



# MAHINDRA UGINE STEEL COMPANY LIMITED

46<sup>th</sup>  
Annual Report  
2008-2009

## MAHINDRA UGINE STEEL COMPANY LIMITED

### BOARD OF DIRECTORS

Keshub Mahindra — *Chairman*  
 Anand G. Mahindra — *Vice Chairman*  
 K. V. Ramarathnam — *Managing Director*  
 Dr. Homi N. Sethna  
 M. R. Ramachandran  
 R. R. Krishnan  
 Hemant Luthra  
 Harsh Kumar  
 Arun Maira  
 Manoj Kumar Maheshwari  
 S. Ravi  
 K.B.Saha (*nominee of LIC*)

### CHIEF FINANCE OFFICER

Partha Sarathi Roy

### COMPANY SECRETARY

Ajay Kadhao

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### BANKERS

State Bank of India  
 Dena Bank  
 Bank of Baroda  
 Bank of India  
 ING Vysya Bank Ltd.  
 Standard Chartered Bank  
 DBS Bank Ltd.  
 Yes Bank Ltd.  
 IDBI Bank Ltd.

### AUDITORS

M/s. Deloitte Haskins & Sells

### SOLICITORS

M/s. Khaitan & Co.

### REGISTERED OFFICE

74, Ganesh Apartment,  
 Opp. Sitaladevi Temple,  
 L.J. Road, Mahim,  
 Mumbai - 400016.  
 Tel. No. : 022-24444287 Telefax : 022-24458196  
 website: www.muscoindia.com  
 E-mail: investors\_relation@mahindra.com  
 kadhao.ajay@mahindra.com

### WORKS

#### Steel:

Jagdishnagar, Khopoli - 410 216,  
 District Raigad, Maharashtra  
 Tel. No. : 02192-263318/347  
 Fax No. : 02192-263073/6

#### Stampings :

- 371, Takwe Road, At & Post: Kanhe,  
 Dist. Pune - 412 106.  
 Tel. No. : 02114-255289/294, Fax No. : 02114-255293
- Plot No. D-2, MIDC, Ambad, Nashik- 422 010.  
 Tel. No. : 0253-6613400,6613406  
 Fax No. : 0253-6613409
- Maharajpur Road, Lalpur, Rudrapur  
 (U.S.Nagar), Uttarakhand - 263143  
 Tel No. : 05944-280921

### REGISTRAR & TRANSFER AGENTS

#### Sharepro Services (India) Pvt. Ltd.

13AB, Samhita Warehousing Complex,  
 2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane,  
 Off Andheri Kurla Road, Sakinaka, Andheri (East),  
 Mumbai - 400 072  
 Tel.: 022-67720300/20400  
 Fax: 022-28591568

— Please bring your copy of the Annual Report at the Meeting.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### AT A GLANCE

(Rupees in Crores)

Financial Summary	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Sales	1073.42	922.18	717.23	615.04	522.00	356.57	242.67	256.21	238.93	273.12
Other Income	1.76	2.76	1.68	9.73	1.05	2.47	2.56	0.96	3.68	3.17
Increase/(Decrease) in stocks	-11.06	16.13	-4.39	24.92	6.79	-1.45	-5.90	8.34	-5.08	3.97
Manufacturing and other expenses	1031.83	846.29	617.79	526.07	443.46	328.19	233.23	247.06	226.37	265.36
Depreciation	24.74	26.71	16.73	13.08	9.62	9.26	9.61	9.29	9.19	10.35
Interest	36.06	28.63	11.83	11.15	11.38	13.51	13.71	15.40	16.21	20.26
Profit/(Loss) for the year before tax	-28.51	44.19	68.17	99.38	65.38	6.63	-17.22	-6.23	-14.23	-15.72
Provision for taxation - Current Tax	0.45	10.55	24.82	32.40	5.13	0.53	—	-0.57	—	—
- Deferred Tax	-10.13	4.15	-1.55	-2.13	12.09	—	—	—	—	—
Premium on redemption of Pref.Shares	—	—	—	4.04	—	—	—	—	—	—
Profit/(Loss) after tax	-18.83	29.49	44.90	65.06	48.16	6.10	-17.22	-5.67	-14.23	-15.72
Equity Dividend	—	9.74	14.62	14.62*	9.28	—	—	—	—	—
Preference Dividend	—	—	0.22	1.01	1.91	—	1.87	1.07	1.44	—
Gross Fixed Assets	455.27	410.22	317.05	269.63	200.09	200.85	202.11	200.05	194.85	190.74
Net Fixed Assets	326.02	292.40	233.00	115.82	68.61	70.34	81.24	87.26	92.31	99.24
Investments	14.09	0.42	0.52	0.52	3.09	3.11	3.29	3.34	3.34	3.19
Net Current Assets	173.03	229.80	156.93	146.04	95.08	73.17	44.98	52.91	46.50	58.01
Miscellaneous Expenditure	—	0.03	0.20	0.59	1.04	1.82	2.31	4.55	7.83	10.78
Equity Share Capital	32.48	32.48	32.48	32.48	30.93	30.93	30.93	30.93	30.93	30.93
Share Capital	32.48	32.48	32.48	37.94	47.39	47.39	47.39	47.39	43.93	43.93
Reserves and Surplus	136.56	155.39	137.31	110.77	43.92	8.78	6.10	71.30	74.82	74.82
Profit & Loss Balance c/f	—	—	—	—	—	—	-3.68	-51.66	-45.99	-31.76
Net Worth	170.34	189.00	170.16	148.12	90.28	54.35	47.5	62.48	64.93	76.21
Borrowings	335.91	316.46	207.42	99.55	64.41	92.26	82.00	81.02	77.22	84.22
Profit before tax as a % of sales	—	4.79	9.50	16.16	12.52	1.86	—	—	—	—
Profit after tax as a % of sales	—	3.20	6.26	10.58	9.22	1.71	—	—	—	—
Earnings - Rs. per Equity Share	-5.80	9.08	13.75	19.68	15.03	1.81	-6.17	-2.18	-5.07	-5.08
Dividend - Rs. per Equity Share	—	3.00	4.50	4.50	3.00	—	—	—	—	—
Book Value - Rs. per Equity Share	52.44	58.18	52.39	43.93	23.86	12.26	10.03	14.88	16.79	20.43+

\* Including dividend proposed on new equity shares issued under merger of Pranay, Valueline &amp; Console with the Company .

+ After adjusting for Preference Share Capital.

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### NOTICE

The Forty–Sixth Annual General Meeting of the Members of MAHINDRA UGINE STEEL COMPANY LIMITED will be held on Tuesday, the 28<sup>th</sup> day of July, 2009 at 3.00 p.m. at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400 034, to transact the following business:

### ORDINARY BUSINESS:

- 1) To receive and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
- 2) To appoint a Director in place of Mr. Anand Mahindra, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Dr. H.N.Sethna, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. K.B.Saha, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

### SPECIAL BUSINESS

- 6) 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. Arun Maira, who was appointed as an Additional Director by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member 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 Director of the Company liable to retire by rotation.”

- 7) 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. Manoj Kumar Maheshwari, who was appointed as an Additional Director by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member 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 Director of the Company liable to retire by rotation.”

- 8) 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. Harsh Kumar, who was appointed as an Additional Director by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member 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 Director of the Company liable to retire by rotation.”

- 9) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED that pursuant to the provisions of sections 198, 309, 310, 311, 269 and all other applicable provisions of the Companies Act, 1956 (the Act), (including any statutory modification or re-enactment thereof for the time being in force), read with Schedule XIII of the Act and subject to

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the approval of the Central Government and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications, as may be imposed or prescribed by any of the authorities in granting such approvals, permissions and sanctions, approval of the Company be accorded to the revision in remuneration payable to Mr. K. V. Ramarathnam as the Managing Director of the Company (hereinafter referred to as "Managing Director"), with effect from 1<sup>st</sup> April, 2008, for the period of 3 years i.e. upto 31<sup>st</sup> March 2011, as follows:

<b>Salary</b>	: Basic salary Rs.2,50,000/- per month in the scale of Rs.2,00,000/- to Rs.3,50,000/- per month.
<b>Perquisites</b>	: In addition to the salary, the Managing Director shall be entitled to the following perquisites in accordance with the rules of the Company.
i) Housing	: Furnished residential accommodation or House Rent Allowance of 60% of salary in lieu thereof;
ii) Gas, Electricity & Water	: The expenditure incurred on gas, electricity, water will be borne by the Company subject to Income Tax rules;
iii) Medical re-imburement	: Expenses incurred for the Managing Director and his family as per the Company's rules;
iv) Leave Travel Concession	: For Managing Director and his family, once in a year, incurred in accordance with the Company's rules;
v) Club Fees	: Fees of clubs, subject to a maximum of two Clubs. This will not include admission and life membership fees;
vi) Personal Accident Insurance	: Premium as per the Company's rules;
vii) Contribution to Funds	: Contribution to Provident Fund, Superannuation Fund, Gratuity Fund as per the Company's rules;
viii) Encashment of Leave	: Encashment of leave not availed of by the Managing Director as per the Company's rules;
ix) Provision of a car and telephone	: Provision of a car and telephone at the Managing Director's residence for his use as per Company's rules;
x) Performance pay	: As per the Company's Rules;
xi) Other benefits	: Such other benefits, amenities and facilities as per the Company's rules;

The value of perquisites would be evaluated as per Income Tax Rules, 1962 wherever applicable and at cost in the absence of any Rule.

Provided that the remuneration payable to the Managing Director (including the salary, performance pay, perquisites, benefits and amenities) shall not exceed the limits laid down in sections 198 and 309 of the Companies Act, 1956, including any statutory modifications or re-enactment thereof.

FURTHER RESOLVED that where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to the Managing Director remuneration by way of salary, performance pay, perquisites and other allowances and benefits as specified above as the minimum remuneration subject to the receipt of requisite approvals, if any.

FURTHER RESOLVED that for the purpose of giving effect to this resolution the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this resolution) be authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

10) To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED that in supersession of the Resolution passed by the Shareholders at the 41<sup>st</sup> Annual General Meeting of the Company held on 29<sup>th</sup> July, 2004 and the Registrar of Companies having been given in advance a copy of this proposed Special Resolution, approval be accorded to the Company to keep its Registers and Index of Members and Debenture holders and copies of Annual Returns prepared under section 159 of the Companies Act,

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1956 together with copies of certificates and documents required to be annexed thereto under section 161 of the Companies Act, 1956 or one or more of them at the office premises of the Company's Registrar & Share Transfer Agents viz. Sharepro Services (India) Private Limited ("R&T Agents") at 13AB, Samhita Warehousing Complex, 2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072 and/or its office premises at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai-400 021, and/or at such other place(s) within the city of Mumbai where the R&T Agents may shift its office from time to time and/or at the Registered office of the Company at 74, Ganesh Apartment, L.J.Road, Opp: Sitaladevi Temple, Mahim (West), Mumbai – 400016."

to the Investor Education and Protection Fund of the Central Government.

- (e) Members are requested to write to the Company Secretary at least ten days before the Meeting for obtaining any information as regards accounts and operations of the Company so that the same could be compiled in time.
- (f) Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nomination are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the Registrar and Transfer Agents of the Company.

### NOTES:

- (a) Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING THE PROXY MUST BE DEPOSITED WITH THE COMPANY AT IT'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 14<sup>th</sup> July, 2009 to Tuesday, 28<sup>th</sup> July, 2009 (both days inclusive).
- (d) In accordance with the provisions of Section 205C of the Companies Act, 1956, the Company has transferred unclaimed matured Fixed Deposits and interest on fixed deposits as on 31<sup>st</sup> March, 2002

- (g) Members are requested to:
  - (i) intimate to the Company or its Registrar and Transfer Agents viz. Sharepro Services (India) Pvt. Ltd., 13AB, Samhita Warehousing Complex, 2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane, Off: Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072, about changes if any, in their registered address for correspondence, at an early date, in case of shares held in physical form;
  - (ii) intimate to their respective Depository Participant, about changes, if any, in their registered addresses for correspondence, at an early date, in case of shares held in dematerialized form;
  - iii) Quote Folio Numbers or Client ID and DP ID numbers in all correspondence.
- (h) Members who hold shares in dematerialised mode are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.

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(i) Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.

(j) Appointment/Re-appointment of Directors.

In respect of the information to be provided under Clause 49 of the Listing Agreement pertaining to the Directors being appointed/re-appointed, Members are requested to kindly refer the Chapter on Corporate Governance in the Annual Report.

(k) Shareholding of Directors seeking appointment / re-appointment:

Except, Dr. H.N.Sethna, who is holding 2200 shares in the Company, none of the directors who are seeking appointment / re-appointment, hold any shares in the Company.

**By Order of the Board**

**Ajay Kadhao  
Company Secretary**

Registered Office:  
74, Ganesh Apartment,  
Opp. Sitaladevi Temple,  
L.J.Road, Mahim,  
Mumbai-400 016.

27<sup>th</sup> May 2009

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

#### ITEM NO.6.

Mr. Arun Maira, who has been appointed as an Additional Director of the Company by the Board of Directors with effect from 23<sup>rd</sup> October, 2008 and holds office upto the date of the ensuing Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

Mr. Arun Maira was born in Lahore on 15<sup>th</sup> August 1943. He received his M.Sc. and B.Sc. in Physics from St Stephen's College, Delhi University.

Mr. Arun Maira has a combination of hands-on leadership experience, consulting experience to leadership teams internationally, and thought-leadership as an author and speaker on the subjects of leadership and organisation transformation.

He is a frequent speaker at international forums on the future of India. He writes regularly in the Economic Times in India and other management and business journals. He is the author of several books, which include "Shaping The Future: Aspirational Leadership in India and Beyond" published by John Wiley's & Sons in 2001, "Remaking India: One Country, One Destiny" published by Response Books in 2004, "Discordant Democrats: Five Steps to Consensus" published by Penguin Books in 2007, and "Transforming Capitalism: Business Leadership to Improve the World for Everyone" published by Nimby Books in 2008.

Mr. Arun Maira was a member of the Tata Administrative Services and worked in several senior positions in the TATA Group in India and abroad for 25 years until 1989. He worked with Arthur D.Little Inc, the international management consultancy, in the USA from 1989 to 1999, and consulted with companies across the world on issues of growth strategies and transformational change. He returned to India in 2000 and was Chairman of The Boston Consulting Group in India until April 2008.

Mr. Arun Maira has advised clients across a wide variety of industries and in many countries on issues of strategy

and organisation. He has worked with clients in North America, Europe, South America and Asia in industries ranging from automobiles, steel, and oil, to pharmaceuticals, and financial services. He has also advised Governments and international agencies on leadership processes to accelerate development.

Mr. Arun Maira is on the advisory boards of international think tanks in the UK, Sweden, and USA, and a Senior Advisor to the UN Global Compact. He is Chairman of Save the Children BR and Chairman of the Axis Bank Foundation, and on the boards of other philanthropic organizations. He serves on the Boards of several Indian and international management education institutions. He has been a Member of The Confederation of Indian Industry's (CII) National Council for many years, as well as Chairman of several of CII's National Councils, including the National Council for Corporate Governance. He continues as a Senior Advisor to The Boston Consulting Group.

Mr. Arun Maira is also on the Board of Tata Chemicals Ltd., Patni Computers Systems Ltd., Hero Honda Motors Ltd., Aditya Birla Nuvo Ltd. and Godrej Industries Ltd. Mr. Arun Maira is not a member of any committee to the Board.

Mr. Arun Maira does not hold any shares in the Company.

The Board is of view that Mr. Arun Maira's knowledge and experience will be of immense benefit and value to the Company and, therefore, recommends his appointment as a Director of the Company to the shareholders.

None of the Directors of the Company other than Mr. Arun Maira is deemed to be concerned or interested in this resolution.

#### ITEM NO.7.

Mr. Manoj Kumar Maheshwari was appointed as an Additional Director of the Company by the Board of Directors with effect from 23<sup>rd</sup> October, 2008, and holds office upto the date of the ensuing Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

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

He is also a Director of Hind Syntex Ltd., MIRC Electronics Ltd., Hamilton & Co. Ltd., RPG Life Sciences Ltd., Ador Welding Ltd., Brabourne Enterprises Ltd., Aurovision Pvt. Ltd., Madan Investments Pvt. Ltd., Maheshwari Investors Pvt. Ltd., Maheshwari intrafin (India) Pvt. Ltd., Karjan Investments Pvt. Ltd., Gopal Traders Pvt. Ltd., MW. Com Pvt. Ltd., R.J. Investments Pvt.Ltd., Quadrum Solutions Pvt. Ltd.

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

The Board is of the view that Mr. Manoj Kumar Maheshwari's knowledge and experience will be of immense benefit and value to the Company and, therefore, recommends his appointment as the Director of the Company to the shareholders.

None of the Directors of the Company other than Mr. Manoj Kumar Maheshwari is deemed to be concerned or interested in this resolution.

### ITEM NO.8.

Mr. Harsh Kumar was appointed as an Additional Director of the Company by the Board of Directors with effect from 23<sup>rd</sup> January, 2009 and holds office upto the date of the ensuing Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

Mr. Harsh Kumar is the Managing Director of two of the group companies viz: Mahindra Intertrade Ltd (MIL) and Mahindra Steel Service Centre Ltd (MSSCL). MIL's primary focus is in the area of processing and trading of steel, with operations in India as well as abroad,

and operates in businesses as diversified as metals and ferro alloys to non destructive testing and medical diagnostics. MSSCL's focus is in the steel processing space.

Mr. Harsh Kumar's career spans almost three decades in various functions spanning manufacturing, marketing and strategic / project planning in two of India's best known corporate groups: Tata and Mahindra.

Mr. Harsh Kumar is a B.Tech (Mechanical) graduate from I.I.T., Delhi, and did his post graduation in Business Management from XLRI, Jamshedpur.

Mr. Harsh Kumar's career began with The Indian Tube Co. Ltd., as a Management Trainee, moving on to Tata Steel where he worked in various disciplines such as marketing, manufacturing and supply chain management. Prior to joining the Mahindra group in 2005, he was the Executive Vice President of Tata Metaliks Ltd., responsible for the Marketing & Sales function, exports, SCM, Business Development and Mergers & Acquisitions.

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

The Board is of the view that Mr. Harsh Kumar's knowledge and experience will be of immense benefit and value to the Company and, therefore, recommends his appointment as the Director of the Company to the shareholders.

None of the Directors of the Company other than Mr. Harsh Kumar is deemed to be concerned or interested in this resolution.

### ITEM NO.9.

The Remuneration Committee and the Board of Directors at their respective meetings held on 28<sup>th</sup> April, 2009 have revised the terms and conditions of remuneration payable to Mr. K.V. Ramarathnam for a period of 3 years with effect from 1<sup>st</sup> April, 2008, subject to approval of the members and the Central Government.

The Remuneration payable to Mr. K. V. Ramarathnam is in line with the current compensation paid by other companies in the Mahindra Group and also taking into

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account the market trends.

The revised terms of remuneration including salary, performance pay, perquisites, benefits payable to Mr. Ramarathnam are set out in the special resolution under Item No.9 of the notice.

Pursuant to sections 198, 309, 310, 311, 269 and all other applicable provisions of the Companies Act, 1956 ("the Act"), including Schedule XIII to the Act, the item relating to revised remuneration payable to Mr. Ramarathnam, subject to requisite approvals, is now being placed before the Members in this Annual General Meeting for their approval by way of a special resolution.

In compliance with the requirements of section 302 (2) of the Companies Act, 1956, an abstract of the terms of revised remuneration was sent to all the Members of the Company.

Your Directors recommend this resolution as a special resolution for approval of the Members.

Apart from Mr. K.V. Ramarathnam, who would be interested in revision of his remuneration, none of the other Directors is concerned or interested in this resolution.

The following additional information as required under Schedule XIII to the Companies Act, 1956 is given below –

### I. General Information:

#### 1. Nature of Industry -

The Company is engaged in the manufacture of alloy and special steel products and also pressed sheet metal components and assemblies.

#### 2. Date or expected date of commencement of commercial production - May, 1968.

#### 3. In case of new companies expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus - Not applicable.

#### 4. Financial Performance based on given indicators as per audited financial results for the year ended 31st March, 2009 -

Particulars	(Rs. in Crores)
Sales & Other Income	1075.18
(Loss) after Tax as per Profit & Loss Account	(18.83)
(Loss) as computed under Section 309(5) read with Section 198 of the Companies Act.	(24.66)
Net Worth	170.34

#### 5. Export Performance and Net Foreign Exchange Collaborations -

The FOB Value of Exports of the Company for the year ended 31<sup>st</sup> March, 2009 was Rs. 7.57 Crores.

The Company does not have any collaboration that has resulted in any earnings or outgo of foreign exchange.

#### 6. Foreign investments or collaborators, if any:

Not applicable.

### II. Information about the appointee:

#### 1. Background details -

Mr. K. V. Ramarathnam is a Graduate in Mechanical Engineering from University of Madras and has rich experience of 38 years in Steel and related industries.

Mr. K. V. Ramarathnam was SBU Head (Steel Division) of Perkasa Indobaja, Subang, Indonesia, (Texmaco Group) for more than 5 years heading Seamless Tubes, Hot Rolling Mill, Steel Melting Shop. Mr. K. V. Ramarathnam was also associated as a Key Personnel for more than 17 years with Kalyani Steels Ltd. and Kalyani Seamless Tubes Ltd.

