March 2018, which is effective for accounting periods beginning on or after 1st April 2018.

Adoption of Ind AS 115 is not expected to significantly change the timing of the Company's revenue recognition for product sales. Consistent with the current practice, recognition of revenue will continue to occur at a point in time when products are dispatched to customers, which is also when the control of the asset is transferred to the customer under Ind AS 115.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks viz. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a. Market risk

(i) Foreign Currency Risk:-

The Company operates internationally and the business is transacted in several currencies. Consequently, the Company is exposed to foreign exchange risk through its sale and purchase of goods and services in mainly USD and EURO.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations is not material.

The Company's exposure to foreign currency risk at the year end expressed in INR Million is as follows:

	31 st December, 2018			31 st December, 2017		
	USD	EUR	Other Currencies	USD	EUR	Other Currencies
Financial Assets						
Trade Receivables	159	71	3	78	124	3
Net exposure to foreign currency risk (assets)	159	71	3	78	124	3
Financial Liabilities						
Trade Payables	35	15	-*	60	10	-*
Net exposure to foreign currency risk (liabilities)	35	15	-*	60	10	-*

* Amount is below the rounding off norm adopted by the Company.

For the year ended 31st December, 2018 and 31st December, 2017, every ten percentage appreciation/depreciation in the exchange rate between the Indian rupee and U.S. Dollar, would have affected the Company's incremental operating margins by approximately ₹ 12 Million and ₹ 2 Million, respectively. Further every ten percentage appreciation/depreciation in the exchange rate between the Indian rupee and Euro, would have affected the Company's incremental operating margins by approximately ₹ 6 Million and ₹ 11 Million, respectively. The sensitivity for net exposure of other currencies does not have material impact to the Statement of Profit and Loss.

Sensitivity analysis is computed based on the changes in the receivables and payables in foreign currency upon conversion into functional currency, due to exchange rate fluctuations in the previous reporting period and the current reporting period.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company's exposure to the risk of changes in market interest rates relates to the Company's debt obligations with floating interest rates.

Interest rate sensitivity

The sensitivity analysis below has been determined based on exposure to interest rate. For floating rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

For the year ended	Currency	Increase/decrease in base points	Effect on profit before tax	Variable rate CC balance / Term loans
31 st December, 2018	INR	+100	(11)	1,065
	INR	-100	11	1,065
31 st December, 2017	INR	+100	(6)	620
	INR	-100	6	620

b. Liquidity risk

- (i) The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect MCIE strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility through the availability of committed credit lines. Additionally, and on the basis of its liquidity needs, the Company uses liquidity facilities (non-recourse factoring and the sale of financial assets representing receivable debts, transferring the related risks and rewards). Management monitors the Company's forecast liquidity requirements together with the trend in net debt.

The calculation of liquidity and net debt at 31st December, 2018 and 31st December, 2017 is calculated as follows:

	31 st December, 2018	31 st December, 2017
Cash and bank balances (Note 12)	345	234
Other current financial assets – Investments (Note 8)	6,788	515
Undrawn credit facilities and loans	2,659	2,601
Liquidity buffer	9,792	3,350
Borrowings (Note 15)	1,372	1,014
Other Current Financial Liabilities (Note 17)	151	117
Cash and bank balance (Note 12)	(345)	(234)
Other current financial assets – Investments (Note 8)	(6,788)	(515)
Net financial debt	(5,610)	382

(ii) Maturities of financial liabilities

The table below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	31 st December, 2018		31 st December, 2017	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Borrowings	1,372	-	1,014	-
Trade payables	3,017	-	3,159	-
Other financial liabilities	151	-	117	-
Total liabilities	4,540	-	4,290	-

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

The Company believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated will be sufficient to service payment obligations for the year without problem.

The Company monitors the Company's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.

Noteworthy is the existence at 31st December, 2018 of ₹ 2,659 Million in unused loans and credit lines (31st December, 2017: ₹ 2,601 Million).

One of the Company's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Company therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through logistic and industrial management, allowing JIT (just in time) supplies to our customers.

As a result of the above, it may be confirmed that there are no significant liquidity risks to the Company.

c. Credit Risk

Credit risk from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Company works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted.

In addition, company has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that the Company policy is to spread its volumes across customers or manufacturing platforms.

One of the customer group exceeds 10% of the Company's turnover for the years 2018 and 2017. Sales to this customer in 2018 are ₹ 15,347 Million (2017: ₹ 12,475 Million)

3.2 Fair Value estimation

Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period (Refer Note 21).

3.3 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry the Company monitors capital on the basis of the leverage ratio, this ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which are shown in the annual accounts. Total capital employed is calculated as 'equity', as shown in the standalone annual accounts, plus net debt.

Calculation of Gearing ratio.

	31 st December, 2018	31 st December, 2017
Net Financial Debt (Refer Note 3.1.(b))	(5,610)	382
Equity	35,416	34,996
Less: Long term investment	(20,062)	(27,036)
Total Capital Employed	9,744	8,342
Gearing Ratio	#	0.05

Gearing ratio is not applicable since the Company has no Net Financial Debt.

4. Accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions affecting the application of accounting policies and the amounts presented under assets and liabilities, income and expenses. Actual results may differ from these estimates.

a) Estimated impairment loss on goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units basically which were determined on the basis of calculations of value in use did not give rise to impairment risks on the Company's goodwill at 31st December, 2018.

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination.

In business combinations, the Company classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment the Company uses appraisals prepared by independent experts.

c) Income tax

Income tax expense for the period ended 31st December, 2018 has been estimated based on profit before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation governing the corporate income tax base calculation. The tax is recognized in the income statement, except insofar as it relates to items recognized directly in equity, in which case, it is also recognized in equity.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Tax credits and deductions and the tax effect of applying tax-loss carry forwards that have not been capitalised are treated as a reduction in the corporate income tax expense for the year in which they are applied or offset.

The calculation of income tax expense did not require the use of significant estimates except in tax credits recognized in the year, which was at all times consistent with the annual financial statements.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual accounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred taxes on temporary differences are recognized when arising on investments in subsidiaries, associates and joint ventures, except in those cases where the Company can control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets deriving from the carry forward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of investment tax credits the counterpart of the amounts recognized is the deferred income account. The tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated, recognizing the right with a credit to deferred income.

d) Pension benefits

The present value of the Company's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for employee benefits are based in part on current market conditions.

5. Property, plant and equipment

The details and movements in property, plant and equipment are as follows:

2018:

Description of Assets	Land	Building	Plant and Equipment	Furniture and Fixtures, tools and furnishings	Office Equipments	Vehicles	Computer / EDP Equipment	Total	Capital Work in Progress
I. Gross Carrying Amount									
Balance as at 1 st Jan 2018	430	1,673	5,902	51	32	65	53	8,206	253
Additions	2	60	587	5	9	5	8	676	1,055
Disposals/ Capitalisation	-	(16)	(122)	(3)	(3)	(18)	(5)	(167)	(676)
Balance as at 31st December, 2018	432	1,717	6,367	53	38	52	56	8,715	632
II. Accumulated depreciation and impairment									
Balance as at 1 st Jan 2018	-	(251)	(2,214)	(31)	(17)	(15)	(30)	(2,558)	-
Depreciation expense for the year	-	(83)	(597)	(5)	(5)	(13)	(9)	(712)	-
Disposals	-	8	123	2	2	12	5	152	-
Balance as at 31st December, 2018	-	(326)	(2,688)	(34)	(20)	(16)	(34)	(3,118)	-
III. Net carrying amount	432	1,391	3,679	19	18	36	22	5,597	632

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

2017:

Description of Assets	Land	Building	Plant and Equipment	Furniture and Fixtures, tools and furnishings	Office Equipment	Vehicles	Computer / EDP Equipment	Total	Capital work in Progress
I. Gross Carrying Amount									
Balance as at 1 st Jan 2017	365	1,294	4,491	35	20	45	34	6,284	61
Additions	1	93	287	1	5	27	6	420	612
Addition on account of Merger	64	290	1,199	15	8	7	16	1,599	-
Disposals / Capitalisation	-	(4)	(75)	-	(1)	(14)	(3)	(97)	(420)
Balance as at 31st December, 2017	430	1,673	5,902	51	32	65	53	8,206	253
II. Accumulated depreciation and impairment									
Balance as at 1 st Jan 2017	-	(126)	(1,040)	(14)	(8)	(12)	(12)	(1,212)	-
Addition on account of merger	-	(51)	(614)	(10)	(6)	(2)	(12)	(695)	-
Depreciation expense for the year	-	(77)	(633)	(7)	(4)	(8)	(9)	(738)	-
Disposals	-	3	73	-	1	7	3	87	-
Balance as at 31st December, 2017	-	(251)	(2,214)	(31)	(17)	(15)	(30)	(2,558)	-
III. Net carrying amount	430	1,422	3,688	20	15	50	23	5,648	253

6. Goodwill

Goodwill is monitored by management at the level of cash generating units.

a) Key assumptions used in the calculation of value in use at 31st December, 2018:

The discount rates applied to cash flow projections are:

	31st December, 2018
Discount Rate	13%

The discount rate range applied is attributable to the cash flows generated in company.

Budgeted EBITDA (operating profit plus depreciation / amortisation and possible impairment) is determined by Company management in their strategic plans. The margins vary by type of business as follows:

	% of revenue
	2018
Margins	15%

Other forecast movements in cash flows related to tax are projected to these EBITDA to obtain after-tax free cash flow for each year.

The result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates. Cash flows beyond the five-year period covered by the Company's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate 6% based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. In order to calculate the residual value, a normalised annual flow is discounted, taking into account the discount rate applied on the projections, less the growth rate taken into account.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

b) Results of the analysis

Based on the above assessment, the Company concluded that in 2018, goodwill has not suffered any impairment. Additionally, if the revised estimated discount rate, which is applied to cash flows, were 10% higher than management's estimates, the Company would still not need to reduce the carrying value of goodwill.

7. Other Intangible assets

The details and movements of the main classes of intangible assets are shown below:

2018:

Description of Assets	Technical Knowhow	Computer Software	Development Cost	Total
I. Gross Carrying Amount				
Balance as at 1 st January 2018	22	55	55	132
Additions	1	19		20
Disposals	-	-	-	-
Balance as at 31st December, 2018	23	74	55	152
II. Accumulated depreciation and impairment				
Balance as at 1 st January 2018	(15)	(42)	(2)	(59)
Amortisation expense for the year	(6)	(9)	(12)	(27)
Disposal	-	-	-	-
Balance as at 31st December, 2018	(21)	(51)	(14)	(86)
III. Net carrying amount	2	23	41	66

2017:

Description of Assets	Technical Knowhow	Computer Software	Development Cost	Total
I. Gross Carrying Amount				
Balance as at 1 st January 2017	22	39	-	61
Additions on account of merger	-	17	55	72
Additions	-	1	-	1
Disposals	-	(2)	-	(2)
Balance as at 31st December, 2017	22	55	55	132
II. Accumulated depreciation and impairment				
Balance as at 1st January 2017	(8)	(18)	-	(26)
Addition on account of merger	-	(14)	-	(14)
Amortisation expense for the year	(7)	(12)	(2)	(21)
Disposal	-	2	-	2
Balance as at 31st December, 2017	(15)	(42)	(2)	(59)
III. Net carrying amount	7	13	53	73

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

8. Investments

Particulars	As at 31 st December, 2018			As at 31 st December, 2017		
	No of Shares/Units	Amounts Current	Amounts Non Current	No of Shares/Units	Amounts Current	Amounts Non Current
A Investment in equity instruments (unquoted-fully paid up)						
Subsidiary Companies						
Stokes Group Limited	-	-	-	15,465,310	-	902
UAB CIE Galfor SA	5,500	-	7,034	5,500	-	7,034
Bill Forge Private Limited	1,171,207	-	13,028	1,171,207	-	13,028
Mahindra Forgings Europe AG	-	-	-	5,000,000	-	6,974
Associate Company						
Gescrap India Private Limited	30,000	-	.*	-	-	-
Others						
The Saraswat Cooperative Bank Limited	2,550	-	.*	2,550	-	.*
Subtotal (A)		-	20,062		-	27,938
B Investments in Mutual Funds (unquoted)						
Axis Liquid Fund – Direct Growth	320,977	653	-	145,699	276	-
ICICI Prudential Liquid Plan – Direct Growth	3,515,982	953	-	944,717	239	-
DSP Liquidity Fund – Direct Growth	96,317	253	-	-	-	-
Axis Ultra Short Term Fund - Direct Growth	49,242,616	506	-	-	-	-
Aditya Birla Sunlife Liquid Fund – Direct Growth	27,379	8	-	-	-	-
C Investment in Commercial Papers & Bonds (unquoted)						
7.16% HDB Finance	250	266	-	-	-	-
7.55% HDFC Limited	50	532	-	-	-	-
7.63% MM Financial Limited	500	537	-	-	-	-
7.76% MM Financial Limited	1,000	1,057	-	-	-	-
8.03% Kotak Mahindra Premier Limited	500	535	-	-	-	-
Axis Finance Limited	1,000	497	-	-	-	-
Tata Motors Finance Limited	1,000	495	-	-	-	-
ICICI Securities Limited	1,000	496	-	-	-	-
Subtotal (B + C)		6,788	-		515	-
D Investment in Subsidiary (Held for sale)						
Stokes Group Limited	138,329,310	2,063	-	-	-	-
Subtotal (D)		2,063	-		-	-
Total (A+B+C+D)		8,851	20,062		515	27,938
Less: Provision for impairment		(2,063)	-		-	(902)
Total investments		6,788	20,062		515	27,036

* Amount is below the rounding off norm adopted by the Company.

- The Board of Directors of the Company at its meeting held on September 25, 2018, approved the scheme of merger between Bill Forge Private Limited, wholly owned subsidiary, and the Company. The scheme of merger has been filed with the National Company Law Tribunal (NCLT) on October 29, 2018 and the impact of this merger will be given once the scheme is approved by the NCLT and filed with Registrar of Companies.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

2. In the above said meeting, the Board has also accorded their approval for transfer of 100% shares held in Mahindra Forgings Europe AG (MFE), one of the wholly owned subsidiary, to CIE Galfor S.A. (Galfor), another wholly owned subsidiary of the Company. Accordingly, equity shares in MFE were sold to Galfor for a consideration of Euro 82.64 Million (₹ 6,850 Million) on November 2, 2018. The Company has booked a loss of INR 125 Million.
3. The investment in the Company's subsidiary Stokes Group Limited is classified as "Held for Sale" as they meet the criteria laid out under Ind AS 105. Amount of GBP 12.28 Million (₹ 1,161 Million) was invested in Stokes to facilitate closure, which has been fully provided for as at the year end.
4. During the previous year, the Company had filed an application for merger of four of its subsidiaries namely Mahindra Forgings International Limited (MFIL), Mahindra Forgings Global Limited (MFGL), Mahindra Gears & Transmission Private Limited (MGTPPL) and Crest Geartech Private Limited (Crest Geartech) ("Transferor Companies") with the Company. Pursuant to the Order of Hon'ble National Company Law Tribunal bench, Mumbai, passed on 13th December, 2017, approving the Scheme of Amalgamation ("the Scheme"), the assets and liabilities of the Transferor Companies have been transferred to and vested in the Company with effect from 1st July, 2017, the appointed date as per the Scheme.

9. Trade Receivables

	31 st December, 2018	31 st December, 2017
Trade receivables		
(a) Unsecured, considered good	3,914	3,293
(b) Doubtful	82	78
Less: Allowance for doubtful debt	(82)	(78)
	<u>3,914</u>	<u>3,293</u>
Of the above, trade receivables from:		
- Related Parties (Note 31)	2,243	1,591
- Others	1,671	1,702
	<u>3,914</u>	<u>3,293</u>

The carrying amount of the trade receivable includes receivables which are subject to factoring arrangement. Under this arrangement, the Company has transferred the relevant receivables to the factor in exchange for Cash and is prevented from selling or pledging the receivables. However, the Company has retained late payment and credit risk. The Company therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as borrowing.

The relevant carrying amounts are as follows:

	31 st December, 2018	31 st December, 2017
Transferred trade receivables	16	46
Associated short term borrowings (Note 15)	16	46

10. Other Assets

	31 st December, 2018		31 st December, 2017	
	Current	Non- Current	Current	Non- Current
(a) Capital advances	-	85	-	32
(b) Security Deposits	-	99	-	74
(c) Balances with government authorities	140	-	171	-
(d) Other advances	156	829	268	832
	<u>296</u>	<u>1,013</u>	<u>439</u>	<u>938</u>

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

11. Inventories

	31 st December, 2018	31 st December, 2017
(a) Raw materials	799	365
(b) Work-in-progress	701	613
(c) Finished and semi-finished goods	535	361
(d) Stores and spares	282	244
(e) Loose Tools	119	145
Total Inventories	2,436	1,728
Included above, goods-in-transit:		
(i) Raw materials	2	18
(ii) Finished and semi-finished goods	141	69
Total goods-in-transit	143	87

Amounts recognised in the Statement of Profit and Loss:

Write-downs in inventories of finished goods, work-in-progress & raw materials amounted to ₹ 176 Million (31st December 2017: ₹ 184 Million) as at the period end. Accordingly, an amount of ₹ 8 Million was recognised as reversal of expense during the year.

