

Mahindra
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MAHINDRA COMPOSITES LTD
31ST ANNUAL REPORT 2012 - 13

Systech Sector Overview



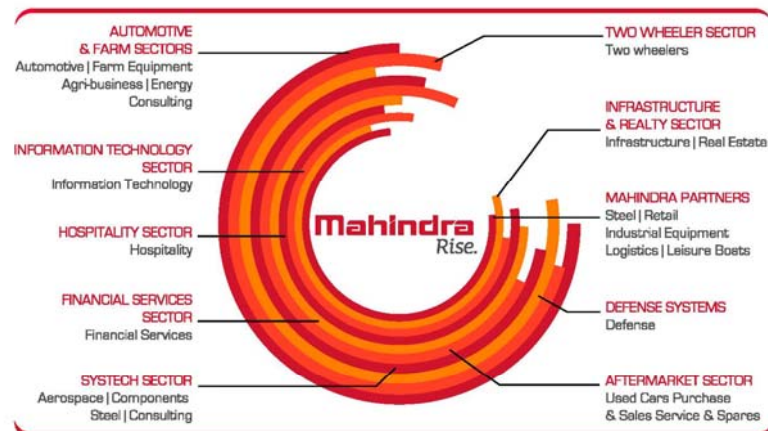
Systech was created in 2004 to capitalise on the opportunities presented by the growth of the Indian automobile component industry as a result of increasing domestic vehicle production as well as the growing emphasis on Low Cost Country (LCC) sourcing for Global Automotive OEMs.

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

and management processes.

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

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





Dear Shareholder:

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

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

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

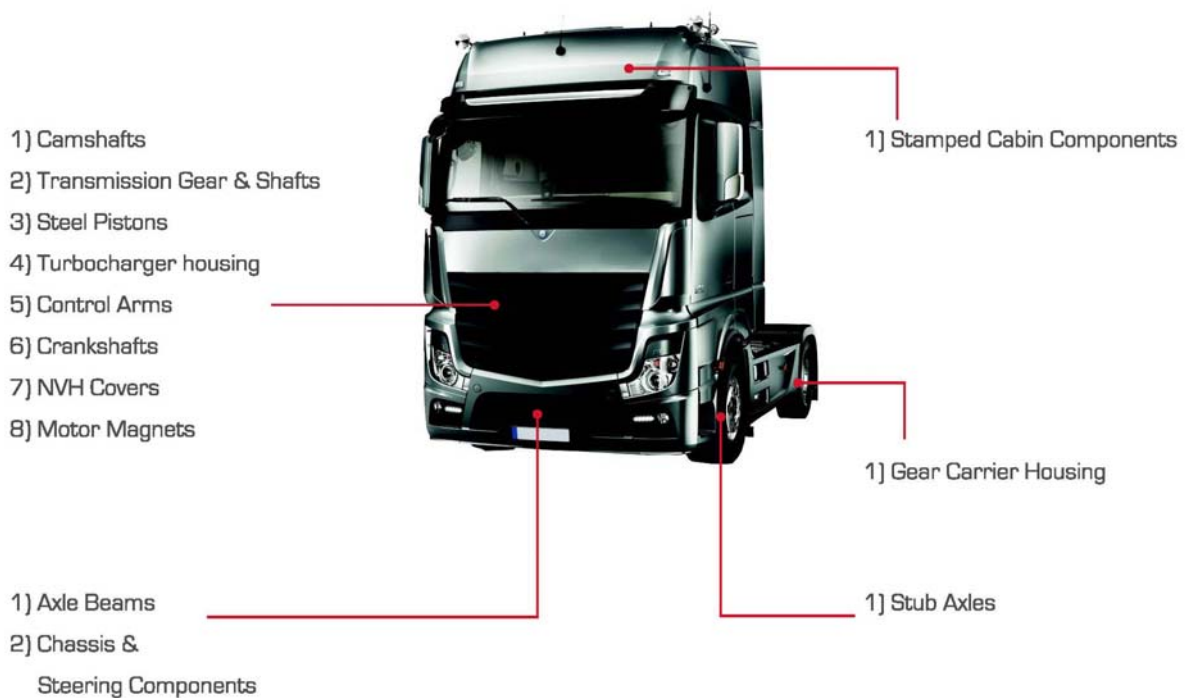
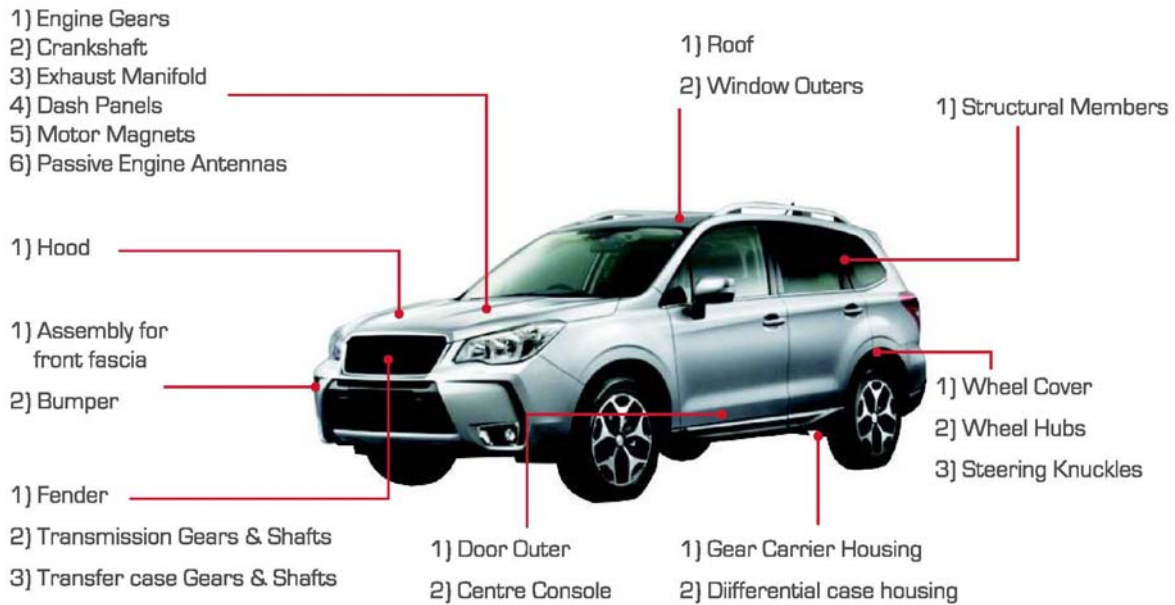
In Europe, we will need to consolidate our operations in order to manage the challenge of sudden changes in business conditions. We are seeing closer cooperation between our Europe and India teams and they are accelerating their efforts to transfer appropriate products from Europe to India to leverage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

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

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

Yours sincerely

Hemant Luthra
President, Systech Sector



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Board of Directors

Hemant Luthra - Chairman

B. M. Kataria

C. S. Devale

Dhananjay Mungale

R. R. Krishnan

Romesh Kaul

[Appointed w.e.f. 6th February, 2013]

Chief Operating Officer

Mahadev Shinde

Compliance Officer

Vijayendra Kolambkar - Chief Financial Officer

Committees of the Board

Audit Committee

B. M. Kataria

C. S. Devale

Dhananjay Mungale

R. R. Krishnan

Remuneration / Compensation Committee

B. M. Kataria

Dhananjay Mungale

Shareholders' / Investors'

Grievance Committee

R. R. Krishnan

B. M. Kataria

C. S. Devale

Registered Office

145, Nehru Nagar Road,

Off Mumbai - Pune Road,

Pimpri, Pune - 411 018, India.

Tel. : (020) 2742 5265 / 2742 5266.

Fax : (020) 2742 5272

Plant Locations

Plant - 1

Survey No.178/O, Village Sale,

Taluka : Mangron, Dist. Raigad 402 104.

Tel. : (02140) 263 112 / 263 129

Fax : (02140) 263 145

Plant - 2 & HD

145, Nehru Nagar Road,

Off. Mumbai - Pune Road,

Pimpri, Pune - 411 018.

Tel. : (020) 2742 5265 / 2742 5266

Fax : (020) 2742 5272

Auditors

M/s. Deloitte Haskins & Sells

Chartered Accountants

706, 'B' Wing, 7th Floor, ICC Trade Tower,

Senapati Bapat Road, Pune - 411 016.

Bankers

HDFC Bank Ltd.

Citibank N.A.

Registrar and Share Transfer Agents

M/s. Sharepro Services [India] Private Limited

13 AB, Samhita Warehousing Complex, 2nd Floor

Near Saki Naka Telephone Exchange

Andheri-Kurla Road, Saki Naka, Andheri (East)

Mumbai - 400 072.

Tel. : (022) 6772 0300 / 6772 0400

Fax : (022) 2859 1568 / 2850 8927

E-mail : sharepro@shareproservices.com

NOTICE

Notice is hereby given that **Thirty-first Annual General Meeting** of the Members of **MAHINDRA COMPOSITES LIMITED** will be held on Friday, 27th day of September, 2013 at 11.00 a.m. at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway, Pimpri, Pune - 411 018 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2013 and Statement of Profit & Loss for the year ended on that date together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. R. R. Krishnan who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr. Dhananjay Mungale who retires by rotation and being eligible, offers himself for re-election.
4. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Romesh Kaul who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice from a member in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Register of Members and Share Transfer Books of the Company will remain closed from Monday, 23rd September, 2013 to Friday, 27th September, 2013 (both days inclusive).
3. In order, proxies to be effective, the proxy forms must be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.
4. Members are requested to intimate immediately change of address, if any, to the Company's Registrar – Sharepro Services (India) Private Limited, 13 AB, Samhita Warehousing Complex, 2nd Floor, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072.
5. Members are requested to send their queries at least 10 days before the day of meeting so that the information can be made available at the meeting.
6. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
7. Members are requested to bring their copy of Annual Report, as the copies of the same will not be distributed at the time of meeting as a measure of economy.
8. Equity shares of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. The Company has paid the Annual Listing fees for financial year up to 2012-2013.
9. Re-appointment of Directors:

At the ensuing Annual General Meeting Mr. R. R. Krishnan and Mr. Dhananjay Mungale retire by rotation and being eligible, offer themselves for reappointment. The information or details to be provided for the aforesaid Directors under the code of Corporate Governance are as under:

Mr. R. R. Krishnan has been with the Mahindra Group for close to 52 years and has held several senior positions. He was Senior Advisor in Mahindra & Mahindra Limited. He is Director of Mahindra Ugin Steel Company Limited and also member of Audit Committee.

He is not holding any shares in the Company.

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

Presently he is Director of Inestor Advisors Private Limited, Mentor Technologies Private Limited, Snowcem Paints Private Limited, J. P. Morgan Asset Management India Private Limited, LICHL Trustee Company Private Limited, Lavgan Dockyard Private Limited, LIC Housing Finance Limited (also Member of Audit Committee), M & M Financial Services Limited (also Chairman of Audit Committee and member of Compensation Committee and Chairman of ALCO Committee), Chowgule Steamships Limited (also Chairman of Audit Committee and member of Compensation Committee), Kalpataru Limited (also member of Audit Committee and Compensation Committee), National Organic Chemical Limited (also member of Audit Committee and member of Compensation Committee), Tamilnadu Petroproducts Limited, Samson Maritime Limited (also member of Audit Committee and Compensation Committee), L&T Infrastructure Finance Company Limited and Sicagen India Limited (also Member of Audit Committee and Compensation Committee).

Mr. Dhananjay Mungale is not holding any shares in the Company.

By order of the Board
MAHINDRA COMPOSITES LIMITED

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Romesh Kaul was appointed as an Additional Director of the Company by the Board of Directors on 6th February, 2013 by circular resolution and according to the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company, he holds office of Director only up to the date of the ensuing Annual General Meeting.

As required by Section 257 of the Companies Act, 1956, the Company has received notice from a member signifying his intention to propose the candidature of Mr. Romesh Kaul for the appointment as a Director of the Company at the forthcoming Annual General Meeting.

Mr. Romesh Kaul is Graduate in Mech. Engg. from R.E.C. Srinagar, J&K and Masters from IIT Delhi. He joined Mahindra Systech in December, 2004 as Head of Projects for the Systech Sector. In September 2008, he took over as "Global CEO" of the "Gears" vertical within Systech Sector.

He is Group Executive Board Member since 1st April, 2010 of Mahindra & Mahindra Ltd.

Presently he is Director of Mahindra Gears & Transmissions Private Limited, Metalcastello SpA, and Creast Geartech Private Limited.

Mr. Romesh Kaul is not holding any shares in the Company.

The Board considering the varied experience of Mr. Romesh Kaul, thought it is desirable that the Company should continue to avail the services of Mr. Romesh Kaul.

Except the aforesaid Director, no other Director of the Company is concerned or interested in this resolution.

By order of the Board
MAHINDRA COMPOSITES LIMITED

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

DIRECTORS' REPORT

The Directors are pleased to present herewith the Thirty-first Annual Report and the Audited Accounts for the year ended 31st March, 2013 of your Company.

1. FINANCIAL RESULTS:

| | (Rupees in Lakhs) | |
|---|--|--|
| | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
| Gross income | 5680.63 | 6268.58 |
| Profit before depreciation and interest | 190.07 | 442.18 |
| Interest..... | 112.43 | 98.41 |
| Depreciation..... | 172.50 | 145.35 |
| Profit/(loss) before tax | (94.86) | 198.42 |
| Provision for taxation: | | |
| – Current | – | 59.00 |
| – Deferred | 3.00 | 14.00 |
| – Short provision for earlier years | – | 2.34 |
| | 3.00 | 75.34 |
| Exceptional item | – | 214.00 |
| Net profit/(loss) after tax | (97.86) | (90.92) |
| Balance in profit & loss account – B/F | 856.94 | 947.86 |
| | 759.08 | 856.94 |
| Appropriation recommended by the Directors: | | |
| Proposed dividend..... | Nil | Nil |
| Income tax on distributed profit..... | Nil | Nil |
| Transfer to general reserve..... | – | – |
| Balance in profit & loss account | 759.08 | 856.94 |
| | 759.08 | 856.94 |

2. OPERATIONS:

Sales of the Company were lower by 11% in F13. The continued slowdown in Construction, Engineering, Infrastructure, Automobile, Electrical Switchgear industries impacted both the compound and component sales.