Mr. K. V. Ramarathnam has handled all areas of operations including Production, Marketing, Process and equipment selection, Project appraisal and implementation, Cost Control, Recruitment &

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Training, review of all MIS & action plans, Funds Flow management etc. Mr. K. V. Ramarathnam has widely traveled on different assignments and is an effective team leader.

### 2. **Past remuneration during the financial year ended 31<sup>st</sup> March, 2009 -**

During the financial year ended 31<sup>st</sup> March, 2009, in view of inadequate profits, the Company paid within the limits of Schedule XIII of the Companies Act, 1956 and subject to approval of the members of the Company, a sum of Rs.54,42,489/- as remuneration to Mr. K. V. Ramarathnam which includes a component of superannuation and Provident Fund of Rs.7,76,250/-. The Remuneration Committee and the Board of Directors at their respective meetings held on 28<sup>th</sup> April, 2009 have revised the remuneration payable to Mr. K.V. Ramarathnam for the period of 3 years with effect from 1<sup>st</sup> April, 2008, subject to approval of the members and the Central Government. The Company has applied to the Central Government for payment of remuneration as approved by the Board of Directors subject to approval of the members and the Central Government and as such the revised remuneration exceeding the limits of schedule XIII of the Act, if approved by the members, will be paid to the Managing Director on receipt of the requisite approvals.

### 3. **Recognition or awards -**

There was no external recognition or award.

### 4. **Job profile and his suitability-**

Mr. K. V. Ramarathnam, is managing day to day affairs of the Company under the control and supervision of the Board. He is involved in strategic initiatives and business development process of the Company. He has undertaken various measures like streamlining delivery mechanisms, improvement in productivity, effective cost control measures, efficient operating practices, technological upgradation, financial planning, marketing and sales strategies etc. He is having vast experience and wide knowledge of the steel industry, which augur

well for the progress of the Company.

### 5. **Remuneration proposed -**

Salary of Rs.2,50,000/- p.m. in the scale of Rs.2,00,000/- to Rs.3,50,000/- per month and other perquisites, allowances as fully set out in item No.9. of this notice.

### 6. **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) -**

Taking into consideration the size of the Company, the profile of Mr. K. V. Ramarathnam, the responsibilities shouldered by him, the remuneration proposed to be paid is commensurate with the remuneration packages paid to his similar level counterparts in other companies.

### 7. **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any -**

Besides the remuneration proposed to be paid to Mr. K. V. Ramarathnam, he does not have any other pecuniary relationship with the Company or relationship with any other managerial personnel and Directors.

## III. **Other Information:**

### 1. **Reasons of loss or inadequate profits -**

The financial year under review witnessed major slowdown in global economies. India too faced the consequences of the global recession which led to economic and industrial slow down. The steel and the automobile industries, which are linked to performance of the Company, also got severely affected due to the economic slowdown. These adverse factors resulted into lower sales volume. Further because of unprecedented volatility in foreign exchange the Company suffered forex losses due to which the Company's financial performance was severely got affected, particularly from later part of the financial year 2008-09.

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### 2. Steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms -

The efforts are on to improve the order position, productivity, efficiency and margin with an optimum metallic cost for production. The Company has also revised its Forex policy to address the currency volatility on foreign currency exposure. Various measures and initiatives have been taken in the matter of cost control, process improvement, technological upgradation and saving power cost. The Company is confident that these initiatives and steps will start yielding better results and increase the productivity and profitability of the Company.

### IV. Disclosures:

The information and disclosures of the remuneration package of the managerial personnel have been mentioned in the Annual Report in the Corporate Governance Report Section under the Heading "Remuneration to the Managing Director for the year ended 31<sup>st</sup> March, 2009".

### ITEM NO. 10.

By a Special Resolution passed at the 41<sup>st</sup> Annual General Meeting of the Company held on 29<sup>th</sup> July, 2004, the Members had approved the keeping of the Company's Registers and Index of Members and of Debenture holders and copies of Annual Returns prepared under section 159 of the Companies Act, 1956, together with copies of certificates and documents required to be annexed thereto under section 161 of the Companies Act, 1956 (hereinafter collectively referred to as "the aforesaid Records") inter alia at the office of the Company's Registrar & Share Transfer Agents viz. Sharepro Services at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai – 400 099.

Sharepro Services (India) Private Limited ("R&T Agents") has informed the Company that henceforth it would be operating from its office premises at 13AB, Samhita Warehousing Complex, 2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai – 400 072 and/or its office premises at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai-400 021 (hereinafter collectively referred to as "the aforesaid Premises").

As per section 163(1) of the Companies Act, 1956, approval of Members is required for keeping the aforesaid Records at a place other than the Registered Office of the Company. Accordingly, the approval of the Members is sought by a Special Resolution for any one or more of the aforesaid Records to be kept at the aforesaid Premises of the R&T Agents and/or at such other place(s) within the city of Mumbai where the R&T Agents may shift its office from time to time and/or at the Registered office of the Company at 74, Ganesh Apartment, L.J.Road, Opp: Sitaladevi Temple, Mahim (West), Mumbai – 400 016.

The Directors recommend the passing of the Resolution at Item No.10 as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in this item of business.

**By Order of the Board**

**Ajay Kadhao**  
**Company Secretary**

Registered Office:  
74, Ganesh Apartment,  
Opp. Sitaladevi Temple,  
L.J.Road, Mahim, Mumbai - 400 016.  
27<sup>th</sup> May 2009.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### DIRECTORS' REPORT

The Directors present their Forty-sixth Report together with the audited accounts of your Company for the year ended 31<sup>st</sup> March, 2009.

### FINANCIAL RESULTS

	(Rupees in crores)	
	<u>2008-09</u>	<u>2007-08</u>
Gross Income	<b>1075.18</b>	924.94
Profit before Interest and Depreciation	<b>32.29</b>	99.53
Less: Interest	<b>36.06</b>	28.63
Less: Depreciation	<b>24.74</b>	26.71
Profit/(Loss) before Tax and Exceptional Item	<b>(28.51)</b>	44.19
Less: Provision for Taxation		
- Current Tax	<b>0.45</b>	10.55
- Deferred Tax	<b>(10.13)</b>	4.15
Profit/(Loss) after Tax	<b>(18.83)</b>	29.49
Balance of profit brought forward from earlier years	<b>64.21</b>	49.07
Profit available for Appropriation	<b>45.38</b>	78.56
Less: Interim dividend paid on preference Shares	-	-
Less: Interim Dividend paid on equity shares	-	-
Less: Proposed Dividend on Equity Shares	-	9.74
Less: Tax on Dividend	-	1.66
Less: Transfer to General Reserves	-	2.95
Balance Carried Forward	<b><u>45.38</u></b>	<b><u>64.21</u></b>

### DIVIDEND

In view of losses incurred during the year under review and to conserve the reserves for the future growth of the Company, your Directors have not recommended any dividend for the financial year 2008-09. This is as against the dividend of Rs. 3 per share paid for the previous year.

### PERFORMANCE

In the financial year under review both the global and domestic economies faced the consequences of a world wide recession that increased in severity in the second half of the year. The steel and the automobile industries, to both of which the performance of your Company is linked bore the brunt of the downturn. The lower volumes coupled with unprecedented volatility in foreign exchange

resulted in a loss before tax and exceptional items of Rs. 28.51 crores. The negative impact of forex loss of Rs 28.41 crores and an inability to secure compensating price for Rs 13.50 crores of high input cost was partly compensated by achieving cost saving of Rs. 6.10 crores in Steel Division and pre tax profit of Rs 7.23 crores in Stamping Division.

During the year under review, while the gross income of the Company grew by about 16.24% from Rs 924.94 crores to Rs 1075.18 crores, the loss after tax for the year was Rs 18.83 crores as compared to net profit of Rs. 29.49 crores for the previous year.

### STEEL BUSINESS:

During the year your Company sold 1,12,066 tonnes of Steel alloy products as compared to 1,27,290 tonnes sold last year, registering a drop of around 12%. The sales value increased from Rs. 701.37 crores in the previous year to Rs. 715.07 crores.

Your Company also registered sales of 357 tonnes of Bearing Races for a value of Rs. 3.58 crores as compared to sales of 4,112 tonnes for a value of Rs.33.17 crores recorded in the previous year. Since the Bearing Race project which was operating out of Jamshedpur during the financial year 2007-08 was decommissioned, the entire plant and equipment were relocated to Khopoli and commissioned in March, 2009 resulting in minimum operations during the financial year 2008-09. The production and sales is expected to stabilize in the financial year 2009-10 and the benefits of improved logistics and operational efficiencies expected to become effective.

The Continuous Mill project has been commissioned in April, 2009. With the completion of the Project the installed production capacity is expected to increase to 2,40,000 tonnes per annum.

The efforts are on to improve the order position, productivity, efficiency and margin with an optimum metallic cost for production. The Company has also revised its Forex policy to address the forex volatility on its imports of scrap & other raw materials. The benefit of lower cost of power is also expected to accrue from December, 2009 as Wardha Power Company Limited, in whose equity your Company has invested, will start supply of power at an agreed rate.

### STAMPINGS BUSINESS:

During the year under review the Stamping business of the Company witnessed pressure on sales due to

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slowdown in the economy more particularly affecting in the Automotive and Farm equipment markets. The Stamping business also faced hardship due to steep escalation of raw material prices in early financial year 2008-09 compensating price increases part of which could not be passed on due to adverse market conditions.

However, during the last quarter of the financial year under review the sales improved for Stampings business due to improvement in performance of the auto sector helped by the launch of new models including XYLO by Mahindra & Mahindra Limited. The other players of auto industry are also expected to launch new models of vehicles in the near future. This should continue to provide additional business opportunities to your Company. The Stampings Division's focus remains on improving customer centricity by better quality and efficiency, lower cost and timely delivery. With Automobile industry showing the signs of maintaining the growth rate of about 6%, the Stamping Division is optimistic about its growth in coming times.

The production during the year decreased from 36,210 MT to 34,481 MT registering a de-growth of 5%. Sales in the corresponding period decreased from 36,053 MT to 34,654 MT registering a de-growth of about 3.86%.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A detailed analysis of the Company's performance is mentioned in the Management Discussion and Analysis Report, which forms part of this Annual Report.

### CORPORATE GOVERNANCE:

Your Company is committed to follow the best of the corporate governance practices and follows the same while conducting affairs of the Company. A Report on Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

### FINANCE:

During the year under review, the liquidity position of the Company was generally satisfactory and the Company was able to meet its requirement for capital expenditure by availing Term Loans and working capital facilities through banks. The year was faced by rupee volatility, inflation and high borrowing costs due to which the Company faced margin contraction.

### STOCK OPTIONS:

No Stock Options have been granted during the year under review.

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

### INDUSTRIAL RELATIONS:

The relations with the workers and their respective unions remained cordial.

### SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE:

The Company has a defined policy on general health, safety and environmental conservation through which every employee is responsible for the observance of the measures designed to prevent accidents, damage to health and to avoid environmental pollution.

Safety committee members comprising representatives of workers and executives from various departments meet periodically to review the situation.

### DIRECTORS:

Mr. Anand Mahindra, Dr.H.N.Sethna and Mr. K.B.Saha, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Deepak Dheer resigned as an Executive Director of the Company with effect from 25<sup>th</sup> August, 2008 and as Director of the Company with effect from 23<sup>rd</sup> October, 2008. Mr. Rajeev Dubey resigned from the Directorship of the Company with effect from 23<sup>rd</sup> January, 2009. The Board has placed on record its sincere appreciation of the services rendered by Mr. Deepak Dheer and Mr. Rajeev Dubey during their tenure as the Directors of the Company.

Mr. Arun Maira and Mr. Manoj Kumar Maheshwari were appointed as Additional Directors of the Company with effect from 23<sup>rd</sup> October, 2008 and they hold office upto the date of ensuing Annual General Meeting.

Mr. Harsh Kumar was appointed as an Additional Director of the Company with effect from 23<sup>rd</sup> January, 2009 and holds office upto the date of ensuing Annual General Meeting.

The Company has received Notices from Members under Section 257(1) of the Companies Act, 1956, signifying their intention to propose the candidatures of Mr. Arun Maira, Mr. Manoj Kumar Maheshwari and

## MAHINDRA UGINE STEEL COMPANY LIMITED

Mr. Harsh Kumar, for the office of Director of the Company at the forthcoming Annual General Meeting.

### DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

### HOLDING COMPANY:

One of the promoters of the Company i.e. erstwhile Mahindra Holdings & Finance Limited (MHFL) held 1,64,66,789 equity shares of Rs. 10/- each representing 50.69% of paid-up equity capital of the Company. Pursuant to the Scheme of Amalgamation of MHFL with Mahindra & Mahindra Limited (M&M) ["the Scheme"], 1,64,66,789 equity shares of Rs.10/- each representing 50.69% held by MHFL vested in M&M upon the Scheme having been approved by the High Court of Judicature of Bombay on 18<sup>th</sup> July 2008, the effective date of which was 11<sup>th</sup> August 2008. With this, the equity holding of M&M stands at 1,64,66,789 equity shares of Rs.10/- each representing 50.69% of the paid up capital of the Company. Consequently, your Company has become a direct subsidiary company of M&M.

### SUBSIDIARIES:

The Company had no subsidiary as on 31<sup>st</sup> March, 2009.

### AUDITORS:

M/s. Deloitte Haskins & Sells (DHS), Chartered Accountants retire as the Statutory Auditors of the

Company at the ensuing Annual General Meeting and have given their consent for re-appointment as the Statutory Auditors of the Company. The Shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required pursuant to the provisions of Section 224 (1B) of the Companies Act, 1956, the Company has obtained a written certificate from the above auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

### PUBLIC DEPOSITS AND LOANS/ADVANCES:

An amount of Rs.2.17 Lakhs in the aggregate consisting of 18 matured fixed deposits had remained unclaimed as at 31<sup>st</sup> March, 2009. The Company had, from 1<sup>st</sup> May, 2005 discontinued acceptance of and renewal of deposits under the provisions of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

The Company has not made any loans / advances and investments which are required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement.

### CORPORATE SOCIAL RESPONSIBILITY (CSR):

Your Company has always been sensitive of the fact that, since corporations are vital organs of society, corporate interests must serve societal concerns and shall play an active role in its social responsibilities. Your Company being a part of Mahindra Group, which has high standards for CSR, has always been making continuous contribution towards well being of the society and environment, in which it operates. Your Company during the year under review has undertaken various social initiatives like participating in Mahindra Hariyali initiatives by planting of trees, distribution of seeds, holding medical camps, blood donations camps, health awareness programs, distribution of academic books, note books, donations towards social reforms in various fields etc. These initiatives were part of Employees Social Options Program (ESOP) of the Mahindra Group.

Towards its commitments to the Society at large, your Company has, contributed a sum of Rs.10.53 Lakhs during the year towards Corporate Social Responsibility initiatives of the Mahindra Group.

### SUSTAINABILITY INITIATIVES:

With growing concern of global warming and climate change, it is imperative for every citizen of the world to take steps in mitigating the risks arising out of these

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challenges for our environment as well as the societies around us.

In this direction, your Company has participated in the sustainability initiatives of the Mahindra Group and reported its performance as per the Group Sustainability Report (GSR) standards on the environment, societal as well as economic aspects, towards creating sustainable value for all its stakeholders. Your Company has undertaken intensive awareness programs about Global Warming/Climate change to its employees and taken various initiatives towards reduction of energy and natural resources consumption. The Company is well aware of its responsibilities towards the environment and is committed to follow corporate best practices in its business process to further this cause.

**PARTICULARS OF EMPLOYEES:**

The Company had 5 employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31<sup>st</sup> March, 2009 or not less than Rs. 2,00,000 per month during any part of the said year. However as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors Report and Accounts are being sent to all the shareholders of the Company excluding the Statement of particulars of employees as

required pursuant to Section 217(2A) of the Companies Act, 1956 and rules framed thereunder. Any shareholder interested in obtaining a copy of the Statement may write to the Company Secretary of the Company.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure II to this Report.

**ACKNOWLEDGEMENTS:**

Your Directors acknowledge the continued support and co-operation received from the Banks, Financial Institutions, Government Departments, Vendors, Customers and Employees, which augment the growth of the Company.

**For and on behalf of the Board**

**Keshub Mahindra**  
Chairman

Mumbai: 28<sup>th</sup> April, 2009.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

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	10,98,000	
(b)		1 <sup>st</sup> Tranche	2 <sup>nd</sup> Tranche
	The Pricing Formula	Discount of 15% on the average Price preceding the specified date -18 <sup>th</sup> August 2006	Discount of 15% on the average Price preceding the specified date -24 <sup>th</sup> October 2007
		<u>Average Price</u> : Average of the daily high and low of the prices for the Company's Equity Shares quoted on Bombay Stock Exchange Limited during the 15 days preceding the specified date.	
		<u>The specified date</u> : Date on which the Remuneration Committee decided to grant options to eligible employees of the Company.	
(c)	Options vested	3,94,750 Options stand vested on 31 <sup>st</sup> March, 2009.	
(d)	Options Exercised	Nil	
(e)	The Total number of shares arising as a result of exercise of Options	Nil	
(f)	Options Lapsed	2,64,000	
(g)	Variation of terms of Options	At the Annual General Meeting held on 26 <sup>th</sup> July, 2007, the Company had passed a special resolution to provide for recovery of Fringe Benefit Tax from employees. Accordingly, the terms of options of ESOS of the Company were varied so as to enable the Company to recover Fringe Benefit Tax from employees.	
(h)	Money realised by exercise of Options	Nil	
(i)	Total number of Options in force as on 31.03.09	8,34,000	
(j)	Employee-wise details of Options granted to:		
	(i) Senior Managerial personnel	As per Statement	
	(ii) Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during that year	None	
	(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None	
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs.(5.80)	
(l)	Where the company has calculated 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 recognized 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. 0.26 crores, loss after tax would have been higher by Rs.0.17 crores and the basic and diluted earnings per share would have been lower by Rs. 0.20 and Rs. 0.20 respectively.	

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(m)	Weighted – average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	-
(n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information :	-
	(i) risk-free interest rate	-
	(ii) expected life	-
	(iii) expected volatility,	-
	(iv) expected dividends, and	-
	(v) the price of the underlying share in market at the time of option grant.	-

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

**STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009.**

Name of Senior Managerial Persons to whom Stock Options have been granted	Options granted on 24.10.07	Options granted on 18.08.06
Mr.K.V.Ramarathnam	Nil	100000
Mr.Deepak Dheer*	Nil	75000
Mr.Hemant Luthra	Nil	125000
Mr.R.R.Krishnan	Nil	15000
Mr.M.R.Ramachandran	Nil	15000
Dr.H.N.Sethna	Nil	15000
Mr.S.Ravi	Nil	15000
Mr. Rajeev Dubey*	Nil	15000
Mr.N.V.Khote*	Nil	15000

\*ceased to be director of the Company.

## MAHINDRA UGINE STEEL COMPANY LIMITED

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### ANNEXURE II

**STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009.**

#### A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

1. A new 14000 kvarh capacitor bank installed and commissioned on 22kv system voltage to improve the power factor to unity.
2. Commissioning of Coal Gassifier equipment.
3. High luminous light fittings have been introduced in FRG and CND shop. Replacing 65 Nos of 400 watt sodium vapor lamps with 18 numbers of metal halides lamps.
4. Digital DC drive installed in place of old analogue drive in blooming mill titling finger arrangement.

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

(c) Impact of the measures taken/to be taken at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

1. A net saving of 2% monthly on the electricity bill.
2. Saving of cost of fuel oil and improvement in productivity.
3. An average 23000 kwh saving per month in energy consumption.
4. An average 1000 kwh per month of saving of energy, by introducing the new digital controlled system.