12. Cash and Cash Equivalents

	31 st December, 2018	31 st December, 2017
Cash and cash equivalents		
(a) Balances with banks	274	114
(b) Cheques, drafts on hand	27	77
(c) Cash in hand	1	1
Total Cash and cash equivalents	302	192
Other Bank Balances		
(a) Earmarked balances with banks	1	1
(b) Balances with Banks:		
On margin accounts	42	41
Total Other Bank balances	43	42
Total cash, cash equivalents and other bank balances	345	234

13. Equity Share capital

	31 st December, 2018		31 st December, 2017	
	No. of shares	Amount	No. of shares	Amount
Authorised:				
Equity shares of ₹ 10/- each with voting rights	513,192,621	5,132	513,192,621	5,132
4% non-cumulative redeemable preference shares of ₹ 31/- each	5	.*	5	.*
Issued:				
Equity shares of ₹ 10/- each with voting rights	378,781,877	3,788	378,368,187	3,784
Issued, Subscribed and Paid Up:				
Equity shares of ₹ 10/- each with voting rights	378,780,932 [^]	3,788	378,367,242 [^]	3,784

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Terms and rights attached to Equity Shares

Equity shares have a par value of ₹ 10/-. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Every holder of equity shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

Particulars		Opening Balance	Issue of Equity Shares on account of Employee Stock Option Scheme	Closing Balance
Equity Shares with voting rights				
Year Ended 31 st December, 2018	No. of Shares	378,367,242	413,690	378,780,932
	Amount	3,784	4	3,788
Year Ended 31 st December, 2017	No. of Shares	378,088,265	278,977	378,367,242
	Amount	3,781	3	3,784

*Shareholders of the Company had approved reclassification of authorised preference share capital vide EGM held on 13th Oct 2016. Amount is below the rounding off norm adopted by the Company.

^Mahindra Composites Limited which was merged with the company in the year 2013 had issued 1,050 equity shares and not allotted the same to the shareholders. Based on the swap ratio the Company has issued 945 equity shares and not allotted the same and the same has been kept in abeyance.

Details of shares held by the holding Company, the ultimate holding Company, their subsidiaries and associates

	Equity Shares with Voting rights
As at 31 st December, 2018	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding Company	213,194,432
As at 31 st December, 2017	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding Company	194,267,537

Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	31 st December, 2018		31 st December, 2017	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
Participaciones Internacionales Autometal, Dos S.L. (PIA2)	213,194,432	56.28%	194,267,537	51.34%
Mahindra Vehicle Manufacturing Limited (MVML)	43,344,512	11.44%	65,271,407	17.25%

14. Other Equity

(i) Securities premium reserve

	31 st December, 2018	31 st December, 2017
Opening balance	15,142	15,079
Addition on Exercise of options - Proceeds Received	92	63
Closing balance	15,234	15,142

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(ii) Equity settled employees' benefits reserve

	31 st December, 2018	31 st December, 2017
Opening balance	106	73
Employee stock option expenses	14	63
Less: -		
Transfer to retained earnings on cancellation/lapse	(20)	(4)
Options exercised during the year	(37)	(26)
Closing Balance	63	106

(iii) Retained earnings

	31 st December, 2018	31 st December, 2017
Opening Balance	2,761	2,530
Add: -		
Profit for the year	355	693
Addition on account of merger (Note 8.4)	-	(463)
Any other changes	20	6
Items of Other Comprehensive income recognized directly in retained earnings		
Actuarial Gain/ (Loss), net of tax	(8)	(5)
Closing balance	3,128	2,761

(iv) Capital reserves

	31 st December, 2018	31 st December, 2017
Opening Balance	6,502	6,386
Addition on account of merger (Note 8.4)	-	116
Closing Balance	6,502	6,502

(v) Capital Redemption reserve

	31 st December, 2018	31 st December, 2017
Balance as at beginning and end of year	165	165

(vi) General Reserve

	31 st December, 2018	31 st December, 2017
Balance as at beginning and end of year	6,536	6,536

(vii) Other reserves – Investment Fluctuation Reserve

	31 st December, 2018	31 st December, 2017
Opening Balance	-	86
Adjustment on account of merger	-	(86)
Closing Balance	-	-
Grand Total	31,628	31,212

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Nature and purpose of Reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilized in accordance with the provisions of the law.

Equities settled employees' benefits reserve

The Equities settled employees benefits reserve is used to recognize the grant date fair value of options issued to employees under the MCIE Stock Options Scheme.

Capital reserve

Capital reserve is reserves generated on account of:

1. Merger under the Integrated Scheme of Amalgamation and the Composite Scheme of Amalgamation (Sections 391-395 of the Companies Act, 1956) for the merger of Mahindra UGINE Steel Company Limited (MUSCO), Mahindra Hinoday Industries Limited (MHIL), Mahindra Gears International Limited (MGIL), Mahindra Investment India Private Limited (MIPL), Participaciones Internacionales Autometal Tres S.L. (PIA3) and Mahindra Composites Limited (MCL). The merger was approved by the Honorable High Court of Judicature at Bombay on Oct 31, 2014. The Schemes came into effect on December, 10, 2014, the day on which the order was delivered to the Registrar of Companies. The reserve is capital in nature and is not available for distribution as dividend.
2. Merger under the Scheme of Amalgamation (Sections 230-234 and other applicable provisions of the Companies Act, 2013) of Mahindra Gears and Transmission Pvt Ltd, Mahindra Forging Global Limited, Mahindra Forging International Limited and Crest Geartech Private Ltd. The merger was approved by the Honorable National Company Law Tribunal (NCLT) at Mumbai on December 13, 2017. The reserve is capital in nature and is not available for distribution as dividend

General reserve

General reserve created by virtue of merger of Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited and Mahindra Forgings Mauritius Limited into the Company vide High Court Order dated 27th December, 2007, is reserve available for distribution as dividend.

Capital redemption reserve

Capital redemption reserve is transferred by virtue of the merger referred to above, which was in the books of MUSCO and was created to redeem preference shares issued by MUSCO before merger. These shares have since been redeemed and this reserve is available for distribution.

15. Borrowings

	31 st December, 2018	31 st December, 2017
A. Secured Borrowings		
(a) Loans repayable on demand		
From Banks	-	348
Total Secured Borrowings	-	348
B. Unsecured Borrowings		
(a) Loans from related parties	1,065	620
(b) From Banks	307	46
Total Unsecured Borrowings	1,372	666
Total Current Borrowings	1,372	1,014

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Movement of Borrowings

	Current borrowings
Balance as on 31st December, 2017	(1,015)
(including accrued interest)	
Cash flows	(358)
Interest expense	(68)
Interest paid	69
Balance as on 31st December, 2018	(1,372)

Interest rate ranges from 4.85% to 7.14% p.a.

The loan from related party is an unsecured short term loan repayable on demand.

Assets pledged as security

The carrying amounts of assets pledged as security for current borrowings and bank guarantees are:

	Notes	31 st December, 2018	31 st December, 2017
Current assets			
Inventories	11	2,436	1,728
Financial assets			
- Trade Receivables	9	3,914	3,293
- Investments	8	6,788	515
- Cash and Cash Equivalents	12	302	192
- Other Bank Balances	12	43	42
Other Current Assets	10	296	439
Total assets pledged as security		13,799	6,209

16. Trade Payables

	31 st December, 2018	31 st December, 2017
Trade payable - Micro and small enterprises	109	158
Trade payable - Other than micro and small enterprises	2,853	2,874
Acceptances	55	127
	3,017	3,159
Of the above, trade payable from:		
- Related Parties (Note 31)	418	281
- Others	2,599	2,878

The identification of suppliers as micro and small enterprises covered under the "Micro Small and Medium Enterprises Development Act, 2006" was done on the basis of the information to the extent provided by the supplier to the company. Total outstanding dues to micro and small enterprises, are given below;

Particulars	31 st December, 2018	31 st December, 2017
Principal amount due at year end	102	157
Interest due and remaining unpaid	7	1
Principal amount paid beyond due date	301	133
Interest paid in terms of section 16 of the Act	-*	(1)
Amount of interest due and payable for period of delay in payment made beyond the appointed day	6	2
Amount of interest accrued and remaining unpaid for earlier year	1	-

*Amount is below rounding off norm adopted by the company

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

17. Other Financial Liabilities

	31 st December, 2018	31 st December, 2017
(a) Interest accrued	-	1
(b) Unclaimed dividend	-*	-*
(c) Unclaimed Fractional coupon shares	1	1
(d) Creditors for capital supplies/services	150	115
	151	117

* Amount is below rounding off norm adopted by the company

18. Provisions

	31 st December, 2018		31 st December, 2017	
	Current	Non- Current	Current	Non- Current
(a) Provision for Gratuity (Note 29)	75	50	72	25
(b) Provision for compensated absences	26	187	24	173
(c) Provision for voluntary retirement scheme	3	-	4	3
(d) Provision for water charges (Note 30)*	-	262	-	262
Total Provisions	104	499	100	463

* There is no movement in provision for water charges during the current and previous year.

19. Deferred Taxes

2018	Opening Balance	Recognised in profit and Loss	Recognised in OCI	Adjustment on account of merger (Note 8.4)	Closing Balance
Tax effect of items constituting deferred tax liabilities					
Property, Plant and Equipment and Intangible assets	455	65	-	-	520
Subtotal (A)	455	65			520
Tax effect of items constituting deferred tax assets					
Expenses allowable on payment basis	43	6	-	-	49
Timing differences	195	(23)	4	-	176
Subtotal (B)	238	(17)	4	-	225
Net Tax Asset (Liabilities)[B-A]	(217)	(82)	4	-	(295)
2017	Opening Balance	Recognised in profit and Loss	Recognised in OCI	Adjustment on account of merger (Note 8.4)	Closing Balance
Tax effect of items constituting deferred tax liabilities					
Property, Plant and Equipment and Intangible assets	443	(50)	-	62	455
Subtotal (A)	443	(50)	-	62	455
Tax effect of items constituting deferred tax assets					
Expenses allowable on payment basis	33	10	-	-	43
Timing differences	169	17	3	6	195
Subtotal (B)	202	27	3	6	238
Net Tax Asset (Liabilities)[B-A]	(241)	77	3	(56)	(217)

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

20. Corporate income tax expense

(i) Income Tax recognised in Profit or loss

	31 st December, 2018	31 st December, 2017
Current Tax	831	532
(Excess)/short provision for tax of earlier years	(35)	-
Deferred Tax	82	(77)
Total income tax expense	878	455

(ii) Income tax recognised on Other comprehensive income

	31 st December, 2018	31 st December, 2017
Income taxes related to items that will not be reclassified to profit or loss	4	3
	4	3

(iii) Reconciliation of tax expense and the accounting profit multiplied by Company's domestic tax rate:

	31 st December, 2018	31 st December, 2017
Profit before tax	1,233	1,148
Income tax expense calculated at 34.944% (Dec'17 - 34.608%)	431	397
Deferred tax assets not recognised as realization is not probable	449	-
Effect of expenses that is non-deductible in determining taxable profit	15	43
(Excess)/short provision for tax of earlier years	(35)	-
Other Items	18	15
	878	455

21. Fair Value Measurements

Financial instruments by category

	31 st December, 2018			31 st December, 2017		
	FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI	Amortised Cost
Financial assets						
1. Current Assets						
Investments	2,373	-	4,415	515	-	-
Trade Receivables	-	-	3,914	-	-	3,293
Cash and Cash Equivalents	-	-	302	-	-	192
Other Bank balances	-	-	43	-	-	42
Total financial assets	2,373		8,674	515		3,527
Financial liabilities						
1. Current Liabilities						
Borrowings	-	-	1,372	-	-	1,014
Trade Payables	-	-	3,017	-	-	3,159
Other Financial Liabilities	-	-	151	-	-	117
Total financial liabilities	-	-	4,540	-	-	4,290

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Financial instrument carried at amortized cost

Fair value of current financial assets and current financial liabilities carried at amortized cost is not materially different from carrying amount.

Fair Value Hierarchy

Particulars

	31 st December, 2018			31 st December, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Short term investments in Mutual Funds	2,373	-	-	515	-	-
Total	2,373	-	-	515	-	-

22. Other Liabilities

	31 st December, 2018		31 st December, 2017	
	Current	Non- Current	Current	Non- Current
(a) Government grant	18	12	30	47
(b) Taxes payable (other than income taxes)	145	-	161	-
(c) Employee Related	348	-	356	-
(d) Others	132	5	158	-
	643	17	705	47

23. Revenue from Operations

	31 st December, 2018	31 st December, 2017
(a) Revenue from Operations	23,067	19,366
(b) Revenue from rendering services	58	40
(c) Other Operating Revenue (Including Scrap Sales, Export incentives)	2,168	1,233
	25,293	20,639

24. Other Income

	31 st December, 2018	31 st December, 2017
(a) Interest Income		
On Financial Assets at amortised cost	106	49
(b) Net Gain on Investment held at FVTPL	47	3
(c) Government Grants	11	11
(d) Miscellaneous income	134	58
	298	121

25. Cost of materials consumed:

	31 st December, 2018	31 st December, 2017
Opening stock	365	250
Add: Purchases	14,658	10,623
	15,023	10,873
Less: Closing stock	(799)	(365)
Cost of materials consumed	14,224	10,508

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Changes in inventories of finished goods and work in progress:

	31 st December, 2018	31 st December, 2017
Inventories at the end of the year		
Finished goods	535	361
Work in progress	701	613
	<u>1,236</u>	<u>974</u>
Inventories at the beginning of the year		
Finished goods	361	324
Work in progress	613	408
	<u>974</u>	<u>732</u>
Net (Increase)/Decrease [Excluding the merger impact]	<u>(262)</u>	<u>(127)</u>

26. Employee benefit expenses

	31 st December, 2018	31 st December, 2017
(a) Salaries and wages, including bonus	2,508	2,196
(b) Contribution to provident and other funds (Note 29)	163	125
(c) Staff welfare expenses	176	137
	<u>2,847</u>	<u>2,458</u>

27. Finance costs

	31 st December, 2018	31 st December, 2017
(a) Interest expense	68	61
(b) Finance Charges	14	47
	<u>82</u>	<u>108</u>

28. Other expenses

	31 st December, 2018	31 st December, 2017
(a) Tools & Stores consumed	1,091	976
(b) Power & Fuel	1,594	1,374
(c) Repairs and maintenance	603	493
(d) Freight outward	368	308
(e) Subcontracting, Hire and Service Charges	672	605
(f) Expenditure on corporate social responsibility (CSR) under section 135 of the Companies Act, 2013. (Note 35)	16	14
(g) Auditors remuneration and out-of-pocket expenses		
(i) Audit fee	7	7
(ii) Tax audit fee	1	1
(iii) Other services	1	1
(h) Other Expenses	1,089	1,027
	<u>5,442</u>	<u>4,806</u>

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

29. Defined benefits and contribution

(a) Defined Contribution plan

The Company's contribution to Provident Fund and other funds aggregating ₹ 163 Million (₹ 125 Million) has been recognised in the statement of Profit or Loss under the head Employee Benefit expenses.

(b) Defined benefit plans

(i) Gratuity

The Company operates gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Company's scheme applicable to the employee. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Company makes annual contribution to the Company gratuity scheme administered by the Life Insurance Corporation of India through its Gratuity Trust Fund.

(ii) Voluntary Retirement Scheme

One time expenses incurred towards voluntary retirement scheme are charged off in the statement of Profit or loss.

(iii) Compensated absences

Company's liability towards 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 costs are recognised on straight line basis over the statement of Profit or 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.

(c) Risks

Through its defined benefit plans the Company is exposed to risks, the most significant of which are detailed below:

(i) Asset Volatility

The plan liabilities are calculated using a discount rate set with references to government bond yields; if plan assets under perform compared to the government bond's discount rate, this will create or increase a deficit.