Company produces SMC/DMC compounds and sells them to Electrical Switchgear OEMs and their moulding vendors. The Company itself moulds a portion of these compounds to produce automotive components and own products like 'Electra' and 'Sarovar'. Component business was down by 19% and the compound business by 6%. However Company could retain the overall market share in the business.

Though the component business was significantly lower than the previous year, Electra received better orders and as a result its sales grew by 16%. Last year's investment to increase product range is giving results. However some of the orders received have been postponed to next year due to slow movement in

infrastructural development in the country. Electra is being used in 8 states and is reaching the mark of 300,000 units sold.

Company has launched new product, SMC Panel Water Tank with brand name 'Sarovar' on Mahindra Group's founder day 2nd October, 2012. During Q4, we bagged substantial orders which will fructify into sales next year.

Rising input cost and rupee depreciation continue to reduce margins. Although initiatives of using alternative materials and sources resulted in limiting this impact, reduced volumes in market did not allow passing on all the cost increase to customers. The precision dispensing system has been commissioned for reducing waste and increasing consistency of product performance.

The Company has emphasized sustainability and both the plants have been certified for ISO 14001 and OHSAS 18001. This is helping to control wastages.

3. DIVIDEND:

In view of inadequate profits during the year under review your Directors do not recommend any payment of dividend.

4. DIRECTORS:

The Board has appointed Mr. Romesh Kaul as an Additional Director of the Company on 6th February, 2013. He holds office up to the forth coming Annual General Meeting. The Company has received notice from member signifying his intention to propose Mr. Romesh Kaul as Director of the Company.

Mr. R. R. Krishnan and Mr. Dhananjay Mungale, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

5. AUDITORS:

M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai retire and are eligible for re-appointment.

6. COST AUDIT REPORT:

M/s. Dhananjay V. Joshi & Associates, Cost Accountants, Pune, (Firm Registration No. 000030) conducted the audit of Cost Accounting Records maintained by the Company for the Financial Year 2011-12 and submitted their report to the Central Government, Ministry of Corporate Affairs, New Delhi. They were reappointed to conduct the Audit of the Cost Accounting Records maintained by for Company for the Financial Year 2012-13. The Cost Auditors shall forward their report to the Central Government, Ministry of Corporate Affairs, New Delhi for the Financial Year 2012-13 within the prescribed time.

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

7. PUBLIC DEPOSITS AND LOANS / ADVANCES:

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

8. INFORMATION UNDER SECTION 217(1)(e) THE COMPANIES ACT, 1956:

Information required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 and also forming part of this report is given in the enclosed annexure 'A'.

9. PARTICULARS OF EMPLOYEES:

Information required in terms of Section 217 (2A) of the Companies Act, 1956, read with amended

Companies (Particulars of Employees) Rules, 1975 and forming part of this Report is not enclosed as none of the employees is covered under these rules.

10. DIRECTORS RESPONSIBILITY STATEMENT:

Directors hereby state that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently and made judgment 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 and of the profit or loss of the Company for that year.
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have prepared the annual accounts on a going concern basis.

11. CORPORATE GOVERNANCE:

The Company has obtained a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance. The same is annexed to this Report.

12. COMPLIANCE CERTIFICATE:

As per the requirement of Section 383A of the Companies Act, 1956 a Certificate from a Secretary stating that the Company has complied with all the provisions of this Act is attached to this report.

13. RIGHTS ISSUE / PIPE PROJECT:

The slowdown in the country's infrastructure development and hence recessionary trend in the business is continued for another year. Power projects, water supply schemes, etc. are moving slow or on hold for various reasons. Looking at this situation and excess capacity in the Pipe segment, Company decided to hold the proposal and hence the rights issue.

14. SCHEME OF AMALGAMATION:

As a part of Mahindra Group Strategy to consolidate the auto components business and formation of global alliance with CIE Automotive, Spain, the Board of Directors of the Company at their meeting held on June 15, 2013, duly considering the recommendation of the Audit Committee and subject to regulatory approvals, have approved a Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956, involving the Company, the Mahindra Forgings Limited ("Transferee Company"), with effect from 1st October, 2013. ("The Scheme").

The Scheme is the second step in the formation of the global alliance and will be filed post the completions of the conditions precedents to the relevant agreements and the closing of the share transfer of three companies viz. Mahindra Forgings Limited, Mahindra Hinoday Industries Limited and Mahindra Composites Limited by Mahindra and Mahindra Limited to CIE Group. The Scheme once filed will be subject to the requisite approvals. M/s. N M Raiji & Co, Chartered Accountants and M/s. S R Batliboi & Co. LLP have recommended a share exchange ratio of 90 Equity shares of Rs.10/- each in Mahindra Forgings Limited for every 100 Equity shares of Rs.10/- each held by the shareholders of Mahindra Composites Limited. SBI Capital Markets, Merchant Bankers have provided the fairness opinion on the share exchange ratio.

15. STOCK OPTIONS:

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

Details required to be provided under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure 1 to this Report.

16. ENVIRONMENT & HEALTH :

Mahindra Composites Limited, Mangaon unit took measures to conserve Energy. Successful efforts were taken to reduce hazardous waste by controlling process loss.

17. INDUSTRIAL RELATIONS :

During the year under review, industrial relations remained satisfactory.

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

ANNEXURE “A” TO THE DIRECTORS’ REPORT

Particulars as per the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors’ Report.

COMPOUND MANUFACTURING

1. The Company obtained UL approval against new customer requirements.
2. Company developed SMC for Oil Sump and potable SMC for Sarovar Panel Tank for water storage.

A. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Mahindra Composites Ltd. has launched a new product “Sarovar” – SMC Panel Water Tank this year
2. **Expenditure on R & D:**

| | 2012–2013 | 2011–2012 |
|--|--------------|--------------|
| | Rs. in lakhs | Rs. in lakhs |
| (a) Capital | Nil | Nil |
| (b) Recurring..... | 28.00 | 26.97 |
| Total..... | 28.00 | 26.97 |
| Total R&D Expenditure as % of Total turnover | 0.56% | 0.48% |

B. FOREIGN EXCHANGE EARNINGS & OUTGO:

Total Foreign Exchange Earnings and Outgo:

| | 2012–2013 | 2011–2012 |
|---------------|--------------|--------------|
| | Rs. in lakhs | Rs. in lakhs |
| Earnings..... | 430.54 | 452.12 |
| Outgo..... | 663.57 | 765.95 |

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 24th July, 2013.

ANNEXURE 1 TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2013.

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

| | | |
|-----|--|--|
| (a) | Options granted..... | : 90,000 |
| (b) | The pricing formula | : Exercise Price of Rs.47.40 is calculated at a discount not higher than 15% of the average of the daily high and low of the price for the company's equity shares quoted on the Bombay Stock Exchange Ltd. during the 15 days preceding the Grant of the Options. |
| (c) | Options vested | : 30,003 |
| (d) | Options exercised..... | : Nil |
| (e) | The total number of shares arising as a result of exercise of options | : Nil |
| (f) | Options lapsed | : Nil |
| (g) | Variation of terms of options..... | : Nil |
| (h) | Money realized by exercise of options..... | : Nil |
| (i) | Total number of options in force..... | : 90,000 |
| (j) | Employee-wise details of options granted to: | |
| | (i) Senior managerial personnel..... | : As per list attached. |
| | (ii) Any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year. | : None |
| | (iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | : None |

Diluted Earnings per Shares (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'..... : (Rs.2.22)

Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.

: The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs.2.03 lakhs, profit after tax would have been lower by Rs.2.03 lakhs & both the basic and diluted earning per share would have been lower by Rs.0.05.

Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock..... : -

A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:

- | | |
|--|-----|
| (i) risk free interest rate | : - |
| (ii) expected life | : - |
| (iii) expected volatility | : - |
| (iv) expected dividends, and..... | : - |
| (v) the price of the underlying share in market at the time of option grant..... | : - |

During the year the Company has not granted any options to employees or senior managerial persons.

Statement attached to Annexure 1 to the Directors' Report for the year ended 31st March, 2013:

| Name of the Senior Management Persons of the Company to whom Stock Options have been granted | Number of Options granted in 2009-10 |
|--|--------------------------------------|
| Mr. B. M. Kataria..... | 2,500 |
| Mr. R. R. Krishnan..... | 2,500 |
| Mr. C. S. Devale..... | 2,500 |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Mahindra Composites Limited (MCL) is one of India's leading players in the field of composites supplying SMC/DMC compounds and components to the electrical switchgear, power distribution, automotive and medical equipment industry. MCL operates out of two plants, one at Mangaon, Dist. Raigad and the other in Pimpri, Pune. The plant at Mangaon has a capacity of 15000 MT of SMC/DMC compound manufacturing. The SMC/DMC component manufacturing plant at the same location has 6 compression moulding presses ranging from 100 MT to 500 MT capacities. There are also 3 RTM stations and hand-lay up setup to manufacture components. The plant at Pimpri houses additional 6 compression moulding presses along with an innovation lab which focuses on product concept, design and engineering.

We sell SMC/DMC compounds to electrical switchgear OEMs like L&T, Schneider, Legrand, Siemens and ABB etc. who in turn sell switchgears largely to the construction industry. The electrical switchgear industry is the key end user of the company's products and accounts for almost 70% of MCL's revenue.

We sell moulded components to the power distribution industry, under the brand name '*Electra*'.

We sell moulded body parts with and without painting to Auto & Tractor OEMs. The component business for both the electrical and automotive market has been developed in the last few years.

Industry Outlook

F13 saw a slow down as it was in F12 in the Electrical Switch Gear Industry influenced mainly by the slow down in the Construction Industry and new industrial projects getting stalled or postponed. This phenomenon is expected to reduce growth of the domestic switchgear market in the coming years. The sales of leading electrical switchgear OEMs have also been impacted. There is also increasing competition in this market with the entry of new manufacturers of SMC/DMC compounds with the latest manufacturing know-how.

The power distribution market remained flat during the year. Consequently, the implementation of power infrastructure projects is slowing down.

The automotive market is accepting new applications of composites products but as an industry it also slowing down resulting in postponement of development and new launches by OEMs.

Performance

Due to slowdown in our target industries (electrical switchgear, power distribution & automotive industries) our compound and component volumes were low as compared to F12. However, Company has retained overall market share in spite of increased competition.

We have launched new product panelled water tank named "Sarovar" in Indian market and bagged good orders for F14.

Given the current and expected slowdown in the approval of infrastructure projects, the GRP Pipe Project was put on hold and as a matter of abundant precaution the expected expenses as a result of holding of a project were already provided for in F12. Since there is no change in market situation, we will continue with our decision.

Strategy, Opportunities & Threats

We will continue to consolidate our core business of SMC/DMC compounds for the switchgear industry by improving our manufacturing efficiency and product reliability with the aim of optimising our margins in this segment as far as possible. For example, we have commissioned the precision dispensing system to reduce waste and increase consistency.

As the business of compounds stagnates, we are focusing on expanding our moulded components business. The '*Electra*' ranges of products are a key focus area and additionally we have launched panelled water tank named "Sarovar" in India and bagged good orders for F14. Efforts are also on to increase acceptance of composite parts in the automotive market. The exterior body panel business for the Truck industry is a good platform for growth and we will leverage our expertise to grow in this business. We will continue to scan for and evaluate opportunities that can help us move up the value chain from compounds to components in an accelerated manner. In this regard, we are open to global strategic partnerships that can improve our technical capabilities and expand our product portfolio.

We have also created an innovation lab within the Company which keeps on experimenting with new composite products for different end user applications, the details of which are explained in the next section.

Innovation & Technology Development

The seamless carbon fiber wind mill blade which won accolades from ICERP-JEC last year has been successfully put into production and significant quantities are sold. However the sales have been lower than envisaged due to change in Govt. Policy towards small wind mills during the year.

The formulation R&D team continues its innovation efforts and contributes to protecting margins in a competitive environment. The efforts resulted in generating alternative materials and sources which helped to limit cost increase effect on our margins. We will continue our association with the R&Ds of our reputed suppliers to develop state of art products for our customers.

Outlook F-14

Your Company has taken up a modest target for growth.

Electrical Switch Gear OEMs have predicted almost flat sales as F13 and we will focus on optimising profitability in this segment. However there are new entrants in this market whom MCL had approached for product approvals and successfully obtained and it will ensure that there is growth in the medium term.

In F14 we will ensure that the "*Electra*" orders in hand are pushed to the market in the power distribution segment. The "Channel Partner" network to sale "Sarovar" will be increased to cover the sales in country and significant revenue will be added during F14.

Risks and Concerns

Foreign Raw Material suppliers are setting up plants in India and this will reduce Imports. The Company has a planned strategy to develop local sources to reduce the risk of currency fluctuations. However commodity (petro based RM) price variation will continue to be a risk

The Company will invest in new business segments to grow the company and this strategy is accompanied by the inevitable risk of entering new markets with limited knowledge. However these efforts will see the benefits in medium terms as we are experienced in 'Electra' and 'Sarovar'. The Company will raise finance through long term debts to meet its needs for adding assets to enable growth.

Internal Control Systems and Their Adequacy

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

The internal audit of our operations is conducted by M & M's Corporate Management Services (CMS) regularly. This provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The QHS certifications will ensure continuous improvement in each of these areas. The Company is also committed to achieve its TS 16949 certification next year. Both plants continue to be fully operational under ERP facilitating MIS.

Human Resources and Management Systems

Your Company continues to implement the Mahindra Annual Planning Cycle which facilitates Senior Management reviews and actions in Operation and Strategy.

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

There is increased participation across all levels in the implementation of initiatives for continuous improvement. A leadership development program has been instituted to develop young leaders to be able to take on higher positions in the growth of the Company.