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(d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules is as follows:-

## FORM A

(Form for disclosure of particulars with respect to conservation of energy)

	Current Year 2008-2009			Previous Year 2007-2008		
	Steel	Stampings	Total	Steel	Stampings	Total
<b>A) Power &amp; Fuel Consumption</b>						
<b>1 Electricity</b>						
<b>a Purchased</b>						
Units (KWH)	143,318,904	10,613,581	153,932,485	165,908,137	11,886,090	177,794,227
Total Amount (Rs.)	669,134,291	50,338,481	719,472,772	800,014,313	54,515,500	854,529,813
Rate/Unit (Rs.)	4.67	4.74	4.67	4.82	4.59	4.81
<b>b Own Generation (KWH)</b>	42,084	799,789	841,873	60,112	1,097,825	1,157,937
<b>2 Coal(MT) quantity</b>	759	N.A.	759	N.A.	N.A.	N.A.
Total cost (Rs.)	4,033,648	N.A.	4,033,648	N.A.	N.A.	N.A.
Average Rate (Rs.)	5,314	N.A.	5,314	N.A.	N.A.	N.A.
<b>3 Furnace Oil</b>						
Quantity (K.Litres)	15,481	N.A.	15,481	19,883	N.A.	19,883
Total Amount (Rs.)	369,298,356	N.A.	369,298,356	354,246,024	N.A.	354,246,024
Average Rate (Rs.)	23,855	N.A.	23,855	17,817	N.A.	17,817
<b>4 OTHER FUEL OIL (L.D.O.)</b>						
Quantity (K.Litres)	233	N.A.	233	177	N.A.	177
Total cost (Rs.)	8 903 844	N.A.	8,903,844	4,802,593	N.A.	4,802,593
Rate/Unit (Rs.)	38,214	N.A.	38,214	27,133	N.A.	27,133
<b>B) Consumption Per Unit of Production</b>						
1) Products *Unit - MT	111,594	34,481	146,075	131,452	36,210	167,662
2) Electricity (KWH/MT) Total for the Plant	1,285	331	1,060	1,262	359	1,067
3) Furnace Oil (K.Litres/MT) Total for the Plant	0.139	N.A.	0.106	0.151	N.A.	0.119
4) Coal	0.0068	N.A.	0.0052	N.A.	N.A.	N.A.
5) Other Fuel Oil (K.Litres/MT) Total for the Plant	0.00209	N.A.	0.00160	0.00134	N.A.	0.00106
6) Total Fuel Oil (Furnace Oil+L.D.O.) (K.Litres/MT)	0.141	N.A.	0.108	0.153	N.A.	0.120

\* Indicates in house production only.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### FORM B

(Form of disclosure of particulars with respect to Technology Absorption)

#### RESEARCH & DEVELOPMENT (R&D)

1. In the following Specific areas R&D activities have been successfully completed during the year 2008-09 and

2. Benefits derived as result of the same:-

Sr. No.	Product & process improvement	Benefits derived
1.	BSE collaboration has saved Liquid metal loss in SMS by using FIBREFAX	Saving of Liquid metal and improvement in yield.
2.	Grades of EN41B which are used for Nitriding and which are high in dissolved Aluminium have been produced through CC route.	Improved product quality and better customer satisfaction.
3.	Beneficiation of grinding dust and FES collection has been experimented for recovery of FE(iron).	Efficient waste management.
4.	Software has been developed in-house for Tracking progress of heat through EBT, LF, VD and teeming. Simultaneous beaming of Heat progress stops an unnecessary burning of Furnace Oil in Blooming Mill and Forge Shop.	Saving of fuel oil in down stream processes.
5.	New steel grades developed for Mining Industry usage	Improvement of product quality and better customer satisfaction.
6.	Coke and Oxygen Injection system has been designed and fabricated for better utilization of production time in SMS EBT	Cost and time management.
7.	Stepped heating has been adopted for Chamber Furnace operations to eliminate panel cracking observed in LC steels	Improvement of product and process.

3. Future Plan of action:-

- Further improvement in quality such as Low Hydrogen and Extra Low Sulphur grades for Petroleum Industry.
- Improvement of surface quality of the products by surface treatment in Blooming and bar mill.
- To develop new grades with stringent quality requirement for export.
- Improvement of narrow range in Jominy specific grades.
- Development of microalloy grades for use in Automotive Sector.

4. Expenditure on R&D:

		2008 – 09 (Rs. in Lacs)	2007 – 08 (Rs. in Lacs)
a)	Capital	-	-
b)	Recurring	169.12	96.53
c)	Total	169.12	96.53
d)	Total R&D expenditure as percentage of total turnover	0.158	0.104

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### 5. Technology Absorption, Adaptation and Innovation

(Efforts in brief towards technology absorption, adaptation and innovation and benefits derived as a result of the above efforts.)

Sr. No.	Technology	Benefits
1.	Commissioning of Coal gassifier for saving of Fuel Oil.	Productivity improvement. Prevention of primary slag carryover.
2	Commissioning of Controlled Cooling furnace in SMS for crack sensitive grades.	Better Quality steels.

### 6. Import of Technology for the last five years: Nil

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with regard to Foreign Exchange Earnings and outgo are given in the notes on Accounts.

For and on behalf of the Board

**Keshub Mahindra**  
Chairman

Mumbai: 28<sup>th</sup> April, 2009.

## ANNUAL REPORT 2008-2009

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**For and on behalf of the Board**

**Keshub Mahindra  
Chairman**

Mumbai: 28<sup>th</sup> April, 2009.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

#### Overview

Mahindra UGINE Steel Company Limited (MUSCO) has two business segments, one for the Manufacture of Alloy Steel and Ring Forging and Rolling (Bearing Races), at its plants at Khopoli (Maharashtra) and the other for Stampings business at its units in Kanhe, Nashik (both in Maharashtra) and Rudrapur (Uttarakhand). Mahindra & Mahindra Ltd. (M&M), holds 50.69% of the share capital of the Company and total promoter holding in the Company is 55.53% of the total paid up share capital of the Company.

#### Industry Structure and Development

##### Steel business

The global steel industry has recorded a CAGR of 7% with India exceeding that number with an 8% growth during last five years. The financial year (F.Y.) 2008-09, on the other hand saw growth fall as a consequence of the global economic crisis. This crisis led to reduced construction activity worldwide such activity normally accounts for 50% of the total steel consumption. Other user industries like automotive and consumer durables also witnessed a sharp decline in demand. The demand while still weak, has shown sign of revival across several sectors in the last month of financial year 2008-09 and early financial year 2009-10. The steel price which had historically shown a CAGR 25% during last five years fluctuated wildly with an all time high in September 2008 and an all time low in December 2008. This volatility and that of the rupee exacerbated the impact of both scrap and other inputs and translated into a forex loss that affected the performance of your Company.

The global credit crisis and economic slowdown have led to sharp drop in investment and consumer spending world wide but the stimulus packages instituted by several governments are beginning to have an impact and the first signs that the worst is behind us have started to show late in the last quarter of financial year 2008-09.

Your Company had a good start in second half of financial year 2008-09 as measured by multiple parameters of sales, customer satisfaction and operational effectiveness and was operating at a level

of 14,000 -15,000 Tonnes per month(TPM) until August 2008.

Certain segments in MUSCO's product portfolio - namely tool & die steel, oil & gas, engineering etc. showed considerable resilience amidst slow down of overall market demand .

With the onset of slow down in the economy, MUSCO has had to cope with order cancellation, price contraction, low order inflow, a pressure on margins, negative cash flows and pressure on liquidity. However, with support of Badische Stahl - Engineering GmbH, (BSE), Germany and internal initiatives, your Company has coped by focusing on efficiency, productivity and thus cash conservation.

As the economic recovery starts and is driven by investment in infrastructure, housing, consumer durables and automotive, MUSCO expects to grow and win back its market share.

##### Bearing Races (MUSCO Rings/Races)

MUSCO has invested in and has completed the commissioning of the downstream Bearings races project as a measure of value addition. These races are supplied to the Bearings, Original Equipment Manufacturers (OEMs) who in turn are dependent on the Auto industry. The installed equipment for MUSCO Rings is also used to manufacture Gear blanks thereby accentuating the dependence of the business on the automotive industry. With the downturn in the automotive industry many of our competitors have been driven out of business since they do not enjoy MUSCO's advantage of being one of the largest integrated companies in the Sector with an in-house back up of steel supplies. MUSCO's competitive position is further strengthened by the fact that it is one of the largest companies in a sector traditionally dominated by small and medium enterprises who do not today have the financial wherewithal to withstand the kind of slow down that the industry has had to endure.

##### Stampings Business

Your Company's Stamping business services Automotive and Farm equipment markets and both these sectors have registered healthy growth over the last decade. For the financial year 2008-09, however,

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both markets have registered an overall slowdown which has affected the performance of your company.

As per the data available, overall Auto Sales in financial year 2008-09 were more or less flat. However, in last quarter of financial year 2008-09 sales improved based on an increased off take from our principal customers in all three units at Nashik, Kanhe and Rudrapur primarily as a result of a successful launch of the Xylo by M&M for which we are a principal supplier. Sales to Medium and Heavy Commercial Vehicle Industry, unfortunately, continued to be adversely affected because of lower end customer demand which was restricted due to inadequate credit.

According to data compiled by the Society of Indian Automobile Manufacturers (SIAM), commercial vehicle sales fell around 21% in financial year 2008-09 and continue to be a cause of concern in financial year 2009-10.

During early financial year 2008-09 higher prices of raw materials such as steel had put considerable pressure on operations, however some relief was provided as the Stamping Business benefited from the decline in steel prices in the second half of the financial year under review. Competition between Stampings business and it's large and several medium sized and small scale competitors has been intense in financial year 2008-09 and is expected to continue in financial year 2009-10. New product development and a conscious effort to improve quality, cost and delivery by focusing on the group philosophy of 'Customer Centricity', helped prevent a major drop in volumes in spite of the market slow down.

As a part of its long term strategic plans to create a niche for itself in a commodity market and attain better value addition, MUSCO Kanhe has established a best in class Robotics line which is expected to enhance the productivity and quality. As a result we have won the confidence of both M&M and its competitors in the tractor and Semi Utility Vehicle market.

Your company has started providing "Design to Delivery" services to customers. The Tool design office has stabilized design & manufacturing of tools thereby strengthening and adding value to the services on offer to the customer. The Stampings business is actively scouting for new technology infusions such as Press hardening and TWB technologies so that it could

establish itself as a complete supplier for sheet metal solutions.

### Opportunities, threats and risks

#### Steel Business

MUSCO is concentrating in power, mining, oil and gas sectors to enhance the product base. The Company to be competitive has identified various initiatives for further penetration in new and niche markets to increase volume, productivity, on time delivery and cost efficiency. The return from the new initiatives will improve margin and market share.

MUSCO is a reputed name in the alloy products. The steel industry has gained strength from the strong Indian economy and offers better scope and environment for the steel industry in future.

In the current economic slowdown the Company has to spread in niche products to maximize the sales volume.

We are passing through the difficult phase of the economy. If the global economy takes long to recover, the cascading effects of the same will also impact adversely on domestic economy vis-a-vis the steel and automotive industries. In the present scenario efforts of the Company will be directed at cost containment and cash generation from operation with improved working capital management.

#### Bearing Races (MUSCO Rings/Races)

Most Original Equipment Manufacturers prefer a fully machined product and this is the final product that MUSCO Rings provides now through outsourcing the Ring machining. In effect, a substantial margin, as well as control over the entire value chain is lost. Entering into CNC Machining is therefore a Strategic and Financial opportunity.

To offer the full menu of products to Auto Manufacturers and to leverage on the Ingot facility at MUSCO Steel, MUSCO Rings sees good opportunity in entering into the manufacture of Large Rings. A preliminary market survey has substantiated this idea with reasonable visibility on over 50% of output. With the expected growth of the markets for Wind Energy, Oil & Gas and Aerospace, it is envisaged that this line would be a high growth niche.

## MAHINDRA UGINE STEEL COMPANY LIMITED

There is concern over the continued slow down which poses a threat to all projections or outlook estimates. However, the Company believes that the domestic Auto market and consequently the Bearings markets are on the way out of the trough. Also, the entry into Large Rings will de-risk MUSCO Rings to the extent of shifting the Auto focus to a large extent. All planning, however, needs to be done keeping in mind the fixed costs risks associated with a prolonged slow down.

### Stampings Business

New Models like XYLO by M&M and other expected new launches of Auto industry in financial year 2009-10, provides additional business opportunity to your Company since plants at Rudrapur, Kanhe and Nashik are industry leading capability facilities strategically located nearer to main Indian auto players. Growth in new technology areas such as 'Hot Stampings' are also being evaluated.

Should there be a slowdown in financial year 2009-10 in the automobile industry the business stands to get affected. While your Company cannot avoid the demand cycles of the industry, endeavor is on to spread the business across product categories which are expected to have different sales cycles, e.g. Auto v/s Tractor. This should be able to reduce sharpness of the impact if auto-downturn hits in financial year 2009-10. In addition your company is constantly aiming to enter non-Auto businesses like the white goods sector & general engineering industries.

### Operations

#### Steel Business

The Company did well in the first half of the current year. The Company entered into Technology Agreement with Badische Stahl - Engineering GmbH, (BSE) Germany, to improve operational efficiencies in Steel Melting Shop and to enhance product quality to the level of customer delight.

The Company has completed cold trial of Continuous Mill in March 2009 which was delayed for late delivery of critical spare parts and non availability of desired contractual skilled man power at Khopoli. The Company

has commenced commercial production of Continuous Mill in April, 2009. With this addition, the steel capacity of the Company has been increased to 2,40,000 tonnes per annum from 1,80,000 tonnes per annum. During the financial year under review the Company has installed a Coal gasifier to optimise the fuel cost. The Company is in the process of installing a second Vacuum Degasser to handle the increased liquid metal. In the financial year 2008-09 the Company has installed major balancing equipments to achieve power and fuel efficiencies and to achieve the volume of 2,40,000 tonnes level of production per annum.

The production of finished steel reduced from 1,32,100 tonnes (financial year 2007-08) to 1,16,931 tonnes (financial year 2008-09), registering a drop by 11.5% on year on year basis. Net Sales decreased from 1,27,290 tonnes (financial year 2007-08) to 1,12,066 tonnes (financial year 2008-09). The overall revenue from steel products moved up from Rs.701.37 crores (financial year 2007-08) to Rs. 715.07 crores (financial year 2008-09) as the Company received price increase in the first half due to increase in input cost.

The margin during the year was affected by major hike in raw material prices and fuel costs. Collapse of commodity prices viz. scrap, sponge iron, pig iron led to quick alignment of falling product price in the market while producers were strapped with high cost inventory.

The operating margin (EBITDA) of steel division has been largely impacted by foreign exchange loss on import of raw material, during the financial year under review. In the first half of the financial year 2008-09, the Company was able to pass on the raw material cost increase to its customers. However, in the second half of the financial year under review, an economic down cycle affected margin, mainly on account of low volume, high cost inventory and foreign exchange loss. The steel division registered pre tax loss of Rs. 28.75 crores after adjusting foreign exchange loss of Rs. 28.41 crores in the financial year under review. The Profit before Tax (PBT) of steel division of Rs. 3.30 crores in the first half of financial year 2008-09 has been wiped out in the second half as the Company was able to achieved only 47% of the steel volume in second half over the first half of the financial year under review.

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The Company has invested Rs. 14 crores in the equity of Wardha Power Company Ltd., a Special purpose vehicle of KSK Energy Ventures Ltd. to get power at an agreed rate. The Company will benefit in power cost once power supply starts.

### Bearing Races(MUSCO Rings/Races)

The MUSCO Rings unit has been commissioned in March, 2009. The agitation against immigrant labour delayed the process considerably. This was further aggravated by the Global market downslide that began in the third quarter of the Financial Year 2008-09 which cut down the demand.

However, the Company has commissioned the lines in phases so as to avoid the burden of fixed costs. Major customers of the Tata Steel Limited (TISCO) unit have been successfully migrated to MUSCO and order flow has commenced. The company has already begun developing tools for new products and new customers. The company is confident that with the right products and customer profile, it is well poised to ride the market recovery as it happens.

In order to service the customers, at least minimally, the rolling/ forging activity was outsourced. Sales of MUSCO Rings were Rs. 3.58 crores (357 tonnes) for the year with a pre tax loss of Rs. 6.99 crores.

The downturn and slack demand during the period has also been used productively to refurbish the critical lines and to execute a planned training and maintenance schedule. During this year, focus will be largely on monitoring and cutting down tool change time so as to improve productivity. Also, rejection tracking at various stages has already begun in order to improve yield numbers.

MUSCO Rings is now in the process of adding on new customers. A significant part of this drive will be through leveraging the advantage of being a part of the Mahindra Group companies for business

### Stampings Business

Sale of Stampings & assemblies has decreased from 36,053 metric tonnes (financial year 2007-08) to 34,654 metric tonnes (financial year 2008-09) and revenue has increased from Rs. 136.75 crores (financial year 2007-

08) to Rs. 293.82 crores (financial year 2008-09) due to change in business model from process sale to product sale.

The initiatives of financial year 2007-08 have taken your Company nearer to best in class quality systems at all plants and this journey continues so that the customers continue to hold your company's products in highest esteem. During financial year 2008-09 your Company significantly increased in-house die design and die manufacturing business. This has not only resulted in an additional business for your Company but has also contributed towards improving quality of your company's products. Automation line for four presses at the Kanhe works has been commissioned and with this your Company has been able to significantly rise above majority of the competition in terms of quality and response time.

In financial year 2009-10 your Company is poised to take advantage of the above improvements to protect volumes even if the auto-industry takes some time to recover.

### Outlook

#### Steel Business

The Indian economy, withstanding the global recession has recorded 6.7% growth rate in the financial year 2008-09 and is expected to grow around 6% in the financial year 2009-10, lower than 9% growth rate recorded in the financial year 2007-08. The current economic turmoil has severely affected the growth of major industries such as automobile, infrastructure, construction etc., which leading to an adverse impact on the Indian steel industry including alloy steel sector in which your Company operates.

With the government planning to invest in the infrastructure, construction, automobile, power etc., in coming period, outlook of your Company, is not limited to Auto and Bearing Sector and the Company is exploring the opportunities available in oil & gas, power, exports etc. over and above the existing customer base to sustain the level of operation.

With the Brand image, expanded capacity, forward integrated Ring manufacturing unit and initiatives taken on sustainability, we are very optimistic in improving the market share and performance of MUSCO.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### Bearing Races (MUSCO Rings/Races)

MUSCO Rings follows the philosophy of Partnering with the customer, rather than merely being a Vendor. In keeping with this concept, the endeavour is to invest in assets, technology and people to enable us to provide superior products and service to the customer and to co-develop products with them. For the Auto and Bearing OEMs, this slow down has strongly underscored the necessity of having such a Partner as part of the supply chain to lend it solidity and comfort.

We expect that the markets locally will begin a slow recovery process by the second half of the financial year under review. With a large range of sizes, a technologically sound operating model and with lean financial management, MUSCO Rings will be well poised to ride the recovery wave. With few, strong customer relationships, MUSCO Rings expects to grow domestically and internationally in its chosen areas of business with these select partners.

### Stampings Business

Your company has already got several additional orders at the Kanhe unit for upcoming models of M&M for F.Y. 2009-10. The Rudrapur unit has received order from M&M as well as Tata Motors Ltd. (TML) and the Nashik unit is also expected to get new businesses in F.Y. 2009-10. The Company continues to be prepared should the market conditions remain adverse in F.Y. 2009-10, through customer centricity and operation focus.

### Health, Safety & Environment

MUSCO is having a Health, Safety & Environment policy administered by Safety Department. There is a Safety Committee having equal participation from Management and Workers. MUSCO undertakes regular training on Safety Awareness, Fire Fighting & First Aid. On Safety day/week celebration, safety competitions are held for motivation of employees. Regular Plant inspection is carried to control unsafe act and practices. The system has been devised for perpetual audit at high risk areas and audit by outside parties. Introduction of weekly 5S programme helps in good house keeping. The Company is in compliance with regulations pertaining to safety. The main objective is to achieve zero accident, zero incident and safe work environment.

### Financial Performance

Continuing with details provided above, summary of financial performance of the Company is presented below:

#### Summary of Financial Performance

Particulars	Amount in (Rs.) crore					
	Steel (including bearing Races)		Stamping		Total	
	April-Mar 09	April-Mar 08	April-Mar 09	April-Mar 08	April-Mar 09	April-Mar 08
Sales	726.58	746.66	346.84	175.52	1073.42	922.18
Other Income	1.41	1.54	0.35	1.22	1.76	2.76
Total Income	727.99	748.20	347.19	176.74	1075.18	924.94
EBIDTA	7.98	65.53	24.34	34.17	32.32	99.70
PBT	(35.74)	28.06	7.23	16.13	(28.51)	44.19
PAT					(18.83)	29.49

### Material Development in Human Resources/ Industrial Relations

As at 31<sup>st</sup> March, 2009 the Company had 769 employees in Steel including Bearing Races and 728 in Stamping business excluding the apprentice, trainees and contract workers. The Company from time to time adopts various initiatives to train its employees in order to enhance and upgrade skills and knowledge of its employee thereby improving their efficiency and effectiveness in operations. Such initiatives also helps to build and boost the confidence level and morale of the workforce. One of such initiatives namely "Bindaas Bol" (Talk Candidly) which was introduced last year to enable employees to provide their feedback and suggestion to improve effectiveness of operations and instilling sense of engagement of everyone towards the operations of the Company, has received good response from the employees of the organization. Such initiatives also help in maintaining the cordial relations with the entire workforce of the Company.

The Company initiated two "Employee Engagement Survey" during the year as a part of "Retention Policy". The survey was conducted by "Gallup", renowned and internationally acclaimed consultant. The Company also carried out an exercise to give 360 degree feedback to select employees to

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understand the perception of others and enrich outlook, behavior and approach to improve performance. In addition to the above MUSCO regularly conducts in house and external training on safety.

**Internal control systems and their adequacy**

The Company has strong internal audit and internal control systems and processes in place for the smooth conduct of its businesses at all the locations. Our internal control systems are regularly checked by both internal experts and an independent, reputed and experienced external Internal Auditors, who have access to all relevant records and information of the Company. The findings of the Internal Auditors are reviewed regularly by the management and necessary actions are initiated from time to time to maintain the highest standards of the internal controls. The Internal Auditors are always invited to attend the Audit Committee meetings. The Internal Audit Reports, highlighting the periodic review, suggestions of Internal Auditors and comments and actions taken by the operating management thereof, are periodically placed before the Audit Committee. The Internal Audit and

Control exercise is a continuous process at all the locations and levels of operations of the Company with a basic objective of ensuring and providing reasonable assurance regarding the effectiveness and the efficiency of operations. Independence of the Audit and compliance function is ensured by the direct reporting of the Internal Audits to the Audit Committee of the Board.