(ii) Changes in Bond Yields

A decrease in government bond yields will increase plan liabilities, although this is expected to be partially offset by an increase in the value of the plans' bond holdings.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

1. Provisions for Gratuity, Voluntary Retirement Scheme (VRS): -

	Funded Plan-Gratuity		Unfunded Plans-VRS	
	2018	2017	2018	2017
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:				
Service Cost				
Current Service Cost	41	22	-	-
Past service cost and (gains)/losses from settlements	7	-	-	-
Net interest expense	6	6	-	1
Components of defined benefit costs recognised in profit or loss	54	34	-	1
Re-measurement on the net defined benefit liability				
Actuarial gains and loss arising from changes in financial assumptions	(6)	(7)	-	-
Actuarial gains and loss arising from experience adjustments	18	15	-	-
Actuarial gains and loss arising from Demographic assumptions	-	-	-	-
Components of defined benefit costs recognised in other comprehensive income	12	8	-	-
Total	66	42	-	1
I. Net Asset/(Liability) recognised in the Balance Sheet as at 31st December				
1. Present value of defined benefit obligation as at 31 st December	(403)	(350)	(3)	(7)
2. Fair value of plan assets as at 31 st December	278	253	-	-
3. Surplus/(Deficit)	(125)	(97)	(3)	(7)
4. Current portion of the above	(75)	(72)	(3)	(4)
5. Non-current portion of the above	(50)	(25)		(3)
*Amount is below rounding off norm adopted by the company				
II. Change in the obligation during the year ended 31st December				
1. Present value of defined benefit obligation at the beginning of the year	350	312	7	14
Add : On account of merger	-	16	-	-
2. Expenses Recognised in Profit and Loss Account				
- Current Service Cost	41	22	-	-
- Past Service Cost	7	-	-	-
- Interest Expense (Income)	25	22	-	1
3. Recognised in Other Comprehensive Income				
Re-measurement (Gain) / loss				

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

	Funded Plan-Gratuity		Unfunded Plans-VRS	
	2018	2017	2018	2017
- Actuarial (Gain) / Loss arising from:				
i. Demographic Assumptions	-	-		
ii. Financial Assumptions	(5)	(7)	-	-
iii. Experience Adjustments	16	18	-	-
4. Benefit payments	(31)	(33)	(4)	(8)
5. Present value of defined benefit obligation at the end of the year	403	350	3	7
III. Change in fair value of assets during the year ended 31st December				
1. Fair value of plan assets at the beginning of the year	253	223	-	-
Add: On account of merger	-	16	-	-
2. Expenses Recognised in Profit and Loss Account				
- Expected return on plan assets	19	16	-	-
3. Recognised in Other Comprehensive Income				
Re-measurement gains / (losses)	-	-	-	-
- Actual Return on plan assets in excess of the expected return				
i. Demographic Assumptions	-	-	-	-
ii. Financial Assumptions	1	-	-	-
iii. Experience Adjustments	(2)	3	-	-
4. Contributions by employer (including benefit payments recoverable)	38	28	-	-
5. Benefit payments	(31)	(33)	-	-
6. Fair value of plan assets at the end of the year	278	253	-	-
IV. The Major categories of plan assets				
Funds managed by Insurer	278	253	-	-
% to total assets	100%	100%	-	-
V. Actuarial assumptions				
1. Discount rate	7.4% to 7.9%	7.4% to 8.6%	7.9%	7.7%
2. Expected rate of return on plan assets	7.4% to 7.7%	6.75% to 9%	-	-
3. Attrition rate	2% to 17%	2% to 10%	-	-
4. Salary Escalation	7% to 10%	7% to 8.5%	-	-
5. Mortality	Indian Assured Lives Mortality (2006-08) Ultimate			
6. Life expectancy of person retiring at year end	12 to 15 years			

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change	31 st December, 2018	31 st December, 2017
Decrease in Discount rate	1%	10%	11%
Increase in Discount rate	1%	8%	9%
Decrease in Salary increment	1%	8%	8%
Increase in Salary increment	1%	9%	9%

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

30. Contingent Liabilities and Commitments

Contingent liabilities (to the extent not provided for)	31 st December, 2018	31 st December, 2017
(a) Claims against the Company not acknowledged as debt		
1. Income tax claims against which the Company has preferred an appeal	375	375
2. Excise Duty matters	155	194
3. Service Tax matters	61	59
4. Sales Tax and VAT matters	382	220
5. Stamp Duty, Government Cess and others	213	64
6. Water Charges	325	325
7. The Company had imported capital goods under the Export Promotion Capital Goods (EPCG), of the Government of India, at concessional rate of duty on an understanding to fulfill quantified exports against future obligation	5	31
(b) Commitment		
i. Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities.	197	209

Water Charges:

The Company has an ongoing dispute pertaining to the Stamping Division of the Company [formerly known as Mahindra Ugine Steel Company Limited (MUSCO)] with the Irrigation Department (Water Resource Department) in respect of levy of charge for use of water from Patalganga River, for the period from July 1991 to May 2012 for an aggregate amount of ₹ 587 Million including penal charge of ₹ 102 Million and late fee charge of ₹ 223 Million. Presently the matter is pending before the Hon'ble High Court of Bombay ("the Court") where the Company had filed a writ and the Court, vide Order dated 2nd July, 2012, has admitted the writ petition of the Company. In compliance with the Order admitting the Company's petition, the Company has deposited an amount of ₹ 233 Million with the Irrigation Department, being the arrears of water charges for the period from July 1991 to May 2012 and has also given a bank guarantee towards penal rate charges of ₹ 102 Million claimed by the Irrigation Department. The High Court has also allowed the Irrigation Department to withdraw the amount of arrears of ₹ 29 Million deposited earlier by the Company with it in respect of disputed water charge claim for the period from July 1991 to March 2001. As per the Order, the Company is entitled to pursue the proceedings filed by it before the Honorable Bombay High Court and that the State of Maharashtra (Irrigation Department) shall not adopt any coercive steps for recovery of the aforesaid penal rate charges of ₹ 102 Million and the late fee of ₹ 223 Million.

(c) Non-cancellable operating leases

The company leases various factory premises and offices under non-cancellable operating leases expiring within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Operating leases are payable as follows:

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows	31 st December, 2018	31 st December, 2017
Within one year	19	7
Later than one year but not later than five years	117	13
Later than five years	26	-

Rental expense relating to operating leases

	31 st December, 2018	31 st December, 2017
Minimum lease payments	44	30
Total rent expense relating to operating leases	44	30

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

31. Related Party Transactions

Names of Related Parties

- (a) Ultimate Holding Company – CIE Automotive S.A.

Principal Shareholder of the Holding Company – CIE Berriz, S.L

Holding Company – Participaciones Internacionales Autometal, DOS S.L

- (b) Names of Subsidiary Companies

No. Name of the Company

- 1 Stokes Group Limited
- 2 Stokes Forgings Limited
- 3 Stokes Forgings Dudley Ltd.
- 4 Mahindra Forgings Europe AG
- 5 Jeco Jellinghaus GmbH Jeco
- 6 Gesenkschmiede Schneider GmbH
- 7 Falkenroth Umformtechnik GmbH
- 8 Schoneweiss & Co. GmbH
- 9 CIE Galfor S. A.U
- 10 CIE Legazpi S.A.,
- 11 UAB CIE LT Forge
- 12 Metalcastello S.p.A.
- 13 Bill Forge Private Limited
- 14 BF Precisions Private Limited
- 15 Bill Forge de Mexico S.A de C.V.
- 16 Bill Forge Global DMCC, Dubai (upto 24th September, 2017)
- 17 Mahindra Forgings International Limited (upto 30th June, 2017)
- 18 Mahindra Forgings Global Limited (upto 30th June, 2017)
- 19 Mahindra Gears & Transmission Private Limited (upto 30th June, 2017)
- 20 Crest Geartech Private Limited (upto 30th June, 2017)

- (c) Name of the Associate Company where transactions have taken place during the period

No. Name of the Company

- 1 Gescrap India Private Limited (w.e.f 27th March, 2018)

- (d) Names of the Companies exercising significant influence over the Company where transactions have taken place during the period

- A) Mahindra Vehicle Manufacturers Limited(MVML) (investing company in respect of which the Company is an Associate)
- B) Mahindra & Mahindra Limited (M&M) (Holding Company of the investing company in respect of which the Company is an Associate.)

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(e) Names of other related parties where transactions have taken place during the period

Fellow Subsidiaries

1 Gameko Fabricación de Components, S.A.

Subsidiary Companies of the investing company (MVML) in respect of which the Company is an Associate

1 Mahindra Intertrade Limited

2 Mahindra Steel Service Centre Limited

3 Mahindra Auto Steel Private Limited

4 Mahindra Electric Mobility Limited (Formerly known as Mahindra Reva Electric Vehicles Limited) (Name changed w.e.f. 15.02.2017)

5 Mahindra Heavy Engines Limited

6 Mahindra MiddleEast Electrical Steel Service Centre

7 Mahindra Two Wheelers Limited

8 Mahindra MSTC Recycling Private Limited

Fellow Subsidiary Companies of the investing company (MVML)

1 Mahindra Trucks & Buses Private Limited

2 Gromax Agri Equipments Limited (Formerly known as Mahindra Gujarat Tractor Limited)

3 Mahindra Integrated Business Solutions Private Limited

4 NBS International Limited

5 Mahindra Sanyo Special Steels Private Limited

6 Mahindra Consulting Engineers Limited

7 Defence Land Systems Limited (upto 18th October, 2017)

8 Mahindra Defence Naval Systems Limited (Formerly known as Mahindra Defence Naval Systems Private Limited)

9 Mahindra Logistics Limited

10 Bristlecone Limited

(f) Key Managerial Personnel (KMP)

No.	Name	Designation
1	Mr. Hemant Luthra	Chairman (upto 31 st March, 2018) Non Executive Chairman (w.e.f 1 st April, 2018)
2	Mr. Antonio Maria Paradera	Director (upto 16 th October, 2018)
3	Mr. Jesus Marice Herrera	Director
4	Mr. Ander Arenaza Alvarez	Executive Director
5	Mr. Zoooben Bhiwandiwalla	Director
6	Mr. Shriprakash Shukla	Director
7	Mr. K Ramaswami	Director (upto 3 rd October, 2017)
8	Mr. Daljit Mirchandani	Director
9	Mr. Dhananjay Mungale	Director
10	Mr. Manoj Maheshwari	Director
11	Mrs Neelam Deo	Director
12	Mr. Juan Maria Bilbao Ugarizza	Director
13	Mr. Jose Sabino Velasco Ibnaz	Director (upto 20 th February, 2018)
14	Mr. Suhail Nathani	Director

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

No.	Name	Designation
15	Mr. Romesh Kaul	Executive Director (w.e.f 17 th October, 2018) and Chief Executive-Stamping, Forgings & Composite
16	Mr. Manoj Menon	Chief Executive- Foundry, Magnetics, Gear
17	Mr. K Jayaprakash	Chief Financial Officer
18	Mr. Krishnan Shankar	Company Secretary and Head – Legal

(g) Transactions with Related parties during the period

	For the year ended	Entities having significant influence over Company	Subsidiaries (Including Fellow subsidiaries)	Subsidiaries of Entities having significant influence over Company	Associate Company
Nature of transactions with Related Parties					
Sale of goods	31 st December, 2018	15,347	356	342	66
	31 st December, 2017	12,475	193	306	-
Purchase of goods	31 st December, 2018	24	-	2,118	-
	31 st December, 2017	-	-	1,364	-
Purchase of property and other assets	31 st December, 2018	-	-	-	-
	31 st December, 2017	1	-	-	-
Rendering of services	31 st December, 2018	-	-	-	-
	31 st December, 2017	-	18	-	-
Receiving of services	31 st December, 2018	-	-	123	-
	31 st December, 2017	-	6	93	-
Rent received	31 st December, 2018	-	-	1	-
	31 st December, 2017	-	-	1	-
Rent paid	31 st December, 2018	42	-	-	-
	31 st December, 2017	57	-	-	-
Interest paid	31 st December, 2018	-	46	-	-
	31 st December, 2017	-	8	-	-
Reimbursements received	31 st December, 2018	-	81	-	-
	31 st December, 2017	-	-	-	-
Reimbursements paid	31 st December, 2018	14	49	-	-
	31 st December, 2017	32	4	-	-
Provision for Impairment of investment (Note 33)	31 st December, 2018	-	1,161	-	-
	31 st December, 2017	-	-	-	-
Investment in Subsidiary and Associate	31 st December, 2018	-	1,161	-	-*
	31 st December, 2017	-	-	-	-
Sale of investment	31 st December, 2018	-	6,849	-	-
	31 st December, 2017	-	-	-	-

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(h) Balances with Related parties at the end of the period

Nature of Balances with Related Parties	Balance as on	Entities having significant influence over Company	Subsidiaries (Including Fellow subsidiaries)	Subsidiaries of Entities having significant influence over Company	Associate Company
Trade payables	31st December, 2018	3	-	415	-
	31 st December, 2017	29	-	252	-
Trade receivables	31st December, 2018	2,116	48	79	-
	31 st December, 2017	1,501	52	38	-
Borrowings	31st December, 2018	-	1,065	-	-
	31 st December, 2017	-	620	-	-
Advances received	31st December, 2018	43	-	-	.*
	31 st December, 2017	-	-	-	-
Other balances	31st December, 2018	9	-	-	-
	31 st December, 2017	-	-	-	-

*Amount is below rounding off norm adopted by the Company.

(i) Remuneration to Key Managerial Personnel

Details of Remuneration	31st December, 2018	31st December, 2017
Short term employment benefits	50	96
Share based payments	4	25
Professional fees paid	21	-
Director sitting fees	4	5
Total	79	126

As gratuity and compensated absences are computed for all the employees in aggregate, the amount relating to the key managerial personnel, cannot be individually identified.

32. Earnings per share

a) Calculation of basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the parent Company's shareholders by the weighted average number of ordinary shares in the year.

The diluted earnings per share has been computed by dividing the Net profit after tax available for Equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock options for the respective periods.

	31st December, 2018	31st December, 2017
	₹ Per Share	₹ Per Share
Basic earnings per share	0.94	1.83
Diluted earnings per share	0.94	1.83

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

- b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	31 st December, 2018	31 st December, 2017
a. Profit for the year	355	693
b. Weighted average number of equity shares	378,514,871	378,293,423
Add: Effect of Stock options	298,547	440,460
c. Weighted average number of equity shares used in the calculation of Diluted EPS	378,813,418	378,733,883
d. Basic earnings per share (a/b)	0.94	1.83
e. Diluted earnings per share (a/c)	0.94	1.83

33. Exceptional Items

Exceptional Items relating to current year:

- a. Provision for impairment on additional investment in Stokes Group Limited, wholly owned subsidiary of Company, amounting to ₹ 1,161 Million, to facilitate closure of business. Company does not anticipate any amount to be recovered from this investment. Hence, the Company has recognised full impairment loss on the said investment.
- b. Loss on sale of investment in Mahindra Forgings Europe AG (MFE), one of the wholly owned subsidiaries of the Company, to CIE Galfor S.A. (Galfor), another wholly owned subsidiary of the Company amounting to ₹ 125 Million.

Exceptional Items relating to previous year:

Onetime payment made to employees opting for early retirement under The Voluntary Retirement Scheme declared in November 2017 in Forgings division.

34. Segment Information

In accordance with paragraph 4 of notified IND AS 108 "Operating Segments", the Company has disclosed segment information only in consolidated financial statements.

35. Corporate Social Responsibility (CSR)

The company is required to spend a sum ₹ 16 Million (PY ₹ 14 Million) as part of CSR during the year. The details of actual expenses are as under:

	31 st December, 2018	31 st December, 2017
Construction of assets	6	2
On the purpose other than above	10	12
Total	16	14

36. The Company instituted the Employees Stock Options Scheme 2007 (ESOS 2007) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on July 25, 2007, amended by special resolution dated July 29, 2008, August 02, 2011 and pursuant to the Integrated scheme of Amalgamation and Composite Scheme of Amalgamation in terms of High Court dated October 13, 2014. Further, the company instituted the Employees Stock Options Scheme 2015 (ESOS 2015) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on September 15, 2015.

Pursuant to the schemes, the Company has granted options to eligible employees at various exercise prices per equity share of ₹ 10 each. Under the terms of scheme, the vesting period will be spread equally over 4 years (ESOS 2007) and 3 years (ESOS 2015). Options will vest at 25% (ESOS 2007) and 33% (ESOS 2015) from the grant date. When exercisable, each option is convertible into one equity share of the Company.

Notes to the Standalone Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Movement of share options are as under:

Date of the Tranche	Opening Balance		Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
	Number of Shares	Weighted average exercise price	Number of Shares	Number of Shares	Number of Shares	Number of Shares
On 1 st April, 2011	160,260	57	12,542	52,216	95,502	95,502
On 20 th January, 2012	1,709	44	29	802	878	878
On 22 nd February, 2016	961,828	150	131,390	244,005	586,433	390,955
On 12 th December, 2016	350,000	150	233,333	116,667	-	-
	1,473,797		377,294	413,690	682,813	487,335

37. Revenue from operations for the year ended 31st December, 2017 include excise duty for the period April to June 2017 which is discontinued with effect from 1st July, 2017 upon implementation of Goods and Services Tax ('GST') in India. In accordance with Ind AS 18 "Revenue", GST is not included in revenue from operation. In view of the aforesaid restructuring of Indirect taxes, Revenue from operation for the year ended 31st December, 2018 and year ended 31st December, 2017 are not comparable.

38. Events occurring after the reporting period

There are no reportable events occurring after the reporting period.

39. Previous year figures have been regrouped and/or reclassified wherever found necessary in order to conform to this year's classification.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125
Mumbai 20th February, 2019

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**
Hemant Luthra
Chairman

K. Jayaprakash
Chief Financial Officer
Mumbai 20th February, 2019

Ander Alvarez
Director
Daljit Mirchandani
Director
Krishnan Shankar
Company Secretary & Head- Legal

CONSOLIDATED FINANCIAL STATEMENTS

A man in a light-colored shirt and dark tie is looking at a large, white computer monitor. The monitor displays a complex financial statement with various columns and rows of data. The man is holding a pen in his right hand. The background is slightly blurred, showing a desk with some papers and a keyboard.

INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra CIE Automotive Limited

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of Mahindra CIE Automotive Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its associate companies; (refer Note 1 to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at December 31, 2018, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement for the year then ended and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group including its associates in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 8 and 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS 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 of the consolidated state of affairs of the Group and its associates as at December 31, 2018, and their consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

8. The financial statements of (i) ten subsidiaries located outside India, included in the consolidated financial statements, which constitute total assets of ₹ 39,801 Million and net assets of ₹ 6,363 Million as at December 31, 2018, total revenue of ₹ 47,363 Million, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 3,115 Million and net cash flows amounting to ₹ 381 Million for the year then ended and (ii) one associate company located outside India, which has total comprehensive income (comprising of loss and other comprehensive income) of ₹ (1) Million for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.
9. We did not audit the financial information of three subsidiaries, whose financial information reflect total assets of ₹ 524 Million and net assets of ₹ 2 Million as at December 31, 2018, total revenue of ₹ 718 Million, total comprehensive income (comprising of loss and other comprehensive income) of ₹ (504) Million and net cash flows amounting to ₹ 64 Million for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of loss and other comprehensive income) of ₹ (2) Million for the year ended December 31, 2018 as considered in the consolidated Ind AS financial statements, in respect of one associate company whose financial information have not been audited by us. These financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and associate company and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries and associate company, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.
- Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work

done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

10. **As required by Section 143(3) of the Act, we report, to the extent applicable, that:**
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
 - (b) In our opinion, proper books of account as required by law maintained by the Holding Company and its subsidiaries included in the Group incorporated in India including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group, and associate company incorporated in India including relevant records relating to the preparation of the consolidated Ind AS financial statements.
 - (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on December 31, 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India are disqualified as on December 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies and associate company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated Ind AS financial statements disclose the impact, if any, of pending litigations as at December 31, 2018 on the consolidated financial position of the Group and its associates— Refer Note 32 to the consolidated Ind AS financial statements.
- ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Group did not have any derivative contracts as at December 31, 2018.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by

the Holding Company and its subsidiary companies and associate company incorporated in India during the year ended December 31, 2018.

- iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended December 31, 2018.

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani

Partner

Place: Mumbai

Date: February 20, 2019

Membership Number- 48125

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Mahindra CIE Automotive Limited on the consolidated Ind AS financial statements for the year ended December 31, 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended December 31, 2018, we have audited the internal financial controls with reference to Financial Statements of Mahindra CIE Automotive Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date. Reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is not applicable to one subsidiary company and one associate company incorporated in India namely BF Precision Private Limited and Gescrap India Private Limited respectively, pursuant to MCA notification GSR 583(E) dated 13 June 2017.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company and its subsidiary company, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal

controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at December 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

Jeetendra Mirchandani

Place: Mumbai

Date: February 20, 2019

Partner

Membership Number- 48125

Consolidated Balance Sheet as at 31st December, 2018

(₹ in Million)

	Note No.	As at 31 st December, 2018	As at 31 st December, 2017
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	6	19,840	19,014
Capital Work-in-Progress		960	602
Goodwill	7	29,111	28,364
Other Intangible Assets	8	101	125
Financial Assets			
Investments	9	15	14
Loans	11	1,387	2,389
Deferred Tax Assets	23	2,553	2,554
Current Tax Assets		327	270
Other Non-Current Assets	12	1,422	1,386
		<u>55,716</u>	<u>54,718</u>
Current Assets			
Inventories	13	12,286	9,898
Financial Assets			
Investments	9	6,793	537
Trade Receivables	10	7,414	5,984
Loans	11	31	43
Cash and Cash Equivalents	14	1,084	677
Other Bank Balances	14	43	42
Current Tax Assets		527	529
Other Current Assets	12	1,410	3,487
		<u>29,588</u>	<u>21,197</u>
Disposal group assets classified as held for sale	22	<u>524</u>	<u>-</u>
Total Assets		<u><u>85,828</u></u>	<u><u>75,915</u></u>
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	15	3,788	3,784
Other Equity	16	39,103	33,372
		<u>42,891</u>	<u>37,156</u>
LIABILITIES			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	17	11,730	10,173
Other Financial Liabilities	19	-	9
Provisions	20	3,490	3,449
Deferred Tax Liabilities	23	988	924
Other Non-Current Liabilities	21	656	720
		<u>16,864</u>	<u>15,275</u>
Current Liabilities			
Financial Liabilities			
Borrowings	17	4,404	1,796
Trade Payables	18	16,838	15,743
Other Financial Liabilities	19	459	748
Provisions	20	449	196
Current Tax Liabilities		1,206	696
Other Current Liabilities	21	2,195	4,305
		<u>25,551</u>	<u>23,484</u>
Disposal group liabilities classified as held for sale	22	<u>522</u>	<u>-</u>
Total Equity and Liabilities		<u><u>85,828</u></u>	<u><u>75,915</u></u>

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125
Mumbai 20th February, 2019

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**
Hemant Luthra
Chairman

K. Jayaprakash
Chief Financial Officer
Mumbai 20th February, 2019

Ander Alvarez
Director
Daljit Mirchandani
Director
Krishnan Shankar
Company Secretary & Head - Legal

Consolidated Statement of Profit and Loss for the year ended 31st December, 2018

(₹ in Million)

	Note No.	Year Ended 31 st December, 2018	Year Ended 31 st December, 2017
Continuing Operations			
Revenue from operations		80,315	65,709
Net Sales		76,485	63,082
Other operating revenues		3,830	2,627
Other Income	26	387	268
Total Revenue		80,702	65,977
Expenses			
Cost of materials consumed	27	37,737	28,923
Changes in stock of finished goods and work-in-progress		(1,421)	(761)
Employee benefit expense	28	13,297	11,527
Finance costs	29	502	510
Depreciation and amortisation expense	6,8	2,867	2,683
Provision for impairment of Property plant and equipment	6	-	75
Excise duty on sales	39	-	1,430
Other expenses	30	20,192	16,372
Total Expenses		73,174	60,759
Profit before exceptional items and tax		7,528	5,218
Exceptional Items	41	-	(68)
Profit before tax		7,528	5,150
Current tax	24	1,899	1,266
Deferred tax	23	144	217
Total tax expense		2,043	1,483
Profit for the year from continuing operations		5,485	3,667
Discontinued Operations			
Loss for the year from discontinued operations	22	(504)	(83)
Profit for the year		4,981	3,584
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefit obligation	31	(53)	(19)
Income tax relating to items that will not be reclassified to profit or loss	24	17	6
Items that may be reclassified to profit or loss			
Exchange differences in translating the financial statements of foreign operations		737	708
Total Other comprehensive Income for the year, net of tax		701	695
Total comprehensive income for the year attributable to:			
Owners of the Group		5,682	4,279
From continuing operations		6,186	4,362
From discontinued operations		(504)	(83)
Earnings per share from continuing and discontinued operations of the owners of the Group (expressed in ₹ 10 per share)			
- Basic earnings per share	35	13.16	9.48
From continuing operations		14.49	9.70
From discontinued operations		(1.33)	(0.22)
- Diluted earnings per share	35	13.15	9.46
From continuing operations		14.48	9.68
From discontinued operations		(1.33)	(0.22)

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For Price Waterhouse Chartered Accountants LLP
Firm Registration No. 012754N/N500016

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Mumbai 20th February, 2019

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Director
Krishnan Shankar
Company Secretary & Head - Legal

Consolidated Statement of Changes in Equity

(₹ in Million)

a. Equity share capital

	Number of Shares	Equity share capital
Balance at January 1, 2017	378,088,265	3,781
Changes in equity share capital during the year		
Issue of equity shares pursuant to exercise of employee share options	278,977	3
Balance at December 31, 2017	378,367,242	3,784
Changes in equity share capital during the year		
Issue of equity shares pursuant to exercise of employee share options	413,690	4
Balance at December 31, 2018	378,780,932	3,788

b. Other equity

	Reserves and surplus						Other Reserves		Total
	Capital Reserve	Securities Premium Reserve	Equity-settled employee benefits reserve	General Reserve	Capital redemption Reserve	Retained Earnings	Foreign Currency Translation Reserve	Actuarial Gain / (Loss)	
As at 1 st January 2017	7,578	15,079	73	6,028	165	(300)	223	36	28,882
Profit for the year	-	-	-	-	-	3,584	-	-	3,584
Other Comprehensive Income	-	-	-	-	-	-	823	(13)	810
Total Comprehensive Income for the year	-	-	-	-	-	3,584	823	(13)	4,394
Exercise of employee stock options	-	63	33	-	-	-	-	-	96
On account of merger within the group	115	-	-	-	-	-	(115)	-	-
As at 31st December 2017	7,693	15,142	106	6,028	165	3,284	931	23	33,372
Profit for the year	-	-	-	-	-	4,981	-	-	4,981
Other Comprehensive Income	-	-	-	-	-	-	737	(36)	701
Total Comprehensive Income for the year	-	-	-	-	-	4,981	737	(36)	5,682
Exercise of employee stock options	-	92	(43)	-	-	-	-	-	49
As at 31st December 2018	7,693	15,234	63	6,028	165	8,265	1,668	(13)	39,103

This is the consolidated statement of changes in equity referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

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Mumbai 20th February, 2019

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Consolidated Statement of Cash Flows for the Year Ended 31st December 2018

(₹ in Million)

	Year ended 31 st December, 2018	Year ended 31 st December, 2017
I Cash flows from operating activities		
Profit before tax for the year	7,025	5,067
Adjustments for:		
Finance costs	525	545
Net Gain on Investments held at FVTPL	(47)	(97)
Other non-cash income	(55)	-
Provision for doubtful debts	(13)	(90)
Provision for obsolescence of inventory	(22)	106
Net Loss/ (Gain) on disposal of property, plant and equipment	(32)	(11)
Depreciation and amortisation	2,898	2,734
Impairment of assets	-	75
Expenses recognized in respect of ESOP's	14	63
	10,293	8,392
Change in Operating assets and liabilities:		
(Increase)/decrease in trade receivables	(1,616)	(2,766)
(Increase)/decrease in inventories	(2,752)	(1,273)
Change in other assets and liabilities	2,599	1,846
	(1,769)	(2,193)
Income taxes paid	(1,444)	(1,077)
Net cash generated by operating activities	7,080	5,122
II Cash flows from investing activities		
(Purchase)/Sale of current investment	(6,201)	(183)
Net Gain on Investments held at FVTPL	47	97
Payments for property, plant and equipment	(4,101)	(3,105)
Proceeds from disposal of property, plant and equipment	66	108
Investment in Associate company	-*	-
Net cash outflow by investing activities	(10,189)	(3,083)
III Cash flows from financing activities		
Proceeds from issue of equity instruments of the Group	57	66
Net Proceeds/(Repayment) of borrowings	4,089	(1,877)
Interest paid	(525)	(545)
Net cash inflow / (outflow) from financing activities	3,621	(2,356)
IV Net increase/ (decrease) in cash and cash equivalents	512	(317)
Cash and cash equivalents at the beginning of the year	719	981
Effects of exchange rate changes (on cash held in foreign currencies)	16	55
V Cash and cash equivalents at the end of the year	1,247	719
	As at 31st Dec 2018	As at 31st Dec 2017
Reconciliation of Cash and Cash Equivalents		
Total Cash and Cash Equivalents as per Balance Sheet	1,204	677
Bank balances	43	42
Total Cash and Cash Equivalents as per Statement of Cash Flows	1,247	719

Consolidated Statement of Cash Flows includes cash flows of Disposal Group. For details of Cash Flow of Disposal Group, refer Note 22.

The accompanying notes 1 to 43 are an integral part of these consolidated financial statements.

This is the Consolidated Cash flow statement referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
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Mumbai 20th February, 2019

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Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

1. General information

Mahindra CIE Automotive Group and Background

Mahindra CIE Automotive Limited (MCIE) is a company incorporated in India having its registered office in Mumbai. The company and its subsidiaries (collectively referred to as "the Group") are engaged in the business of production and sale of automotive components to original equipment manufacturers and other customers (including leading suppliers of components) in India and overseas.

The Group has manufacturing facilities in India, Germany, Spain, Lithuania, Italy, Mexico and the United Kingdom. The group has an established presence in each of these locations and supply automotive components to its customers based there and export products to customers based in other countries as well. The group's manufacturing locations are generally located close to major automotive manufacturing hubs in order to facilitate supplies to the customers.

MCIE is a subsidiary of CIE Automotive S.A (CIE) based in Spain. The Mahindra Group based in India is a significant shareholder in MCIE. Pursuant to a global alliance between the two companies Mahindra's automotive components businesses across various product segments in India and Europe were brought together with the forgings business of CIE in Spain.

During the year 2018, MCIE has transferred 100% shares held in Mahindra Forgings Europe AG (MFE), one of the wholly owned subsidiary, to CIE Galfor S.A. (Galfor), another wholly owned subsidiary of the Company.

The subsidiaries included in these consolidated financial statements along with the proportion of ownership and beneficial interest of the Group in such subsidiaries is included in the Appendix attached hereto.

These consolidated financial statements for the year ended December 31, 2018 were approved for issue by the Board of Directors in accordance with their resolution dated February 20, 2019.

Interest in Subsidiaries and Associates

Sr. No.	Name of the entity	% of Holding		Country of Incorporation
		31 st Dec 2018	31 st Dec 2017	
1	Stokes Group Limited (SGL)	100%	100%	U.K
2	Stokes Forgings Dudley Limited (subsidiary of SGL)	100%	100%	U.K
3	Stokes Forgings Limited (subsidiary of SGL)	100%	100%	U.K
4	Mahindra Forgings Europe AG (MFE) (subsidiary of Galfor)	100%	100%	Germany
5	Jeco Jellinghaus GmbH (subsidiary of MFE)	100%	100%	Germany
6	Gesensschmiede Schneider GmbH (subsidiary of MFE)	100%	100%	Germany
7	Falkenroth Umformtechnik GmbH (subsidiary of MFE)	100%	100%	Germany
8	Schoneweiss & Co GmbH (subsidiary of MFE)	100%	100%	Germany
9	Metalcastello S.p.A (MC) (subsidiary of Galfor)	99.96%	99.96%	Italy
10	CIE Galfor SA (Galfor)	100%	100%	Spain
11	CIE Legazpi SA (subsidiary of Galfor)	100%	100%	Spain
12	UAB CIE LT Forge (subsidiary of Galfor)	100%	100%	Lithuania
13	Galfor Eólica, S.L (Associate of Galfor) *	25%	25%	Spain
14	Bill Forge Private Limited (BF)	100%	100%	India
15	BF Precision Private Limited (subsidiary of BF)	100%	100%	India
16	Bill Forge de Mexico, S.A. de C.V. (subsidiary of BF)	100%	100%	Mexico
17	Gescrap India Private Limited *(Associate of MCIE)	30%	-	India

*As per schedule III, share of net profit/ (Loss) of associate company has to be disclosed on the face of statement of profit and loss. However, as the share of net loss of Gescrap India Private Limited and Galfor Eolica S.L is not material, it has not been disclosed separately.

2. Summary of significant accounting policies

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the act. The financial statement have been prepared on a historical cost basis, except for share based payment, assets held for sale, derivative financial instrument and certain financial assets and liabilities measured at fair value.

The consolidated financial statements are presented in Million ₹ and all values are rounded to the nearest Million except when otherwise indicated.

2.2 Recent Amendments

Ind AS 115, Revenue from contracts with customers

The Ministry of Corporate Affairs (MCA) has notified Ind AS 115, 'Revenue from Contracts with Customers', on 28 March 2018, which is effective for accounting periods beginning on or after 1st April 2018.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

Adoption of Ind AS 115 is not expected to significantly change the timing of the Company's revenue recognition for product sales. Consistent with the current practice, recognition of revenue will continue to occur at a point in time when products are dispatched to customers, which is also when the control of the asset is transferred to the customer under Ind AS 115.

2.3 Consolidation principles

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31st December 2018. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent Group, i.e., year ended on 31st December 2018.

Consolidation procedure:

- a) Combine like items of assets, liabilities, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- c) Eliminate in full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intra-group transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.4 Segment information

Operating segments (Note 5) are reported consistently with the internal reporting provided to the Board of Directors. The Board of Directors is responsible for allocating resources to and assessing the performance of the operating segments.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired, and the liability assumed are recognised at their acquisition date fair value. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- Assets (or disposal Groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequently its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

2.6 Current and non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets or liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

2.7 Foreign currencies

The Group's consolidated financial statements are presented in ₹, which is also the parent Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognized in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g., consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognized initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.
- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into ₹ at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

2.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Group has assumed that recovery of excise duty flows to the Group on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Group on its own account, revenue includes excise duty.

However, Goods and Services Tax effective from 1st July 2017 and sales tax/ value added tax (VAT) before 1st July 2017 is not received by the Group on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Other operating revenue mainly includes scrap sales and export incentives.

Interest income

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.9 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and recognised in profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

2.10 Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or in equity. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognized within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognized in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognized in profit or loss.

Goods and Services Tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognized net of the amount of sales/ Value added (Goods & Service) taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.11 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 3 to 60 years
- Plant and equipment 5 to 25 years
- Furniture & Fixtures 5 to 10 years
- Office equipment's 5 to 10 years
- Vehicles 3 to 8 years
- Computers 3 to 6 years

The Group, based on technical assessment made by technical expert and management estimate, depreciates certain items of building, plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

2.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

2.14 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average cost.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on weighted average cost.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31st December.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at each reporting period at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.17 Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

2.18 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Pension provisions are for operations in Germany and are entirely internally funded. These benefits are in the nature of long term service awards and lifetime pension and retirement plans. Liabilities are determined using projected unit credit method together with mortality tables. Obligation is measured at the present value of estimated future cash flow using the discount rate that is determined by reference to average market yields of ten years.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

2.19 Share based payments

Share based compensation benefits are provided to employees via the Employee Stock Options Scheme.

The fair value of options granted under the above scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

- Including any market performance conditions;
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period)

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revised the estimates of the number of options that are expected. It recognises the impact of the revision of original estimates, if any, in the income statement, with corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the Group).