Your Directors place on record their appreciation for contributions made by employees at all levels and for cordial relations through out the year.

Sustainability

In the assessment of DNV and the Mahindra Quality Way, MCL has upgraded its Quality and Environment and Health Management Systems and will continue to improve and drive excellence in its internal manufacturing and business processes. Rain water harvesting system is being rejuvenated to improve its benefit to the plant by reducing water costs at Mangaon plant. Key initiatives also reduced the power and fuel consumption during the year. With an eye on sustainability we will continue to measure and optimise consumption of resources to stay competitive and promote a green planet. In pursuit of this both our plants have been certified for ISO 14001 & OHSAS 18001 standards.

Synergies with Parent

Synergies within Mahindra Systech

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

- (a) components – forgings, castings, stampings, ferrites, composites & gears
- (b) alloy steel and rings manufacturing
- (c) services – engineering and design services and contract sourcing.

The sector derives significant advantages of synergies and cross selling because of its presence in multiple component technologies. The sector is able to provide a basket of products and services to customers, largely OEMs or tier 1 suppliers, thereby enabling it to differentiate itself from competitors. A unified business development structure has been created by which Systech - wide key account managers have been assigned to large customers. The efforts of all Systech companies around web presence, collaterals, event planning etc have been harmonized. Systech companies also regularly explore synergies in areas of procurement, sourcing and product development. For example, Mahindra Systech made a joint presentation of abilities to Ordnance Factories and located potential for composite moulded products for defense. There is a regular exchange of best practices across Systech companies in areas like Finance, HR and Administration. The management of Mahindra Systech is contemplating bringing together all its component companies to create a large listed multi technology firm.

Relationship with Mahindra Group

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

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

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai: 24th July, 2013.

MANAGEMENT DISCUSSION & ANALYSIS

(Rs. in lakhs)

| A) MAJOR HIGHLIGHTS | Year ended 31st March, 2013 | Year ended 31st March, 2012 | Change |
|--|--------------------------------|--------------------------------|--------------------------------|
| Sales & other income..... | 5,040.64 | 5,671.71 | (11.13%) |
| Operational profit/(loss) | (94.90) | 198.37 | (147.84%) |
| Profit/(loss) before tax | (94.86) | 198.42 | (147.81%) |
| Return on capital employed | (6.06%) | 11.83% | (151.23%) |
| Operating cash flow | 354.22 | 138.25 | 156.22% |
| B) FINANCIAL POSITION AT A GLANCE | | | |
| Asset (owned & leased) | | | |
| Fixed assets (net)..... | 1,028.29 | 1,040.49 | |
| Investment..... | – | – | |
| Non - current assets / (liabilities) (net) | 23.92 | 53.68 | |
| Current assets / (liabilities) (net) | 512.26 | 582.73 | |
| | <u>1,564.47</u> | <u>1,676.90</u> | |
| Financed by: | | | |
| Long term borrowings | 101.25 | 115.82 | |
| Net worth | 1,463.22 | 1,561.08 | |
| | <u>1,564.47</u> | <u>1,676.90</u> | |
| Represented by: | | | |
| Share capital..... | 441.39 | 441.39 | |
| ESOP outstanding..... | 9.62 | 9.62 | |
| Retained earnings..... | 1,012.21 | 1,110.07 | |
| | <u>1,463.22</u> | <u>1,561.08</u> | |
| C) DISTRIBUTION OF INCOME | | | |
| Material consumed..... | 3,487.51 | 69.19% | 3,776.50 66.58% |
| Employee cost | 496.93 | 9.86% | 561.54 9.90% |
| Other expenses | 866.13 | 17.18% | 891.49 15.72% |
| Finance cost | 112.43 | 2.23% | 98.41 1.74% |
| Depreciation | 172.50 | 3.42% | 145.35 2.56% |
| Exceptional item..... | – | 0.00% | 214.00 3.77% |
| Provision for taxation..... | 3.00 | 0.06% | 75.35 1.33% |
| Current..... | – | 0.00% | 59.00 1.04% |
| Deferred | 3.00 | 0.06% | 14.00 0.25% |
| Short provision for earlier years..... | – | 0.00% | 2.35 0.04% |
| Tax on dividend | – | 0.00% | – 0.00% |
| Dividend | – | 0.00% | – 0.00% |
| Retained earnings..... | (97.86) | (1.94%) | (90.93) (1.60%) |
| | <u>5,040.64</u> | <u>100.00%</u> | <u>5,671.71</u> <u>100.00%</u> |

(Figures of previous year have been regrouped to match the current year's basis)

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS

1. Company's philosophy of Corporate Governance

Mahindra Composites Limited looks on Corporate Governance as a necessary tool for achieving all round business excellence reflected in enhanced shareholder value, without compromising on the needs and interests of other stakeholders. For the Company, the essence of corporate governance is to ensure transparency in its business operations.

Recognising that good corporate governance begins with Company's own internal policies and practices, your Company is focusing on a wide spectrum of activities, covering various business areas, through a combination of good practices and legal compliance, in a manner that would spell corporate fairness, transparency and accountability, because this is what Corporate Governance is all about.

A report on the implementation of the Code of Corporate Governance introduced by the Securities and Exchange Board of India and incorporated in the Listing Agreement is given below.

2. Board of Directors

(a) Composition:

The Board of Directors comprises of six directors, all of whom are non-executive directors.

More than one-third of the Board comprises of the independent directors. The independent directors have confirmed that they satisfy the criteria for an independent director as stipulated in Clause 49 I(A)(iii) of the listing agreements.

The directors bring to the Board a wide range of experience and skills. The composition of the Board is in conformity with the listing agreements. Independent directors play a key role in the decision-making process of the Board as they approve the overall strategy of the Company and oversee the performance of management. The independent directors are committed to acting in what they believe is in the best interest of the Company and its stakeholders.

(b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM):

| Name of Director | Category of Directorship | No. of Board Meetings Attended | Attendance at the last AGM |
|---|--------------------------|--------------------------------|----------------------------|
| Mr. Hemant Luthra | Chairman – NED | 1 | No` |
| Mr. C. S. Devale | NED | 4 | Yes |
| Mr. R. R. Krishnan | NED – I | 3 | No |
| Mr. B. M. Kataria | NED – I | 4 | Yes |
| Mr. Dhananjay Mungale | NED – I | 2 | No |
| Mr. Romesh Kaul (Appointed w.e.f. 6th February, 2013) | NED | Nil | NA |

NED – Non-Executive Director

NED-I – Non-Executive Director – Independent

(c) Number of other Companies or Committees the Director of the Company is a Director / Member / Chairman:

| Name of Director | No. of Directorships in other Boards* | No. of Memberships in other Board Committees # | No. of Chairmanships in other Board Committees # |
|---|---------------------------------------|--|--|
| Mr. Hemant Luthra | 14 | 3 | NIL |
| Mr. C. S. Devale | NIL | NIL | NIL |
| Mr. R. R. Krishnan | 1 | 1 | NIL |
| Mr. B. M. Kataria | 1 | 1 | NIL |
| Mr. Dhananjay Mungale | 15 | 8 | 2 |
| Mr. Romesh Kaul (Appointed w.e.f. 6th February, 2013) | 3 | NIL | NIL |

* Directorships in Foreign Companies and Private Limited Companies are included in the above table.

Memberships in Committees other than Audit Committee / Shareholders' Grievance Committee of all Public Limited Companies and all Committees of Private Limited / Foreign Companies are excluded in the above table.

- (d) Details of Board Meetings held during the year under review:

| Sr. No. | Date |
|---------|--------------------|
| 1. | 26th April, 2012 |
| 2. | 30th July, 2012 |
| 3. | 23rd October, 2012 |
| 4. | 22nd January, 2013 |

The Board has met four times in the year with a gap of less than four months between any two meetings.

- (e) Code of Conduct:

The Board has laid down a code of conduct for all Board Members and senior management of the Company. The code of conduct is posted on the website of the Company. The certificate from the COO confirms compliance with the Code of Conduct by the Directors and Senior Management is enclosed.

- (f) As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Chief Operating Officer and Chief Financial Officer of the Company have certified to the Board regarding the financial statements, and matters related to internal controls in the prescribed format for the year ended 31st March, 2013.

3. Audit Committee

- (a) Composition, No. of meetings and Attendance:

Details of Audit Committee Meetings held during the year under review–

| Sr. No. | Date |
|---------|--------------------|
| 1. | 26th April, 2012 |
| 2. | 30th July, 2012 |
| 3. | 23rd October, 2012 |
| 4. | 22nd January, 2013 |

The Audit Committee has met four times in the year with a gap of less than four months between any two meetings.

| Sr. No. | Name of Director | No. of Meetings attended |
|---------|-----------------------|--------------------------|
| 1. | Mr. B. M. Kataria # | 4 |
| 2. | Mr. C. S. Devale | 4 |
| 3. | Mr. Dhananjay Mungale | 2 |
| 4. | Mr. R. R. Krishnan | 4 |

Chairman

All members of Audit Committee are non-executive directors. Majority of members of the Audit Committee are Independent Directors; Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Internal Auditors and Statutory Auditors are invitees to the meetings. The Company Secretary acts as the secretary to the Committee. The Chairman of the Audit Committee Meeting was present at the Annual General Meeting held on 29th September, 2012.

- (b) Terms of Reference:

A qualified and independent audit committee has been set up. The Chairman of the Audit Committee is an independent director. The members of the Audit Committee are financially literate and the Chairman of the Audit Committee has accounting and related financial management expertise.

The Committee recommends to the Board, the appointment or re-appointment of the Statutory Auditors and the audit fees payable. The Audit Committee and statutory auditors discuss the nature and scope of audit prior to the commencement of the audit and areas of concern, if any, arising post audit. In addition, the Committee approves payment of fees for other services rendered by the statutory auditors.

The responsibility of the Committee is to also review the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the Board.

The Committee reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the Management on observations and recommendations made by the respective auditors.

4. Remuneration Committee

(a) Terms of Reference:

To frame Company's Remuneration Policy on behalf of the Board and on behalf of the shareholders on specific remuneration packages for Directors including pension rights, ESOP and any compensation payment.

(b) Composition:

Members of the Committee are

Mr. B. M. Kataria – Chairman

Mr. Dhananjay Mungale

No meeting of Remuneration Committee Meeting was held during the year.

(c) Remuneration of Directors:

Presently Company is not having any Executive Director.

(d) The Board of Directors decides the remuneration of non-executive directors, which consists of sitting fees as well as commission based on the net profits of the Company, payable to certain directors.

Details of Remuneration paid/payable to Non-Executive Directors during the year are as follows:

| Name of the Director | Directors' Fees | Commission |
|-----------------------|-----------------|------------|
| Mr. B. M. Kataria | 33,000/- | Nil |
| Mr. Dhananjay Mungale | 20,000/- | Nil |
| Mr. R. R. Krishnan | 28,000/- | Nil |
| Mr. C. S. Devale | 30,000/- | Nil |

Employee Stock Option Scheme (ESOS)

During the year Company has not allotted any Equity shares to the permanent employees and to non-executive Directors of the Company.

The disclosure in respect of ESOS as required under Clause 12.1 of SEBI (Employee Stock Option Scheme and Employee Stock Purchases Scheme) Guidelines, 1999 as amended, have been made in the Directors' Report.

5. Shareholders' / Investors' Grievance Committee

(a) Composition:

Members of the Committee are:

Mr. R. R. Krishnan – Chairman

Mr. B. M. Kataria

Mr. C. S. Devale

A Meeting of Shareholders' / Investors' Grievance Committee was held on 26th April, 2012.

(b) Compliance Officer:

Mr. Vijayendra Kolambkar – GM – Finance & Accounts.

(c) Complaints:

One Complaint was received during the year under review. This complaint has been resolved.

As on 31st March, 2013 there were no transfers of shares pending for execution.

6. General Body Meetings

(a) Location and time where last three Annual General Meetings were held:

| Financial Year | Date | Time | Venue | Any special resolution passed |
|----------------|------------------|-----------|--------------------------------------|-------------------------------|
| 2009-2010 | 23rd July, 2010 | 4.00 p.m. | Hotel Panchshil, Chinchwad, Pune-19. | No |
| 2010-2011 | 29th July, 2011 | 3.00 p.m. | Hotel Panchshil, Chinchwad, Pune-19. | Yes |
| 2011-2012 | 29th Sept., 2012 | 3.30 p.m. | Citrus Hotels, Pimpri, Pune-18. | Yes |

(b) Postal Ballot:

No resolution was required to be passed by means of a postal ballot during the year.

7. Disclosures

- (a) Mr. C. S. Devale (Non-executive Director) holds 1,426 fully paid equity shares of Rs.10/- each in the capital of the Company.
- (b) Mr.B. M. Kataria (Non-executive Director Independent) holds 1,666 fully paid equity shares of Rs.10 each in the capital of the Company.
- (c) Commission and sitting fees is paid to certain non-executive directors.
- (d) Full disclosures on related party transactions, as per the Accounting Standard 18 referred to in section 211(3C) of the Companies Act, 1956, is given under Note 28, Schedule XIII of the Annual Accounts.
- (e) Details of non-compliance, penalties, and strictures imposed on the Company by the Stock Exchanges/SEBI/Statutory Authorities on matters relating to capital markets during the last three years:
The Company has complied with the requirements of regulatory authorities on capital markets and no penalties / strictures have been imposed against it in the last three years.
- (f) The Company has a Risk Management Framework in place. The Company has established procedures to periodically place before the Board the Risk assessment and minimization procedures being followed by the Company and steps taken by it to mitigate these risks.
- (g) The Company has followed the Guidelines of Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) in the preparation of its financial statements.