**Cautionary Statement**

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

## MAHINDRA UGINE STEEL COMPANY LIMITED

### CORPORATE GOVERNANCE REPORT

#### Company's philosophy on code of Corporate Governance

The crux of Corporate Governance is to adhere to the principles of honesty, transparency and integrity while conducting the affairs of the Company and thereby maximizing the wealth of all its stakeholders. Your Company firmly believes the importance of adopting and maintaining best Corporate Governance practices of highest standards. Your Company, since long, has imbibed these principles of transparency, fairness, integrity, honesty and accountability, on which the very edifice of Corporate Governance rests. Your Company has been following these principles in its day to day business and these are part of its fundamental strengths. The underlying philosophy of your Company on Corporate Governance has thus always been to achieve business excellence and dedication to increasing long-term shareholder value, keeping in view the best interests of the Company and remain accountable to shareholders and other beneficiaries for their action.

As required under the Listing Agreement, a report on compliance with the Code of Corporate Governance is given below.

#### I. BOARD OF DIRECTORS - Constitution and Composition

The Board of Directors of your Company comprises of professionals, who have expertise in their respective functional areas and bring a wide range of skills and experience to the Board. The composition of the Board is in accordance with the requirements of the Clause 49 of the Listing Agreement. The Company has a Non-Executive Chairman and one half of the Board comprises of Non-Executive Independent Directors. The Managing Director along with CEOs and the Key Management Personnel of the Company, manage the day-to-day affairs of the Company. The Managing Director functions under the supervision and control of the Board.

The Chairman and the Vice-Chairman of the Company, though professional Directors in their own individual capacities belong to the promoter group of the holding company Mahindra & Mahindra Limited (M&M). Mr Hemant Luthra, Non-Executive

Director of the Company, is in the whole time employment of M&M, and draws remuneration from it. Mr. R. R. Krishnan, a Non-Executive Director of the Company is a consultant with M&M and draws consultancy/advisory fees from it. Mr. Harsh Kumar, Non-Executive Director of the Company is the Managing Director of Mahindra Intertrade limited, a subsidiary of M&M and he draws remuneration from it.

Apart from the above and the reimbursement of expenses incurred in the discharge of their duties and the remuneration that these Directors would be entitled to under the Companies Act, 1956 as Non-Executive Directors and the remuneration that one of the Non-Executive Directors may receive for professional services as an advisor, none of these Directors and Independent Directors, has any other material pecuniary relationship or transaction with the Company, its Promoters, its Directors, its Senior Management, its holding Company, and its associates which, in their judgment, would affect their independence. The Directors of the Company are not inter-se related to each other.

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

#### A. Composition of Board

The total strength of the Board is Twelve Directors comprising of a Managing Director, a Non-Executive Chairman, four Non-Independent Non-Executive Directors and Six Independent Non-Executive Directors. All Directors including Independent Directors are professionals in their respective fields with expertise and experience in general corporate management, finance, banking and other allied fields.

The names and categories of Directors, the number of Directorships and Committee positions held by them in the Companies are given below. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the companies in which he is a Director.

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The Constitution of the Board as on 31<sup>st</sup> March, 2009 is as under:

Directors	Category	Total number of Committee Memberships+ of Public Companies as on 31 <sup>st</sup> March, 2009.	Total number of Chairmanships of Committees+ of Public Companies as on 31 <sup>st</sup> March, 2009.	Directorships* of Public Companies as on 31 <sup>st</sup> March, 2009.
<b>Non- Executive</b>				
Mr. Keshub Mahindra - Chairman	Non Independent	1	1	6
Mr. Anand G. Mahindra -Vice Chairman	Non Independent	1	Nil	12
Mr. Hemant Luthra	Non independent	1	Nil	6
Mr. R.R.Krishnan	Non Independent	1	Nil	2
Mr. Harsh Kumar	Non Independent	Nil	Nil	3
Dr. H.N.Sethna	Independent	8	3	6
Mr. M.R.Ramachandran	Independent	2	2	1
Mr. K.B.Saha (nominee of LIC)	Independent	1	Nil	1
Mr. S.Ravi	Independent	8	3	10
Mr. Arun Maira	Independent	1	Nil	6
Mr. Manoj Kumar Maheshwari	Independent	5	Nil	7
<b>Executive</b>				
Mr. K.V.Ramarathnam -Managing Director	Non Independent	1	Nil	2

\* Excludes Directorships in Private Companies, Foreign Companies, Companies registered under Section 25 of the Companies Act 1956 and Government Bodies but includes Directorships in Mahindra UGINE Steel Company Limited.

+ Committees considered are Audit Committee and Shareholders/Investors' Grievance Committee, including in Mahindra UGINE Steel Company Limited.

## B. Board Procedure

A detailed Agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every Meeting on the overall performance of the Company, followed by presentations by the other Senior Executives of the Company. A detailed functional report is also placed at Board Meetings. The Board also inter alia reviews

strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances if any, review of major legal issues, adoption of quarterly/half-yearly/annual results, significant labour issues, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, corporate

## MAHINDRA UGINE STEEL COMPANY LIMITED

restructuring, Minutes of Meetings of the Audit and other Committees of the Board, information on recruitment of Officers just below the Board level, including the Compliance Officer.

### C. Number of Board Meetings, attendance record of the Directors at Meetings of the Board and at the last Annual General Meeting.

Five Meetings of Board of Directors were held during the year 1<sup>st</sup> April, 2008 to 31<sup>st</sup> March, 2009 on the following dates:

- 29<sup>th</sup> April, 2008                      - 23<sup>rd</sup> January, 2009
- 24<sup>th</sup> July, 2008                        - 24<sup>th</sup> March, 2009
- 23<sup>rd</sup> October, 2008

The gap between two Meetings did not exceed four months. These meeting were well attended by Directors.

The Forty - fifth Annual General Meeting (AGM) was held on 24<sup>th</sup> July, 2008.

The attendance of the Directors at these Meetings is as under:

Director	Number of Board Meetings Attended	Attendance at the last AGM
Mr. Keshub Mahindra	5	Yes
Mr. Anand G.Mahindra	3	Yes
Mr.K.V.Ramarathnam	5	Yes
Mr. Deepak Dheer*	2	Yes
Dr.H.N.Sethna	4	Yes
Mr.M.R.Ramachandran	4	Yes
Mr. Hemant Luthra	5	Yes
Mr.R.R.Krishnan	5	Yes
Mr. Rajeev Dubey*	3	No
Mr.K.B.Saha (Nominee of LIC)	2	No
Mr.S.Ravi	1	No
Mr. Arun Maira**	1	NA
Mr. Manoj Kumar Maheshwari**	2	NA
Mr. Harsh Kumar***	1	NA

\* resigned as Director with effect from 23<sup>rd</sup> October 2008.

\*\* appointed as Additional Directors with effect from 23<sup>rd</sup> October 2008.

\*\*\* appointed as Additional Director with effect from 23<sup>rd</sup> January 2009.

### D. Directors seeking appointment / re-appointment

Mr. Anand Mahindra, Dr.H.N.Sethna and Mr.K.B.Saha, retire by rotation and, being eligible, have offered themselves for re-appointment.

During the year Mr. Arun Maira, Mr. Manoj Kumar Maheshwari and Mr. Harsh Kumar were appointed as Additional Directors of the Company. Their appointment, as Directors liable to retire by rotation, is proposed at the forthcoming annual general meeting. They hold office up to the date of the forthcoming Annual General Meeting. Notices have been received from Members proposing their candidature for the office of Director at the ensuing Annual General Meeting.

A brief resume of these Directors is presented below :

#### Mr. Arun Maira

Mr. Arun Maira, was appointed as an Additional Director of the Company with effect from 23<sup>rd</sup> October, 2008.

Mr. Arun Maira was born in Lahore on 15<sup>th</sup> August 1943. He received his M.Sc. and B.Sc. in Physics from St. Stephen's College, Delhi University.

Mr. Arun Maira has a combination of hands-on leadership experience, consulting experience to leadership teams internationally, and thought-leadership as an author and speaker on the subjects of leadership and organisation transformation.

He is a frequent speaker at international forums on the future of India. He writes regularly in the Economic Times in India and other management and business journals. He is the author of several books, which include "Shaping The Future: Aspirational Leadership in India and Beyond" by John Wiley's & Sons in 2001, "Remaking India: One Country, One Destiny" by Response Books in 2004, "Discordant Democrats: Five Steps to Consensus" by Penguin Books in 2007, and "Transforming Capitalism: Business Leadership to Improve the World for Everyone" by Nimby Books in 2008.

Mr. Arun Maira was a member of the Tata Administrative Services and worked in several senior positions in the TATA Group in India and abroad for 25 years until 1989. He worked with Arthur D.Little Inc, the international management consultancy, in the USA from 1989 to 1999, and consulted with companies across the world on issues of growth strategies and transformational change. He returned to India in 2000 and was Chairman of The Boston Consulting Group in India until April 2008.

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Mr. Arun Maira has advised clients across a wide variety of industries and in many countries on issues of strategy and organisation. He has worked with clients in North America, Europe, South America and Asia in industries ranging from automobiles, steel and oil, to pharmaceuticals and financial services. He has also advised Governments and international agencies on leadership processes to accelerate development.

Mr. Arun Maira is on the advisory boards of international think tanks in the UK, Sweden and USA, and a Senior Advisor to the UN Global Compact. He is Chairman of Save the Children BR and Chairman of the Axis Bank Foundation, and on the boards of other philanthropic organizations. He serves on the Boards of several Indian and international management education institutions. He has been a Member of The Confederation of Indian Industry's (CII) National Council for many years, as well as Chairman of several of CII's National Councils, including the National Council for Corporate Governance. He continues as a Senior Advisor to The Boston Consulting Group.

Mr. Arun Maira is also on the Board of Tata Chemicals Ltd., Patni Computers Systems Ltd., Hero Honda Motors Ltd., Aditya Birla Nuvo Ltd. and Godrej Industries Ltd.

Mr. Arun Maira is a member of Investor Grievance Committee to the Board of Patni Computers Systems Limited.

Mr. Arun Maira does not hold any shares in the Company.

### Mr. Manoj Kumar Maheshwari

Mr. Manoj Kumar Maheshwari was appointed as an Additional Director of the Company with effect from 23<sup>rd</sup> October, 2008. Mr. Manoj Kumar Maheshwari is 51 years of age and is a second-generation entrepreneur with interests in the Information Technology, Marketing and Chemical industries. He is a graduate from the Bombay University with a major in Chemistry and has done his post graduation in Industrial Management. Mr. Maheshwari's work experience encompasses the project management, production, marketing, financial and general management areas of medium sized companies.

He is also a Director of Hind Syntex Ltd., MIRC Electronics Ltd., Hamilton & Co. Ltd., RPG Life Sciences Ltd., Ador Welding Ltd., Brabourne Enterprises Ltd., Aurovision Pvt. Ltd., Madan Investments Pvt. Ltd., Maheshwari Investors Pvt. Ltd., Maheshwari Intrafin

(India) Pvt. Ltd., Karjan Investments Pvt. Ltd., Gopal Traders Pvt.Ltd., MW. Com Pvt. Ltd., R.J. Investments Pvt. Ltd., Quadrum Solutions Pvt.Ltd. As a director he brings a judicious mix of entrepreneurial and professional skills to the various Boards that he serves on.

Mr. Manoj Kumar Maheshwari is a member of the following committees:

Sr. No.	Name of the Company	Type of the Company	Chairman/Member
1.	MIRC Electronic Ltd.	Remuneration & Audit	Member
2.	Hind Syntex Ltd.	Shareholders/Investors Grievances	Member
3.	Hamilton & Co.Ltd.	Audit	Member
4.	Ador welding Ltd.	Remuneration & Audit	Member
5.	Mahindra Ugine Steel Co.Ltd.	Audit	Member

Mr. Manoj Kumar Maheshwari does not hold any shares in the Company.

### Mr. Harsh Kumar

Mr. Harsh Kumar was appointed as an Additional Director of the Company with effect from 23<sup>rd</sup> January, 2009. Mr. Harsh Kumar is the Managing Director of two Mahindra group companies: Mahindra Intertrade Ltd (MIL) and Mahindra Steel Service Centre Ltd (MSSCL). MIL's primary focus is in the area of processing and trading steel, with operations in India as well as abroad, and operates in businesses as diversified as metals and ferro alloys to non destructive testing and medical diagnostics. MSSCL's focus is in the steel processing space.

Mr. Harsh Kumar's career spans almost three decades in various functions spanning manufacturing, marketing and strategic / project planning in two of India's best known corporate groups: Tata and Mahindra.

Mr. Harsh Kumar is a B.Tech (Mechanical) graduate from I.I.T., Delhi, and did his post graduation in Business Management from XLRI, Jamshedpur.

Mr. Harsh Kumar's career began with The Indian Tube Co. Ltd. as a Management Trainee, moving on to Tata Steel Limited, where he worked in various disciplines such as marketing, manufacturing and supply chain management. Prior to joining the Mahindra group in 2005, he was the Executive Vice President of Tata Metaliks Ltd. responsible for the Marketing & Sales function, exports, SCM, Business Development and Mergers & Acquisitions.

## MAHINDRA UGINE STEEL COMPANY LIMITED

Mr. Harsh Kumar is not a member of any committee to the Board.

Mr. Harsh Kumar does not hold any shares in the Company.

### Mr. Anand Mahindra

Mr. Anand Mahindra is the Vice Chairman of the Company. He is Vice Chairman and Managing Director of Mahindra & Mahindra Ltd. - one of India's largest and most respected business houses. He graduated from Harvard College, Cambridge, Massachusetts, Magna cum Laude. In 1981 he secured an MBA degree from the Harvard Business School, Boston, Massachusetts. He returned to India that year and joined the Company, as an Executive Assistant to the Finance Director. In 1989 he was appointed President and Deputy Managing Director of the company.

During his stint at MUSCO, he initiated the Mahindra Group's diversification into the new business areas of real estate development and hospitality management.

In April 1997, he was appointed as the Managing Director of Mahindra & Mahindra Ltd and in January 2003 given the additional responsibility of Vice Chairman.

Mr. Mahindra frequently shares his views and ideas on Indian economy and business through his writings in some of India's leading business magazines.

The awards that Mr. Mahindra has received include:

- 'Knight of the Order of Merit' by the President of the French Republic.
- Rajiv Gandhi Award 2004 for outstanding contribution in the business field.
- 2005 Leadership Award from the American India Foundation for his, and the Mahindra Group's commitment to corporate social responsibility.
- Person of the Year 2005 from Auto Monitor.
- CNBC Asia Business Leader Award for the year 2006.
- The Most Inspiring Corporate Leader of the Year 2007 from NDTV Profit.
- Business Man of the Year 2007 from Business India.
- Harvard Business School Alumni Achievement Award 2008.
- Qimpro Platinum Standard 2008 Statesman for Quality (Business) Award by Qimpro Foundation.

### OTHER ACTIVITIES

Mr. Mahindra is the co-founder of the Harvard Business

School Association of India, an association dedicated to the promotion of professional management in India. The association has grown substantially over the years.

He is Past President 2003-04 of the Confederation of Indian Industry and has also been President of the Automotive Research Association of India (ARAI).

Mr. Mahindra is a Director of the National Stock Exchange of India Limited appointed under the "Public Representatives" category.

He takes a keen interest in matters related to education and apart from being a Trustee of the K.C. Mahindra Education Trust, which provides scholarships to students, he is also on the Board of Governors of the Mahindra United World College of India. Mr. Mahindra is the Founder Chairman of the Mumbai Festival, which was launched in January 2005. The event was the first comprehensive festival to celebrate the rich cultural diversity of the city. He is the Co-Chairman of the International Council of the Asia Society, New York, and President of India Design Council constituted by the Ministry of Commerce and Industry.

Mr. Mahindra also serves on the following Boards and committees:

1. Harvard Business School - Asia-Pacific Advisory Board
2. Harvard Business School - Member of the Board of Dean's Advisors
3. Harvard University Asia Centre - Advisory Committee
4. Asia Business Council - Member
5. National Sports Development Fund (NSDF), Government of India - Council and Executive Committee
6. The Nehru Centre, Mumbai - Executive Committee
7. National Council of Applied Economic Research
8. India Council for Sustainable Development - Member

Mr. Mahindra also holds the Directorship of the following Companies:

Mahindra & Mahindra Limited, Mahindra Navistar Automotives Ltd., Mahindra Sona Ltd., Tech Mahindra Ltd., Mahindra Lifespace Developers Ltd., National Stock Exchange of India Ltd., Kotak Mahindra Bank Ltd., Tech Mahindra (Americas) Inc., Mahindra Forgings Ltd., Bristlecone Ltd. - Cayman Islands., Tech Mahindra Foundation, Avion Aerosols Pvt. Ltd., MW. Com India

## ANNUAL REPORT 2008-2009

Pvt. Ltd., M.A.R.K. Hotels Pvt. Ltd., Angular Constructions Pvt. Ltd., Prana Holdings Inc., Mahindra Holdings Ltd., Mahindra First Choice Wheels Ltd., Mahindra Two Wheelers Ltd.

Mr. Mahindra is a member of the following committees:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra & Mahindra Ltd.	Share Transfer & Shareholders/Investors Grievance Committee	Member
		Research & Development Committee	Member
		Loans & Investment Committee	Member
2.	Kotak Mahindra Bank Ltd.	Compensation Committee	Member
3.	Mahindra Navistar Automotives Ltd.	Remuneration Committee	Chairman
4.	Mahindra Forgings Ltd.	Remuneration Committee	Member

Mr. Anand Mahindra does not hold any shares in the Company.

#### Dr. H.N.Sethna

Dr. H. N. Sethna is B.Sc. (Tech), M.S.E (Michigan); F.A.Sc., F.N.A., F.I.E., M.I.E. and has been conferred Honorary Doctorate by various Esteemed Universities from all over India.

Dr. H.N. Sethna began his career in the year 1947 as a trainee with I.C.I., Manchester under the Tata - ICI Scheme. In 1949 he joined Indian Rare Earths Ltd., where he was given the full technical responsibility for setting the Rare Earths Plant at Alwaye in Kerala which marked the beginning of exploitation of nuclear material in India.

In 1959 he joined the Atomic Energy Establishment at Trombay (now Bhabha Atomic Research Centre) as Chief Scientific Officer and later became the Director of the Engineering Group with the responsibility for designing and construction of the Plutonium Plant at Trombay in 1964 and Uranium Mill at Jaduguda in Bihar in 1967.

Dr. Sethna was the Director of the Bhabha Atomic Research Centre for the period 1966 to 1972. He was appointed as Secretary/ Principal Secretary to the Government of India and Chairman of the Atomic Energy Commission for the period 1972 to 1983. In the

year 1974 he led a team responsible for India's first peaceful Nuclear Experiment.

During the period 1998-2001 Dr. Sethna was appointed as the member of the research Advisory Committee of the Planning Commission, Member of the Court of the Indian Institute of Science, Bangalore, Member of Court of University of Hyderabad and Member of Board of Trade, Directorate General of Foreign Trade, Government of India.

Dr. Sethna has been bestowed with various Honors and Awards at various junctures of his career. Dr. Sethna, during the span of his career has chaired various eminent organizations and corporate bodies namely Fertilizer Corporation of India, Board of Governors of IIT Bombay and Delhi, Tata Memorial Centre, Indian Rare Earths Ltd., etc.

Dr. Sethna is a member of various prestigious and learned societies viz. Royal Swedish Academy of Engineering Sciences, New York Academy of Science (USA), The Institution of Engineers (India), Indian National Science Academy, Indian Institute of Chemical Engineers, Aeronautical Society of India, etc.

Dr. Sethna is also a Trustee of various charitable trusts viz. Sir Ratan Tata Trust, Sir Ness Wadia Research Society, Ness Wadia Foundation, Institute of Child Health Research Society, etc.

Dr. Sethna is the Chairman of Cabot India Ltd., and WIMCO Ltd. He also holds Directorships of The Bombay Dyeing & Manufacturing Co. Ltd., B.R.T. Ltd., Josts Engineering Co. Ltd., Protos Engineering Company Pvt. Ltd., Dua Consulting Pvt. Ltd. and Mahindra United World College of India.

Dr.Sethna is member of the following committees:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Ugine Steel Co. Ltd.	Audit Committee	Member
		Remuneration Committee	Chairman
2.	The Bombay Dyeing & Mfg. Co. Ltd.	Audit Committee	Member
		Shareholders Grievance Committee	Member
3.	Jost's Engineering Co. Ltd.	Audit Committee	Member
		Shareholders Grievance Committee	Member
4.	Cabot India Ltd.	Audit Committee	Chairman
5.	Wimco Ltd.	Audit Committee	Chairman
		Shareholders Grievance Committee	Chairman

Dr. Sethna holds 2200 shares in the Company.

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### Mr. K.B.Saha

Mr. K.B. Saha is the Executive Director of LIC and a Professor at National Insurance Academy (on deputation). Mr. Saha holds a Master's Degree in English Literature. After a brief stint in IFCI, he joined LIC in 1977. An Alumnus of ASCI & ISB, Mr.Saha has a penchant for turning around people and organizations. As Senior Divisional Manager of a till then stagnant and non-performing Division like Jalpaiguri (comprising a part of West Bengal and the entire state of Sikkim), he brought this division to number one position in All - India in terms of growth and contribution of New Business. As Regional Manager (Pension & Group Schemes), Mr. Saha was in charge of Eastern Zone comprising of West Bengal, Bihar, Jharkhand, Orissa, Assam and the entire North East. Within a period of 3 years, he brought this zone to number one position in terms of profitability. His areas of specialization are Life Insurance, Pensions, Social Security, Marketing, HR, Training & Development of Trainers and Ethics and Corporate Governance. He has organized International Seminars on Life Insurance and Trained Trainers with International Participants.