2.20 Financial Assets and Financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

2.21 Share Capital

Ordinary equity shares are classified as equity.

Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

2.22 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.23 Cash dividend

The Group recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

2.24 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is due in one year or less they are classified as current assets

Commercial receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due under the original terms of the receivables. Indications of impairment are deemed to exist when the debtor is in serious financial difficulty; it is probable that the borrower will enter bankruptcy or other financial reorganisation, and in the event of payment of default or delinquency. The amount of the provision is the difference between the asset's carrying amount and present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision is used and the loss is recognised in the income statement. When a receivable is deemed uncollectible it is written off against the provision for receivables. Any subsequent recovery of previously written-off amounts is recognised in the income statement.

Financing through the discounting of bills of exchange is from trade receivables until they are collected and is reflected as bank financing.

Financing by means of non-recourse factoring or the sale of trade receivables triggers derecognition of the receivable as all associated risks are transferred to the financial institution in question.

2.25 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payable is classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.26 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on for availing the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.27 Disposal groups and discontinued operations

An operation is classified as discontinued operations when component of the entity that has been disposed of or is classified as held for sale and that represent a separate major line of business or geographical area of operations and is a part of a single coordinated plan to dispose off. The result of discontinued operation is presented separately, in statement of profit and loss. Assets of disposal group classified as held for sale are presented separately from other assets in balance sheet. The liabilities of disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks viz. market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign Currency Risk:-

The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, the Group uses the management scope concept. This concept encompasses all collection/ payment flows in a currency other than the Indian Rupees expected to materialise over a specific time period. The management scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the Indian Rupees. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months. Once defined the Management Scope, the Group may use financial instruments for risk management.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

The Group has investments in foreign operations whose net assets are denominated in EURO, exposing it to only foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is managed through natural hedges by denominating liabilities including borrowings (loans) in the corresponding foreign currency.

If at 31st December, 2018, the Rupee had been depreciated/ appreciated by 10% with respect to all other functional currencies other than the Rupee, all other variables remaining constant, equity would have increased/decreased by ₹ 1,317 Million (2017 increased/ decreased by ₹ 1,542 Million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from Rupee.

If the average rate of exchange of the euro had depreciated/ appreciated by 10% in 2018 with respect to all other functional currencies other than Rupee, all other variables remaining constant, profit after tax for the year would have been higher/ lower by ₹ 324 Million, (2017 ₹ 227 Million), mainly as a result of the exchange gain/ losses on the translation of accounts of subsidiaries denominated in currencies other than Rupee.

(ii) Interest rate risk

The Group's borrowings are benchmarked to variable rates. The expectation of any change in the benchmark rate is monitored regularly and hedging is initiated as and when required. During the year the impact of such expected change was not material.

Out of total Borrowings, ₹ 3,928 Million are at variable interest rate.

If the average rate of interest had increased/ decreased by 10bps p.a. in 2018, all other variables remaining constant, interest costs for the year would have been higher/ lower by ₹ 4 Million, (2017 ₹ 3 Million).

(b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the MCIE Automotive Group strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility through the availability of committed credit lines. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of financial assets representing receivable debts, transferring the related risks and rewards). Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31st December 2018 and 31st December 2017 is calculated as follow:

	As at 31 st December 2018	As at 31 st December 2017
Cash, cash equivalents & bank balances (Note 14)	1,127	719
Other Non-current Financial Assets – Loans (Note 11)	1,387	2,389
Other current financial assets – Investments (Note 9)	6,793	537
Other current financial assets – Loans (Note 11)	31	43
Total Cash and financial assets	9,338	3,688
In addition to above cash and financial assets undrawn credit facilities as on 31 st December, 2018 were ₹ 4,561 Million. (31 st December, 2017 ₹ 2,777 Million)		
Borrowings (Note 17)	16,134	11,969
Other Current and non-current Financial Liabilities (Note 19)	459	757
Cash and cash equivalents (Note 14)	(1,127)	(719)
Other non-current financial assets – Loans (Note 11)	(1,387)	(2,389)
Other current financial assets – investments (Note 9)	(6,793)	(537)
Other current financial assets – loan (Note 11)	(31)	(43)
Net financial debt	7,255	9,038

The Group believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated will be sufficient to service payment obligations for the year without problem.

The Group monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

Noteworthy is the existence at 31st December 2018 of ₹ 4,561 Million in unused loans and credit lines (31st December 2017: ₹ 2,777 Million).

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through logistic and industrial management, allowing JIT (just in time) supplies to our customers.

As a result of the above, it may be confirmed that there are no liquidity risks at the Group.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(c) Credit Risk

Credit risk is managed by customer Groups. Credit risk from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises impairment provisions as warranted.

In addition, each segment has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is to spread its volumes across customers or manufacturing platforms.

Given the characteristics, of the Group's customers, management has historically deemed that receivables due within 60 days present no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong. Based on past trends, expected credit loss is provided. Details of such provision and analysis of the age of assets that are past due but are not impaired is provided in note 10.

Top 20 customers make for 80% of Group's sale, thus reflecting limited credit risk.

3.2 Fair Value estimation

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. **(Refer Note 25).**

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry the Group monitors capital on the basis of the leverage ratio, this ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings plus current financial liabilities less cash, cash equivalents and current financial assets, all of which are shown in the consolidated annual accounts. Total capital employed is calculated as 'equity', as shown in the consolidated annual accounts, plus net debt.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

Calculation of Gearing ratio.

	2018	2017
Net Financial Debt (Refer Note 3.1.(b))	7,255	9,038
Equity	42,891	37,156
Total Capital Employed	50,146	46,194
Gearing Ratio	0.15	0.20

4. Accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions affecting the application of accounting policies and the amounts presented under assets and liabilities, income and expenses. Actual results may differ from these estimates.

a) Estimated impairment loss on goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units basically which were determined on the basis of calculations of value in use did not give rise to impairment risks on the Group's goodwill at 31st December 2018.

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination.

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired, and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment the Group uses appraisals prepared by independent experts.

c) Income tax

Income tax expense for the period ended 31st December 2018 has been estimated based on profit before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation governing the corporate income tax base calculation. The tax is recognized in the income statement, except insofar as it relates to items recognized directly in equity, in which case, it is also recognized in equity.

Tax credits and deductions and the tax effect of applying tax-loss carry forwards that have not been capitalised are treated as a reduction in the corporate income tax expense for the year in which they are applied or offset.

The calculation of income tax expense did not require the use of significant estimates except in tax credits recognized in the year, which was at all times consistent with the annual financial statements.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred taxes on temporary differences are recognized when arising on investments in subsidiaries, associates and joint ventures, except in those cases where the Group can control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets deriving from the carry forward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of investment tax credits, the counterpart of the amounts recognized is the deferred income account. The tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated, recognizing the right with a credit to deferred income.

d) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for employee benefits are based in part on current market conditions.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

5. Segment information

The Board of Directors of Mahindra CIE Automotive Limited is the Group's decision-making body. The Board reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments. The Group has determined the operating segments based on the structure of the reports reviewed by the Board.

All companies within the Mahindra CIE Group belong to the same business segment (Automotive) and two geographical segments, India and Europe

31st December, 2018*

	India	Europe	Total Segments	Adjustment & Eliminations	Consolidated
Revenue	33,886	46,789	80,675	(360)	80,315
Income/ (Expenses)	(29,081)	(40,697)	(69,778)	360	(69,418)
Depreciation, amortization and Impairment	1,217	1,650	2,867	-	2,867
Segment profit (EBIT)	3,588	4,442	8,030	-	8,030
EBIDTA	4,805	6,092	10,897	-	10,897
Total assets	41,158	44,146	85,304	-	85,304
Total liabilities	13,305	29,110	42,415	-	42,415
Fixed Asset Addition	1,601	1,786	3,387	-	3,387

31st December, 2017*

	India	Europe	Total Segments	Adjustment & Eliminations	Consolidated
Revenue	28,948	37,029	65,977	(268)	65,709
Income/ (Expenses)	(25,470)	(32,081)	(57,551)	268	57,283
Depreciation, amortization and Impairment	1,210	1,548	2,758	-	2,758
Segment profit (EBIT)	2,268	3,392	5,660	-	5,660
EBIDTA	3,478	4,940	8,418	-	8,418
Total assets	34,461	41,454	75,915	-	75,915
Total liabilities	13,611	25,148	38,759	-	38,759
Fixed Asset Addition	982	2,300	3,282	-	3,282

Transfers or transactions between segments are carried out under market terms and conditions as usual commercial transactions with third parties.

The reconciliation of operating results and results attributable to the parent Group is as follows:

	As at 31 st December 2018	As at 31 st December 2017
Operating results (EBIT)	8,030	5,660
Financial income (expense)	(502)	(510)
Corporate income tax and deferred tax	(2,043)	(1,483)
Profit attributed to the parent Group	5,485	3,667

There are no significant transactions between segments.

Segment assets excludes goodwill and mainly include property, plant and equipment, intangible assets, deferred tax assets, inventories, accounts receivable and cash.

Segment liabilities include operating liabilities and long-term financing, excluding intra Group liabilities eliminated on consolidation.

*Segment information is exclusive of discontinued operation (Refer Note 22).

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

6. Property, plant and equipment

The details and movements in property, plant and equipment are as follows:

2018

Description of Assets	Land	Buildings	Plant and Equipment	Furniture and Fixtures tools and furnishings	Other Assets	Total
I. Gross Carrying Amount						
Balance as at 1 st Jan 2018	2,181	3,726	19,259	2,475	468	28,109
Additions / Transfer	4	277	2,635	341	102	3,359
Disposals	-	(25)	(842)	(643)	(40)	(1,550)
Discontinued operation	-	(70)	(102)	-	(5)	(177)
Exchange differences	45	195	984	335	2	1,561
Others	-	-	504	119	-	623
Balance as at 31st Dec 2018	2,230	4,103	22,438	2,627	527	31,925
II. Accumulated depreciation and impairment						
Balance as at 1 st Jan 2018	-	(819)	(6,625)	(1,438)	(138)	(9,020)
Depreciation for the year	-	(208)	(2,223)	(372)	(40)	(2,843)
Disposals	-	25	823	641	27	1,516
Discontinued operation	-	33	43	1	3	80
Exchange difference	-	(103)	(782)	(230)	(5)	(1,120)
Others	-	-	(504)	(119)	-	(623)
Balance as at 31st Dec 2018	-	(1,072)	(9,268)	(1,517)	(153)	(12,010)
Impairment	-	-	(75)	-	-	(75)
III. Net carrying amount	2,230	3,031	13,095	1,110	374	19,840

2017

Description of Assets	Land	Buildings	Plant and Equipment	Furniture and Fixtures tools and furnishings	Other Assets	Total
I. Gross Carrying Amount						
Balance as at 1 st Jan 2017	2,087	3,191	15,220	1,659	489	22,646
Additions	1	128	1,959	291	8	2,387
Disposals	-	(4)	(321)	(18)	(59)	(402)
Transfers	-	81	1,127	129	(48)	1289
Exchange differences	93	330	1,355	414	8	2,200
Others	-	-	(81)	-	70	(11)
Balance as at 31st Dec 2017	2,181	3,726	19,259	2,475	468	28,109
II. Accumulated depreciation and impairment						
Balance as at 1 st Jan 2017	-	(386)	(3,639)	(809)	(130)	(4,964)
Depreciation expense for the year	-	(184)	(2,141)	(318)	(38)	(2,681)
Disposals	-	3	293	18	39	353
Transfers	-	(55)	29	26	-	-
Exchange difference	-	(197)	(1,167)	(355)	(9)	(1,728)
Balance as at 31st Dec 2017	-	(819)	(6,625)	(1,438)	(138)	(9,020)
Impairment	-	-	(75)	-	-	(75)
III. Net carrying amount	2,181	2,907	12,559	1,037	330	19,014

There are no significant assets acquired under finance lease.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

7. Goodwill

	As at 31 st December 2018	As at 31 st December 2017
Cost		
Balance as at beginning of the year	30,229	28,988
Foreign Exchange Fluctuation	824	1,241
Balance as at the end of year	31,053	30,229
Accumulated impairment losses	(1,942)	(1,865)
Balance as at the end of year	(1,942)	(1,865)
Net carrying amount	29,111	28,364

Impairment testing of goodwill

Goodwill is assigned to the Group's cash-generating units (CGUs) on the basis of the criterion of grouping together under each CGU all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

The net carrying amount breakup of goodwill at the resulting CGU level is as below:

Cash Generating Units	As at 31 st December 2018	As at 31 st December 2017
India	10,187	10,187
Europe	18,924	18,177
Total	29,111	28,364

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash-flow projections based on five-year financial budgets approved by the management. Cash flows beyond the five-year period are extrapolated on the basis of estimated growth rates that are in all instances lower than the average long-run growth rate for the business in which each of the CGUs operates.

a) Key assumptions used in the calculation of value in use at 31st December 2018:

The discount rates applied to cash flow projections are:

	2018
Discount Rate (Range across CGU's)	5.0%-12.9%

The discount rate range applied is attributable to the cash flows generated in countries with different country-risk characteristics.

The main changes in the discount rates used with respect to the previous year derive from changes in risk-free rates.

Budgeted EBITDA (operating profit plus depreciation / amortisation and possible impairment) is determined by Group management in their strategic plans. The margins vary by type of business as follows:

	% of revenue
	2018
Margins (Range)	13% - 18%

Other forecast movements in cash flows related to tax are projected to these EBITDA's to obtain after-tax free cash flow for each year.

The result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates. Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 0% to 6%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. In order to calculate the residual value, a normalised annual flow is discounted, taking into account the discount rate applied on the projections, less the growth rate taken into account.

b) Results of the analysis

The Group verified that in 2018 goodwill had not suffered any impairment. Additionally, if the revised estimated discount rate, which is applied to discounted cash flows, were 10% higher than management's estimates, the Group would still not need to reduce the carrying value of goodwill.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

8. Other Intangible assets

The details and movements of the main classes of intangible assets are shown below:

2018:

Description of Assets	Development Expenditure	Computer Software	Total
I. Gross Carrying Amount			
Balance as at 1 st January 2018	55	254	309
Additions/Transfers	-	28	28
Disposals	-	(60)	(60)
Exchange differences	-	33	33
Balance as at 31st December 2018	55	255	310
II. Accumulated depreciation and impairment			
Balance as at 1 st January 2018	(3)	(181)	(184)
Amortisation expense for the year	(11)	(44)	(55)
Eliminated on disposal of assets	-	60	60
Exchange difference	-	(30)	(30)
Balance as at 31st December 2018	(14)	(195)	(209)
III. Net carrying amount	41	60	101

2017:

Description of Assets	Development Expenditure	Computer Software	Total
I. Gross Carrying Amount			
Balance as at 1 st January 2017	48	220	268
Additions	7	10	17
Disposals	(9)	(23)	(32)
Transfers	-	(36)	(36)
Exchange differences	9	83	92
Balance as at 31st December 2017	55	254	309
II. Accumulated depreciation and impairment			
Balance as at 1 st January 2017	(3)	(110)	(113)
Amortisation expense for the year	-	(52)	(52)
Eliminated on disposal of assets	7	24	31
Exchange difference	(7)	(43)	(50)
Balance as at 31st December 2017	(3)	(181)	(184)
III. Net carrying amount	52	73	125

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

9. Investments

	As at 31 st December 2018			As at 31 st December 2017		
	No. of Units	Amounts Current	Amounts Non-Current	No. of Units	Amounts Current	Amounts Non-Current
A. Investment in Equity Instruments (Unquoted - fully paid up)						
Associate Company						
Gescrap India Private Limited	30000	-	-			
Galfor Eólica, S.L	68000	-	5	68000	-	5
Others						
The Saraswat Co-operative Bank Limited	2550	-	-	2550	-	-
B Investments in Mutual Funds (Unquoted)						
Axis Liquid Fund – Direct Growth	320,977	653	-	145,699	276	-
ICICI Prudential Liquid Plan – Direct Growth	3,515,982	953	-	944,717	239	-
DSP Liquidity Fund – Direct Growth	96,317	253	-	-	-	-
Axis Ultra Short Term Fund - Direct Growth	49,242,616	506	-	-	-	-
Aditya Birla Sunlife Liquid Fund – Direct Growth	27,379	8	-	-	-	-
C Investment in Commercial Papers & Bonds (Unquoted)						
7.16% HDB Finance	250	266	-	-	-	-
7.55% HDFC Limited	50	532	-	-	-	-
7.63% MM Financial Limited	500	537	-	-	-	-
7.76% MM Financial Limited	1,000	1,057	-	-	-	-
8.03% Kotak Mahindra Premier Limited	500	535	-	-	-	-
Axis Finance Limited	1,000	497	-	-	-	-
Tata Motors Finance Limited	1,000	495	-	-	-	-
ICICI Securities Limited	1,000	496	-	-	-	-
D Others		5	10		22	9
Total quoted Investments	-	-	-	-	-	-
Total unquoted investments	-	6,793	15	-	537	14
Total investments	-	6,793	15	-	537	14

Amount is below the rounding off norm adopted by the Company.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

10. Trade receivables

	As at 31 st December 2018	As at 31 st December 2017
Trade receivables		
Secured, considered good	-	-
Unsecured, considered good	7,414	5,984
Unsecured, considered doubtful	175	188
Less: Allowance for doubtful debts	(175)	(188)
	<u>7,414</u>	<u>5,984</u>
Of the above, trade receivables from:		
- Related Parties (Refer Note 33)	2,306	1,616
- Others	5,108	4,368
	<u>7,414</u>	<u>5,984</u>

11. Loans

	As at 31 st December 2018		As at 31 st December 2017	
	Current	Non- Current	Current	Non- Current
Loans to related parties (Refer Note 33)				
- Secured, considered good	-	-	-	-
- Unsecured, considered good	31	1,387	43	2,389
	<u>31</u>	<u>1,387</u>	<u>43</u>	<u>2,389</u>

12. Other Assets

	As at 31 st December 2018		As at 31 st December 2017	
	Current	Non- Current	Current	Non- Current
Capital advances	-	307	7	243
Other Assets				
Security Deposits	-	99	-	156
Prepaid Expenses	138	581	141	568
Balances with government authorities	525	40	2,845	58
Advances to suppliers	43	-	118	-
Incentive receivable (Grants)	117	-	145	-
Other advances	587	395	231	361
	<u>1,410</u>	<u>1,422</u>	<u>3,487</u>	<u>1,386</u>

13. Inventories

	As at 31 st December 2018	As at 31 st December 2017
Raw materials	3,916	1,826
Work-in-progress	4,552	4,014
Finished and semi-finished goods	3,033	2,202
Stores and spares	360	1,199
Loose Tools	425	657
	<u>12,286</u>	<u>9,898</u>
Goods in transit Included in above :-		
Raw materials	2	18
Finished and semi-finished goods	311	279
	<u>313</u>	<u>297</u>

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Amounts recognised in the Statement of Profit and Loss:

Write-downs in inventories of finished goods, work-in-progress & raw materials amounted to ₹ 548 Million (31st December 2017: ₹ 570 Million) as at the period end. Accordingly, an amount of ₹ 22 Million was recognised as reversal of expense during the year.