8. Means of Communication

| | |
|---|--|
| i. Half-yearly report sent to each household of shareholders | No, as the results of the Company are published in the Newspapers every quarter. |
| ii. Quarterly Results published in newspapers | Yes. Indian Express – Pune Edition Loksatta – Pune Edition |
| iii. Any website, where results or official news are displayed | Yes: www.mahindracomposites.com |
| iv. The presentations made to Institutional investors or to the Analysts | No presentation has been made to Institutional Investors or to the Analysts. |
| v. Whether Management Discussion and Analysis is a part of Annual Report or not | Yes. |

9. General Shareholder Information

| | |
|---|---|
| AGM : Date, Time and Venue | On Friday, 27th September, 2013 at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway, Pimpri, Pune - 411 018 at 11.00 a.m. |
| Financial calendar (Tentative) | The financial year under review covers period from 1st April, 2012 to 31st March, 2013. The next financial year would be from 1st April, 2013 to 31st March, 2014. i) First Quarter Results – last week of July ii) Half-yearly Results – last week of October iii) Third Quarter Results – last week of January iv) Results for the year ending 31st March, 2014 – last week of April, 2014. |
| Date of Book Closure | Monday, 23rd September, 2013 to Friday, 27th September, 2013 (both days inclusive) |
| Dividend Payment date | Not Applicable. |
| Listing on Stock Exchanges | Bombay Stock Exchange Limited The Company has paid the listing fees for the year 2012-2013. |
| Stock Code – Physical ISIN Number for NSDL & CDSL | 524138 on Bombay Stock Exchange Limited INE219G01015 |
| Market Price Data: High, Low during each month in last financial year | Please see Annexure – A |

| | |
|---|---|
| Stock Performance | Please see Annexure – A |
| Registrar and Transfer Agents | Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2nd floor, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Andheri (East), MUMBAI - 400 072. Tel- 022– 67720300 / 67720400 Fax- 022– 28591568 / 28508927 Email- sharepro@shareproservices.com |
| Share Transfer System | The share transfers for the period from 1st April, 2012 to 31st March, 2013 were processed by Sharepro Services (India) Private Limited. All the share transfers were approved by the Senior Executives of the Company. |
| Distribution of Shareholding and share holding pattern as on 31.03.2013 | Please see Annexure – B |
| Dematerialisation of shares and liquidity | 92.45% of the Paid-up Capital has been dematerialised as on 31.03.2013. |
| Outstanding GDRs/ADRs/Warrants or any convertible instruments conversion date and likely impact on equity | Not issued |
| Plant Locations | The Company's plants are located at Mangaon, District - Raigad and at Pimpri, Dist. Pune. |
| Address for correspondence | Mahindra Composites Limited 145, Nehru Nagar Road, Off Mumbai-Pune Road, Pimpri, Pune – 411 018. |

B. NON-MANDATORY REQUIREMENTS

(a) Chairman of the Board – Re: Non-executive Chairman:

Chairman of the Board is a Non-executive Director. However, he does not maintain any office at the Company's expense.

(b) Re: Remuneration Committee:

The Company has formed a Remuneration Committee of three non-executive independent directors. The Chairman of the Remuneration Committee Meeting was present at the Annual General Meeting held on 29th September, 2012.

(c) Shareholders' Rights – Re: half yearly results:

Under Review

(d) Training of Board Members:

Under Review

(e) Mechanism for evaluating non-executive Board Members:

Under Review

(f) Whistle Blower Policy:

Under Review

(g) Tenure of Independent Directors:

Under Review

FOR AND ON BEHALF OF THE BOARD

HEMANT LUTHRA
Chairman

Mumbai: 30th April, 2013.

ANNEXURE – A
Market Price Data & Stock Performance

| Month/Year | Bombay Stock Exchange Limited | | Sensex, Bombay Stock Exchange Limited | |
|-----------------|-------------------------------|-----------|---------------------------------------|----------|
| | High (Rs.) | Low (Rs.) | High | Low |
| April, 2012 | 57.10 | 44.15 | 17664.10 | 17010.16 |
| May, 2012 | 52.50 | 39.10 | 17432.33 | 15809.71 |
| June, 2012 | 52.45 | 38.10 | 17448.48 | 15748.98 |
| July, 2012 | 60.10 | 43.65 | 17631.19 | 16598.48 |
| August, 2012 | 49.00 | 41.30 | 17972.54 | 17026.97 |
| September, 2012 | 48.70 | 39.60 | 18869.94 | 17250.80 |
| October, 2012 | 50.45 | 43.10 | 19137.29 | 18393.42 |
| November, 2012 | 46.50 | 39.30 | 19372.70 | 18255.69 |
| December, 2012 | 49.80 | 40.50 | 19612.18 | 19149.03 |
| January, 2013 | 46.45 | 38.80 | 20203.66 | 19508.93 |
| February, 2013 | 41.70 | 31.50 | 19966.69 | 18793.97 |
| March, 2013 | 38.70 | 30.00 | 19754.66 | 18568.43 |

ANNEXURE – B
Distribution of shareholding as on 31st March, 2013

| Number of shares held | Members | | Shares | |
|-----------------------|--------------|---------------|------------------|---------------|
| | Number | % | Number | % |
| 1– 500 | 4,534 | 88.28 | 693,872 | 15.72 |
| 501– 1,000 | 302 | 5.89 | 247,414 | 5.60 |
| 1,001– 2,000 | 141 | 2.75 | 210,272 | 4.76 |
| 2,001– 3,000 | 52 | 1.01 | 132,429 | 3.00 |
| 3,001– 4,000 | 27 | 0.53 | 94,992 | 2.15 |
| 4,001– 5,000 | 21 | 0.40 | 98,688 | 2.24 |
| 5,001– 10,000 | 28 | 0.54 | 201,219 | 4.56 |
| 10,001 and above | 31 | 0.60 | 2,734,038 | 61.97 |
| TOTAL | 5,136 | 100.00 | 4,413,924 | 100.00 |

Shareholding pattern as on 31st March, 2013

| Category | No. of members | No. of Shares held | % to the Capital |
|---|----------------|--------------------|------------------|
| Indian Promoters | 3 | 1,977,203 | 44.79 |
| Foreign Promoters | Nil | Nil | Nil |
| Mutual Funds & UTI..... | Nil | Nil | Nil |
| Banks, Financial Institutions & Insurance Companies | 1 | 1,600 | 0.03 |
| Foreign Institutional Investors..... | 1 | 2,050 | 0.05 |
| Private Corporate Bodies | 143 | 192,052 | 4.35 |
| Indian Public..... | 4,934 | 2,199,557 | 49.84 |
| Foreign Nationals / NRIs..... | 54 | 41,462 | 0.94 |
| Total..... | 5,136 | 4,413,924 | 100.00 |

DISCLOSURE REGARDING CORPORATE GOVERNANCE

Non-Executive Directors:

None of the Non-Executive Directors has any material pecuniary relationship or transaction with the Company.

The Company pays sitting fees of Rs. 5,000 per meeting to its Non-Executive Directors (NEDs) for attending meeting of the Board and other Committees of the Board. The shareholders have at the Annual General Meeting held on 21st July, 2008 of the Company approved of payment of Commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company, if the Company has a Managing Director / Whole-time Director / Manager or 3% of the net profits of the Company in any other case, as computed under the applicable provisions of the Companies Act, 1956. The said commission will be decided each year by the Board of Directors and distributed amongst the NEDs based on their attendance and contribution at Board and certain Committee Meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

CHIEF OPERATING OFFICER'S CERTIFICATE

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS

AND

SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for all the Board Members and the Senior Management Personnel of the Company. The Code is available on the Company's website.

I confirm that the Company has, in respect of the financial year ended 31st March, 2013, received from all the Board Members and the Senior Management Personnel an affirmation of compliance with the Code.

Mahadev Shinde
Chief Operating Officer

Place: Mumbai
Date: 30th April, 2013.

COMPLIANCE CERTIFICATE

For the Financial year 1st April, 2012 to 31st March, 2013

To,
The Members
MAHINDRA COMPOSITES LIMITED

I have examined the registers, records, books and papers of Mahindra Composites Limited as required to be maintained under the Companies Act, 1956. (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2013. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company, being a public limited company, has the minimum prescribed paid-up capital.
4. The Board of Directors duly met 4 times respectively on 26-04-2012, 30-07-2012, 23-10-2012 and 22-01-2013 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members from 25th September, 2012 to 28th September, 2012 and necessary compliance of Section 154 of the Act has been made.
6. The annual general meeting for the financial year ended on 31st March, 2012 was held on 29th September, 2012 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary Meeting(s) was/were held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government, as the case may be.
12. The Board of Directors, or duly constituted Committee of Directors has approved the issue of duplicate share certificates.
13. The Company has;
 - (i) delivered all the certificates on allotment of securities and on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act ;
 - (ii) the Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) the Company has not posted warrants to any member of the Company as no dividend was declared during the financial year
 - (iv) transferred the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund.
 - (v) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointments of directors, additional directors, alternate directors and directors to fill casual vacancies have been duly made.
15. The Company has not appointed any Managing Director /whole time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.

17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures and securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The amount borrowed by the Company from Directors, Members, Public, Financial Institutions, Banks and others during the financial year ending are within the borrowing limits of the Company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened annual general meeting.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has altered its articles of association after obtaining approval of members in the general meeting held on 29/09/2012 and the amendments to the articles of association have been duly registered with the Registrar of Companies.
31. There were no prosecution initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employees and employers contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

I. U. THAKUR
Company Secretary
C. P. No.: 1402

Pune: 30th April, 2013.

Annexure A

Registers as maintained by the Company

1. Register of Members – under Section 150
2. Register of Directors – under Section 303
3. Register of Directors' shareholding – under Section 307
4. Minutes Books of General Meetings – under Section 193
5. Minutes Books of Board Meetings – under Section 193
6. Books of Accounts – under Section 209
7. Register of Charges – under Section 143
8. Register of Contracts – under Section 301
9. Proxy Register

OTHER REGISTERS

1. Register of Shareholders' Attendance
2. Register of Directors' Attendance
3. Register of Investors Complaints

Annexure B

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended on 31st March, 2013.

1. Form No.66 (Compliance) as on 31st March, 2012 filed under Section 383A.
2. Form No.23AC & 23ACA (Annual Report) as on 31st March, 2012 filed under Section 211.
3. Form No.20B (Annual Return) filed on 25th October, 2012 filed under Section 159.
4. Form No.32 filed on 13th February, 2013 under Section 303.
5. Form No.1 INV as per Investor Edu. & Protection fund Rules, 2001.
6. Form No.23 filed under Section 192.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To The Members of
Mahindra Composites Limited**

We have examined the compliance with conditions of Corporate Governance by **MAHINDRA COMPOSITES LIMITED** ("the Company") for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.

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

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

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

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No. 117365W)

Z. F. Billimoria

Partner

Membership No.: 42791

Mumbai: 30th April, 2013.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA COMPOSITES LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the Directors as on 31st March, 2013 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117365W)

Z. F. Billimoria
Partner
(Membership No. 42791)

Mumbai: 30th April, 2013.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, etc. clauses (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The Fixed Assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals (except for items lying with third parties for which confirmations have been obtained as at the year end).
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventory followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that most of the items purchased are of a special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) Based upon the audit procedures performed and according to the information and explanations given to us, during the year there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of Statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable.

- (c) Details of the dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2013 on account of disputes are given below:

| Nature of the dues | Amounts Involved (dues quantified to the extent not deposited) (Rs.) | Period to which the amount relates | Forum where dispute is pending |
|--------------------|---|--|---|
| Excise duty | 189,106 | 1999–2000 | Assistant Deputy Commissioner of Central Excise, Mahad |
| Service tax | 207,889 | 2005–2006 | Assistant Deputy Commissioner of Central Excise, Mahad |
| Excise duty | 154,867 | 2012-2013 | Assistant Deputy Commissioner of Central Excise, Mahad |
| Total..... | 551,862 | | |

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions. There are no dues to debenture holders.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 117365W)

Z. F. Billimoria
Partner
(Membership No. 42791)

Mumbai: 30th April, 2013.

BALANCE SHEET AS AT 31st MARCH, 2013

| Particulars | Note No. | | As at 31st March, 2013 | As at 31st March, 2012 |
|--|----------|-------------|---------------------------|---------------------------|
| | | Rupees | Rupees | Rupees |
| I. EQUITY AND LIABILITIES | | | | |
| (1) Shareholders' funds | | | | |
| (a) Share capital..... | 2 | 44,139,240 | | 44,139,240 |
| (b) Reserves and surplus..... | 3 | 102,182,736 | | 111,968,976 |
| | | | 146,321,976 | 156,108,216 |
| (2) Non-current liabilities | | | | |
| (a) Long-term borrowings | 4 | 5,724,611 | | 7,482,269 |
| (b) Deferred tax liabilities (net) | 5 | 4,400,000 | | 4,100,000 |
| (c) Long-term provisions..... | 6 | — | | 1,250,050 |
| | | | 10,124,611 | 12,832,319 |
| (3) Current liabilities | | | | |
| (a) Short-term borrowings..... | 7 | 66,807,691 | | 76,889,394 |
| (b) Trade payables..... | 8 | 75,120,538 | | 63,604,484 |
| (c) Other current liabilities | 9 | 19,797,762 | | 14,642,326 |
| (d) Short-term provisions | 10 | 23,804,741 | | 27,392,687 |
| | | | 185,530,732 | 182,528,891 |
| Total..... | | | 341,977,319 | 351,469,426 |
| II. ASSETS | | | | |
| (1) Non-current assets | | | | |
| (a) Fixed assets | | | | |
| (i) Tangible assets..... | 11 | 93,911,572 | | 102,593,377 |
| (ii) Intangible assets..... | 12 | 977,490 | | 1,326,182 |
| (iii) Capital work-in-progress | | 7,939,628 | | 130,000 |
| | | | 102,828,690 | 104,049,559 |
| (b) Long-term loans and advances | 13 | 2,301,912 | | 6,259,322 |
| (c) Other non-current assets..... | 14 | 89,700 | | 358,800 |
| | | | 2,391,612 | 6,618,122 |
| (2) Current assets | | | | |
| (a) Inventories | 15 | 57,386,026 | | 38,367,033 |
| (b) Trade receivables | 16 | 147,326,213 | | 180,347,177 |
| (c) Cash and cash equivalents..... | 17 | 3,762,879 | | 2,965,965 |
| (d) Short-term loans and advances..... | 18 | 28,012,799 | | 18,852,470 |
| (e) Other current assets..... | 14 | 269,100 | | 269,100 |
| | | | 236,757,017 | 240,801,745 |
| Total..... | | | 341,977,319 | 351,469,426 |

See accompanying notes forming part of the financials statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra

Chairman

R. R. Krishnan

C. S. Devale

B. M. Kataria

D. N. Mungale

Romesh Kaul

Directors

Mumbai: 30th April, 2013.