Mr. Saha does not hold directorship in any other company. Mr.Saha is member of the following committees:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Ugine Steel Co. Ltd.	Audit Committee Remuneration Committee	Member Member

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

### E. Codes of Conduct

The Board has laid down two separate Codes of Conduct- one for Board Members and the other for Senior Management and Employees of the Company. These Codes have been posted on the Company's website [www.muscoindia.com](http://www.muscoindia.com). All Board Members and Senior Management Personnel have affirmed compliance with these Codes of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

### F. CEO/CFO Certification.

As required under clause 49 V of the Listing Agreement with Stock Exchanges, the Managing Director and Chief Financial Officer have certified to the Board regarding the financial statements for the year ended 31<sup>st</sup> March, 2009.

## II. REMUNERATION TO DIRECTORS

### A. Remuneration Policy

While deciding on the remuneration of Directors, the

Board, Remuneration Committee (Committee) considers the performance of the Company, the current trends in the industry, the qualification of the appointee(s), their experience, past performance and other relevant factors. The Board/ Remuneration Committee regularly keeps track of the market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys. This information is used to review the Company's remuneration policies.

### B. Remuneration to Non-Executive Directors for the year ended 31st March, 2009.

Non-Executive Directors are paid a sitting fee of Rs.7,500/- each for every Meeting of the Board and Audit Committee attended and a sitting fee of Rs.3,750/- each is paid per Meeting in case of Investors' Grievance and Remuneration Committee Meetings. The fees paid to Non-Executive Directors for the year ended 31<sup>st</sup> March, 2009 along with their shareholdings are as under:

Director	Sitting Fees for Board and Committee Meetings paid during the year (Rs.)	No. of Equity shares held as on 31 <sup>st</sup> March, 2009
Mr. Keshub Mahindra	37,500	1,231
Mr. Anand G. Mahindra	22,500	-
Dr. Homi N. Sethna	63,750	2,200
Mr. M. R. Ramachandran	86,250	-
Mr. Hemant Luthra	60,000	5,906
Mr. R. R. Krishnan	75,000	-
Mr. Rajeev Dubey*	22,500	-
Mr. K. B. Saha**	33,750	-
Mr. S. Ravi	18,750	-
Mr.Arun Maira***	7,500	-
Mr. Manojkumar Maheshwari***	15,000	-
Mr. Harsh Kumar****	7,500	-

\* resigned with effect from 23<sup>rd</sup> January, 2009.

\*\* Sitting fees paid to LIC.

\*\*\* appointed as an Additional Directors with effect from 23<sup>rd</sup> October, 2008.

\*\*\*\* appointed as an Additional Director with effect from 23<sup>rd</sup> January, 2009.

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2,15,000 Stock Options, in aggregate, have been granted to Non-Executive Directors under the Company's Stock Option Scheme on 18<sup>th</sup> August, 2006. The Stock options were granted at 15% discount to the average of high and low share prices of the Company on the Bombay Stock Exchange, during 15 days preceding the date of grant of options. Details of these are given in the Statement attached to Annexure I to the Directors' Report. Apart from the above sitting fees, Non-Executive Directors received no remuneration during the year under review.

### C. Remuneration paid/payable to the Managing Director and Executive Director for the year ended 31<sup>st</sup> March, 2009.

Remuneration payable to the Managing Director and the Executive Director is fixed by the Remuneration Committee and thereafter approved by the Board of Directors subject to the approval of shareholders at a General Meeting and other requisite approvals, if required.

Following Remuneration paid to the Managing Director and Executive Director during the year ended 31<sup>st</sup> March, 2009.

Director	Salary (Rs.)	Company's contribution to funds (Rs.)	Perquisites and allowances (Rs.)	Total (Rs.)	Contract Period
Mr. K.V. Ramarathnam Managing Director	28,75,000	7,76,250	17,91,239	54,42,489	5th May, 03 to 4th May 08 renewed further 3 years upto 5th May, 2011.
**Mr. Deepak Dheer Executive Director	4,77,772	1,28,996	11,06,769	17,13,537	Resigned w.e.f 25th August, 2008 as the Executive Director.

Note:

- The Company in August 2006, has granted 1,00,000 stock options to Mr. K.V. Ramarathnam and 75,000 stock options to Mr. Deepak Dheer. The stock options granted would vest in four equal installments on the expiry of 12, 24, 36 & 48 months from the date of grant which is 18<sup>th</sup> August, 2006 and can be exercised at a price of Rs. 99/- per share on the date of vesting or over a period of five years from date of vesting of the options. Details of the stock options granted including discount are given in the statement attached to Annexure I to the Directors Report. Mr. K. V. Ramarathnam has not exercised any of the vested options during the year.
- \* The above Remuneration was paid to Mr. Deepak Dheer, Executive Director, for the part of the year.

Mr. Deepak Dheer has not exercised any of the vested options during the year.

- Notice period applicable to Managing Director and the Executive Director is three months.
- The overall remuneration payable to the Managing Director and the Executive Director is approved by the Remuneration Committee and the Board of Directors.
- Performance pay is the only component of remuneration that is performance linked. All other components are fixed. The Remuneration Committee on the basis of detailed appraisal of the performance of the Company and the Managing Director recommends and approves the performance payment for any particular financial year.
- Mr. K. V. Ramarathnam, Managing Director and Mr. Deepak Dheer, Executive Director, do not hold any shares in the Company.

### III. RISK MANAGEMENT

Your Company has a well-defined risk management framework in place. The said framework comprise of risk identification, management and mitigation objectives, the reporting process, the roles of the risk control owners, risk committee, risk manager, audit committee and the Board. The policy also describes in detail the process of risk identification, assessment of risk, risk scales, risk handling & monitoring process, response strategy, etc. The management periodically places before the Board these established procedures of the Risk assessment and management, which are followed by the Company, and appraises the Board on the steps taken by the management to mitigate the risks, if any to the Company. The opportunities, threats and risks are discussed in the Management Discussion and Analysis chapter of this Annual Report.

### IV. COMMITTEES OF THE BOARD OF DIRECTORS

#### A. Audit Committee

The Audit Committee has been constituted by the Board of Directors and presently it comprises Dr. H.N. Sethna, Mr. M. R. Ramachandran, Mr. R.R. Krishnan, Mr. K.B. Saha, Mr. S Ravi and Mr. Manoj Kumar Maheshwari. Except Mr. R. R. Krishnan, who is a Non-Independent Director, the rest of the members of the Committee are Independent-Non-Executive Directors. All the Members of the Committee have vast experience and knowledge of corporate affairs & financial management and Mr. M.R. Ramachandran, Chairman of the Committee, possesses strong accounting and financial management expertise. The Company Secretary acts as Secretary to the committee.

## MAHINDRA UGINE STEEL COMPANY LIMITED

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

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

The Chairman of the Committee, Mr. M.R. Ramachandran, was present at the Annual General Meeting of the Company held on 24<sup>th</sup> July, 2008.

Five (5) Meetings of Committee were held during the year 2008-09. The gap between two Meetings did not exceed four months. The attendance at the Meetings was as under:

Sr. No.	Members	Meetings Attended	Remarks
1	Mr. M. R. Ramachandran (Chairman)	5	--
2	Dr. H. N. Sethna	4	--
3	Mr. R. R. Krishnan	5	--
4	Mr. S. Ravi	1	--
5	Mr. K. B. Saha	2	--
6	Mr. Manoj Kumar Maheshwari	-	Appointed as member of the Audit Committee w.e.f. 24 <sup>th</sup> March, 2009.

### B. Investors' Grievance Committee

The Investors' Grievance Committee has been constituted by the Board of Directors and the Committee functions under the Chairmanship of Mr. M. R.

Ramachandran, a Non-Executive Director. Mr. S. Ravi, Mr. Hemant Luthra and Mr. K.V. Ramarathnam, Directors are also members of the Committee.

The Company Secretary is the Compliance Officer of the Company.

The Committee meets as and when required, to deal with matters relating to transfers/transmissions of shares, issue of duplicate share certificates etc. and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance-sheet, non-receipt of dividends declared etc.

The Committee held 5 Meetings during the year 2008-09. The attendance at these Meetings was as under:

Sr. No.	Members	Meetings Attended
1.	Mr. M. R. Ramachandran	4
2.	Mr. S. Ravi	1
3.	Mr. K. V. Ramarathnam	5
4.	Mr. Hemant Luthra	5

The Company also has constituted a Committee to expedite the process of Share Transfer/Transmission. Normally the Committee Meetings are held once in 15 days to approve share transfers and other related matters. The Committee Meetings are chaired by the Managing Director of the Company.

During the year, 63 Letters / complaints were received from the shareholders, all of which were attended to / resolved to date.

As on date, there were no pending share transfers pertaining to the year under review.

### C. Remuneration Committee.

The role of the Remuneration Committee is to review market practices and to decide on remuneration packages applicable to the Managing Director/Executive Director. During the course of its review, the Committee also decides on the Commission and/or other incentives payable, taking into account the individual's performance as well as that of the Company. The Remuneration Committee is also empowered to decide on the matters relating to Employee Stock Option Scheme of the Company.

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The Remuneration Committee comprises Dr. H. N. Sethna, Mr. Hemant Luthra, Mr. M. R. Ramachandran and Mr. K. B. Saha. The Company Secretary acts as Secretary to the Committee.

Dr. H. N. Sethna is the Chairman of the Committee.

The Committee held one Meeting during 2008-09 which was attended by all the members.

### V. SUBSIDIARY COMPANIES

The Company had no subsidiary as on 31<sup>st</sup> March, 2009.

### VI. DISCLOSURES

#### A. Disclosures relating to related party

During the financial year 2008-09, there were no materially significant transactions entered into between the Company and its promoters, Directors or the management, relatives, etc. that may have potential conflict with the interests of the Company at large. Further, details of related party transactions are presented in note no. "24" in Schedule "L" to Annual Accounts of the Annual Report.

#### B. Disclosure of Accounting Treatment in Preparation of Financial Statements

The Company has followed the Guidelines of Accounting Standards as notified under the Companies (Accounting Standards) Rules 2006 in preparation of its financial statements.

#### C. Code for Prevention of Insider-Trading Practices

In compliance with SEBI's regulation on prohibition and prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for prohibition and prevention of Insider Trading for its designated employees. The Code lays down Guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them of the consequences of violations.

### VII. SHAREHOLDER INFORMATION

#### (i) Annual General Meeting

The Forty-sixth Annual General Meeting of the

Company will be held on Tuesday, the 28<sup>th</sup> July, 2009 at 3.00 p.m. at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 to transact such business as stated in the Notice of the Meeting.

#### (ii) Financial Year of the Company

The financial year covers the period 1<sup>st</sup> April to 31<sup>st</sup> March.

Financial Reporting for:

- Quarter ending 30.06.2009 - by end of July, 2009.
- Half-year ending 30.09.2009 - by end of October, 2009.
- Quarter ending 31.12.2009 - by end of January, 2010.
- Year ending 31.03.2010 - by end of April, 2010.

Note: The above dates are indicative.

#### (iii) Date of Book Closure

Tuesday, 14<sup>th</sup> July, 2009 to Tuesday, 28<sup>th</sup> July, 2009 (both days inclusive).

#### (iv) Dividend Payment date

No dividend was recommended by the Board of Directors for the financial year 2008-09.

#### (v) Listing of Equity Shares on Stock Exchanges

1. Bombay Stock Exchange Limited.
  2. National Stock Exchange of India Limited
- The Company has paid the Listing Fees to Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

#### (vi) Stock Codes:

- (a) Bombay Stock Exchange Limited (BSE)- 504823
- (b) National Stock Exchange of India Ltd. (NSE) - MAHINDUGIN
- (c) International Securities Identification Number (ISIN) in NSDL and CDSL for Equity Shares - INE 850A01010

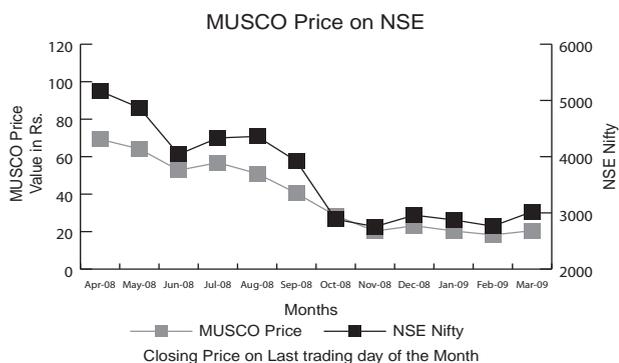
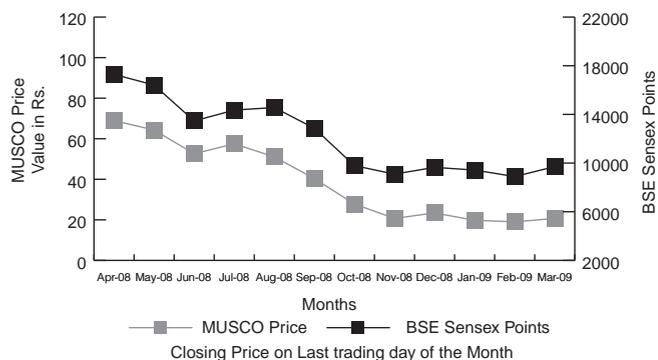
#### (vii) Stock Market price data:

High/low prices during each month in last financial year on Bombay Stock Exchange Limited/ National Stock Exchange of India Limited.

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Month	Bombay Stock Exchange Ltd.		National Stock Exchange Ltd.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2008	76.00	60.05	76.75	58.20
May 2008	72.80	63.85	71.30	64.00
June 2008	64.60	50.90	64.95	52.00
July 2008	58.40	48.10	58.50	48.10
August 2008	61.25	50.00	61.80	50.00
September 2008	52.85	37.05	52.00	39.00
October 2008	41.90	23.05	42.60	21.20
November 2008	29.70	19.90	30.50	20.00
December 2008	26.50	19.85	27.00	20.45
January 2009	26.85	19.00	27.00	19.00
February 2009	21.80	17.90	21.45	17.85
March 2009	23.00	17.15	22.85	17.00

### (viii) Stock Performance in comparison to BSE Sensitive Index.



### ix) Registrar and Transfer Agents-

M/s. Sharepro Services (India) Private Limited.  
Unit: Mahindra UGINE Steel Co. Ltd.  
13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai - 400 072

Tel. No. 022-67720300/67720400

Fax No. 022-28591568

E-mail: sharepro@shareproservices.com

### (x) Share Transfer System

All the Transfers received are processed and approved by the committee constituted for Share Transfer, Transmission etc., purpose, which normally meets at least once in 15 days and the committee reports to the Investors' Grievance Committee.

### (xi) Pattern of shareholding as on 31<sup>st</sup> March, 2009

Sr. No.	Description	Number of Shares	% to capital
1	Promoters and Promoter Group	1,80,37,829	55.53
2	Mutual Funds/UTI	12,84,005	3.96
3	Financial Institutions/Banks	25,944	0.08
4	Insurance Companies	21,83,270	6.72
5	Foreign Institutional Investors	15,62,687	4.81
6	Bodies Corporate	12,15,352	3.74
7	Non Resident Indian/ Foreign National	1,81,758	0.56
8	Indian Public (Individuals)	79,90,695	24.60
9	Trusts	989	0.00
	<b>TOTAL</b>	<b>3,24,82,529</b>	<b>100.00</b>

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**(xii) Distribution of shareholding as on 31<sup>st</sup> March, 2009**

Shares Held	No. of Share holders	% to Share holders	No. of Shares	% to Shares
Up to - 500	22010	90.45	2581248	7.95
501 - 1000	1251	5.14	1015335	3.13
1001 - 2000	562	2.31	855544	2.63
2001 - 3000	169	0.69	432755	1.33
3001 - 4000	87	0.36	309356	0.95
4001 - 5000	75	0.31	356964	1.10
5001 - 10000	100	0.41	733046	2.26
10001-and above	80	0.33	26198281	80.65
TOTAL	24334	100.00	3,24,82,529	100.00

**(xiii) Dematerialization of Shares and Liquidity as on 31<sup>st</sup> March, 2009.**

Physical Form : 3.87%

Dematerialized Form : 96.13%

Trading in equity shares of the Company is permitted in dematerialized form only as per the notification issued by Securities and Exchange Board of India (SEBI).

**(xiv) Outstanding ADRs/GDRs/ Warrants or any Convertible Instruments, conversion date and likely impact on Equity.**

The Company has not issued any ADRs/ GDRs/Warrants or any convertible instruments.

**(xv) Plant Locations :**

1. Steel Division  
Jagdish Nagar,  
Khopoli- 410 216,  
District-Raigad, Maharashtra.
2. Stampings Divisions:-
  - a) 371, Takwe Road,  
At & Post-Kanhe, Tal. Maval,  
Dist. Pune- 412 106.

b) D-2, MIDC, Ambad, Nashik- 422 010.

c) Maharajapur Road, Lalpur, Rudrapur,  
(U.S. Nagar), Uttarakhand.

**(xvi) Address for correspondence**

Registered Office:-

74, Ganesh Apartment,  
Opp. Sitaladevi Temple, L. J. Road,  
Mahim (W), Mumbai-400 016.

Tel.: 022-24444287

Tele fax: 022-24458196

Email: investors\_relation@mahindra.com

For all investor related matters, Mr. Ajay Kadhao, Company Secretary & Compliance Officer or Mr. Pradeep Salian, Deputy Company Secretary can be contacted at the above address. Email:kadhao.ajay@mahindra.com and salian.pradeep@mahindra.com

**VIII.OTHER DISCLOSURES**

1. Annual General Meetings held during the past three years:

Year	Date	Time
2005-06	24.07.2006	3.45 p.m.
2006-07	26.07.2007	3.30 p.m.
2007-08	24.07.2008	3.00 p.m.

All the Meetings were held at Amar Gian Grover Auditorium, Lala Lajpatrai Marg, Mahalaxmi, Mumbai - 400 034.

The following Special Resolutions were passed in the previous three Annual General Meetings:

Financial Year	Date of Meeting	Special Resolutions passed
2005-2006	24.07.2006	<ol style="list-style-type: none"> <li>1. Approval for payment of Commission to Mr. K.V. Ramarathnam- Managing Director for the year 2004-05.</li> <li>2. Approval for revision in remuneration payable to Mr. K. V. Ramarathnam as the Managing Director of the Company with effect from 1st April, 2005 for the remainder of his term of office.</li> <li>3. Approval for payment of Commission to Non- Executive Directors of the Company.</li> </ol>

## MAHINDRA UGINE STEEL COMPANY LIMITED

Financial Year	Date of Meeting	Special Resolutions passed
2006-2007	26-07-2007	<p>4. Approval for issue of Shares to Employees/Directors of the Company under Employee Stock Option Scheme (ESOS).</p> <p>5. Approval for issue of Shares to Employees of Holding/Subsidiary Companies of the Company under Employees Stock Option Scheme (ESOS).</p> <p>1. Appointment of Mr. Deepak Dheer as Executive Director of the Company for the period of 3 Years from 20-10-2006.</p> <p>2. Amendment to Articles of Association of the Company in respect to increase in Authorised Share Capital of the Company.</p> <p>3. To recover from the eligible employees, the fringe benefit tax in respect of options which are granted to or vested or exercised by the eligible employee on or after the 1<sup>st</sup> day of April, 2007.</p>
2007-08	24.07.2008	<p>1. Approval of revision in remuneration payable to Mr.K.V.Ramarathnam with effect from 1<sup>st</sup> April, 2007.</p> <p>2. Approval of re-appointment of Mr.K.V.Ramarathnam as the Managing Director of the Company with effect from 5<sup>th</sup> May, 2008.</p>

### Postal Ballot

The Company has not proposed any special resolution to be conducted through postal ballot. No resolutions were passed by the Postal Ballot in the year under review.

### 2. Details of non-compliance etc.

The Company has complied with all the requirements of regulatory authorities. During the last three years, there were no instances of non-compliance by the Company and no penalty or

strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets.

### 3. Means of Communication

The quarterly, half yearly & yearly results are published in Business Standard and Sakal which are national and local dailies respectively. These are not sent individually to the Shareholders. The Company's financial results and official news releases are displayed on the Company's website <http://www.muscoindia.com> and also on the EDIFAR website of SEBI.

During the year ended 31st March, 2009, no presentations were made to institutional investors or analysts.

### 4. Management Discussion and Analysis Report (MDA) :

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

### 5. Compliance with mandatory & non-mandatory requirements

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. Further, the Company has adopted the following non-mandatory requirements of the Clause:

- The Company has set up the Remuneration Committee.
- During the year under review, there is no audit qualification in the Company's financial statements.

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

Mumbai, 28<sup>th</sup> April, 2009.

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**DECLARATION BY THE MANAGING DIRECTOR PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

To

The Members of Mahindra Ugine Steel Company Limited

I, K.V.Ramarathnam, Managing Director of Mahindra Ugine Steel Company Limited, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Codes of Conduct for the year ended 31<sup>st</sup> March, 2009.

**K.V. Ramarathnam**  
Managing Director

Place : Mumbai  
Date : 28<sup>th</sup> April, 2009.