14. Cash and cash equivalents

	As at 31 st December 2018	As at 31 st December 2017
Cash and cash equivalents		
Balances with banks		
In Current accounts	1,029	551
In EEFC accounts	27	47
Cheques, drafts on hand	27	77
Cash on hand	1	2
Total Cash and cash equivalent	1,084	677
Other Bank Balances		
Earmarked balances with banks	1	1
Balances with Banks:		
Fixed Deposits with maturity greater than 3 months	42	41
Total Other Bank balances	43	42
Total cash, cash equivalents and bank balances	1,127	719

15. Equity Share capital

No. of shares	31 st December, 2018		31 st December, 2017	
	No. of shares	Amount.	No. of shares	Amount
Authorised:				
Equity shares of ₹10/- each with voting rights	513,192,621	5,132	513,192,621	5,132
4% non-cumulative redeemable preference shares of ₹31/- each	5	-*	5	-*
Issued:				
Equity shares of ₹10/- each with voting rights	378,781,877	3,788	378,368,187	3,784
Issued, Subscribed and Paid Up:				
Equity shares of ₹10/- each with voting rights	378,780,932 [^]	3,788	378,367,242 [^]	3,784

Terms and rights attached to Equity shares

Equity shares have a par value of ₹ 10/-. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

Particulars		Opening Balance	Employee Stock Options	Closing Balance
Equity Shares with Voting rights				
Year Ended 31 st December 2018	No. of Shares	378,367,242	413,690	378,780,932
	Amount	3,784	4	3,788
Year Ended 31 st December 2017	No. of Shares	378,088,265	278,977	378,367,242
	Amount	3,781	3	3,784

*Shareholders of the Company had approved reclassification of authorised preference share capital vide EGM held on 13th Oct 2016. Amount is below the rounding off norm adopted by the Company.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

^Mahindra Composites Limited which was merged with the company in the year 2013 had issued 1050 equity shares and not allotted the same to the shareholders. Based on the swap ratio the Company has issued 945 equity shares and not allotted the same and the same has been kept in abeyance.

Details of shares held by the holding Company, the ultimate holding Company, their subsidiaries and associates

	Equity Shares with Voting rights
As at 31 st December 2018	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding company	213,194,432
As at 31 st December 2017	
Participaciones Internacionales Autometal, Dos S.L. (PIA2), the holding company	194,267,537

Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	31 st December 2018		31 st December 2017	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights				
Participaciones Internacionales Autometal, Dos S.L. (PIA2)	213,194,432	56.28%	194,267,537	51.34%
Mahindra Vehicle Manufacturing Limited (MVML)	43,344,512	11.44%	65,271,407	17.25%

16. Other Equity

	As at 31st December 2018	As at 31 st December 2017
(i) Securities premium reserve		
Opening balance	15,142	15,079
Addition on Exercise of options	92	63
Closing balance	15,234	15,142
(ii) Equity settled employees benefits reserve		
Opening balance	106	73
Employee stock option expenses	14	63
Granted to employees		-
Less: -		
Transfer to retained earnings on cancellation/ Lapse	(20)	(4)
Options exercised during the year	(37)	(26)
Closing Balance	63	106
(iii) Retained earnings		
Opening Balance	3,307	(264)
Add: -		
Profit/(loss) for the year	4,981	3,584
Items of OCI recognised directly in retained earnings:		-
Actuarial gain/ loss (Net of tax)	(36)	(13)
Closing balance	8,252	3,307

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

	As at 31 st December 2018	As at 31 st December 2017
(iv) Capital and other reserves		
Opening Balance	7,693	7,578
Addition on account of merger	-	115
Closing Balance	7,693	7,693
(v) Capital Redemption Reserve		
Balance at beginning and end of year	165	165
(vi) General Reserve		
Balance at beginning and end of year	6,028	6,028
(vii) Foreign currency translation reserve		
Opening Balance	931	223
Other Comprehensive Income	737	708
Closing Balance	1,668	931
Grand total	39,103	33,372

Nature and purpose of Reserves

Securities premium reserve

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilized in accordance with the provisions of the law.

Equities settled employees' benefits reserve

The Equities settled employees benefits reserve is used to recognize the grant date fair value of options issued to employees under the MCIE Stock Options Scheme.

Capital reserve

Capital reserve is reserves generated on account of

- Merger under the Integrated Scheme of Amalgamation and the Composite Scheme of Amalgamation (Sections 391-395 of the Companies Act, 1956) for the merger of Mahindra UGINE Steel Group Limited (MUSCO), Mahindra Hinoday Industries Limited (MHIL), Mahindra Gears International Limited (MGIL), Mahindra Investment India Private Limited (MIPL), Participaciones Internacionales Autometal Tres S.L. (PIA3) and Mahindra Composites Limited (MCL). The merger was approved by the Honorable High Court of Judicature at Bombay on 31st October, 2014. The Schemes came into effect on 10th December, 2014, the day on which the order was delivered to the Registrar of Companies. The reserve is capital in nature and is not available for distribution as dividend.
- Merger under the Scheme of Amalgamation (Sections 230-234 and other applicable provisions of the Companies Act, 2013) of Mahindra Gears and Transmission Pvt Ltd, Mahindra Forging Global Limited, Mahindra Forging International Limited and Crest Geartech Pvt Ltd. The merger was approved by the Honorable National Company Law Tribunal (NCLT) at Mumbai on December 13, 2017. The reserve is capital in nature and is not available for distribution as dividend.

General reserve

General reserve created by virtue of merger of Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited and Mahindra Forgings Mauritius Limited into the Group vide High Court Order dtd. December 27, 2007. The reserve is available for distribution as dividend.

Capital redemption reserve

Capital redemption reserve is transferred by virtue of the merger referred to above which was in the books of MUSCO and was created to redeem preference shares issued by MUSCO before merger. These shares have since been redeemed and this reserve is available for distribution.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Other reserves – Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognized in other comprehensive income and accumulated in a separate reserve with equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed off.

17. Borrowings

Non-current borrowings	Rate of Interest % p.a.	Maturity	As at 31 st December 2018	As at 31 st December 2017
Measured at amortised cost				
A. Secured borrowings:*				
Term loans				
From Banks	0.5% to 2%	2020	1,593	2,295
Total secured borrowings			1,593	2,295
B. Unsecured Borrowings at amortised Cost				
Loans from related parties (Refer Note 33)	1.5% to 4.5%	2020	10,137	7,878
Total unsecured Borrowings			10,137	7,878
Total non-current borrowings			11,730	10,173
Current Borrowings				
A. Secured Borrowings*				
Loans repayable on demand				
From Banks	0.5% to 4.85%		2,949	752
Total Secured Borrowings			2,949	752
B. Unsecured Borrowings				
Loans from related parties (Refer Note 33)	1.5% to 4.5%		1,221	632
Other Loans	0.5% to 4.85%		234	412
Total Unsecured Borrowings			1,455	1,044
Total Current Borrowings			4,404	1,796
Total borrowings			16,134	11,969

The Group's policy is to diversify its financing sources. There is no concentration risk in respect of its bank borrowings as it works with multiple entities.

Non-current borrowings have the following maturities:

	As at 31 st December 2018	As at 31 st December 2017
Between 1 and 2 years	1,593	2,295
Between 3 and 5 years	10,137	7,878
More than 5 years	-	-
	11,730	10,173

*Secured borrowings includes borrowings secured by Guarantee.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Borrowing Reconciliation:

	Current borrowings	Non-current borrowings	Net Borrowing
Opening balance as on 31 st December 2017	1,796	10,173	11,969
Cash flows	2,637	1,452	4,089
Foreign currency translation	(29)	105	76
Interest expense	142	299	441
Interest paid	(142)	(299)	(441)
Closing balance as on 31 st December 2018	4,404	11,730	16,134

Assets Pledged as securities

The carrying amounts of assets pledged as security for current borrowings and bank guarantees are:

	Notes	31 st December, 2018	31 st December, 2017
Current assets			
Inventories	13	2,436	1,728
Financial assets			
- Trade Receivables	10	3,914	3,293
- Investments	9	6,788	515
- Cash and Cash Equivalents	14	302	192
- Other Bank Balances	14	43	42
Other Current Assets	12	296	439
Total assets pledged as security		13,799	6,209

18. Trade payables

	As at 31 st December 2018	As at 31 st December 2017
Micro and small enterprises (Refer Note 36)	138	188
Other than micro and small enterprises	16,645	15,428
Acceptances	55	127
	16,838	15,743
Of the above, trade payables from:		
- Related Parties (Refer Note 33)	501	380
- Others	16,337	15,363
	16,838	15,743

19. Other financial liabilities

	As at 31 st December 2018	As at 31 st December 2017
Non-Current		
Creditors for capital supplies/services	-	9
	-	9
Current		
Creditors for capital supplies/services	459	748
	459	748

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

20. Provisions

	As at 31 st December 2018		As at 31 st December 2017	
	Current	Non- Current	Current	Non- Current
Provision for employee benefits				
Long-term Employee Benefits (Note 31)	207	2,440	100	2,422
Other Provisions				
Other Provisions	242	1,050	96	1,027
Total Provisions	449	3,490	196	3,449

Details of Provision for employee benefits (Note 31)

	As at 31 st December 2018		As at 31 st December 2017	
	Current	Non- Current	Current	Non- Current
Provision for Gratuity	75	74	72	25
Provision for pension fund- non- funded	103	1,957	-	1,963
Provision for employee termination indemnities		222	-	259
Provision for compensated absences	26	187	24	172
Provision for voluntary retirement scheme	3	-	4	3
Total	207	2,440	100	2,422

Details of movement in other provisions – non-current

	Other Provisions
Balance at 1 st January 2017	971
Additional provisions recognized/used	56
Balance at 31 st December 2017	1,027
Additional provisions recognized/used	23
Balance at 31 st December 2018	1,050

Provisions of ₹ 262 Million is towards an ongoing dispute with the Irrigation Department (Water Resource Department) in respect of levy of charge for use of water for the period July 1991 to May 2012 for an aggregate amount of ₹ 587 Million including penal charge of ₹ 102 Million and late fee charge of ₹ 223 Million. Presently the matter is being legally pursued. The group has provided ₹ 262 Million towards arrears of water charges. Refer note 32 Contingent liabilities and commitments.

Details of movement in other provisions current

	Other Provisions
Balance at 1 st January 2017	104
Additional provisions recognized/used	(8)
Balance at 31 December 2017	96
Additional provisions recognized/used	146
Balance at 31 December 2018	242

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

21. Other liabilities

	As at 31 st December 2018		As at 31 st December 2017	
	Current	Non-Current	Current	Non-Current
Advances received from customers	136	-	168	-
Taxes payable (other than income taxes)	567	-	2,709	-
Employee Related	1,366	-	1,316	-
Deferred Payment Liabilities & others	126	309	112	348
Others	-	347	-	372
	2,195	656	4,305	720

22. Discontinued operations

In September 2018, the Board of Directors of Mahindra CIE Automotive Limited has decided to dispose the forging business in the United Kingdom, corresponding to the company Stokes Group Limited. Due to that decision, the Group has discontinued the operations of Stokes Group Limited, classifying it as disposal group, and reclassifying the profit and loss account of Stokes Group Limited as discontinued operations.

Assets and liabilities held for sale

	As at 31 st December 2018
Property, Plant and Equipment	97
Inventories	208
Financial Assets	-
Trade Receivables	93
Cash and Cash Equivalents	120
Other Current Assets	6
Disposal group assets classified as held for sale	524

Payable to Fixed assets suppliers	9
Current Financial Liabilities	
Trade Payables	135
Current Provisions	351
Other Current Liabilities	27
Disposal group liabilities classified as held for sale	522

Profit and loss for the year

	31 st December, 2018	31 st December, 2017
Sale of products and services	693	895
Other operating revenues	25	26
Revenue from operations	718	921
Other Income	-	1
Total Revenue	718	922
Expenses		
Cost of materials consumed	319	410
Changes in stock of finished goods & work-in-progress	(76)	(23)
Employee benefit expense	*354	233
Finance costs	23	35
Depreciation and amortisation expense	31	51
Other expenses	*571	299
Total Expenses	1,222	1,005
Loss before tax	(504)	(83)
Tax expense	-	-
Loss for the year from discontinued operations	(504)	(83)

*Expenses inclusive of onetime cost of ₹ 361 Million for closure of business.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Cash flow Information

	31 st December, 2018	31 st December, 2017
Net Cash (used) in operating activities	(235)	(68)
Net Cash (used)/ flow from Investing activities	26	(24)
Net Cash flow from financing activities	273	113
Net increase/ decrease in cash generated from discontinued operation	64	20

23. Deferred taxes

Deferred tax assets -Tax credits	Tax losses	Tax credits R&D, training	Other	Total
Balance as on 1st January 2017	1,114	313	132	1,559
(Charged) against / credited to profit and loss	(96)	(36)	(83)	(215)
Conversion differences	70	20	-	90
Balance as on 31st December 2017	1,088	297	49	1,434
(Charged) against / credited to profit and loss	69	(120)	-	(51)
Transfers	-	-	(49)	(49)
Conversion differences	44	15	-	59
Balance as on 31st December 2018	1,201	192	-	1,393
Deferred tax assets – Others		Provisions	Others	Total
Balance as on 1st January 2017		754	321	1,075
(Charged) against / credited to profit and loss		33	12	45
(Charged) against / credited to equity		-	2	2
Others		-	(52)	(52)
Transfers		117	(117)	-
Conversion differences		34	16	50
Balance as on 31st December 2017		938	182	1,120
(Charged) against / credited to profit and loss		(1)	(49)	(50)
(Charged) against / credited to equity		-	4	4
Others		62	-	62
Conversion differences		21	3	24
Balance as on 31st December 2018		1,020	140	1,160
Deferred tax liabilities	Depreciation and amortisation	Grants	Others	Total
Balance as on 1st January 2017	529	(4)	443	968
Charged against / (credited) to profit and loss	(37)	(9)	-	(46)
Charged against / (credited) to equity	-	-	-	-
Changes/additions to consolidation	-	-	-	-
Transfers	443	-	(443)	-
Conversion differences	5	(3)	-	2
Balance as on 31st December 2017	940	(16)	-	924
Charged against /(credited) to profit and loss	55	(10)	(2)	43
Charged against / (credited) to equity	-	-	(13)	(13)
Transfers	(254)	7	247	-
Conversion differences	12	9	13	34
Balance as on 31st December 2018	753	(10)	245	988

Deferred income tax assets are recognised for tax loss carry-forwards and unused tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable, being its estimated recoverability less than 10 years.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Deferred tax assets on tax loss and unused tax credits that were recognised by the Group as at 31st December 2018 and 2017 are as follows: -

	As at 31 st December 2018		As at 31 st December 2017	
	Tax losses	Others	Tax losses	Others
Germany	1,015	-	897	-
Spain	-	192	27	297
Italy	122	-	164	-
Mexico	64	-	-	-
India	-	-	-	49
	1,201	192	1,088	346

Certain subsidiaries of the group have undistributed earnings of ₹ 10,087 Million (₹ 6,829 Million in Dec 2017) which, if paid out as dividends, would be subject to tax in the hands of recipients. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timings of distributions by these subsidiaries. These subsidiaries are not expected to distribute these profits in the foreseeable future.