Mumbai: 30th April, 2013.

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2013

| Particulars | Note No. | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---|----------|-------------------------------------|-------------------------------------|
| | | Rupees | Rupees |
| I. Revenue from operations—(gross) | | 567,442,675 | 622,079,803 |
| Less: Excise duty | | 63,998,889 | 59,686,587 |
| Revenue from operations—(net) | 19 | 503,443,786 | 562,393,216 |
| II. Other income | 20 | 620,107 | 4,777,936 |
| III. Total revenue (I + II) | | 504,063,893 | 567,171,152 |
| IV. Expenses: | | | |
| Cost of materials consumed | 21 | 357,754,205 | 376,657,510 |
| Changes in inventories of finished goods and work-in-progress | 22 | (9,003,251) | 992,819 |
| Employee benefit expenses | 23 | 49,693,487 | 56,153,459 |
| Finance costs | 24 | 11,243,013 | 9,841,188 |
| Depreciation and amortisation expenses | 11 & 12 | 17,250,069 | 14,535,262 |
| Other expenses | 25 | 86,612,610 | 89,149,169 |
| Total expenses | | 513,550,133 | 547,329,407 |
| V. Profit/(loss) before exceptional items and tax (III – IV) | | (9,486,240) | 19,841,745 |
| VI. Exceptional items | | – | 21,400,000 |
| VII. Profit/(loss) before tax (V – VI) | | (9,486,240) | (1,558,255) |
| VIII. Tax expense: | | | |
| (1) Current tax | | – | 5,900,000 |
| (2) Deferred tax | 5 | 300,000 | 1,400,000 |
| (3) Short/(excess) provision for current tax in respect of earlier year(s) | | – | 234,443 |
| | | 300,000 | 7,534,443 |
| IX. Profit/(loss) for the year (VII – VIII) | | (9,786,240) | (9,092,698) |
| X. Earnings/(loss) per equity share (face value per share Rs.10): | | | |
| (1) Basic | 30 | (2.22) | (2.06) |
| (2) Diluted | 30 | (2.22) | (2.06) |

See accompanying notes forming part of the financials statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra

Chairman

R. R. Krishnan
C. S. Devale
B. M. Kataria
D. N. Mungale
Ramesh Kaul

Directors

Mumbai: 30th April, 2013.

Mumbai: 30th April, 2013.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

| Particulars | Year ended 31st March, 2013 | | Year ended 31st March, 2012 | |
|---|-----------------------------|---------------------|-----------------------------|---------------------|
| | Rupees | Rupees | Rupees | Rupees |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Profit/(loss) before tax..... | | (9,486,240) | | (1,558,255) |
| Adjustment for: | | | | |
| Depreciation/amortisation..... | 17,250,069 | | 14,535,262 | |
| Interest expense..... | 11,243,013 | | 9,841,188 | |
| (Profit)/loss on sale of fixed assets..... | (61,252) | | - | |
| Interest income..... | (4,366) | | (5,476) | |
| Unrealised exchange (gain)/loss..... | (60,012) | | 231,205 | |
| Provision for employee benefits..... | (30,57,334) | | 1,014,113 | |
| | | 25,310,118 | | 25,616,292 |
| Operating profit before working capital changes..... | | 15,823,878 | | 24,058,037 |
| Adjustments for changes in working capital | | | | |
| Long-term loans and advances..... | (291,859) | | 197,059 | |
| Inventories..... | (19,018,993) | | 1,783,402 | |
| Trade receivables..... | 32,729,564 | | (30,462,408) | |
| Short-term loans and advances..... | (5,160,291) | | 6,952,421 | |
| Trade payables..... | 11,696,786 | | (458,140) | |
| Other current liabilities..... | 4,991,356 | | (493,331) | |
| Short-term provisions..... | (1,780,662) | | 21,071,119 | |
| Other non-current assets..... | 269,100 | | 269,100 | |
| Restricted cash balance..... | 163,127 | | (107,548) | |
| | | 23,598,128 | | (1,248,326) |
| Cash generated from operations..... | | 39,422,006 | | 22,809,711 |
| Income taxes paid..... | | (4,000,038) | | (8,984,218) |
| Net cash from operating activities..... | | 35,421,968 | | 13,825,493 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Fixed Assets: | | | | |
| Capital expenditure on fixed assets, CWIP including capital advances..... | (12,247,390) | | (27,287,883) | |
| Proceeds from sale of fixed assets..... | 379,777 | | - | |
| Investments: | | | | |
| Fixed deposit with bank withdrawn/(placed) (under lien)..... | (33,659) | | (5,379) | |
| Interest received..... | 4,366 | | 5,476 | |
| Net cash used in investing activities..... | | (11,896,906) | | (27,287,786) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of share capital..... | - | | 469,971 | |
| Proceeds from long term borrowings..... | 2,151,000 | | 1,747,183 | |
| Repayment of long term borrowings..... | (3,908,658) | | (3,651,356) | |
| (Repayment)/proceeds from short term borrowings (net)..... | (9,911,023) | | 30,410,166 | |
| Interest paid..... | (10,766,872) | | (9,293,101) | |
| Dividend paid..... | (163,127) | | (10,129,251) | |
| Net cash from/used in financing activities..... | | (22,598,680) | | 9,553,612 |
| D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS..... | | 926,382 | | (3,908,681) |
| CASH AND CASH EQUIVALENTS – [Refer Note (ii) below]: | | | | |
| Cash and cash equivalents (Opening balance)..... | | 1,550,056 | | 5,458,737 |
| Cash and cash equivalents (Closing balance)..... | | 2,476,438 | | 1,550,056 |
| | | 926,382 | | (3,908,681) |

See accompanying notes forming part of the financials statements

Notes:

i) Figures in brackets represent outflows of cash and cash equivalents

ii) Cash and cash equivalents comprise of:

| | As at 31st March, 2013 | As at 31st March, 2012 |
|--|------------------------|------------------------|
| | Rupees | Rupees |
| Cash on hand..... | 11,250 | 26,095 |
| Balances with banks: in current account..... | 2,465,188 | 1,523,961 |
| | 2,476,438 | 1,550,056 |
| Add : in dividend account (restricted)..... | 1,190,305 | 1,353,432 |
| in deposits (under lien)..... | 96,136 | 62,477 |
| Cash & cash equivalents at the end of the period as per Note 17..... | 3,762,879 | 2,965,965 |

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Z. F. Billimoria
Partner

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra
R. R. Krishnan
C. S. Devale
B. M. Kataria
D. N. Mungale
Ramesh Kaul

Chairman

Directors

Mumbai: 30th April, 2013.

Mumbai: 30th April, 2013.

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- a) The Financial Statements have been prepared under the historical cost convention, on an accrual basis and are in compliance with the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006. The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including the contingent liabilities) and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of accounts are prudent and reasonable. The actual results could differ from the estimates.
- b) FIXED ASSETS / INTANGIBLES AND DEPRECIATION / AMORTISATION**
- i) Fixed assets are stated at cost of acquisition or construction less depreciation/amortisation. Cost comprises the purchase price and other attributable costs.
- ii) a) Depreciation on tangible fixed assets is provided for on the straight line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956, except for the following:
- Moulds are depreciated at 33.33% of cost;
 - Vehicles are depreciated at 20% of cost;
 - Assets costing below Rs.5,000/- each are fully depreciated in the year of purchase.
- b) Leasehold land is amortised over the period of lease. Improvements to leased premises are amortised over the period of occupation of premises.
- c) Software is capitalised at the cost of acquisition and amortised on a straight line basis over four years. Any such expenditure on maintenance is charged off.
- c) INVENTORIES**
- Inventories are stated at the lower of cost and net realisable value. In determining the cost of inventories the weighted average method is used. Cost of work-in-progress and finished goods include material cost, labour and factory overheads on the basis of full absorption costing.
- d) REVENUE RECOGNITION**
- Sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyers and there is no uncertainty in the realisation. Interest income is recognised on a time proportion basis.
- e) EMPLOYEE BENEFITS**
- Employee benefits include gratuity, superannuation & provident fund and compensated absences benefits under the approved schemes of the Company. In respect of defined contribution plans, the contribution payable is charged to the Profit and Loss Statement. In respect of gratuity and compensated absences benefit, the employee benefit cost is accounted for, based on an independent actuarial valuation obtained as at the Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss.
- f) FOREIGN CURRENCY TRANSACTIONS**
- Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities are translated at year end exchange rates and the profit/loss so determined and also the realised exchange gains/losses are recognised in the Statement of Profit and Loss.
- g) GOVERNMENT GRANTS**
- Government grants in the nature of promoters' contribution is credited to Capital Reserve.
- h) TAXES ON INCOME**
- Tax expense for the year is included in the determination of the net profit for the year. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax in respect of unabsorbed depreciation and carried forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realise such assets.
- i) BORROWING COST**
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Notes forming part of the Financial Statements

2. SHARE CAPITAL

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|---|---------------------------|---------------------------|
| | Rs. | Rs. |
| Authorised: | | |
| 15,000,000 (Previous year 5,000,000) equity shares of Rs.10 each..... | 150,000,000 | 150,000,000 |
| | 150,000,000 | 150,000,000 |
| Issued: | | |
| 4,414,974 (Previous year 4,414,974) equity shares of Rs.10 each..... | 44,149,740 | 44,149,740 |
| | 44,149,740 | 44,149,740 |
| Subscribed and paid up: | | |
| 4,413,924 (Previous year 4,413,924) equity shares of Rs.10 each fully paid up (excluding 1,050 shares not allotted but held in abeyance) | 44,139,240 | 44,139,240 |
| Total..... | 44,139,240 | 44,139,240 |

Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:

| Particulars | As at 31st March, 2013 | | As at 31st March, 2012 | |
|--|------------------------|-------------------|------------------------|--------------|
| | Number of shares | Amount (Rs.) | Number of shares | Amount (Rs.) |
| No of shares outstanding at the beginning of the year | 4,413,924 | 44,139,240 | 4,404,009 | 44,040,090 |
| Add: Additional shares issued during the year under Employee Stock Option Scheme | – | – | 9,915 | 99,150 |
| Number of shares outstanding at the end of the year | 4,413,924 | 44,139,240 | 4,413,924 | 44,139,240 |

Notes:

- i) Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

| Particulars | As at 31st March, 2013 | | As at 31st March, 2012 | |
|---|--------------------------|---|--------------------------|---|
| | Number of shares held | % holding in that class of shares | Number of shares held | % holding in that class of shares |
| Mahindra & Mahindra Limited..... | 1,341,203 | 30.39% | 1,341,203 | 30.39% |
| Prudential Management and Services Pvt. Limited . | 416,000 | 9.42% | – | – |
| Azrael Investments Limited | – | – | 416,000 | 9.42% |

- ii) The Company has only one class of shares referred to as equity shares having a face value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends to its shareholders which are proposed by the Boards of Directors and approved by the shareholders at the Annual General Meeting. In the event of liquidation of Company, the equity shareholders will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

- iii) Refer to Note 31 for shares granted and issued under the Employee Stock Option Scheme.

Notes forming part of the Financial Statements

3. RESERVES AND SURPLUS

| Particulars | Note No. | As at 31st March, 2013 | As at 31st March, 2012 |
|---|-------------|------------------------|------------------------|
| | | Rs. | Rs. |
| Capital reserves (subsidy): | | | |
| As per last balance sheet..... | 2,500,000 | | 2,500,000 |
| Additions/deductions during the year | — | | — |
| | | 2,500,000 | 2,500,000 |
| Securities premium account: | | | |
| As per last balance sheet..... | 1,343,458 | | 824,408 |
| Additions on shares issued during the year under the employee stock option schemes..... | — | | 519,050 |
| | | 1,343,458 | 1,343,458 |
| Share options outstanding account: | | | |
| As per last balance sheet..... | 961,838 | | 1,110,067 |
| Less: Options exercised under the employee stock option schemes..... | — | | 148,229 |
| | | 961,838 | 961,838 |
| General reserve: | | | |
| As per last balance sheet..... | 21,469,950 | | 21,469,950 |
| Additions/deductions during the year | — | | — |
| | | 21,469,950 | 21,469,950 |
| Surplus i.e. balance in profit and loss statement | | | |
| As per last balance sheet..... | 85,693,730 | | 94,786,428 |
| Add: Profit /(loss) for the year..... | (9,786,240) | | (9,092,698) |
| | | 75,907,490 | 85,693,730 |
| Total..... | | 102,182,736 | 111,968,976 |

Notes forming part of the Financial Statements

4. LONG-TERM BORROWINGS

| Particulars | Note No. | As at 31st March, 2013 | As at 31st March, 2012 |
|--|-----------|-------------------------------|-------------------------------|
| | | Rs. | Rs. |
| Term Loans | | | |
| From Banks: Secured | | | |
| (i) Secured by hypothecation of vehicles purchased out of the said loan | 4a | 1,189,117 | 351,432 |
| (ii) Secured by hypothecation of equipments purchased out of the said loan | 4b | 4,535,494 | 7,130,837 |
| | | 5,724,611 | 7,482,269 |
| Total..... | | 5,724,611 | 7,482,269 |
| Lender | . | As at 31st March, 2013 | As at 31st March, 2012 |
| 4a HDFC Bank Limited | | | |
| Vehicle Loan payable in 60 equal monthly installments @ 13% p.a. (Previous year balance pertains to 9 installments)..... | | – | 79,126 |
| Vehicle Loan payable in 36 equal monthly installments @ 9.25% p.a. (Previous year balance pertains to 5 installments)..... | | – | 121,791 |
| Vehicle Loan payable in 36 equal monthly installments @ 9.25% p.a. (Previous year balance pertains to 7 installments) | | – | 150,515 |
| Vehicle Loan payable in 35 equal monthly installments @ 10.25% p.a. Balance pertains to 23 monthly installments due from April, 2014 | | 525,002 | – |
| Vehicle Loan payable in 36 equal monthly installments @ 10.75% p.a. Balance pertains to 18 monthly installments due from April, 2014 | | 409,460 | – |
| Vehicle Loan payable in 36 equal monthly installments @ 11% p.a. Balance pertains to 14 monthly installments due from April, 2014 | | 254,655 | – |
| | | 1,189,117 | 351,432 |
| 4b Karur Vysya Bank Limited | | | |
| Equipment Loan payable in 55 monthly installments @ 2.5% below the Prime Lending Rate of the Bank, with the minimum of 11% p.a. Balance Outstanding payable in 19 monthly installments (Previous year 38 outstanding installments) | | 4,535,494 | 7,130,837 |
| | | 4,535,494 | 7,130,837 |