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**CERTIFICATE**

To the Members of Mahindra Ugine Steel Company Limited

We have examined the compliance of the conditions of Corporate Governance by Mahindra Ugine Steel Company Limited for the year ended 31<sup>st</sup> March, 2009, as stipulated in Clause 49 of the Listing Agreements of the said Company with relevant stock exchanges (hereinafter referred to as clause 49).

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the Company has complied, in all material respects, with the conditions of Corporate Governance as stipulated in clause 49.

We 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

**R K Hiranandani**  
Partner  
Membership No.: 36920

Place : Mumbai  
Date : 28<sup>th</sup> April, 2009.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA UGINE STEEL COMPANY LIMITED

1. We have audited the attached balance sheet of Mahindra UGINE Steel Company Limited, as at 31<sup>st</sup> March, 2009, and also the profit and loss account and the cash flow statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
  - (c) the balance sheet, the profit and loss account 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 profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956;
- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2009;
  - (ii) in the case of the profit and loss account, of the loss for the year ended on that date; and
  - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.
5. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**R. K. Hiranandani**

Partner  
Membership No.:36920

Mumbai: 28<sup>th</sup> April, 2009

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## ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF MAHINDRA UGINE STEEL COMPANY LIMITED

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. In respect of furniture, fixtures and office equipment, location is broadly indicated unit-wise.
- (b) According to the information and explanations given to us, the company has adopted a phased programme of physical verification of fixed assets. Under this programme, all the assets would be verified in a period of three years, the frequency of which, in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. Accordingly, certain class of assets at all the plants was verified by the management during the year. As explained to us, no material discrepancies were noticed in respect of assets verified during the year.
- (c) In our opinion and according to the information and explanations given to us, the fixed assets disposed off during the year are not substantial so as to affect going concern and therefore the question of reporting on clause 4(i)(c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the said Order) does not arise.
- (ii) (a) According to the information and explanations given to us, the inventory has been physically verified by the management at the year end or after the year end. The stock of scrap, having regard to its nature and manner of storage, was verified by the management by visual estimation (relied upon by us). In respect of materials lying with third parties, a significant portion of inventory items has been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, having regard to our comments with regard to stock of scrap referred in (ii) (a) above, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory. As the stock of scrap is verified by visual estimation (relied upon by us), no adjustments have been made for the difference between the stocks so determined and the book records as it has been explained to us by the management that such an adjustment would not be proper having regard to the method of verification and the quantum of discrepancy noticed. To the best of our knowledge, the discrepancies noticed on physical verification between the physical stocks and book records were not material in relation to the operations of the company.
- (iii) (a) The company has not granted or taken any loans to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, and accordingly paragraphs (iii)(b), (c), (d), (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature or are at negotiated prices and therefore alternative quotations are not available, 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, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system in respect of these areas.
- (v) (a) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 and accordingly paragraph (v)(b) of the Order is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA, and the Companies (Acceptance of Deposits) Rules, 1975 framed thereunder with

## MAHINDRA UGINE STEEL COMPANY LIMITED

regard to deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed, without carrying out a detailed examination, the books of account maintained by the company pursuant to the Order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We are informed that the cost statements as at the end of the financial year are in the process of being made up.
- (ix) (a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities, undisputed statutory dues including provident

fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it, though there have been instances of delays in certain cases in respect income tax deducted/collected at source.

- (b) According to the information and explanations given to us, no undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to the company, were in arrears, as at 31<sup>st</sup> March, 2009, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the particulars of disputed dues on account of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess matters that have not been deposited on account of any dispute.

Name of the statute	Nature of the dues	Amount disputed Rs. Crores	Period to which the amount relates	Forum where pending
Income Tax Laws	Income Tax	16.10	F.Y. 2002-2003, F.Y. 2004-2005 F.Y. 2005-2006	Commissioner of Income-tax (Appeals)
Customs Duty Laws	Customs Duty	8.21@	February 1994	Customs, Excise & Service Tax Appellate Tribunal
Excise Duty Laws	Excise Duty	3.69#	April 1996 to October 1999, 2002- 2004 and February 2005	Customs, Excise & Service Tax Appellate Tribunal
	Excise Duty	0.93	July 2001 to June 2003	Deputy Commissioner
	Excise Duty	0.34	January 2004 to September 2004	Assistant Commissioner
	Excise Duty	1.49	October 2004 to October 2006	Joint Commissioner
	Excise Duty	0.53	November 2006 to July 2007	Commissioner
	Excise Duty	0.97	April 2003 to March 2007	Joint Director – Directorate General of Central Excise Intelligence
	Excise Duty	0.67	July 2003 to December 2003 and August 2007 to March 2008	Additional Commissioner

@ The amount has been stayed for recovery by the relevant authority.  
 # As explained to us, the Company is in the process of filing an appeal in respect of a demand amounting Rs. 2.76 Crores from the Commissioner (Appeals) and that the period of filing the appeal with CESTAT has not yet expired.

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- (x) The company does not have accumulated losses as at 31<sup>st</sup> March, 2009. The company has incurred cash losses during the financial year ended on that date but has not incurred cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities. Therefore, the provisions of clause 4(xii) of the order are not applicable.
- (xiii) The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the said Order are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the said Order are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prejudicial to the interests of the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The company has not made preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) As the company has no debentures outstanding at any time during the year, clause 4 (xix) of the Order is not applicable to the company.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**R. K. Hiranandani**

Partner

Membership No.:36920

Mumbai: 28<sup>th</sup> April, 2009

# MAHINDRA UGINE STEEL COMPANY LIMITED

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009

	Schedule	Rs. Crores	31st March, 2009 Rs. Crores	31st March, 2008 Rs. Crores
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
SHARE CAPITAL	A	32.48		32.48
EMPLOYEES STOCK OPTIONS OUTSTANDING		1.30		1.16
RESERVES AND SURPLUS	B	136.56		155.39
			170.34	189.03
<b>LOAN FUNDS</b>				
SECURED LOANS	C	218.48		178.49
UNSECURED LOANS	D	117.43		137.97
			335.91	316.46
Deferred Tax Liability [Net] (see note 22)			6.89	17.02
			513.14	522.51
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	E	455.27		410.22
Less : Depreciation		233.03		208.73
Net Block		222.24		201.49
Capital Work-in-progress		103.78		90.91
			326.02	292.40
INVESTMENTS	F		14.09	0.42
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	G	124.31		143.53
Sundry Debtors		175.23		203.79
Cash and Bank Balances		16.25		25.47
Loans and Advances		35.27		43.93
		351.06		416.72
LESS : CURRENT LIABILITIES AND PROVISIONS	H			
Current Liabilities		169.31		169.78
Provisions		8.72		17.28
		178.03		187.06
Net Current Assets			173.03	229.66
<b>MISCELLANEOUS EXPENDITURE (see note 25)</b> (to the extent not written off or adjusted)				
Special payments under Voluntary Retirement Scheme		-		0.03
			-	0.03
			513.14	522.51
Notes to the Accounts	L			
Significant Accounting Policies	M			

The Schedules referred to herein form an integral part of the Balance Sheet

As per our report of even date attached  
**For Deloitte Haskins & Sells**  
*Chartered Accountants*

**R. K. Hiranandani**  
*Partner*

**Partha Sarathi Roy**  
*Chief Finance Officer*

**Ajay Kadhao**  
*Company Secretary*

Mumbai : 28<sup>th</sup> April, 2009

Mumbai : 28<sup>th</sup> April, 2009

For and on behalf of the Board

**Keshub Mahindra** Chairman  
**Anand G. Mahindra** Vice Chairman  
**K. V. Ramarathnam** Managing Director  
**Hemant Luthra**  
**Dr. Homi N. Sethna**  
**M. R. Ramachandran**  
**R.R. Krishnan**  
**Manoj Maheshwari**  
**Harsh Kumar** Directors

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	Schedule	Rs. Crores	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
<b>INCOME</b>				
SALE OF PRODUCTS/OTHER INCOME FROM OPERATIONS				
Sale of products (Gross) (see note 12)		1,135.90		951.03
Less : Excise Duty		127.50		128.45
			1,008.40	822.58
Income from processing (Gross) (see note 12)		6.35		89.75
Less : Excise Duty		2.28		41.04
			4.07	48.71
Arising, dies and other sales (Gross)		65.23		55.30
Less : Excise Duty		6.52		7.09
			58.71	48.21
Miscellaneous Receipts (see note 13)			2.24	2.68
			1,073.42	922.18
Other Income	I		1.76	2.76
Increase / (decrease) in stocks	J		(11.06)	20.88
			1,064.12	945.82
<b>EXPENDITURE</b>				
Manufacturing and other expenses	K		1,031.83	846.29
Depreciation	E		24.74	26.71
Interest (see note 8)			36.06	28.63
			1,092.63	901.63
<b>PROFIT/ (LOSS) BEFORE TAX</b>			(28.51)	44.19
Provision for tax			-	10.05
- Current Tax			0.45	0.50
- Fringe Benefit Tax			(10.13)	4.15
- Deferred Tax charge/ (credit) (see note 22)			(9.68)	14.70
			(18.83)	29.49
<b>PROFIT / (LOSS) AFTER TAX</b>			64.21	49.07
Balance brought forward			45.38	78.56
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>				
Proposed Dividend on Equity Shares			-	9.74
Tax on Dividend			-	1.66
Transfer to General Reserve			-	2.95
			45.38	64.21
<b>BALANCE CARRIED FORWARD</b>				
Earnings per share (basic) (face value Rs.10)			(5.80)	9.08
Earnings per share (diluted) (face value Rs.10) (see note 23)			(5.80)	9.04
Notes to the Accounts	L			
Significant Accounting Policies	M			

The Schedules referred to herein form an integral part of the Balance Sheet

As per our report of even date attached to the Balance Sheet  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**R. K. Hiranandani**  
Partner

**Partha Sarathi Roy**  
Chief Finance Officer

**Ajay Kadhao**  
Company Secretary

Mumbai : 28<sup>th</sup> April, 2009

Mumbai : 28<sup>th</sup> April, 2009

For and on behalf of the Board

**Keshub Mahindra** Chairman  
**Anand G. Mahindra** Vice Chairman  
**K. V. Ramarathnam** Managing Director  
**Hemant Luthra**  
**Dr. Homi N. Sethna**  
**M. R. Ramachandran**  
**R.R. Krishnan**  
**Manoj Maheshwari**  
**Harsh Kumar** Directors

## MAHINDRA UGINE STEEL COMPANY LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
	Rs. Crores	Rs. Crores
<b>A. CASH FLOW FROM OPERATING ACTIVITES</b>		
Net Profit before tax		44.19
Adjustment for:		
Depreciation	24.74	26.71
Dividend Income	(0.00)*	(0.00)*
Interest and commitment charges	36.06	28.63
Amortisation of expenses	0.03	0.17
Provision for Debts/Advances	3.06	0.78
Provision for contingencies	0.27	-
Employees Stock Option Charge	0.14	0.58
Foreign Exchange Difference (Gain)/loss	2.95	(0.36)
Profit on sale of investment	-	(1.39)
(Profit) / Loss on sale of fixed assets (net)	0.01	(0.17)
Interest income	(1.14)	(0.71)
	<u>66.12</u>	<u>54.24</u>
Operating Profit before Working Capital changes		98.43
Changes in		
Trade and other receivables	38.86	(45.14)
Inventories	19.22	(19.36)
Trade and other Payables	(1.36)	(4.74)
	<u>56.72</u>	<u>(69.24)</u>
<b>Cash generated from operations</b>		29.19
Income-tax paid		(20.40)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>8.79</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITES</b>		
Purchase of fixed assets		(75.92)
Sale of fixed assets		0.37
Purchase of investments		-
Sale of investments		1.49
Dividends received		0.00*
Interest received		1.19
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<u>(72.87)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITES</b>		
Proceeds from long term borrowings		73.01
Repayment of long term borrowings		(23.46)
Net proceeds/(payment) from short term borrowings		58.93
Dividends paid including Taxes		(13.20)
Interest and commitment charges paid		(26.57)
<b>NET CASH (USED IN)/ FROM FINANCING ACTIVITIES</b>		<u>68.71</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>4.63</u>
<b>CASH AND CASH EQUIVALENTS :</b>		
Opening Balance		20.84
Closing Balance		<u>25.47</u>
		<u>16.25</u>

\* denotes amounts less than Rs. 50,000  
See Notes attached

## ANNUAL REPORT 2008-2009

NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
1 Cash and cash equivalents include:		
Cash and cheques on hand	0.05	0.08
Balance with scheduled banks:		
In Current Accounts	6.14	25.06
In Deposit Accounts	10.06	0.33
Total cash and cash equivalents	16.25	25.47

2 Previous year's figures have been regrouped wherever necessary to conform to this year's classifications.

As per our report of even date attached

**For Deloitte Haskins & Sells**  
*Chartered Accountants*

**R. K. Hiranandani**  
*Partner*

Mumbai : 28th April, 2009

**Partha Sarathi Roy**  
*Chief Finance Officer*

**Ajay Kadhao**  
*Company Secretary*

Mumbai : 28th April, 2009

For and on behalf of the Board

**Keshub Mahindra**      Chairman  
**Anand G. Mahindra**      Vice Chairman  
**K. V. Ramarathnam**      Managing Director

**Hemant Luthra**  
**Dr. Homi N. Sethna**  
**M. R. Ramachandran**  
**R.R. Krishnan**  
**Manoj Maheshwari**  
**Harsh Kumar**      } Directors

## MAHINDRA UGINE STEEL COMPANY LIMITED

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs. Crores	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
<b>SCHEDULE 'A' - SHARE CAPITAL</b>			
<u>AUTHORISED:</u>			
119,000,000 Equity Shares of Rs.10 each		119.00	119.00
3,100,000 Redeemable Cumulative Preference Shares of Rs. 100 each		31.00	31.00
		<u>150.00</u>	<u>150.00</u>
<u>ISSUED, SUBSCRIBED AND PAID-UP (see note 1)</u>			
32,482,529 Equity Shares of Rs.10 each, fully paid-up		32.48	32.48
		<u>32.48</u>	<u>32.48</u>
 (16,466,789 equity shares are held by Mahindra & Mahindra Limited (M & M), the Holding Company. As at 31st March 2008, the holding company was Mahindra Holdings & Finance Limited (MHFL) and held the same number of equity shares. MHFL was merged with the ultimate Holding Company M & M during 2008-09).			
<b>SCHEDULE 'B' - RESERVES AND SURPLUS</b>			
Capital Reserve (on redemption of preference shares, being the amount originally paid-up on shares forfeited) :			
- As per last Balance Sheet		0.00*	0.00*
Capital Redemption Reserve Account			
- As per last Balance Sheet	16.46		16.46
Add: Transferred from General Reserve Account	-		-
		<u>16.46</u>	<u>16.46</u>
Special Reserve (in terms of Section 45IC of the Reserve Bank Of India Act, 1934) (on amalgamation)			
- As per last Balance Sheet		0.17	0.17
General Reserve			
- As per last Balance Sheet	74.55		71.60
Add: Transfer from Profit and Loss Account	-		2.95
		<u>74.55</u>	<u>74.55</u>
Balance in Profit and Loss Account		45.38	64.21
		<u>136.56</u>	<u>155.39</u>

\*denotes amounts less than Rs. 50,000

**ANNUAL REPORT 2008-2009**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

	<b>31<sup>st</sup> March, 2009</b>	<b>31<sup>st</sup> March, 2008</b>
	<b>Rs. Crores</b>	<b>Rs. Crores</b>
<b>SCHEDULE 'C' - SECURED LOANS (see note 9)</b>		
Term loan from Banks (repayable within one year Rs.47.33 Crores; 2007-08 - Rs.23.43 Crores)	126.21	99.93
Cash Credits from Banks	92.27	78.56
	<u>218.48</u>	<u>178.49</u>
The above loans include interest accrued and due of Rs.1.32 Crores; (2007-08 - Rs.0.70 Crore).		
<b>SCHEDULE 'D' - UNSECURED LOANS</b>		
Fixed Deposits (repayable within a year Rs. Nil; 2007-08 - Rs. 0.45 Crore)	-	0.45
Short Term Advances from Banks	29.93	50.02
Other Loans from Banks	87.50	87.50
	<u>117.43</u>	<u>137.97</u>

**SCHEDULE 'E' - FIXED ASSETS**

**(Rs. Crores)**

ASSETS	COST			DEPRECIATION				WRITTEN DOWN VALUE		
	As On 1.4.2008	Additions and adjustments	Deductions and adjustments	As On 31.3.2009	Up To 31.3.2008	For the year	Deductions and adjustments	Upto 31.3.2009	As on 31.3.2009	As on 31.3.2008
<b>Tangible:</b>										
Freehold land	1.01	-	-	1.01	-	-	-	-	1.01	1.01
Leasehold land	0.95	-	-	0.95	0.10	0.05	-	0.15	0.80	0.85
Buildings	42.86	9.59	-	52.45	16.37	1.37	-	17.74	34.71	26.49
Plant and Machinery (see footnote 2)	349.45	33.84	0.28	383.01	184.07	20.19	0.15	204.11	178.90	165.38
Furniture, fixtures and office equipment	9.29	0.69	0.06	9.92	5.45	1.24	0.06	6.63	3.29	3.84
Vehicles	3.38	0.97	0.44	3.91	1.75	0.60	0.23	2.12	1.79	1.63
<b>Intangible:</b>										
Software	3.28	0.74	-	4.02	0.99	1.29	-	2.28	1.74	2.29
	<u>410.22</u>	<u>45.83</u>	<u>0.78</u>	<u>455.27</u>	<u>208.73</u>	<u>24.74</u>	<u>0.44</u>	<u>233.03</u>	<u>222.24</u>	
Previous year	317.05	95.15	1.98	410.22	183.80	26.71	1.78	208.73		201.49
Capital work-in-progress									103.78	90.91
									<u>326.02</u>	<u>292.40</u>

Notes :

- Additions to Plant and Machinery and Capital work in progress includes interest capitalised of Rs. 9.86 crores (2007-08 - Rs. 6.81 Crores)
- Depreciation on plant and machinery includes accelerated depreciation of Rs. 0.30 Crores (2007-08 - Rs. Nil) consequent to impairment of a plant in the stamping segment discontinued from being used taking into account the estimated net selling price of the same plant.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
<b>SCHEDULE 'F' - INVESTMENTS (at cost - Long term)</b>		
(Unquoted, unless otherwise stated)		
Trade :		
Shares (fully paid up)		
— Dena Bank 9,917 equity shares of Rs. 10 each, (quoted)	0.03	0.03
Non -Trade :		
Shares (fully paid up)		
In other companies :		
— Mahindra Hotels and Resorts Ltd. 49,990 equity shares of Rs. 10 each	0.05	0.05
— Mahindra & Mahindra Contech Ltd. 35,000 equity shares of Rs. 10 each	0.04	0.04
— Window of the World Motels Pvt. Ltd. 2 equity shares of Rs. 100 each	0.00*	0.00*
— Mahindra Construction Co. Ltd. 3,00,000 equity shares of Rs. 10 each	0.30	0.30
— Kotak Mahindra Bank 3,000 equity shares of Rs. 10 each (quoted)	0.00*	0.00*
— The Indian and Eastern Engineer Co. Ltd. 3 ordinary shares of Rs. 10 each 10,000 equity shares of Rs.10 each	0.00* 0.02	0.00* 0.02
Other Investments :		
— Unit Trust of India 33,230 6.75% Tax free Bonds of Rs.100 each (quoted)	—	0.33
— Wardha Power Company Private Ltd. Share Application Money under Share Subscription Agreement (see note 2)	14.00	—
	<u>14.44</u>	<u>0.77</u>
Less : Provision for diminution in value of investments	0.35	0.35
	<u>14.09</u>	<u>0.42</u>
Notes :		
(1) Aggregate of quoted investments :		
— Cost	0.03	0.36
— Market Value	0.12	0.57
(2) Aggregate of unquoted investments :		
— Cost	14.41	0.41

\* denotes amounts less than Rs. 50,000

## ANNUAL REPORT 2008-2009

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs. Crores	Rs. Crores	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
<b>SCHEDULE 'G' - CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories:				
Stores and spare parts (includes material in transit of Rs. 0.32 crore; 2007-08 - Rs. 13.81 crores).		22.19		28.78
Loose tools		0.85		0.80
Raw materials (includes material in transit of Rs. 7.91 crores; 2007-08 - Rs. 0.89 crore).		37.00		46.81
Semi-finished goods		53.01		60.48
Finished goods		2.88		6.47
Scrap (generated at stamping units)		8.38		0.19
			124.31	143.53
Sundry Debtors :(unsecured)				
Over six months				
- considered good		23.79		15.05
- considered doubtful		6.82		6.71
Others				
- considered good		151.44		188.74
- considered doubtful		2.95		-
		185.00		210.50
Less : Provision for doubtful debts		9.77		6.71
			175.23	203.79
Cash and Bank Balances :				
Cash on hand		0.05		0.08
Balances with Scheduled Banks				
- in Current accounts		6.14		25.06
- in Fixed Deposit accounts		10.06		0.33
		16.20		25.39
			16.25	25.47
Loans and Advances :				
(unsecured)				
Advances recoverable in cash or in kind or for value to be received -				
- considered good		19.61		36.64
- considered doubtful		2.75		2.75
		22.36*		39.39*
Less : Provision for doubtful advances		2.75		2.75
		19.61		36.64
Taxation - advance payments less provision		15.54		7.25
Balances - Excise, Port Trust, etc.		0.12		0.04
			35.27	43.93
			351.06	416.72
*including capital advances of			0.72	4.32

## MAHINDRA UGINE STEEL COMPANY LIMITED

### SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores	Rs. Crores
<b>SCHEDULE 'H' - CURRENT LIABILITIES AND PROVISIONS</b>			
CURRENT LIABILITIES : **			
Acceptances	67.54		75.60
Sundry Creditors (see note 19)			
Total outstanding dues of :			
- micro enterprises and small enterprises (see note 20)	0.63		
- creditors other than micro enterprises and small enterprises	<u>97.84</u>		<u>90.94</u>
	98.47		90.94
Dividend warrants posted but not encashed	0.35		0.28
Matured fixed deposit warrants posted but not encashed	0.02		0.14
Interest warrants posted but not encashed	0.02		0.06
Interest accrued but not due on loans	<u>2.91</u>		<u>2.76</u>
		169.31	<u>169.78</u>
PROVISIONS :			
Provision for taxation (net of payments)	0.53		-
Provision for Employee Benefits (See note 29)	7.92		5.88
Provision for contingencies (See note 21)	0.27		-
Provision for proposed dividend on equity shares	-		9.74
Provision for tax on dividend	<u>-</u>		<u>1.66</u>
		8.72	<u>17.28</u>
		<u>178.03</u>	<u>187.06</u>

\*\* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.