24. Corporate income tax expense

(i) Income Tax recognised in Profit or loss

	Year ended 31 st December 2018	Year ended 31 st December 2017
Current Tax:	1,899	1,266
Deferred Tax:		
In respect of current year origination and reversal of temporary differences	144	217
Total income tax expense on continuing operations	2,043	1,483

(ii) Income tax recognised on Other comprehensive income

	Year ended 31 st December 2018	Year ended 31 st December 2017
Income taxes related to items that will not be reclassified to profit or loss	17	6
	17	6

(iii) Reconciliation of income tax expense and the accounting profit multiplied by Group's domestic tax rate:

	Year ended 31 st December 2018	Year ended 31 st December 2017
Profit before tax	7,024	5,067
Income tax expense calculated at 34.944% (December, 17: 34.608%)	2,454	1,754
Effect of tax rates in foreign jurisdictions	(166)	(159)
Reduction in tax rate		
Effect of income that is exempt from taxation	(40)	(43)
Effect of expenses that is non-deductible in determining taxable profit	20	94
Effect of tax incentives and concessions (research and development and other allowances)	(381)	(156)
Effect of current year losses for which no deferred tax asset is recognized	176	53
Effect of recognition of tax effect of previously unrecognised tax losses now recognised as deferred tax assets	(48)	(75)
Tax expenses prior period	(35)	-
Other Item	13	15
Total tax expense recognised In profit or loss from continuing operations	2,043	1,483

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

25. Fair Value Measurements

Financial instruments by category

	As at 31 st December 2018			As at 31 st December 2017		
	FVPL	FVOCI	Amortised Cost	FVPL	FVOCI	Amortised Cost
Financial assets						
1. Non-Current Assets						
Investments	-	-	15	-	-	14
Loans	-	-	1,387	-	-	2,389
2. Current Assets						
Investments	2,373	-	4,420	515	-	22
Trade Receivables	-	-	7,414	-	-	5,984
Loans	-	-	31	-	-	43
Cash and Cash Equivalents	-	-	1,084	-	-	677
Other Bank balances	-	-	43	-	-	42
Total financial assets	2,373	-	14,394	515	-	9,171

Financial liabilities

Non-current Liabilities

Borrowings	-	-	11,730	-	-	10,173
Creditors for Capital supplies	-	-	-	-	-	9

Current Liabilities

Borrowings	-	-	4,404	-	-	1,796
Trade Payables	-	-	16,838	-	-	15,743
Creditors for Capital supplies	-	-	459	-	-	748

Total financial liabilities	-	-	33,431	-	-	28,469
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Fair Value Hierarchy

	As at 31 st December 2018			As at 31 st December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Mutual Funds – Growth	2,373	-	-	515	-	-
Total	2,373	-	-	515	-	-

26. Other Income:

	Year ended 31 st December 2018	Year ended 31 st December 2017
Interest Income		
On Financial Assets at amortised cost	98	25
From investments measured at fair value through profit or loss	47	72
Profit on sale of capital assets (net of loss on assets sold / scrapped / written off)	32	-
Miscellaneous income	210	171
	387	268

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

27. Cost of materials consumed

	Year ended 31 st December 2018	Year ended 31 st December 2017
Opening stock	1,798	1,147
Add: Purchases	39,855	29,574
	<u>41,653</u>	<u>30,721</u>
Less: Closing stock	(3,916)	(1,798)
Cost of materials consumed	<u>37,737</u>	<u>28,923</u>

28. Employee benefit expense

	Year ended 31 st December 2018	Year ended 31 st December 2017
Salaries and wages, including bonus	11,056	9,570
Contribution to provident and other funds (Refer Note 31)	216	127
Staff welfare expenses	2,025	1,830
	<u>13,297</u>	<u>11,527</u>

29. Finance costs

	Year ended 31 st December 2018	Year ended 31 st December 2017
Interest expense	441	361
Other borrowing cost	61	149
	<u>502</u>	<u>510</u>

30. Other expenses

	Year ended 31 st December 2018	Year ended 31 st December 2017
Tools & Stores consumed	3,630	3,030
Power & Fuel	3,709	3,077
Repairs and maintenance	2,186	2,029
Subcontracting, Hire and Service Charges	6,257	4,305
Expenditure on corporate social responsibility (CSR) under section 135 of the Companies Act, 2013. (Refer Note 40)	30	19
Auditors remuneration and out-of-pocket expenses		
As Auditors	10	10
For Taxation matters	1	1
For Other services	1	1
Other Expenses	4,368	3,900
	<u>20,192</u>	<u>16,372</u>

31. Defined benefits and contribution

(a) Defined Contribution plan

The Group's contribution to Provident and other funds aggregating ₹ 216 Million (₹ 127 Million) has been recognised in the statement of Profit or Loss under the head Employee Benefit expenses.

(b) Defined benefit plans

(i) Gratuity

The Group operates gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Group scheme applicable to the employee. The benefit

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Group makes annual contribution to the Group gratuity scheme administered by the Life Insurance Corporation of India through its Gratuity Trust Fund.

(ii) Voluntary Retirement Scheme

Onetime expenses incurred towards voluntary retirement scheme are charged off in the statement of Profit or loss.

(iii) Compensated absences

Group's liability towards 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 costs are recognised on straight line basis over the statement of Profit or 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.

- (iv) Pension provisions are for operations in Germany and are entirely internal funded. These benefits are in the nature of long term service awards and lifetime pension and retirement plans. Liabilities are determined using projected unit credit method together with mortality tables. Obligation is measured at the present value of estimated future cash flow using the discount rate that is determined by reference to average market yields of ten years.

(c) Risks

Through its defined benefit plans the Group is exposed to risks, the most significant of which are detailed below:

(i) Asset Volatility

The plan liabilities are calculated using a discount rate set with references to government bond yields; if plan assets under perform compared to the government bonds discount rate, this will create or increase a deficit.

(ii) Changes in Bond Yields;

A decrease in government bond yields will increase plan liabilities, although this is expected to be partially offset by an increase in the value of the plans' bond holdings.

1. Provisions for Gratuity, Voluntary retirement Scheme (VRS) and Pensions: -

	Funded Plan		Unfunded Plans			
	Gratuity		VRS		Pension	
	2018	2017	2018	2017	2018	2017
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:						
Service Cost						
Current Service Cost	54	28	-	-	62	20
Past service cost	10	-	-	-	-	-
Net interest expense	8	6	-	1	32	31
Components of defined benefit costs recognised in profit or loss	72	34	-	1	94	51
Remeasurement on the net defined benefit liability						
Actuarial gains and loss arising from changes in financial assumptions	1	(7)	-	-	29	8
Actuarial gains and loss arising from experience adjustments	22	15	-	-	-	-
Actuarial gains and loss arising from Demographic adjustments	1	-	-	-	-	-
Components of defined benefit costs recognised in other comprehensive income	24	8	-	-	29	8
Total	96	42	-	1	123	59

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

	Funded Plan		Unfunded Plans			
	Gratuity		VRS		Pension	
	2018	2017	2018	2017	2018	2017
I. Net Asset/(Liability) recognised in the Balance Sheet as at 31st December						
1. Present value of defined benefit obligation as at 31 st December	(569)	(480)	(3)	(7)	(2,060)	(1,963)
2. Fair value of plan assets as at 31 st December	420	383	-	-	-	-
3. Surplus/(Deficit)	(149)	(97)	(3)	(7)	(2,060)	(1,963)
4. Current portion of the above	(75)	(72)	(3)	(4)	(103)	-
5. Non-current portion of the above	(74)	(25)	-	(3)	(1,957)	(1,963)
II. Change in the obligation during the year ended 31st December						
1. Present value of defined benefit obligation at the beginning of the year	480	442	7	14	1,963	1,883
2. Add/(Less) on account of Scheme of Arrangement/Business		16	-	-		-
3. Expenses Recognised in Profit and Loss Account						
- Current Service Cost	54	28	-	-	62	20
- Past service cost	10	-	-	-	-	-
- Interest Expense (Income)	34	22	-	1	32	31
4. Recognised in Other Comprehensive Income Remeasurement (Gain) / Loss						
- Actuarial (Gain) / Loss arising from:						
i. Demographic Assumptions	1	-	-	-	-	-
ii. Financial Assumptions	2	(7)	-	-	29	8
iii. Experience Adjustments	20	12	-	-	-	-
5. Benefit payments	(32)	(33)	(4)	(8)	(107)	(106)
6. Others- Currency translation impact on opening	-	-	-	-	81	127
7. Present value of defined benefit obligation at the end of the year	569	480	3	7	2,060	1,963
III. Change in fair value of assets during the year ended 31st December						
1. Fair value of plan assets at the beginning of the year	383	353	-	-	-	-
2. Add/(Less) on account of Scheme of Arrangement/Business Transfer	-	16	-	-	-	-
3. Expenses Recognised in Profit and Loss Account						
- Expected return on plan assets	26	16	-	-	-	-
4. Recognised in Other Comprehensive Income Remeasurement gains / (losses)						
- Financial assumptions	1	-	-	-	-	-
- Experience assumptions	(2)	3	-	-	-	-

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

	Funded Plan		Unfunded Plans			
	Gratuity		VRS		Pension	
	2018	2017	2018	2017	2018	2017
5. Contributions by employer (including benefit payments recoverable)	44	28	-	-	-	-
6. Benefit payments	(32)	(33)	-	-	-	-
7. Fair value of plan assets at the end of the year	420	383	-	-	-	-
IV. The Major categories of plan assets						
Funds managed by Insurer	420	253				
% to total assets	100%	100%				
V. Actuarial assumptions						
1. Discount rate	7.40% to 7.9%	7.40% to 8.6%	7.90%	7.70%	1.45%	1.45%
2. Expected rate of return on plan assets	7.4% to 7.7%	6.75% to 9.00%	-	-	-	-
3. Attrition rate	2% to 17%	2% to 10%	-	-	-	-
4. Salary Escalation	7.0% to 10%	7.0% to 8.5%	-	-	1% to 2.3%	1.75% to 2.30%

Other Information

	India	Germany
Life Expectancy of a person retiring at the year end		
Men	12-15 years	13-19 years
Women	12-15 years	19- 23 years

Percentage of variation of the defined benefit commitment to changes in the assumptions weighted is as follows:-

	India			Germany		
	Variation in Hypothesis	Increase in Hypothesis	Decrease in Hypothesis	Variation in Hypothesis	Increase in Hypothesis	Decrease in Hypothesis
Interest Rate	+/- 1.30%	7.34% to 12.73%	-6.06% to -10.83%	+/-0.25%	3.39% to 4.05%	-3.19% to -3.82%
Growth of pensions/ Salaries	+/- 1.00%	6.24% to 11.60%	-5.19% to -10.12%	+/-0.25%	1.86% to 3.30%	-1.79% to -3.15%

2. Provision for Employee Termination benefits

	Year ended 2018	Year ended 2017
Balance at the beginning of the year	259	213
Add:-		
Interest Expense/(income)	5	4
Provided during the year	(1)	36
Less:-		
Benefits paid	(50)	(8)
Exchange differences	9	14
Balance at the end of the year	222	259

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

32. Contingent Liabilities and Commitments

Contingent liabilities (to the extent not provided for)	31 st December, 2018	31 st December, 2017
(a) Claims against the Group not acknowledged as debt		
Income tax claims against which Group has preferred an appeal	448	380
Excise Duty matters	160	214
Service Tax matters	61	59
Sales Tax and VAT matters	382	220
Stamp Duty, Government Cess and others	213	64
Water Charges	325	325
Labour matters	1	1
The Group had imported capital goods under the Export Promotion Capital Goods (EPCG), of the Government of India, at concessional rate of duty on an understanding to fulfill quantified exports against future obligation	5	31
(b) Claims against subsidiary not acknowledged as debt		
Outstanding Letter of Credit issued by bank	151	95
(c) Commitment		
i. Estimated amount of contracts remaining to be exhausted on capital account (net of advances) and not provided for tangible assets	968	781

Water Charges:

The Company has an ongoing dispute pertaining to the Stamping Division of the Company [formerly known as Mahindra Ugine Steel Company Limited (MUSCO)] with the Irrigation Department (Water Resource Department) in respect of levy of charge for use of water from Patalganga River, for the period from July 1991 to May 2012 for an aggregate amount of ₹ 587 Million including penal charge of ₹ 102 Million and late fee charge of ₹ 223 Million. Presently the matter is pending before the Hon'ble High Court of Bombay ("the Court") where the Company had filed a writ and the Court, vide Order dated 2nd July, 2012, has admitted the writ petition of the Company. In compliance with the Order admitting the Company's petition, the Company has deposited an amount of ₹ 234 Million with the Irrigation Department, being the arrears of water charges for the period from July 1991 to May 2012 and has also given a bank guarantee towards penal rate charges of ₹ 102 Million claimed by the Irrigation Department. The High Court has also allowed the Irrigation Department to withdraw the amount of arrears of ₹ 29 Million deposited earlier by the Company with it in respect of disputed water charge claim for the period from July 1991 to March 2001. As per the Order, the Company is entitled to pursue the proceedings filed by it before the Honorable Bombay High Court and that the State of Maharashtra (Irrigation Department) shall not adopt any coercive steps for recovery of the aforesaid penal rate charges of ₹ 102 Million and the late fee ₹ 223 Million.

33. Related Party Transactions

- (a) Names of Related Parties
- Ultimate Holding Company – CIE Automotive S.A.
- Principal Shareholder of the Holding Company – CIE Berriz, S.L
- Holding Company – Participaciones Internacionales Autometal, DOS S.L
- (b) Names of Related Parties where transactions have taken place during the period (Fellow Subsidiaries)
- Fellow subsidiaries
- | No. | Name of the Group |
|-----|--|
| 1 | Praga Louny |
| 2 | Componentes de Automoción Recytec, S.L.U |
| 3 | Componentes de Dirección Recylan S.L.U. |
| 4 | Nova Recyd, S.A.U. |
| 5 | CIE Metal CZ, s.r.o. |

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

- 6 Nanjing Automotive Forging Co., Ltd
- 7 Forjas de Celaya, S.A. de C.V.
- 8 Matic Dolares
- 9 Gameko Fabricación de Componentes, S.A.
- 10 Pintura y Ensamblajes de México, S.A. de C.V.
- 11 CIEB México
- 12 Autoforjas, Ltda.
- 13 Pintura, Estampado y Montaje, S.A. de C.V.
- 14 Servicat S. Cont., Adm. y Técnicos, S.A. de C.V
- 15 Grupo Components Vilanova SL.
- 16 CIE Mecauto, S.A. Sociedad Unipersonal
- 17 CIE Compiegne, S.A.S
- 18 Global Near S.L.

(c) Names of the Companies exercising significant influence over the Company

1. Mahindra Vehicle Manufacturers Limited (MVML) (investing company in respect of which the Company is an Associate)
2. Mahindra & Mahindra Limited (M&M) (Holding Company of the investing company in respect of which the Company is an Associate)

Subsidiary Companies of the investing company (MVML) in respect of which the Company is an Associate

- 1 Mahindra Intertrade Limited
- 2 Mahindra Steel Service Centre Limited
- 3 Mahindra Auto Steel Private Limited
- 4 Mahindra Electric Mobility Limited (Formerly known as Mahindra Reva Electric Vehicles Limited) (Name changed w.e.f. 15.02.2017)
- 5 Mahindra Heavy Engines Limited
- 6 Mahindra MiddleEast Electrical Steel Service Centre
- 7 Mahindra Two Wheelers Limited
- 8 Mahindra MSTC Recycling Private Limited

Fellow Subsidiary Companies of the investing company (MVML)

- 1 Mahindra Trucks & Buses Private Limited
- 2 Gromax Agri Equipments Limited (formerly known as Mahindra Gujarat Tractor Limited)
- 3 Mahindra Integrated Business Solutions Private Limited
- 4 NBS International Limited
- 5 Mahindra Sanyo Special Steels Private Limited
- 6 Mahindra Consulting Engineers Limited
- 7 Defence Land Systems Limited (upto 18th October, 2017)
- 8 Mahindra Defence Naval Systems Limited (formerly known as Mahindra Defence Naval Systems Private Limited)
- 9 Mahindra Logistics Limited
- 10 Bristlecone Limited

(d) Name of the Associate Companies

- 1 Gescrap India Private Limited (w.e.f. 27th March, 2018)
- 2 Galfor Eólica, S.L

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(e) Key Managerial Personnel (KMP)

No.	Name	Designation
1	Mr. Hemant Luthra	Chairman (upto 31 st March, 2018) Non Executive Chairman (w.e.f. 1 st April, 2018)
2	Mr. Antonio Maria Paradera	Director (upto 16 th October, 2018)
3	Mr. Jesus Maria Herrera	Director
4	Mr. Ander Arenaza Alvarez	Executive Director
5	Mr. Zhooben Bhiwandiwalla	Director
6	Mr. Shriprakash Shukla	Director
7	Mr. K Ramaswami	Director (upto 3 rd October, 2017)
8	Mr. Daljit Mirchandani	Director
9	Mr. Dhananjay Mungale	Director
10	Mr. Manoj Maheshwari	Director
11	Mrs. Neelam Deo	Director
12	Mr. Juan Maria Bilbao Ugarizza	Director
13	Mr. Jose Sabino Velasco Ibnaz	Director (upto 20 th February, 2018)
14	Mr. Suhail Nathani	Director
15	Mr. Romesh Kaul	Executive Director (w.e.f. 17 th October, 2018) and Chief Executive-Stamping, Forgings & Composite
16	Mr. Manoj Menon	Chief Executive- Foundry, Magnetism, Gear
17	Mr. K Jayaprakash	Chief Financial Officer
18	Mr. Krishnan Shankar	Company Secretary and Head – Legal