Notes forming part of the Financial Statements

5. DEFERRED TAX LIABILITIES (NET)

(i) Break up of deferred tax liability:

| Nature of timing difference | As at 31st March, 2013 | As at 31st March, 2012 |
|----------------------------------|---------------------------|---------------------------|
| | Rs. | Rs. |
| Provision for depreciation | 7,200,000 | 7,500,000 |
| Total..... | 7,200,000 | 7,500,000 |

(ii) Break up of deferred tax asset:

| | | |
|--|-----------|-----------|
| Provision for doubtful debts/advances..... | 780,000 | 299,634 |
| Section 43B items | 2,020,000 | 3,100,366 |
| Total..... | 2,800,000 | 3,400,000 |

(iii) Deferred tax liability net (i) – (ii) 4,400,000 4,100,000

(iv) Net deferred tax liability charged off..... 300,000 1,400,000

6. LONG-TERM PROVISIONS

| Particulars | Note No. | As at 31st March, 2013 | As at 31st March, 2012 |
|---|----------|---------------------------|---------------------------|
| | | Rs. | Rs. |
| Provision for employee benefits: | | | |
| Provision for gratuity..... | 10 | – | 1,250,050 |
| Total... | | – | 1,250,050 |

7. SHORT-TERM BORROWINGS

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|---|---------------------------|---------------------------|
| | Rs. | Rs. |
| Loans repayable on demand | | |
| From banks | | |
| Secured | | |
| Working capital demand loan, cash credit and post shipment export credit (secured by hypothecation of movable assets including stocks & book debts) | 16,807,691 | 51,889,394 |
| Unsecured | | |
| From other than related parties | | |
| Inter corporate deposit | 50,000,000 | 25,000,000 |
| | 66,807,691 | 76,889,394 |

Notes forming part of the Financial Statements

8. TRADE PAYABLES

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|------------------------------|---------------------------|---------------------------|
| | Rs. | Rs. |
| Payable to suppliers* | 68,704,781 | 54,642,013 |
| Provision for expenses | 6,415,757 | 8,962,471 |
| Total... | 75,120,538 | 63,604,484 |

* Based on the information available with the Company, no parties have been identified as "supplier" within the meaning of The Micro, Small and Medium Enterprises Development Act, 2006.

9. OTHER CURRENT LIABILITIES

| Particulars | Note No. | As at 31st March, 2013 | As at 31st March, 2012 |
|--|-------------|---------------------------|---------------------------|
| | | Rs. | Rs. |
| Current maturities of long-term debt | | | |
| Term loans—from banks—Secured | | | |
| (i) Secured by hypothecation of vehicles purchased out of the said loan | 9a | 1,019,674 | 1,027,823 |
| (ii) Secured by hypothecation of equipments purchased out of the said loan | 9c, 9d | 2,582,634 | 2,600,655 |
| From other parties—Secured | | | |
| Secured by hypothecation of vehicles purchased out of the said loan | 9b | — | 22,879 |
| Interest accrued but not due on borrowings | | 1,105,756 | 629,615 |
| Unclaimed dividends # | | 1,189,305 | 1,352,432 |
| Other payables : Advances from customers | | 5,245,910 | 522,683 |
| : Payables on purchase of fixed assets | | 1,548,396 | 1,697,330 |
| : Statutory and other dues | | 5,183,341 | 5,211,096 |
| : Other dues | | 1,922,746 | 1,577,813 |
| Total... | | 19,797,762 | 14,642,326 |

There is no amounts which are due and payable to the Investor Education & Protection Fund.

| | Lender | As at 31st March, 2013 | As at 31st March, 2012 |
|----|---|---------------------------|---------------------------|
| 9a | HDFC Bank Limited | | |
| | Vehicle loan payable in 60 equal monthly installments @ 13% p.a. balance pertains to 12 monthly installments due from April, 2013 (Previous year balance pertains to 12 installments) | 79,126 | 94,239 |
| | Vehicle loan payable in 36 equal monthly installments @ 9.25% p.a. balance pertains to 12 monthly installments due from April, 2013 (Previous year balance pertains to 12 installments) | 121,791 | 273,920 |
| | Vehicle loan payable in 36 equal monthly installments @ 9.25% p.a. balance pertains to 12 monthly installments due from April, 2013 (Previous year balance pertains to 12 installments) | 150,515 | 239,931 |
| | Vehicle loan payable in 36 equal monthly installments @ 11.5% p.a. (Previous year balance pertains to 1 installments) | — | 16,824 |
| | Vehicle loan payable in 36 equal monthly installments @ 9% p.a. (Previous year balance pertains to 8 installments) | — | 402,909 |
| | Vehicle loan payable in 35 equal monthly installments @ 10.25% p.a. balance pertains to 12 monthly installments due from April, 2013 | 235,759 | — |
| | Vehicle loan payable in 36 equal monthly installments @ 10.75% p.a. balance pertains to 12 monthly installments due from April, 2013 | 238,660 | — |
| | Vehicle loan payable in 36 equal monthly installments @ 11% p.a. balance pertains to 12 monthly installments due from April, 2013 | 193,823 | — |
| | Total... | 1,019,674 | 1,027,823 |

Notes forming part of the Financial Statements

| | Lender | As at 31st March, 2013 | As at 31st March, 2012 |
|-----------|---|---------------------------|---------------------------|
| | | Rs. | Rs. |
| 9b | Tata Motors Finance Limited | | |
| | Vehicle loan payable in 60 equal monthly installments @ 13.15% p.a. (Previous year balance pertains to 2 installments) | — | 22,879 |
| | | — | 22,879 |
| 9c | Karur Vysya Bank Limited | | |
| | Equipment loan payable in 54 monthly installments @ 2.5% below the prime lending rate of the bank, with the minimum of 11% p.a. balance pertains to 12 monthly installments due from April 2013 (Previous year balance pertains to 12 installments) | 2,582,634 | 2,237,099 |
| 9d | Axis Bank Limited | | |
| | Equipment loan payable in 58 equal monthly installments @ 14.75% p.a. (Previous year balance pertains to 11 installments) | — | 363,556 |
| | | 2,582,634 | 2,600,655 |

Notes forming part of the Financial Statements

12. FIXED ASSETS – Intangible

| Particulars | Cost | | | As at 31st March, 2013 | Depreciation/amortization/impairment | | | | Net Block | |
|--------------------------|------------------------|---------------------------|---------------------------|------------------------|--------------------------------------|----------------|-------------|-----------------------|------------------------|------------------------|
| | As at 31st March, 2012 | Additions during the year | Disposals during the year | | Upto 31st March, 2012 | For the year | On disposal | Upto 31st March, 2013 | As at 31st March, 2013 | As at 31st March, 2012 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Computer software..... | 2,489,581 | 46,730 | – | 2,536,311 | 1,163,399 | 395,422 | – | 1,558,821 | 977,490 | 1,326,182 |
| Total..... | 2,489,581 | 46,730 | – | 2,536,311 | 1,163,399 | 395,422 | – | 1,558,821 | 977,490 | 1,326,182 |
| Previous year | 1,111,886 | 1,377,695 | – | 2,489,581 | 1,006,010 | 157,389 | – | 1,163,399 | 1,326,182 | |

13. LONG-TERM LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated):

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|-----------------------------------|------------------------|------------------------|
| | Rs. | Rs. |
| Other than related parties | | |
| Capital advances | 595,000 | 4,844,269 |
| Security deposits | 1,625,412 | 1,346,954 |
| Other loans and advances | | |
| Prepaid expenses | 81,500 | 25,099 |
| Advance to staff..... | – | 43,000 |
| | 81,500 | 68,099 |
| Total..... | 2,301,912 | 6,259,322 |

14. OTHER ASSETS (Unsecured, considered good unless otherwise stated)

| Particulars | As at 31st March, 2013 | | As at 31st March, 2012 | |
|--------------------------------------|------------------------|---------------|------------------------|----------------|
| | Current | Non Current | Current | Non Current |
| | Rs. | Rs. | Rs. | Rs. |
| Deferred employee compensation | 269,100 | 89,700 | 269,100 | 358,800 |
| Total..... | 269,100 | 89,700 | 269,100 | 358,800 |

15. INVENTORIES (At cost or net realisable value whichever is lower)

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|-------------------------|------------------------|------------------------|
| | Rs. | Rs. |
| Raw materials | 27,722,996 | 18,041,200 |
| Work-in-progress..... | 22,419,119 | 12,665,014 |
| Finished goods | 4,952,826 | 5,703,679 |
| Stores and spares..... | 1,375,653 | 1,011,665 |
| Packing materials | 915,432 | 945,475 |
| Total..... | 57,386,026 | 38,367,033 |

Notes forming part of the Financial Statements

15a Details of raw materials

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|-----------------------|---------------------------|---------------------------|
| | Rs. | Rs. |
| Thermo-plastics | 3,923,385 | 4,439,850 |
| Reinforcements | 2,766,841 | 792,759 |
| Fillers | 1,840,675 | 1,170,572 |
| Pigments | 1,855,642 | 1,400,965 |
| Resin | 3,478,399 | 1,130,276 |
| Catalyst | 4,752,373 | 2,468,626 |
| Others | 9,105,681 | 6,638,152 |
| Total..... | 27,722,996 | 18,041,200 |

15b Details of work-in-progress

| | | |
|---------------------|------------|------------|
| Compounds | 5,002,431 | 9,147,372 |
| Components..... | 15,665,872 | 3,322,584 |
| Others-moulds | 1,750,816 | 195,058 |
| Total..... | 22,419,119 | 12,665,014 |

15c Details of finished goods

| | | |
|-----------------|-----------|-----------|
| Compounds | 3,018,245 | 4,801,471 |
| Components..... | 1,934,581 | 902,208 |
| Total..... | 4,952,826 | 5,703,679 |

16. TRADE RECEIVABLES (Unsecured, considered good unless otherwise stated)

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|---|---------------------------|---------------------------|
| | Rs. | Rs. |
| 1) Trade receivables due for a period exceeding six months: | | |
| Considered good | 5,653,182 | 2,770,179 |
| Considered doubtful | 3,516,568 | 1,173,706 |
| | 9,169,750 | 3,943,885 |
| 2) Other trade receivables: | | |
| Considered good | 141,673,031 | 177,576,998 |
| Considered doubtful | — | — |
| | 141,673,031 | 177,576,998 |
| Less: Provision for doubtful debts..... | 3,516,568 | 1,173,706 |
| Total..... | 147,326,213 | 180,347,177 |

Notes forming part of the Financial Statements

17. CASH AND CASH EQUIVALENTS

| Particulars | As at 31st March, 2013 | As at 31st March, 2012 |
|---|---------------------------|---------------------------|
| | Rs. | Rs. |
| Balances with banks: | | |
| On current account | 2,465,188 | 1,523,961 |
| On dividend account | 1,190,305 | 1,353,432 |
| Deposits (under lien) (more than 12 months) | 96,136 | 62,477 |
| Cash on hand..... | 11,250 | 26,095 |
| Total..... | 3,762,879 | 2,965,965 |

18. SHORT TERM LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)

| Particulars | Note No. | As at 31st March, 2013 | As at 31st March, 2012 |
|--|----------|---------------------------|---------------------------|
| | | Rs. | Rs. |
| Loans and advances to other than related parties: | | | |
| Prepaid expenses | 26E | 1,807,235 | 598,646 |
| Tender deposits..... | | 2,307,038 | 2,396,718 |
| Advances to suppliers | | 5,995,744 | 1,159,454 |
| Advances to staff | | 18,000 | - |
| Advance taxes [net of provisions Rs.66,818,147 (Previous year Rs.66,818,147)] | | 13,461,207 | 9,461,169 |
| Balances with government authorities : Sales tax set off receivable..... | | 354,326 | 354,326 |
| : Service tax set off receivable..... | | 1,538,669 | 943,530 |
| : CENVAT credit receivable | | 2,530,580 | 3,938,627 |
| Total..... | | 28,012,799 | 18,852,470 |

19. REVENUE FROM OPERATIONS – NET

| Particulars | Note No. | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|-------------------------------|----------|---|---|
| | | Rs. | Rs. |
| Sale of products | 19a | 566,268,304 | 620,430,985 |
| Sale of services..... | 19b | 184,969 | 217,684 |
| Other operating revenues..... | 19c | 989,402 | 1,431,134 |
| | | 567,442,675 | 622,079,803 |
| Less: Excise duty | | 63,998,889 | 59,686,587 |
| Total..... | | 503,443,786 | 562,393,216 |

19a Sale of products comprises:

| | | | |
|--------------------|-----------------------|-------------|-------------|
| Manufactured goods | : Compounds | 315,788,507 | 351,000,928 |
| | : Components..... | 183,222,908 | 204,657,977 |
| | : Others–moulds | 3,258,000 | 5,085,493 |