### SCHEDULE 'I' - OTHER INCOME

#### OTHER INCOME

##### Dividends from long term investments:

- Trade	0.00*		0.00*
- Other	<u>0.00*</u>		<u>0.00*</u>
		0.00*	0.00*

##### Interest :

- On long term other than trade investments		0.00*	0.03
- Other [including tax deducted at source Rs. 0.21 Crore (2007-08 - Rs. 0.15 Crore)]		1.14	0.68

Rent		0.31	0.03
Profit on sale of fixed assets (net)		-	0.17
Profit on sale of long term - trade investments		-	1.39
Miscellaneous Income		<u>0.31</u>	<u>0.46</u>
		1.76	2.76

\* denotes amounts less than Rs. 50,000

## ANNUAL REPORT 2008-2009

## SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rs. Crores	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
<b>SCHEDULE 'J' - INCREASE/(DECREASE) IN STOCKS</b>			
Increase / (Decrease) in stock of			
Finished goods and Semi-finished goods			
Opening stock :			
Semi-finished goods	60.48		40.45
Finished goods	6.47		5.62
Total		66.95	46.07
Less:			
Closing stock :			
Semi-finished goods	53.01		60.48
Finished goods	2.88		6.47
		55.89	66.95
Increase/(Decrease) in Stocks		(11.06)	20.88
<b>SCHEDULE 'K' - MANUFACTURING AND OTHER EXPENSES</b>			
1	Raw materials and bought out components consumed [including outside processing costs Rs.8.75 crores 2007-08 - Rs.18.81 crores (see note 10(a))]	719.94	555.34
2	Payment to and provision for employees :		
	(a) salaries, wages, bonus, etc.	46.80	41.93
	(b) company's contribution to provident and other funds	3.16	3.04
	(c) staff welfare expenses	6.86	7.66
	(d) gratuity	2.87	1.92
		59.69	54.55
3	Operating and other expenses:		
	(a) stores consumed	52.40	62.03
	(b) repairs and maintenance to buildings (including stores consumed : Rs.1.55 Crores 2007-08 - Rs.0.73 Crore)	2.78	1.42
	(c) repairs and maintenance to machinery (including stores and spare parts consumed Rs. 9.59 Crores; 2007-08 - Rs. 8.05 Crores)	12.11	13.54
	(d) repairs and maintenance to others	3.76	3.64
	(e) power and fuel	111.30	122.89
	(f) rent (net of recoveries)	1.64	1.57
	(g) rates and taxes	1.84	1.78
	(h) insurance charges	0.68	0.71
	(i) bad debts/advances written off	3.90	1.71
	(j) provision for doubtful debts/advances (net)	3.06	0.78
	(k) other expenses (see note 5 and note 18)	59.78	25.38
	(l) amortisation of deferred revenue expenditure :		
	Special payments under Voluntary Retirement Scheme	0.03	0.17
		253.28	235.62
4	Loss on sale of fixed assets (net)	0.01	-
5	Excise duty charge/ (credit) (includes credit in respect of a prior year Rs. 0.63 Crore; 2007-08 - Rs. Nil)	(1.09)	0.78
		1,031.83	846.29

## MAHINDRA UGINE STEEL COMPANY LIMITED

### SCHEDULE 'L' NOTES TO ACCOUNTS

1. The Subscribed Capital includes:
  - a) 30,000 Equity shares allotted as fully paid-up pursuant to contracts without payment having been received in cash;
  - b) 600,000 Equity shares allotted consequent to the Scheme of Amalgamation with Bank of Baroda Ltd.;
  - c) 821,319 Equity shares allotted on conversion of 10% Convertible Series 'G' Debentures of the face value of Rs. 2.05 Crores at a premium of Rs.15 per share. These debentures were originally issued consequent to the Scheme of Amalgamation with Bank of Baroda Ltd.;
  - d) 11,000,000 Equity shares allotted as fully paid-up (at a premium of Rs. 35 per share) pursuant to a contract to discharge part of the consideration for acquisition of the Company's Stamping Unit at Kanhe;
  - e) 3,650,866 Equity shares allotted as fully paid-up Bonus shares by way of capitalisation of share premium account and accumulated profits;
  - f) 1,550,840 Equity shares allotted consequent to the Scheme of Amalgamation of Pranay Sheetmetal Stampings Limited, Valueline Hotels and Resorts Limited and Console Estate and Investments Limited with the Company.
2. The Company has entered into a Share Subscription Agreement with Wardha Power Company Private Ltd., on 29th February, 2008 to invest Rs. 22.75 Crores by way of subscription to 6,167,778 Class A Equity Shares of Rs. 10 each and 7,832,222 Class A 0.01% Redeemable Preference Shares of Rs. 10 each and 8,750,000 Class C 0.01% Redeemable Preference Shares of Rs. 10 each. The Company will be entitled to 35 MW of power generated from the Group Captive Power Plant as per the Power Delivery Agreement dated 29th February, 2008. The Company has paid share application money of Rs. 14 Crores for Class A Equity and Redeemable Preference Shares.
3. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st March, 2009 Rs. 5.74 Crores (2007-2008 : Rs. 22.33 Crores).
4. Invoices raised during the period for price differences/interest on delayed payments, which are under negotiation, are accounted for if and when realised.
5. Other expenses in Schedule 'K' include :

	<b>31st March, 2009</b> <b>Rs. Crores</b>	31st March, 2008 Rs. Crores
(a) Remuneration of auditors **		
Audit fees	<b>0.21</b>	0.18
Company Law Matters	<b>0.00*</b>	0.00*
Other services	<b>0.09</b>	0.09
Reimbursement of out of pocket expenses	<b>0.00*</b>	0.00*
(b) (i) Cash discount on sales	<b>0.34</b>	0.30
(ii) Commission to other selling agents	<b>0.30</b>	0.67
(c) Donation	<b>0.09</b>	0.25

Note: \* Denotes amount less than Rs. 50,000/-

\*\* Amounts mentioned are net of service tax

6. Managerial remuneration for directors included in the Profit and Loss Account is Rs. 0.76 Crore (2007-2008 : Rs. 1.54 Crores) including contribution to provident fund and other funds Rs. 0.09 Crore (2007-2008 : Rs. 0.12 Crore), perquisites Rs. 0.29 Crore (2007-2008 : Rs. 0.47 Crore) and commission Rs. Nil (2007-2008 : Rs. 0.40 Crore) and sitting fees payable to non-whole-time directors Rs. 0.05 Crore (2007-2008 : Rs. 0.05 Crore). The provisions for gratuity and leave encashment are not included above as separate figures are not available. Remuneration of Rs. 0.03 Crore paid to the Managing Director is subject to the approval of the Members of the Company at the ensuing Annual General Meeting. The remuneration paid during the year is within the limits under section 198 of the Companies Act, 1956, read with Schedule XIII of the said Act.

The Remuneration Committee and the Board of Directors have revised the remuneration payable to the Managing Director, with effect from 1st April, 2008 for the period of three years upto 31st March, 2011, subject to the approvals of the Members of the Company at the ensuing Annual General Meeting and the Central Government. The revised remuneration payable to the Managing Director for the year ended 31st March, 2009 has now been determined at Rs. 0.89 Crore but no provision has been made for the incremental amount of Rs. 0.35 Crore since it is subject to the aforesaid approvals, particularly the prior approval of the Central Government.

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### Computation of Net Profits in accordance with Section 309(5) of the Companies Act, 1956 for the year ended 31st March, 2009

	31st March, 2009 Rs. Crores	31st March, 2008 Rs. Crores
Profit / (Loss) before taxation as per Profit and Loss Account	<b>(28.51)</b>	44.19
Add : Directors' Remuneration including Directors' Fees	<b>0.79</b>	1.65
: Provision for Doubtful Debts / advances (net)	<b>3.06</b>	0.78
	<b>(24.66)</b>	46.62
Less : Capital profit from the sale of immovable property / assets	-	0.15
: Profit on sale of Long term – trade Investments (net)	-	1.39
	<b>(24.66)</b>	45.08
Profit / (Loss) for the purpose of Directors' commission :	<b>(24.66)</b>	45.08
Commission payable to managing and whole time directors	-	0.40

7. Contingent Liabilities not provided for in respect of :

a) Bills discounted but not matured Rs. 10.06 Crores (2007-2008 : Rs. 6.57 Crores).

— Represents customers' bills discounted.

b) Excise duty:

Excise matters for which the Company is contingently liable amounting Rs. 9.53 Crores (2007-2008 : Rs. 9.68 Crores). This includes:

i) Rs. 0.62 Crore (2007-2008 : Rs. 0.62 Crore) - relating to the method of valuation of customer processed finished goods for the purpose of discharge of excise duty, where the customer supplies raw material. This matter has been settled by Custom, Excise & Service Tax Appellate Tribunal (CESTAT) in favour of the Company. The Department has gone in further appeal in the Supreme Court.

ii) Rs. 2.77 Crores (2007-2008 : Rs. 2.33 Crores) - relating to inclusion of scrap credit in the assessable value for the purpose of payment of Excise Duty. The Supreme Court had remanded the case back to CESTAT who has decided against the Company. The Company had filed a writ petition in the High Court. The case was remanded back to CESTAT which in turn remanded it back to the Commissioner. The Commissioner has raised a demand of Rs. 1.38 Crores with an equal penalty amount. The Company is in the process of filing appeal against the order with CESTAT.

iii) Rs. 2.19 Crores (2007-2008 : Rs. 0.41 Crore) - being other matters.

In respect of (b) (i) above and other valuation issues, the Department has continued to issue show cause cum demand notices for subsequent periods aggregating Rs. 3.95 Crores (2007-2008 : Rs. 6.32 Crores).

c) Taxation demands against which the Company is in appeal Rs. 17.41 Crores (2007-2008 : Rs. 1.85 Crores).

d) Other matter for which the Company is contingently liable is Rs. 11.67 Crores (2007-2008 : Rs. 20.36 Crores). This represents the dispute in the rate of water charges demanded by the Irrigation Department based on a unilateral increase in rates and the amount which the Company has been paying. The above amount includes an initial demand raised by the Irrigation Department of Rs. 0.57 Crore up to 31st March, 1995 which was decided in favour of the Company in the court of the Civil Judge, Senior Division Panel. The balance of Rs. 11.10 Crores (2007-2008 : Rs. 19.79 Crores) represents differential demands raised by the Irrigation Department for subsequent periods.

e) Other claims against the Company not acknowledged as debts :

i. Rs. 8.75 Crores (2007-2008 : Rs. 8.21 Crores) pertaining to show cause notice for payment of custom duty in respect of the Value Based Advance Licenses (VBAL) purchased by the Company and used for import of goods. As the export obligation against the above VBAL was already fulfilled by the seller of the license, the Company appealed against the said notice with CESTAT who has granted a stay.

ii. Claim pertaining to material supply contract Rs. 8.95 Crores (2007-2008 : Rs. 8.82 Crores).

iii. Claims relating to lease rentals Rs. 0.59 Crore (2007-2008 : Rs. Nil)

8. Interest:

	31st March, 2009 Rs. Crores	31st March, 2008 Rs. Crores
On fixed loans	<b>13.01</b>	10.05
On others	<b>23.05</b>	18.58
	<b>36.06</b>	28.63

9. (a) Term loans from Banks are secured by a first equitable mortgage on all immovable property and plant and machinery attached to the earth, both present and future, ranking pari-passu.

(b) Advances for working capital from Banks are secured by hypothecation of raw materials, finished goods, goods in process, stores, book debts, etc.

## MAHINDRA UGINE STEEL COMPANY LIMITED

10. Raw materials and bought out components consumed.

	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
	Qty M/T	Value Rs. Crores	Qty M/T	Value Rs. Crores
a) 1) Ferrous scrap	121,003	315.28	151,178	263.37
2) Ferro alloys	4,576	118.40	6,521	163.11
3) Other metals	2,830	11.18	2,299	9.42
4) Slag making materials	9,482	5.06	10,946	5.30
5) Metal sheets	51,541	245.05	12,502	58.99
6) Purchased billets	2	0.01	2,640	13.02
7) Components and tools	—	16.21	—	23.32
8) Processing charges	—	8.75	—	18.81
		<b>719.94</b>		<b>555.34</b>

	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
	Rs. Crores	%	Rs. Crores	%
b) Imported – at landed cost	209.02	29	184.81	33
Indigenously obtained	510.92	71	370.53	67
	<b>719.94</b>	<b>100</b>	<b>555.34</b>	<b>100</b>

11. Stores and spares consumed :

	31 <sup>st</sup> March, 2009		31 <sup>st</sup> March, 2008	
	Rs. Crores	%	Rs. Crores	%
Imported – at landed cost	6.39	10	5.61	8
Indigenously obtained	57.15	90	65.20	92
	<b>63.54</b>	<b>100</b>	<b>70.81</b>	<b>100</b>

Consumption in value is after adjusting excesses and shortages ascertained on physical verification and write off for deterioration, unserviceable items, etc.

12. Information for class of goods manufactured :

A. Particulars in respect of goods manufactured:

Class of Goods	Unit of Measurement	Licensed Capacity Per Annum [see note (i) and (ii)]	Installed Capacity Per Annum [see note (iii)]	Actual production [see note (iv)]	Opening Stock		Closing Stock		Sales [see note (iv)]	
					Qty	Value Rs.Crores	Qty	Value Rs.Crores	Qty	Value Rs.Crores
Tool, alloy and Special steel	M/T	180,000	180,000	111,594	829	4.38	-	-	112,423	718.65
	M/T	(180,000)	(180,000)	(131,452)	(779)	(3.62)	(829)	(4.38)	(131,402)	(734.54)
Pressed Sheet metal components and assemblies	M/T	40,800	40,800	34,481	612	2.09	439	2.88	34,654	293.82
	M/T	(35,800)	(35,800)	(36,210)	(455)	(2.00)	(612)	(2.09)	(36,053)	(136.75)

Notes :

- (i) In respect of Tool, alloy and Special Steel, the industrial licence permits manufacture of castings and forgings up to 2000 M/T within the above overall licensed capacity.
- (ii) In respect of Pressed Sheet metal components and assemblies, the licensed capacity is as per the Memorandum filed with, and duly acknowledged by the Secretariat for Industrial Assistance.
- (iii) Installed capacity on an integrated basis is certified by the Managing Director and not verified by the auditors since this is a technical matter.
- (iv) Production and Sales in respect of Pressed Sheet metal components and assemblies includes customer's materials processed.
- (v) Previous year's figures have been disclosed in parenthesis.

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13. Miscellaneous receipts includes :

	<b>31<sup>st</sup> March, 2009</b>	31 <sup>st</sup> March, 2008
	<b>Rs. Crores</b>	Rs. Crores
Income from services rendered	0.65	1.29
Credit Balance Written back	-	0.96

14. C.I.F. Value of Imports

	<b>31<sup>st</sup> March, 2009</b>	31 <sup>st</sup> March, 2008
	<b>Rs. Crores</b>	Rs. Crores
(a) Raw materials	215.12	190.45
(b) Stores and spares	5.23	6.14
(c) Capital goods	0.85	1.27

15. Expenditure in foreign currency (on payment basis)

	<b>31<sup>st</sup> March, 2009</b>	31 <sup>st</sup> March, 2008
	<b>Rs. Crores</b>	Rs. Crores
Interest	3.80	4.26
Others	0.68	0.11

16. Earning in foreign exchange

	<b>31<sup>st</sup> March, 2009</b>	31 <sup>st</sup> March, 2008
	<b>Rs. Crores</b>	Rs. Crores
(a) F.O.B. Value of exports	7.57	5.02
(b) Freight and insurance	0.17	0.32

17. Research and Development expenditure debited to Profit and Loss Account aggregates Rs. 1.69 Crores (2007-2008 : Rs. 0.97 Crores) consisting of salaries and power, based on allocations made by the Company and materials.

18. The net difference in foreign exchange debited to the Profit and Loss Account is Rs. 28.41 Crores (2007-2008: Credit of Rs. 9.18 Crores).

19. Sundry creditors include credit balances in current accounts with directors Rs. 2,403 (2007-2008 : Rs. 2,403).

20. Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are as follows:

Rs. Crores

Sr. No.	Particulars	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
(a)	Principal Amount Outstanding	0.63	-
(b)	Interest Due on the above	-	-
(c)	Interest paid during the year beyond the appointed day	-	-
(d)	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
(e)	Amount of interest accrued and remaining unpaid at the end of the year	-	-
(f)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

The above information and that given in Schedule - H 'Current Liabilities and Provisions' regarding micro enterprises and small enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors.

21. (a) Provision for contingencies Rs. 0.27 Crore (2007-08 : Rs. Nil) is in respect of wage revision agreement which is under negotiations at one location of the Company.

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(b) The movement in above provision is as follows:

<b>Provisions</b>	<b>31<sup>st</sup> March, 2009</b>	<b>31<sup>st</sup> March, 2008</b>
	<b>Rs. Crores</b>	<b>Rs. Crores</b>
Balance as at beginning of the year	—	3.46
Add : Provision made during the year	<b>0.27</b>	—
Less : Utilisation during the year	—	2.75
Less : Provision reversed	—	0.71
Balance as at end of the year	<b>0.27</b>	—

22. The components of Deferred tax liability and assets as at 31st March, 2009 are as under:

Deferred tax liability:	<b>31<sup>st</sup> March, 2009</b>	<b>31<sup>st</sup> March, 2008</b>
	<b>Rs. Crores</b>	<b>Rs. Crores</b>
— On fiscal allowances on fixed assets	<b>21.54</b>	21.27
	<b>21.54</b>	21.27
Less: Deferred tax assets		
— On employee separation and retirement	<b>2.69</b>	2.00
— On provision for doubtful debts	<b>3.32</b>	2.02
— On unabsorbed Depreciation	<b>8.43</b>	—
— On other timing differences	<b>0.21</b>	0.23
Net Liability	<b>6.89</b>	17.02

The Deferred tax asset on unabsorbed depreciation has been recognised since the company has timing differences, the reversal of which will result in sufficient income in future to set off the asset created.