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(f) Transactions with Related parties during the period

Nature of transactions with Related Parties	For the year ended	Ultimate Holding company	Holding company	Entities having joint control/ significant influence over Group	Fellow Subsidiaries	Subsidiaries of Entities having joint control/ significant influence over Group	Associate Companies
Sale of goods	31-Dec-18	-	-	15,347	447	341	66
	31-Dec-17	-	-	12,475	319	306	-
Purchase of goods	31-Dec-18	-	-	24	216	2,118	-
	31-Dec-17	-	-	-	191	1,364	-
Purchase of property and other assets	31-Dec-18	-	-	-	-	-	-
	31-Dec-17	-	-	1	-	-	-
Receiving of services	31-Dec-18	253	16	-	84	123	-
	31-Dec-17	200	16	-	24	93	-
Rent received	31-Dec-18	-	-	-	-	1	-
	31-Dec-17	-	-	-	-	1	-
Rent paid	31-Dec-18	-	-	42	-	-	-
	31-Dec-17	-	-	57	-	-	-
Interest Received	31-Dec-18	43	-	-	-	-	-
	31-Dec-17	43	-	-	-	-	-
Interest paid	31-Dec-18	13	322	-	70	-	-
	31-Dec-17	2	197	-	97	-	-
Reimbursements paid	31-Dec-18	-	-	14	114	-	-
	31-Dec-17	-	-	32	-	-	-
Reimbursements received	31-Dec-18	-	-	-	-	-	-
	31-Dec-17	-	-	-	1	-	-

(g) Balances with Related parties at the end of the period

Nature of Balances with Related Parties	Balance as on	Ultimate holding company	Holding company	Entities having joint control/ significant influence over Group	Fellow subsidiaries	Subsidiaries of Entities having joint control/ significant influence over Group	Associate Companies
Trade payables	31-Dec-18	-	3	3	80	415	-
	31-Dec-17	-	-	29	99	252	-
Trade receivables	31-Dec-18	-	-	2,116	112	78	-
	31-Dec-17	-	-	1,501	77	38	-
Borrowings	31-Dec-18	4,943	4,688	-	1,727	-	-
	31-Dec-17	-	6,740	-	1,770	-	-
Loans & advances given	31-Dec-18	1,418	-	-	-	-	-
	31-Dec-17	2,431	-	-	-	-	-
Advances received	31-Dec-18	-	-	43	-	-	*
	31-Dec-17	-	-	-	-	-	-
Other balances	31-Dec-18	-	-	9	-	-	-
	31-Dec-17	-	-	-	-	-	-

*Amount is below rounding off norm adopted by the Company.

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(h) Remuneration to Key Managerial Personnel:

Details of Remuneration

	31 st December, 2018	31 st December, 2017
Short term employment benefits	50	96
Share based payments	4	25
Professional fees paid	21	-
Director sitting fees	4	5
Total	79	126

As gratuity and compensated absences are computed for all the employees in aggregate, the amount relating to the key managerial personnel, cannot be individually identified.

34. Leasing Disclosures

The Group has entered into operating lease arrangements for certain facilities and office premises. The leases are non-cancellable and are for a period of 1 to 5 years and may be renewed for a further period of 5 years based on mutual agreement of the parties.

Future Non-Cancellable minimum lease commitments	2018	2017
Operating Lease		
not later than one year	239	224
later than one year and not later than five years	842	699
later than five years	1,224	1,192
	2,305	2,115

35. Earnings per share

a) Calculation of basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the parent Group's shareholders by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the parent Group.

	2018 ₹ Per Share	2017 ₹ Per Share
Basic earnings per share	13.16	9.48
From continuing operations	14.49	9.70
From discontinuing operations	(1.33)	(0.22)
Diluted Earnings per share	13.15	9.46
From continuing operations	14.48	9.68
From discontinuing operations	(1.33)	(0.22)

b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

(i) Basic earnings per share

	2018	2017
Profit for the year attributable to owners of the Group	4,981	3,584
- from continuing operations	5,485	3,667
- from discontinuing operations	(504)	(83)
Weighted average number of equity shares	378,514,871	378,293,423
Earnings per share – Basic	13.16	9.48
- from continuing operations	14.49	9.70
- from discontinuing operations	(1.33)	(0.22)

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

(ii) Diluted earnings per Share

The diluted earnings per share has been computed by dividing the Net profit after tax available for Equity shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants and Stock options for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored.

	2018	2017
Profit for the year	4,981	3,584
-from continuing operations	5,485	3,667
-from discontinuing operations	(504)	(83)
Weighted average number of equity shares used in the calculation of Basic EPS	378,514,871	378,293,423
Add: Effect of Stock options	298,547	440,460
Weighted average number of equity shares used in the calculation of Diluted EPS	378,813,418	378,733,883
Diluted EPS	13.15	9.46
-from continuing operations	14.48	9.68
-from discontinuing operations	(1.33)	(0.22)

36. Other information

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 to Micro and Small Enterprises, which were outstanding are given below:

	2018	2017
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	129	186
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	9	2
(iii) Principal amount paid beyond due date	345	133
(iv) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-*	(1)
(v) The amount of interest due and payable for the year	6	3
(vi) The amount of interest accrued and remaining unpaid at the end of the accounting year	3	1

*Amount is below rounding off norms adopted by the company.

37. The Company instituted the Employees Stock Options Scheme 2007 (ESOS 2007) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on July 25, 2007, amended by special resolution dated July 29, 2008, August 02, 2011 and pursuant to the Integrated scheme of Amalgamation and Composite Scheme of Amalgamation in terms of High Court dated October 13, 2014. Further, the company instituted the Employees Stock Options Scheme 2015 (ESOS 2015) plan for employees in pursuance of a special resolution passed by the shareholders approving the scheme on September 15, 2015. Pursuant to the schemes, the Company has granted options to eligible employees at various exercise prices per equity share of ₹10 each. Under the terms of scheme, the vesting period will be spread equally over 4 years (ESOS 2007) and 3 years (ESOS 2015) respectively. Options will vest at 25% (ESOS 2007) and 33% (ESOS 2015) from the grant date. When exercisable, each option is convertible into one equity share of the Company.

Movement of share options are as under:

Date of the Tranche	Opening Balance		Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Exercisable at the end of the year
	Number of Shares	Weighted average exercise price	Number of Shares	Number of Shares	Number of Shares	Number of Shares
On 1 st April, 2011	160,260	57	12,542	52,216	95,502	95,502
On 20 th January, 2012	1,709	44	29	802	878	878
On 22 nd February, 2016	961,828	150	131,390	244,005	586,433	390,955
On 12 th December, 2016	350,000	150	233,333	116,667	-	-
	1,473,797		377,294	413,690	682,813	487,335

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

38. Additional Information required by Schedule III

Sr. No.	Name of the entity	Net assets		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
		Amount	As a % of consolidated	Amount	As a % of consolidated	Amount	As a % of consolidated	Amount	As a % of consolidated
Subsidiaries									
1	Stokes Group Limited (SGL)	2	0%	(518)	-10%	-	0%	(504)	-9%
2	Stokes Forgings Dudley Limited (subsidiary of SGL)	-	-	-	-	-	0%	-	-
3	Stokes Forgings Limited (subsidiary of SGL)	-	-	-	-	-	0%	-	-
4	Mahindra Forgings Europe AG (MFE) (subsidiary of Galfor)	(416)	-1%	(50)	-1%	-	0%	(50)	-1%
5	Jeco Jellinghaus GmbH (subsidiary of MFE)	381	1%	(37)	-1%	(2)	-	(39)	-1%
6	Gesenschniede Schneider GmbH (subsidiary of MFE)	1,786	4%	435	9%	(16)	-2%	419	7%
7	Falkenroth Umformtechnik GmbH (subsidiary of MFE)	294	1%	99	2%	-	-	99	2%
8	Schoneweiss & Co GmbH (subsidiary of MFE)	1,370	3%	(100)	-2%	(1)	-	(101)	-2%
9	Metalcastello S.p.A (MC) (subsidiary of Galfor)	113	0%	490	10%	-	0%	490	9%
10	CIE Galfor, S.A.U (Galfor)	7,165	17%	1,928	39%	-	0%	1,928	34%
11	CIE Legazpi SA (subsidiary of Galfor)	1194	3%	346	7%	-	0%	346	6%
12	UAB CIE LT Forge (subsidiary of Galfor)	1,505	4%	390	8%	-	0%	390	7%
13	Bill Forge Private Limited (BF)	4,234	10%	775	16%	(9)	-1%	766	13%
14	BF Precision Private Limited (subsidiary of BF)	50	0%	43	1%	-	0%	43	1%
15	Bill Forge Mexico, S.A de C.V (subsidiary of BF)	(279)	-1%	(166)	-3%	-	0%	(166)	-3%
Associates									
1	Gescrap India Private Limited (Associate of MCIE)	-	-	-	-	-	-	-	-
2	Galfor Eólica, S.L. (Associate of Galfor)	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

Additional information on subsidiaries as required by Sch.III of Companies Act, 2013.

Company	Name of Immediate Investor Company	Holding/ Activity	Registered office	Direct Holding %	Indirect Holding %
Mahindra CIE Automotive Limited	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India		
Stokes Group Limited	Mahindra CIE Automotive Limited.	Manufacture of automotive components	UK	100%	-
Stokes Forgings Limited	Stokes Group Limited	Investment Company	UK	-	100%
Stokes Forgings Dudley Limited	Stokes Group Limited	Investment Company	UK	-	100%
Mahindra Forgings Europe AG	CIE Galfor, S.A.U.	Holding Company	Germany	-	100%
Gesensschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
CIE Galfor, S.A.U.	Mahindra CIE Automotive Limited.	Manufacture of automotive components	Spain	100%	-
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	-	100%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	100%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	99.96%
Bill Forge Private Limited	Mahindra CIE Automotive Limited	Manufacture of automotive components	India	100%	-
BF Precision Private Limited	Bill Forge Private Limited	Manufacture of automotive components	India	-	100%
Bill Forge Mexico, S. A de C.V.	Bill Forge Private Limited	Manufacture of automotive components	Mexico	-	100%
Gescrap India Private Limited	Mahindra CIE Automotive Limited	Others	India	30%	-
Galfor Eólica, S.L	Associate "CIE Galfor S.A.U."	Others	Spain	-	25%

Notes to the Consolidated Financial Statements as at and for the year ended 31st December, 2018

(₹ in Million)

39. Revenue from operations for the year ended 31st December, 2017 include excise duty for the period April to June 2017 which is discontinued with effect from 1st July, 2017 upon implementation of Goods and Services Tax ('GST') in India. In accordance with Ind AS 18 "Revenue", GST is not included in revenue from operation. In view of the aforesaid restructuring of Indirect taxes, Revenue from operation for the year ended 31st December, 2018 and year ended 31st December, 2017 are not comparable.

40. Corporate Social Responsibility (CSR)

The company is required to spend a sum ₹ 31 Million (PY ₹ 25 Million) as part of CSR during the year. The details of actual expenses are as under:

	31 st December, 2018	31 st December, 2017
Construction of assets	14	2
On the purpose other than above	16	17
Total	30	19

41. Exceptional Items

Exceptional item relates to onetime payment made to employees opting for early retirement under The Voluntary Retirement Scheme declared in November, 2017.

42. Events occurring after reporting period

There are no reportable events occurring after the reporting period.

43. Previous year figures have been regrouped and/or reclassified wherever found necessary in order to conform to this year's classification.

As per Report of even date

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration No. 012754N/N500016

Jeetendra Mirchandani
Partner
Membership No. 48125

Mumbai 20th February, 2019

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Hemant Luthra
Chairman

K. Jayaprakash
Chief Financial Officer

Mumbai 20th February, 2019

Ander Alvarez
Director

Daljit Mirchandani
Director

Krishnan Shankar
Company Secretary & Head- Legal

Form AOC - 1

Pursuant to proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014
Statement containing salient features of the financial statements of subsidiaries included in the Consolidated Financial Statements

S No.	Name of Subsidiary	Date since when Subsidiary was Acquired	Reporting Currency	Exchange Rate	Share Capital (Including Preference-Capital)	Reserve & Surplus	Total Assets	Total Liabilities	Investment (excluding Investment in subsidiaries)	Gross Turnover	Profit/Loss before tax	Provision for tax	Profit or Loss after tax	Proposed Dividend	Existing Shareholding (in %)
1	Stokes Group Limited (SGL)	1 st April 2007	GBP	88.59	1,318	(1,317)	524	522	-	718	(504)	-	(504)	-	100%
2	Stokes Forgings Dudley Limited (subsidiary of SGL)	1 st April 2007	GBP	88.59	-	-	-	-	-	-	-	-	-	-	100%
3	Stokes Forgings Limited (subsidiary of SGL)	1 st April 2007	GBP	88.59	6	(6)	-	-	-	-	-	-	-	-	100%
4	Mahindra Forgings Europe AG (MFE) (subsidiary of Galfor)	1 st April 2007	EURO	79.63	424	(840)	13,575	13,991	-	87	(201)	151	(50)	-	100%
5	Jeco Jellinghaus GmbH (subsidiary of MFE)	1 st April 2007	EURO	79.63	435	(54)	644	263	-	1	(35)	(2)	(37)	-	100%
6	Geserkschmiede Schneider GmbH (subsidiary of MFE)	1 st April 2007	EURO	79.63	1,040	746	4,202	2,416	3	9,622	445	(10)	435	-	100%
7	Falkenroth Umformtechnik GmbH (subsidiary of MFE)	1 st April 2007	EURO	79.63	87	207	968	674	-	3,088	106	(7)	99	-	100%
8	Schone Weiss & Co GmbH (subsidiary of MFE)	1 st April 2007	EURO	79.63	311	1,059	4,257	2,887	-	8,256	(25)	(75)	(100)	-	100%
9	Metacastello S.p.A (MC) (subsidiary of Galfor)	1 st Oct 2013	EURO	79.63	740	(627)	4,086	3,973	-	5,572	607	(117)	490	-	99.96%
10	CIE Galfor, S.A.U (Galfor)	1 st Oct 2013	EURO	79.63	194	6,971	19,684	12,519	9	12,976	2,424	(496)	1,928	-	100%
11	CIE Legazpi SA (subsidiary of Galfor)	1 st Oct 2013	EURO	79.63	194	1,000	4,608	3,414	3	5,045	439	(93)	346	-	100%
12	UAB CIE LT Forge (subsidiary of Galfor)	1 st Oct 2013	EURO	79.63	584	921	2,851	1,346	-	2,935	438	(48)	390	-	100%
13	Bill Forge Private Limited (BF)	1 st Oct 2016	INR	1	12	4,222	7,317	3,083	-	7,939	1,186	(411)	775	-	100%
14	BF Precision Private Limited (subsidiary of BF)	1 st Oct 2016	INR	1	*	50	100	50	-	224	58	(15)	43	-	100%
15	Bill Forge Mexico S.A. de C.V. (subsidiary of BF)	1 st Oct 2016	INR	1	7	(286)	1,551	1,830	-	574	(208)	42	(166)	-	100%

The reporting period of the subsidiaries and that of the Company is the same, 1st January, 2018 to 31st December, 2018.

- Stokes Forgings Limited and Stokes Forgings Dudley Limited are dormant companies.
- All other subsidiaries are operational except Jeco Jellinghaus GmbH & Stokes Group Limited which is operationally closed
- Investment in subsidiary Mahindra Forgings Europe AG (MFE) has been transferred to CIE Galfor, S.A.U (Galfor), another wholly owned subsidiary of the Company.

As per Report of even date

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration No. 012754N/N500016

For and on behalf of the Board of Directors of **Mahindra CIE Automotive Limited**

Hemant Luthra
Chairman

Ander Alvarez
Director

Daljit Mirchandani
Director

Krishnan Shankar
Company Secretary & Head- Legal

Jeetendra Mirchandani
Partner

Membership No. 48125

Mumbai 20th February, 2019

K. Jayaprakash
Chief Financial Officer
Mumbai 20th February, 2019

Notes

CIE: GLOBAL FOOTPRINT



NAFTA

USA

Plastic
Machining

MEXICO

* R&D
Aluminium
Forging
Stamping & Tube
forming
Machining
Plastic
Roof Systems

CENTRAL EAST EUROPE

CZECH REP

Stamping & Tube
forming
Machining
Plastic
Cold Forging

LITHUANIA

Forging

ROMANIA

Aluminium
Roof Systems

SLOVAKIA

Machining

RUSSIA

Aluminium

WEST EUROPE

SPAIN

Headquarters
* R&D
Aluminium
Forging
Stamping & Tube
forming
Machining
Plastic
Roof Systems

FRANCE
* R&D
Machining
Roof Systems

ITALY

Machining

GERMANY

* R&D
Forging

PORTUGAL

* R&D
Plastic

UK

Forging

SOUTH AMERICA

BRAZIL

* R&D
Forging
Stamping & Tube
forming
Aluminium
Machining
Plastic
Casting

AFRICA

MOROCCO

Plastic

ASIA & OCEANIA

CHINA

Forging
Stamping & Tube
forming
Machining
Plastic
Roof Systems

INDIA

* R&D
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forming
Machining
Casting
Composites

Forgings



Castings



Stampings



Gears



Composites



Magnetics



Mahindra ***CIE***

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