19b Sale of services : Job work services

184,969 217,684

19c Other operating revenue : Scrap sales

989,402 1,431,134

Total..... **503,443,786** **562,393,216**

Notes forming part of the Financial Statements

20. OTHER INCOME

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|--|--|--|
| | Rs. | Rs. |
| Interest Income on bank deposits | 4,366 | 5,476 |
| Sundry provisions and credit balances no longer required, written back | 102,376 | 4,233,518 |
| Others | 452,113 | 538,942 |
| Net gain on sale of fixed assets..... | 61,252 | – |
| Total..... | 620,107 | 4,777,936 |

21. COST OF MATERIALS CONSUMED

| Particulars | Note No. | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---------------------------------|----------|--|--|
| | | Rs. | Rs. |
| Raw materials consumed | | | |
| Opening stock..... | | 18,041,199 | 19,058,104 |
| Add: Purchases..... | | 367,436,002 | 375,640,606 |
| | | 385,477,201 | 394,698,710 |
| Less: Closing stock | | 27,722,996 | 18,041,200 |
| Cost of materials consumed..... | 21a, 21b | 357,754,205 | 376,657,510 |

21a Details of materials consumed

| Particulars | Raw Materials Consumed | |
|----------------------------------|--|--|
| | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
| | Rs. | Rs. |
| Broad heads of materials: | | |
| Thermo-plastics | 30,765,118 | 33,529,212 |
| Reinforcements..... | 59,679,402 | 67,403,062 |
| Fillers..... | 54,535,024 | 58,085,173 |
| Pigments..... | 21,254,398 | 22,850,428 |
| Resins | 99,974,179 | 100,352,130 |
| Catalyst..... | 53,663,130 | 39,549,039 |
| Others | 37,882,954 | 54,888,466 |
| Total..... | 357,754,205 | 376,657,510 |

21b Value of imported and indigenous raw materials, spare parts and components consumed *

| Particulars | For the year ended 31st March, 2013 | | For the year ended 31st March, 2012 | |
|----------------------------|--|-------------|--|-------------|
| | % | Value (Rs.) | % | Value (Rs.) |
| Imported | 18% | 64,167,564 | 21% | 77,431,527 |
| Indigenously obtained..... | 82% | 293,586,641 | 79% | 299,225,983 |
| | 100% | 357,754,205 | 100% | 376,657,510 |

* In giving the above information, the Company has taken the view that spares and components as referred to in clause 5(Viii)(C) of Part II of Schedule VI covers only such items as go directly on to production.

Notes forming part of the Financial Statements

22. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

| Particulars | Note No. | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|------------------------|----------|--|--|
| | | Rs. | Rs. |
| Opening stock | | | |
| Work-in-progress | 15 | 12,665,015 | 16,096,847 |
| Finished goods | 15 | 5,703,679 | 3,264,665 |
| | | 18,368,694 | 19,361,512 |
| Closing stock | | | |
| Work-in-progress | 15 | 22,419,119 | 12,665,014 |
| Finished goods | 15 | 4,952,826 | 5,703,679 |
| | | 27,371,945 | 18,368,693 |
| Total..... | | (9,003,251) | 992,819 |

23. EMPLOYEE BENEFIT EXPENSES

| Particulars | Note No. | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|--|----------|--|--|
| | | Rs. | Rs. |
| Salaries, wages and bonus | | 44,074,736 | 46,799,567 |
| Contribution to provident and other funds..... | 26 | 2,288,969 | 6,146,458 |
| Staff welfare expenses..... | | 3,060,682 | 2,938,334 |
| ESOS compensation expenses | 31 | 269,100 | 269,100 |
| Total..... | | 49,693,487 | 56,153,459 |

24. FINANCE COSTS

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---------------------------------|--|--|
| | Rs. | Rs. |
| Interest expense | | |
| – Term loans | 1,301,464 | 1,339,723 |
| – Overdraft from banks | 2,061,014 | 6,020,732 |
| – Inter corporate deposits..... | 5,627,843 | 611,634 |
| – Post shipment credit..... | 468,941 | 254,131 |
| – Others | 665,152 | 256,967 |
| Bank charges | 1,118,599 | 1,358,001 |
| Total..... | 11,243,013 | 9,841,188 |

Notes forming part of the Financial Statements

25. OTHER EXPENSES

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|--|--|--|
| | Rs. | Rs. |
| Consumption of stores and spare parts | 7,558,632 | 8,593,055 |
| Power and fuel | 11,374,152 | 11,797,867 |
| Rent (net) | 3,587,285 | 3,637,452 |
| Rates & taxes (excluding taxes on income) | 672,771 | 1,982,741 |
| Excise duty: | | |
| Relating to changes in inventories of finished goods and work-in-progress | (38,050) | (313,407) |
| Relating to others | 4,846,823 | 2,202,097 |
| | 4,808,773 | 1,888,690 |
| Insurance | 966,048 | 987,958 |
| Repairs and maintenance: | | |
| Buildings | 327,011 | 565,424 |
| Machinery | 2,540,695 | 3,588,725 |
| Others | 5,917,114 | 7,491,035 |
| | 8,784,820 | 11,645,184 |
| Payment to auditors: | | |
| As auditor | 600,000 | 600,000 |
| For other services | 400,000 | 400,000 |
| For reimbursement of expenses | 64,784 | 47,860 |
| | 1,064,784 | 1,047,860 |
| Professional charges | 11,810,544 | 12,737,868 |
| Director's sitting fees | 111,000 | 17,000 |
| Packing and forwarding (net) | 20,494,436 | 20,029,764 |
| Net loss on foreign currency transaction and translation | 1,182,077 | 1,343,061 |
| Travelling & conveyance | 4,793,926 | 4,335,591 |
| Bad debts written off | 457,137 | 2,151,654 |
| Provision for doubtful debts & advances | 2,342,862 | — |
| Miscellaneous expenses | 6,603,363 | 6,953,424 |
| Total..... | 86,612,610 | 89,149,169 |

Notes forming part of the Financial Statements

26. EMPLOYEE BENEFITS:

Details of Employee Benefits as required by the Accounting Standard 15 (Revised) Employee Benefits are as follows:

(A) Defined contribution plan

Amount recognised as an expense in the Profit and Loss Statement in respect of defined contribution plans is as under:

| Particulars | 31.03.2013 | 31.03.2012 |
|--|------------------|------------------|
| | Rs. | Rs. |
| (a) Provident fund | 1,720,414 | 1,479,410 |
| (b) Family pension fund | 905,603 | 945,209 |
| (c) Employee deposit linked insurance..... | 54,401 | 60,543 |
| (d) Maharashtra labour welfare fund..... | 9,342 | 11,556 |
| (e) Employee state insurance..... | 79,068 | 35,213 |
| (f) Superannuation fund..... | 1,068,495 | 1,097,551 |
| Total..... | 3,837,323 | 3,629,482 |

(B) Defined benefit plan

Defined benefit plan comprises of gratuity. Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of continuous service.

| Particulars | Gratuity (Funded) | |
|-------------|-------------------|------------|
| | 31.03.2013 | 31.03.2012 |
| | Rs. | Rs. |

(C) Changes in the present value of defined benefit obligations representing reconciliation of opening and closing balances thereof are as follows:

| | | |
|---|------------|-----------|
| Present value of defined benefit obligation as on 1st April | 9,845,124 | 8,763,629 |
| Current service cost | 944,073 | 788,883 |
| Interest cost | 924,110 | 779,459 |
| Actuarial losses/(gains) | (951,174) | (217,097) |
| Liabilities extinguished on settlements..... | — | — |
| Losses/(gains) on curtailment | — | — |
| Benefits paid..... | (238,139) | (269,750) |
| Past service cost..... | — | — |
| Present value of defined benefit obligation at the end of the year..... | 10,523,994 | 9,845,124 |

(D) Changes in fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

| | | |
|--|------------|-------------|
| Fair value of plan assets as at 1st April | 7,180,074 | 6,612,329 |
| Expected return on plan assets..... | 586,817 | 485,692 |
| Actuarial gains/(losses) | 2,196,719 | (1,334,561) |
| Contributions by employer | 1,340,871 | 1,686,364 |
| Benefits paid..... | (238,139) | (2,69,750) |
| Fair value of plan assets as on 31st March | 11,066,342 | 7,180,074 |

(E) Analysis of defined benefit obligation:

| | | |
|--|------------|-----------|
| Defined benefit obligation as at 31st March | 10,523,994 | 9,845,124 |
| Fair value of plan assets at the end of year..... | 11,066,342 | 7,180,074 |
| Net liability/(asset) recognised in the balance sheet..... | (542,348) | 2,665,050 |

Notes forming part of the Financial Statements

| Particulars | Gratuity (Funded) | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.03.2013 | 31.03.2012 | | | |
| | Rs. | Rs. | | | |
| (F) Reconciliation of present value of defined benefit obligation and fair value of plan asset showing amount recognised in the balance sheet | | | | | |
| Present value of defined benefit obligation | 10,523,994 | 9,845,124 | | | |
| Fair value of plan assets | 11,066,342 | 7,180,074 | | | |
| Funded status (deficit) | 542,348 | (2,665,050) | | | |
| Unrecognised past service cost | — | — | | | |
| Net (liability)/asset recognised in the balance sheet | 542,348 | (2,665,050) | | | |
| (G) Components of employers expense recognised in the profit & loss statement | | | | | |
| Current service cost | 944,073 | 788,883 | | | |
| Interest cost | 924,110 | 779,459 | | | |
| Expected return on plan assets | (586,817) | (485,692) | | | |
| Actuarial (gains)/losses | (3,147,893) | 1,117,464 | | | |
| Past service cost | — | — | | | |
| Settlement cost | — | — | | | |
| Total expense | (1,866,527) | 2,200,114 | | | |
| (H) In respect of funded benefits with respect to gratuity, the fair value of plan assets represents the amounts invested through "Insurer Managed Funds". However, the nature of assets is not provided by the insurance company. | | | | | |
| (I) Principal actuarial assumptions | | | | | |
| Discount rate (%) | 8.10 p.a. | 8.65 p.a. | | | |
| Expected rate of return on plan assets (%) | 7.50 p.a. | 7.50 p.a. | | | |
| Salary escalation rate (%) | 7.00 p.a. | 8.00 p.a. | | | |
| a) The Discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations. | | | | | |
| b) Expected rate of return on plan assets: This is based on our expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations. | | | | | |
| c) Salary escalation rate: The estimates of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors. | | | | | |
| The above is as determined by the actuary and relied upon by the auditors. | | | | | |
| (J) Contributions expected to be paid to the plan during the next financial year Rs.63,000 (Previous year Rs.1,415,000). | | | | | |
| (K) Other disclosure | | | | | |
| Particulars | 31.03.2013 | 31.03.2012 | 31.03.2011 | 31.03.2010 | 31.03.2009 |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1. Experience adjustment on plan liabilities .. | (406,269) | 185,636 | 212,853 | 572,989 | 197,614 |
| 2. Experience adjustments on plan assets | 2,196,719 | (1,334,561) | 370,429 | (1,405,606) | 337,145 |
| 3. Defined benefit obligation at the end of the period | 10,523,994 | 9,845,124 | 8,763,629 | 7,251,738 | 4,776,842 |
| 4. Plan assets at the end of the period | 11,066,342 | 7,180,074 | 6,612,329 | 5,048,577 | 4,702,803 |
| 5. Funded status | 542,348 | (2,665,050) | (2,151,300) | (2,203,161) | (74,039) |

Notes forming part of the Financial Statements

27. SEGMENT INFORMATION

| Particulars | Polymer Composite Compounds | | Polymer Composite Components | | Others | | Elimination | | Total Amount | |
|--|-----------------------------|----------------|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012-13 Rs. | 2011-12 Rs. | 2012-13 Rs. | 2011-12 Rs. | 2012-13 Rs. | 2011-12 Rs. | 2012-13 Rs. | 2011-12 Rs. | 2012-13 Rs. | 2011-12 Rs. |
| (A) Primary segments – business segments | | | | | | | | | | |
| a) Segment revenue | | | | | | | | | | |
| Sales to external customers | 316,606,275 | 352,266,265 | 183,394,542 | 204,823,775 | 3,442,969 | 5,303,176 | – | – | 503,443,786 | 562,393,216 |
| Inter segment revenue | 65,671,025 | 70,129,095 | – | – | – | – | (65,671,025) | (70,129,095) | – | – |
| Total segment revenue | 382,277,300 | 422,395,360 | 183,394,542 | 204,823,775 | 3,442,969 | 5,303,176 | (65,671,025) | (70,129,095) | 503,443,786 | 562,393,216 |
| b) Segment results | 6,366,208 | 39,100,603 | (4,925,693) | (9,323,303) | 1,487,679 | 2,305,283 | – | – | 2,928,194 | 32,082,583 |
| Unallocated corporate expenses net of unallocated income | – | – | – | – | – | – | | | (1,175,784) | (23,805,126) |
| Interest expense | – | – | – | – | – | – | | | (11,243,013) | (9,841,188) |
| Interest income | – | – | – | – | – | – | | | 4,366 | 5,476 |
| Profit/(loss) before tax | – | – | – | – | – | – | | | (9,486,237) | (1,558,255) |
| Income taxes ... | – | – | – | – | – | – | | | 300,000 | 7,534,443 |
| Profit/(loss) after tax | – | – | – | – | – | – | | | (9,786,237) | (9,092,698) |
| c) Segment assets | 152,655,275 | 169,867,164 | 170,572,781 | 169,109,903 | 16,086 | 65,225 | | | 323,244,142 | 339,042,292 |
| Unallocated corporate assets | – | – | – | – | – | – | | | 18,336,332 | 12,427,134 |
| Total assets | – | – | – | – | – | – | | | 341,580,474 | 351,469,426 |
| d) Segment liabilities | 53,387,497 | 61,438,316 | 39,818,837 | 18,322,154 | – | 95,673 | | | 93,206,334 | 79,856,143 |
| Unallocated corporate liabilities | – | – | – | – | – | – | | | 102,052,164 | 115,505,067 |
| Total liabilities | – | – | – | – | – | – | | | 195,258,498 | 195,361,210 |
| e) Cost incurred during the period to acquire segment fixed assets | 1,445,924 | 5,331,709 | 7,092,173 | 21,058,362 | – | – | – | – | 8,538,097 | 26,390,071 |
| f) Depreciation/ amortisation | 4,354,241 | 3,491,976 | 12,895,828 | 11,043,286 | – | – | – | – | 17,250,069 | 14,535,262 |
| g) Material non-cash expenses other than depreciation/ amortisation (net) | – | 1,269,476 | 2,799,999 | 882,178 | – | – | – | – | 2,799,999 | 2,151,654 |

Notes:

- Inter-segment transfers have been priced at market rates.
- (a) Polymer composite compounds includes manufacture of all compounds and services in respect thereof.
(b) Polymer composite components includes manufacture of all components and services in respect thereof.
(c) Others represents manufacture of moulds.

Notes forming part of the Financial Statements

(B) Secondary segments – Geographical segments

| Particulars | Domestic | | Export | | Total | |
|--|-------------|-------------|------------|------------|-------------|-------------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Segment revenue by geographical area based on geographical location of customers | 460,389,661 | 517,181,580 | 43,054,125 | 45,211,636 | 503,443,786 | 562,393,216 |
| Note: The Company's operating facilities are located in India. | | | | | | |

28. RELATED PARTY DISCLOSURES

(A) Name of the related party and nature of relationship where control exists

| Name of Related party | Nature of Relationship |
|-----------------------|------------------------|
| N I L | N I L |

(B) Other related parties with whom there are transactions:

| Name of the Related Party | Description of Relationship | Nature of Transaction | Amount of Transaction | | Amount outstanding at the end of the year Debit/(Credit) | |
|-----------------------------------|-----------------------------|---------------------------------|-----------------------|------------|--|-------------|
| | | | 2012-2013 | 2011-2012 | 2012-2013 | 2011-12 |
| | | | Rs. | Rs. | Rs. | Rs. |
| Mahindra & Mahindra Limited | Investing party | Rent paid..... | 3,269,100 | 3,209,160 | (1,716,274) | (481,374) |
| | | Sales..... | 20,192,922 | 32,896,156 | 7,070,092 | 5,522,189 |
| | | Reimbursement of expenses | 6,964,329 | 8,430,057 | (6,150,402) | (4,395,512) |
| | | Deputation charges of CEO | 869,582 | 5,208,632 | (782,624) | (580,514) |

29. OPERATING LEASE

| Particulars | 2012-2013 | 2011-2012 |
|--|-----------|-----------|
| | Rs. | Rs. |
| i) Total of future minimum lease payments under non-cancellable operating lease: | | |
| – not later than one year..... | – | 1,697,199 |
| – later than one year and not later than five years | – | – |
| – later than five years..... | – | – |
| ii) Lease payments recognised in the statement of profit & loss for the period under rent is Rs.1,697,199 (Previous year: Rs.2,909,484) | | |
| iii) The lease agreement is in respect of land and building for a period of nine years. | | |

Notes forming part of the Financial Statements

30. EARNINGS PER SHARE

Earnings per share have been computed as under:

| Particulars | 2012-2013 | 2011-2012 |
|--|-------------|-------------|
| | Rs. | Rs. |
| (a) Profit/(loss) after tax as per statement of profit & loss | (9,786,240) | (9,092,698) |
| (b) Weighted average number of ordinary shares outstanding..... | 4,413,924 | 44,09,849 |
| (c) Effect of potential ordinary shares on employees stock options outstanding | *– | 5,248 |
| (d) Weighted average number of ordinary shares in computing diluted earnings per share (b) + (c)..... | 4,413,924 | 44,15,097 |
| (e) Earnings/(loss) per share : Basic [(a)/(b)] | (2.22) | (2.06) |
| : Diluted [(a)/(d)]..... | (2.22) | (2.06) |

* Anti dilutive

31. EMPLOYEES STOCK OPTIONS SCHEMES (ESOS):

In the Annual General Meeting held on 31st July, 2009, the shareholders have approved a maximum of 90,000 shares to be vested under an 'Employee Stock Options Scheme', for the permanent employees and directors of the Company. Shares to the non-executive directors would be limited to 18,300 equity shares. The stock options were granted at an exercise price of Rs.47.40 per option. The options will vest over a period of one to three years from the date of grant and exercisable over a period of five years from the respective dates of vesting.

The compensation costs of the stock options granted to employees are accounted by the Company using the intrinsic value method.

| Summary of Stock Options: | 2012-2013 | 2011-2012 |
|--|-----------|-----------|
| Number of stock options outstanding at the beginning of the year | 64,337 | 74,252 |
| Options granted during the year | Nil | Nil |
| Options exercised | Nil | 9,915 |
| Options forfeited / lapsed | Nil | Nil |
| Options outstanding at the end of the year..... | 64,337 | 64,337 |

Out of the options outstanding at the end of the year **64,337** (Previous year 34,343) options have vested, which have not been exercised.

During the current year, no fresh options were granted. Information in respect of options granted during the earlier year is as under:

The fair value of options granted during the previous year on 31st July, 2009 is Rs.26.24 per option.

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard

Grant dated 31st July, 2009

| | |
|-------------------------------|------------|
| Risk free interest rate | 5.97% |
| Expected life..... | 3.50 years |
| Expected volatility | 58.91% |
| Expected dividend yield | 2.98% |
| Exercise price | Rs.50.45 |
| Stock price..... | Rs.56.20 |

In respect of options granted under the Employee Stock Option Plan, in accordance with guidelines issued by SEBI, the accounting value of the options is accounted as defined employee compensation, which is amortized on a straight line basis over the period between the date of grant of options and the eligible dates for conversion into equity shares. Consequently, salaries, wages & bonus include **Rs.269,100** (Previous year: Rs.269,100) being the amortization of deferred employee compensation.

Notes forming part of the Financial Statements

Had the Company adopted fair value method in respect of options granted on 31st July, 2009, the total amount that would have been amortised over the vesting period is Rs.2,361,600.

| Particulars | 2012-2013 | 2011-2012 |
|---|-----------|-----------|
| | Rs. | Rs. |
| Increase in employee compensation cost | 203,220 | 203,220 |
| Decrease in profit after tax/(increase) in loss after tax | (203,220) | (203,220) |
| Decrease in basic earnings/(increase) in loss per share | (0.05) | (0.05) |
| Decrease in diluted earnings/(increase) in diluted loss per share | (0.05) | (0.05) |

32. CONTINGENT LIABILITIES NOT PROVIDED FOR

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|--|--|--|
| | Rs. | Rs. |
| Show cause cum demand notice received from excise authorities disputed by the Company pending in appeal..... | 551,862 | 762,485 |

33. COMMITMENTS

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|--|--|--|
| | Rs. | Rs. |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 775,000 | 2,273,747 |

34. CIF VALUE OF IMPORTS

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---------------------------------|--|--|
| | Rs. | Rs. |
| Raw materials | 66,356,561 | 76,117,218 |
| Components and spare parts..... | – | 477,397 |
| Capital goods..... | – | – |
| Total..... | 66,356,561 | 76,594,615 |

35. EARNINGS IN FOREIGN EXCHANGE

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|----------------------------|--|--|
| | Rs. | Rs. |
| FOB value of exports | 43,054,125 | 45,211,636 |

36. EXPENDITURE IN FOREIGN CURRENCY

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---------------------------|--|--|
| | Rs. | Rs. |
| Travelling expenses | 935,173 | 931,317 |
| Professional fees | 646,319 | – |
| Total..... | 1,581,492 | 931,317 |

Notes forming part of the Financial Statements

37. DERIVATIVE INSTRUMENTS

(a) Details of derivative instruments (for hedging): None

(b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise:

| Particulars | Amount in foreign currency | | Equivalent amount in Rs. | |
|---------------------------------------|----------------------------|-------------|--------------------------|------------|
| | 2012-2013 | 2011-2012 | 2012-2013 | 2011-2012 |
| Trade payables (liability)..... | USD 125,826 | USD 15,767 | 6,822,770 | 812,448 |
| | EURO 19,997 | EURO 32,918 | 1,399,639 | 2,272,960 |
| Trade receivables (assets)..... | USD 245,920 | USD 365,780 | 13,333,762 | 18,548,695 |
| Post shipment credit (liability)..... | USD 245,063 | USD 224,860 | 13,287,304 | 11,587,022 |

38. RESEARCH AND DEVELOPMENT EXPENSES

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|---|--|--|
| | Rs. | Rs. |
| Research and development expenses charged to the profit and loss statement, based on allocations made and costs estimated by the Company and relied upon by the auditors..... | 2,800,170 | 2,696,802 |

39. EXPECTED EXPENSES ON ACCOUNT OF KEEPING A PROJECT ON HOLD

During the previous year, the Company had obtained the approval of both Board of Directors and the Shareholders for an investment in GRP pipe project to meet the anticipated demand in infrastructure projects. Given the current slowdown in the approval cycle, the GRP pipe project is being put on hold and as a matter of abundant precaution the expected expenses as a result of the same are being provided for. The movement in the same is shown as under:

| Particulars | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
|-------------------------------------|--|--|
| | Rs. | Rs. |
| Opening | 21,400,000 | – |
| Less: Utilised during the year..... | 1,780,662 | 21,400,000 |
| Closing | 19,619,338 | 21,400,000 |

40. PREVIOUS YEAR COMPARATIVES

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

Mahadev Shinde
Chief Operating Officer

Vijayendra Kolambkar
Chief Financial Officer

For and on behalf of the Board

Hemant Luthra Chairman

R. R. Krishnan
C. S. Devale
B. M. Kataria
D. N. Mungale
Romesh Kaul } Directors

Mumbai: 30th April, 2013.

MAHINDRA COMPOSITES LIMITED

Registered & Head Office: 145, Nehru Nagar Road, Off Mumbai–Pune Road, Pimpri, Pune - 411 018, Maharashtra, India.

PROXY

I/We
..... ofbeing
a Member / Members of Mahindra Composites Limited hereby appoint.....
.....of or failing him
.....of.....
on my/our behalf at the Thirty-first Annual General Meeting of the Company, to be held at 11 a.m. on Friday, the 27th September,
2013. AS WITNESS my / our hand / hands this day of 2013.

Please affix
Re.1
Revenue
Stamp
here

Signature(s) of the Member(s) across the stamp.

Note : The proxy must be deposited at the Registered Office of the Company at 145, Mumbai–Pune Road, Pimpri, Pune - 411 018 not less than 48 hours before the time of holding the meeting.

THE ATTENDANCE SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL MAHINDRA COMPOSITES LIMITED

Registered & Head Office : 145, Nehru Nagar Road, Off Mumbai–Pune Road, Pimpri, Pune - 411 018, Maharashtra, India.

I hereby record my presence at the Thirty-first Annual General Meeting at Citrus Hotels, Opp. PCMC Building, Old Mumbai-Pune Highway, Pimpri, Pune 411 018 at 11 a.m. on Friday, the 27th September, 2013.

Name of the attending Member
(In Block Letters)

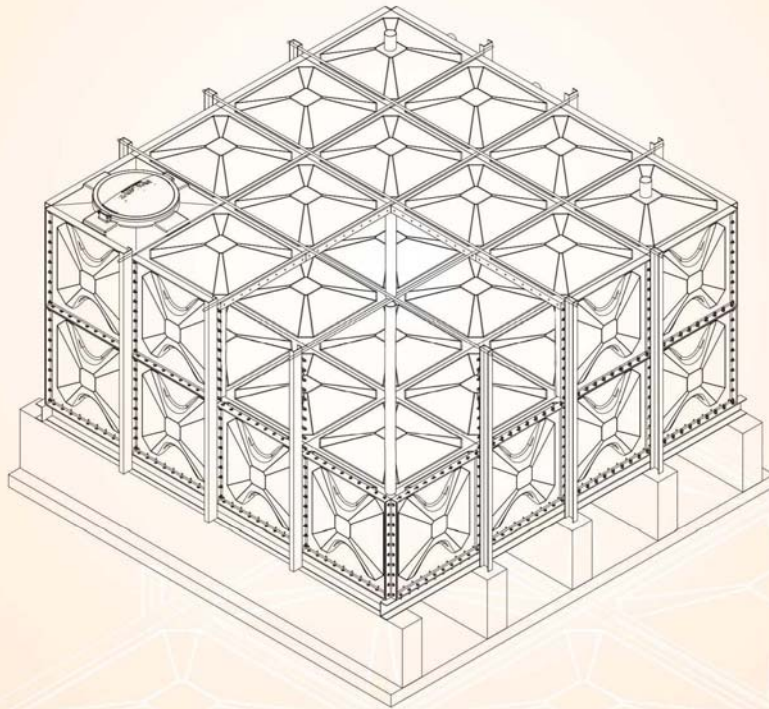
Member's Folio Number

Name of Proxy
(In Block Letters to be filed in, if the Proxy attends instead of Member)

Number of Shares held.....

.....
Member's / Proxy's Signature

WATER FOR THE FUTURE



As India continues to develop its infrastructure to meet the demands of a growing economy, the nation will face an ever-increasing need for water for industrial use, for power generation as well as residential and commercial buildings. This water will come from existing sources such as rivers and reservoirs as well as water-harvesting facilities and desalination plants.

The Sarovar modular tank concept is a water storage solution for India's growing water needs that offers rapidly installed, highly scalable storage without compromising the safety & purity of the water stored.

Based on interconnected composite panels that are mounted on a reinforced base, Sarovar tanks can be installed in a matter of weeks to provide water storage from 30 kilolitres to 1000 kilolitres. If needs change, these tanks can be relocated, reused, resized without sacrificing engineering performance.

We make these ISI-certified tanks from Sheet Moulding Compound (SMC) that has been specially formulated to keep water potable and pure.

These tanks will be sold, installed and serviced through a network of channel partners.



Registered Office:

Mahindra Composites Ltd.

145, Nehru Nagar Road,
Off Mumbai-Pune Road, Pimpri,
Pune 411 018, Maharashtra, India.

Tel.: +91 20 27425265/66

info@mahindracomposites.com

mahindracomposites.com