23. Earnings per share have been computed as under:

	<b>31<sup>st</sup> March, 2009</b>	<b>31<sup>st</sup> March, 2008</b>
a) Net Profit / (Loss) for the year after tax (Rs. Crores)	<b>(18.83)</b>	29.49
b) Weighted Average Equity Shares (Nos.)	<b>32,482,529</b>	32,482,529
c) Diluted Equity Shares (Nos.)	<b>32,612,124</b>	32,635,680
d) i) Basic Earnings per share (Rs.)	(a)/(b) <b>(5.80)</b>	9.08
ii) Diluted Earning per share (Rs.)	(a)/(c) <b>(5.80)</b>	9.04

24. Related parties disclosures:

- a) Related parties where Control exists:  
Holding Company
- Mahindra & Mahindra Limited (M&M) from 11th August 2008.  
Mahindra Holdings & Finance Limited (MHFL) upto 11th August 2008.  
(MHFL was merged with the ultimate Holding Company M&M on 11th August 2008.)
- b) Names of other related parties with whom transactions have taken place during the year
- 1) Fellow subsidiaries
    - Mahindra Forgings Ltd.
    - Mahindra Intertrade Limited
    - Mahindra Navistar Automotives Limited.
    - Bristlecone India Limited
    - Mahindra Gujarat Tractors Ltd.
    - Mahindra Renault Pvt Ltd.
    - Mahindra Sona Ltd.
    - Mahindra logistics Ltd.
    - Tech Mahindra Ltd.
    - Mahindra Hinoday Ltd.
    - Mahindra Foundation
  - 2) Key Management Personnel
    - Mr. K. V. Ramarathnam, Managing Director
    - Mr. Deepak Dheer, Executive Director - up to October 23, 2008

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c) Transactions carried out with the related parties referred to in (a) and (b) above in the ordinary course of business:

Rs. in Crores

Sr. No.	Particulars	Holding Companies		Fellow Subsidiaries										Others	Key Management Personnel	
		Mahindra & Mahindra Ltd	Mahindra Holding and Finance Limited	Mahindra Forgings Ltd	Mahindra Gujarat Tractors Ltd	Mahindra Intertrade Ltd	Bristlecone India Ltd	Mahindra Sona Ltd	Mahindra Logistics Ltd	Mahindra Navistar Automotives Limited.	Tech Mahindra Ltd	Mahindra Hinoday Ltd	Mahindra Renault Pvt Ltd		Mahindra Foundation	Mr. K V Ramarathnam
1	Purchases of Goods or Services	17.92 (0.01)	- (-)	19.11 (15.13)	- (-)	193.96 (51.86)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.69 (-)	- (-)	- (-)	- (-)
2	Receiving of Services	0.35 (0.48)	- (-)	- (-)	- (-)	- (-)	1.25 (1.89)	- (-)	0.74 (-)	- (-)	0.03 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
3	Rent Paid	1.34 (1.34)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
4	Sale of Goods	312.25 (41.25)	- (-)	86.40 (76.46)	0.30 (-)	29.63 (47.61)	- (-)	2.26 (1.48)	- (-)	1.45 (-)	- (-)	0.16 (-)	9.69 (14.98)	- (-)	- (-)	- (-)
5	Rendering of Services	- (87.02)	- (-)	- (-)	- (0.01)	- (-)	- (-)	- (-)	- (-)	- (2.08)	- (-)	- (-)	- (1.02)	- (-)	- (-)	- (-)
6	Rent Income	0.11 (-)	- (-)	0.20 (-)	- (-)	0.04 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
7	Sale of Fixed Assets	- (-)	- (-)	0.24 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
8	Deputation of Personnel charge	1.35 (1.66)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
9	Remuneration to key managerial personnel	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.54 (0.84)	0.17 (0.70)
10	Provision for Doubtful Debts made during the year	1.00 (-)	- (-)	0.47 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
11	Donation	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.02 (-)	- (-)	- (-)
12	Finance:															
	Equity Dividend Paid	- (-)	4.94 (4.12)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Interest expenses	- (-)	- (-)	- (-)	- (-)	0.31 (0.95)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
13	Guarantees & Collaterals lapsed / returned	(10.00)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
14	Security Deposit paid	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
15	Outstandings															
	Payables															
	i) Other payables / credit balances	0.41 (0.77)	- (-)	1.38 (-)	- (-)	22.19 (11.36)	0.16 (0.30)	- (-)	0.13 (-)	1.57 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Receivables															
	i) Other receivables / other debtors	53.11 (21.07)	- (-)	14.15 (14.39)	0.06 (0.00*)	1.03 (-)	- (0.00)*	- (1.48)	- (-)	- (0.49)	- (-)	0.16 (-)	2.69 (3.94)	- (-)	- (-)	- (-)
	ii) Deposits outstanding	0.57 (0.57)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	iii) Provision for doubtful debts and advances	1.00 (-)	- (-)	0.47 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

Previous Year's figures have been disclosed in paranthesis.

\* Denotes amount less than Rs. 50,000.

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### 25. Miscellaneous Expenditure (to the extent not written off or adjusted)

Rs. Crores

Sr. No.	Particulars	Opening Balance	Incurred during the Year	Amortisation	Closing Balance
1	Special payments under Voluntary Retirement Scheme	<b>0.03</b> (0.20)	- (-)	<b>0.03</b> (0.17)	- (0.03)
	Total	<b>0.03</b> (0.20)	- (-)	<b>0.03</b> (0.17)	- (0.03)

Previous year's figures have been disclosed in parenthesis.

### 26. Derivative Instruments:

The Company has entered into Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purpose, but for hedge purpose, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables. The following are the outstanding Foreign Exchange Contracts entered into by the Company as on 31st March, 2009:

Currency	Amount in Crores	Buy/Sell	Cross Currency
<b>US Dollar</b>	<b>0.88</b>	<b>Buy</b>	<b>Rupees</b>
(US Dollar)	(0.02)	(Buy)	(Rupees)

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

#### a. Amounts payable in foreign currency on account of the following:

	Indian Rupees (in Crores)	Foreign Currency (in Crores)
• Import of goods and services	<b>0.34</b> (68.80)	<b>US \$ 0.01</b> (US \$ 1.71)
	<b>0.02</b> (-)	<b>GBP 0.00*</b> (-)

#### b. Amounts receivable in foreign currency on account of the following:

	Indian Rupees (in Crores)	Foreign Currency (in Crores)
• Export of goods and services	<b>0.38</b> (1.07)	<b>US \$ 0.01</b> (US \$ 0.03)
	<b>1.49</b> ( 0.03)	<b>EURO 0.02</b> (EURO 0.00)*

The Company has outstanding borrowings of JPY 235.72 Crores which is equivalent of US \$ 2.00 Crores (2007-2008 : JPY 235.72 Crores which is equivalent of US \$ 2.00 Crores) under the External Commercial Borrowing facility. These foreign currency loans and interest thereon have been completely hedged using a swap structure converting the liability into a full fledged Rupee liability.

Previous year's figures have been disclosed in parenthesis.

\* Denotes amounts less than 50,000/-

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## 27. SEGMENT REPORTING

a) PRIMARY SEGMENT INFORMATION  
(BUSINESS SEGMENT)

Rs. Crores

		2008-09	2007-08	2008-09	2007-08
		External Sales		Total	
1	Segment Revenue (Net)				
	-Steel	726.58	746.66	726.58	746.66
	-Stamping	346.84	175.52	346.84	175.52
	-Segment Total	1,073.42	922.18	1,073.42	922.18
2	Segment Result				
	-Steel	-	-	(1.60)	55.92
	-Stamping	-	-	11.56	19.61
	-Segment Total	-	-	9.96	75.53
	Unallocated corporate expenses net of unallocated income	-	-	(3.55)	(3.42)
	Profit before interest & taxation	-	-	6.41	72.11
	Interest expenditure	-	-	(36.06)	(28.63)
	Interest income	-	-	1.14	0.71
	(Charge)/Credit for Taxation	-	-	9.68	(14.70)
3	Profit / (loss) After Taxation	-	-	(18.83)	29.49
	Other Information				
1	Segment Assets				
	-Steel	-	-	440.93	499.02
	-Stamping	-	-	207.25	192.46
	-Segment Total	-	-	648.18	691.48
	Unallocated corporate assets	-	-	42.99	18.09
	Total Assets	-	-	691.17	709.57
2	Segment Liabilities				
	-Steel	-	-	124.31	146.69
	-Stamping	-	-	49.76	25.14
	-Segment Total	-	-	174.07	171.83
	Unallocated corporate liabilities	-	-	348.06	349.87
	Total Liabilities	-	-	522.13	521.70
3	Capital Expenditure				
	-Steel	-	-	49.75	72.50
	-Stamping	-	-	8.95	13.81
	-Segment Total	-	-	58.70	86.31
4	Depreciation / Impairment				
	-Steel	-	-	12.04	12.22
	-Stamping	-	-	12.70	14.49
	-Segment Total	-	-	24.74	26.71
5	Non cash expenditure other than depreciation				
	-Steel	-	-	1.46	0.83
	-Stamping	-	-	1.90	0.12
	-Segment Total	-	-	3.36	0.95
b)	SECONDARY SEGMENT INFORMATION (GEOGRAPHICAL SEGMENT)				
1	Segment Revenue				
	-Within India	-	-	1,065.68	916.12
	-Outside India	-	-	7.74	6.06
	-Total Revenue	-	-	1,073.42	922.18
2	Segment Assets				
	-Within India	-	-	689.30	708.47
	-Outside India	-	-	1.87	1.10
	-Total Segment Assets	-	-	691.17	709.57
3	Capital Expenditure				
	-Within India	-	-	57.85	85.04
	-Outside India	-	-	0.85	1.27
	-Total Capital Expenditure	-	-	58.70	86.31

## MAHINDRA UGINE STEEL COMPANY LIMITED

NOTES:

1. The Company has considered business segment as primary segment for disclosure. The segments have been identified taking into account the organisational structure as well as the differing risk and returns of the segments. Steel segment comprises sale of alloy steel. Stamping segment comprises sale of pressed metal components. Inter segment revenue is market led. There are no inter segment transactions during the year and in the previous year.
  2. The geographical segments considered for disclosure are :
    - Sales within India
    - Sales outside India
  3. The operations at the Stamping units have increased product sales against process sales earlier resulting in higher sales of goods and increased consumption of raw materials.
28. The Company had granted 142,500 and 955,500 Options during the year ended 31st March, 2008 and 31st March, 2007 respectively to eligible employees including Directors of the Company. Out of the above Options granted, 264,000 Options have lapsed till 31st March, 2009 which includes 153,500 Options lapsed during the year.

The equity settled Options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting. The eligible employee must exercise a minimum of 50 (Fifty Only) Options or Options vested, whichever is lower; and the Options in respect of each tranche may be exercised on the date of vesting or at the end of each year from the date of vesting, provided that at the end of five (5) years from the date of vesting (or such extended period as may be decided by the Remuneration Committee), the eligible employee may exercise all Options vested but not exercised by him/her failing which all the unexercised Options shall lapse.

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

Summary of stock options	No. of stock options	Weighted average exercise price (Rs.)
Options outstanding on 1st April, 2008	987,500	96
Options granted during the year	-	-
Options forfeited/lapsed during the year	153,500	93
Options exercised during the year	-	-
Options outstanding on 31st March, 2009	834,000	96
Options vested but not exercised on 31st March, 2009	394,750	98

Information in respect of options outstanding as at 31st March, 2009:

Exercise price	Number of Options	Weighted average Remaining life
Rs. 99.00	745,000	2.40 Yrs
Rs. 73.00	89,000	3.60 Yrs

The fair value of options granted on 18th August, 2006 is Rs.67.25 per share.

The fair value of options granted during the year on 24th October, 2007 is Rs.43.39 per share.

The fair value has been calculated using the Black Scholes Options Pricing model and the significant assumptions made in this regards are as follows:

	Grant dated 24 <sup>th</sup> October, 2007	Grant dated 18 <sup>th</sup> August, 2006
Risk free interest rate	7.95%	7.27%
Expected Life	3.5 Yrs	3.5 Yrs
Expected Volatility	60.00%	73.54%
Expected dividend yield	4.32%	4.65%
Exercise price	Rs. 73.00	Rs. 99.00
Stock Price	Rs. 85.50	Rs. 117.45

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The volatility is calculated considering the daily volatility of the stock prices on National stock exchange, over a period prior to the date of grant, corresponding with the expected life of the options.

In respect of options granted under the Employee Stock Options Plan, in accordance with guidelines issued by the SEBI, since the scheme provides for graded vestings, the vesting period is determined separately for each vesting portion of the option, as if the option was, in substance a multiple option and the amount of employee compensation cost is accounted for and amortised accordingly on a straight line basis over the vesting periods. Consequently salaries, wages, bonus, etc. includes Rs. 0.14 Crore (2007-08 : Rs. 0.58 Crore) being the amortization of deferred employees compensation, after adjusting for reversals on account of options lapsed.

Had the Company adopted fair value method in respect of Options granted, the employee compensation cost would have been higher by Rs. 0.26 Crore (2007-08: Rs. 1.03 Crore), Loss would have been higher by Rs. 0.17 Crore (2007-08 : Rs. 0.68 Crore) and the basic and diluted earning per share would have been lower by Rs 0.20 (2007-08 : Rs. 0.21) and Rs 0.20 (2007-08 : Rs. 0.20) respectively.

The above disclosures have been made consequent to the issue of Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India in the year 2005 and applicable for the period on or after 1st April, 2005.

### 29 Employee Benefit Plans:

#### A Defined Benefit Plans:

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement or on termination of employment of an amount equivalent to 15 days salary for each completed year of service or part thereof in excess of six months. In case of one unit, the Company pays two-third month's salary to executives who have completed 10 years of service payable for each completed year of service or part thereof in excess of six months. In case of death of the employee while in service, gratuity is paid for an amount equivalent to 30 days salary for each completed year of service or part thereof in excess of six months.

The ceiling limit for gratuity payment at the Steel Division is restricted to 20 months salary and for Stampings Division is as per the Gratuity Act, 1972 except for executives at one unit who enjoy no ceiling limit. Vesting occurs upon completion of five years of service.

The Company makes monthly contributions to Provident Fund managed by MUSCO Staff Provident Fund Trust for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. During the year the Company has contributed Rs. 1.30 Crores (2007-08: Rs. 1.13 Crores) to the Provident Fund Trust.

In keeping with the Guidance on implementing Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006, employer established provident fund trusts are treated as Defined Benefit Plans, since the Company is obligated to meet interest shortfall, if any, with respect to covered employees. According to the Management, the Actuary has opined that actuarial valuation cannot be applied to reliably measure provident fund liabilities in the absence of guidance from the Actuarial Society of India. Accordingly, the Company is currently not in a position to provide other related disclosures as required by the aforesaid AS 15 read with the Accounting Standards Board Guidance. Having regard to the assets of the fund and the return on investments, the entity does not expect any deficiency in the foreseeable future. Accordingly no provision is required towards the guarantee given for notified interest rates.

The major category of plan assets in which the contributions are invested by MUSCO Staff Provident Fund trust are as under:

<b>Category</b>	<b>% of each to total plan assets</b>
Bonds & Securities of Central Government	13.68 %
Bonds & Securities of State Government	7.83%
Bonds & Securities of Public Sector Undertakings	29.64%
Special Deposits with Banks	48.84%

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Detailed disclosures on Defined Benefit Plan- Gratuity are as follows:

Particulars	GRATUITY	
	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
I Expenses recognised in the statement of Profit and Loss Account for the year ended 31 <sup>st</sup> March, 2009 (Disclosed in schedule 'K' under the head 'Payment to and provision for employees')		
1. Current Service Cost	0.60	0.47
2. Interest Cost	0.88	0.71
3. Expected return on plan assets	(0.76)	(0.69)
4. Actuarial (Gains)/ Losses	2.43	1.24
5. Total Expense	3.15	1.73
II Net Assets/ (Liability) recognised in the Balance Sheet as at 31 <sup>st</sup> March, 2009		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March, 2009	14.86	11.61
2. Fair value of plan assets as at 31 <sup>st</sup> March, 2009	(11.99)	(10.28)
3. Funded Status [Surplus/(Deficit)]	(2.87)	(1.33)
4. Net Asset/(liability) as at 31 <sup>st</sup> March, 2009	(2.87)	(1.33)
III Change in Obligation during the year ended 31 <sup>st</sup> March, 2009		
1. Present Value of Defined Benefit Obligation at the beginning of the year	11.61	9.49
2. Current Service Cost	0.60	0.47
3. Interest Cost	0.88	0.71
4. Actuarial (Gains)/ Losses	2.45	1.64
5. Benefit Payments	(0.68)	(0.70)
6. Present Value of Defined Benefit Obligation as at the end of the year	14.86	11.61
IV Change in Assets during the year ended 31 <sup>st</sup> March, 2009		
1. Plan assets at the beginning of the year	10.28	9.89
2. Expected return on plan assets	0.76	0.69
3. Contributions by employer	1.61	-
4. Actual benefits paid	(0.68)	(0.70)
5. Actuarial gains/ (losses)	0.02	0.40
6. Plan assets at the end of the year	11.99	10.28
V Actual return on Plan Assets (1+2)	0.78	1.09
1. Expected return on plan assets	0.76	0.69
2. Actuarial gains/ (losses)	0.02	0.40
VI The major categories of plan assets as a percentage of total Plan Funded with LIC of India (See note below)	100%	100%
VII Actuarial Assumptions:	As at 31 <sup>st</sup> March, 2009	As at 31 <sup>st</sup> March, 2008
1. Discount Rate	6.75%	7.70%
2. Expected rate of return on plan assets	8.50%	8.00%
3. Mortality pre-retirement	1994-96 Mortality base	1994-96 Mortality base
4. Mortality post-retirement	-	-
5. Turnover rate	1 to 2%	1 to 2%
6. Salary escalation rate	7.50%	6.00%

Note: The Company is unable to obtain the details of major category of plan assets from the insurance Company (LIC of India) and hence the disclosure thereof is not made.

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### B. Net Assets/ (Liability) recognised in the Balance Sheet as at respective year ends and experience adjustments:

Particulars	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores	31 <sup>st</sup> March, 2007 Rs. Crores
1. Present Value of Defined Benefit Obligation	14.86	11.61	9.49
2. Fair value of plan assets	(11.99)	(10.28)	(9.89)
3. Funded Status [Surplus/(Deficit)]	(2.87)	(1.33)	0.40
4. Net Asset/(liability)	(2.87)	(1.33)	0.40
5. Experience adjustment arising on:			
a. Plan Liabilities [ Loss / (Gain) ]	2.45	1.64	(0.17)
b. Plan Assets [ Loss / (Gain) ]	0.02	0.40	(0.13)

Accounting Standard 15 (Revised 2005) "Employee Benefits" requires the disclosure of the above information for the past four years; however the information is available only for past two years since the date of implementing the Standard.

### C. Basis used to determine expected rate of return on assets:

This is based on expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

D. The estimates of future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

E. The Company expects to fund the entire shortfall in the Employees' Group Gratuity-cum-Life Assurance Scheme with Life Insurance Corporation of India during the first quarter of the next financial year.

### F. Defined Contribution Plans:

The Company makes Pension Fund, Superannuation Fund and ESIC contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits.

Company's contribution paid/payable during the year to Officer's Superannuation Fund, Pension Fund and ESIC are recognized in the Profit and Loss Account. These amounts are recognized as an expense and included in the Schedule 'K' of the Profit and Loss Account under the heading "Payment to and provision for employees" in line item Company's contribution to provident and other funds.

	31 <sup>st</sup> March, 2009 Rs. Crores	31 <sup>st</sup> March, 2008 Rs. Crores
i) Officer's Superannuation Fund	0.73	0.68
ii) Family Pension Fund	0.90	0.92
iii) Employees State Insurance Scheme	0.12	0.13

30. Additional information pursuant to the provisions of Part IV of Schedule VI to the Companies Act, 1956 (See Schedule 'N')

31. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

## MAHINDRA UGINE STEEL COMPANY LIMITED

### SCHEDULE 'M' - SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of accounts :

The accounts have been prepared to comply in all material respects with applicable accounting principles in India, the relevant provisions of the Companies Act, 1956 including Accounting Standards notified under the said Act.

2. (A) Fixed Assets :

Fixed assets are recorded at historical cost of purchase and do not reflect current values. Cost includes interest and other financial charges attributable to the acquisition of fixed assets.

Fixed assets acquired under finance leases are recognised at the lower of fair value of the leased assets at inception and the present value of minimum lease payment. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

Depreciation is provided for as follows:

In respect of the assets of the Company's Stamping Units at Kanhe, Nasik and Rudrapur, depreciation is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except as stated in note b(ii) below.

In respect of all other units / divisions :

- i) The Company provides depreciation on Straight Line Method in respect of buildings, railway sidings and plant and machinery, heavy vehicles, other vehicles and data processing equipment, and on reducing balance method in respect of furniture, fixtures and office equipment at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, except as stated in note b(ii).
- ii) The Company provides depreciation on Straight Line Method on heavy vehicles, other vehicles and data processing equipment at 25%, 20% and 33% of cost respectively.
- iii) In respect of extra shift, depreciation is provided on the basis of the actual utilisation of assets. In determining actual utilisation, it has been assumed that the individual items of plant in each shop have worked for the same number of hours as the main plant in that shop, except where separate records are maintained for any item.

When an asset is disposed off, the cost and related depreciation are removed from the books of account and the resultant profit (including capital profit) or loss is reflected in the Profit and Loss Account.

(B) Intangible Assets

Software expenditure incurred is amortised over the period of 36 months equally commencing from the year in which the expenditure is incurred.

3. Investments :

All long term investments are valued at cost. Provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments. Dividend income is recognised when the right to receive payment is established.

4. Inventories :

Inventories are stated at cost or net realisable value, whichever is lower. Cost of inventories is arrived at on a weighted average basis and is inclusive of overheads and duties, where appropriate. Scrap generated at stamping units is valued at net realisable value.

5. Foreign Exchange Transactions :

Foreign exchange transactions are initially recognised at the exchange rate prevailing on the transaction date. At each balance sheet date foreign currency monetary items are translated at the relevant rates of exchange prevailing at the date. In respect of forward contracts, the premium or discount arising at the inception of such a contract is amortised as expense or income over the life of the contract.

In case of monetary items, the exchange differences are recognised in the Profit and Loss Account.

## ANNUAL REPORT 2008-2009

6. Miscellaneous Expenditure :  
(to the extent not written off or adjusted)

Special payments under Voluntary Retirement Scheme are amortised over a period of five years from the accounting year in which the liability is incurred.

7. Revenue Recognition :

Sales of products and services are recognised when the products are shipped or the services rendered.

Excise Duties (including education cess) recovered are included in the Sale of Products (Gross). Excise Duty (including education cess) in respect of Finished Goods are shown separately as an item of Manufacturing and Other Expenses and included in the valuation of finished goods.

8. Employee Benefits :

i) Provident Fund:

The Company's Contribution to the recognised Provident Fund, paid/payable during the year, is debited to the Profit and Loss Account. The shortfall, if any, between the return guaranteed by the statute and actual earnings of the Fund is provided for by the Company and contributed to the Fund.

ii) Superannuation and Other funds:

Company's contributions paid/payable during the year to Officer's Superannuation Fund, Employees Pension Scheme, Employees State Insurance Scheme and Labour Welfare Fund are recognised in the Profit and Loss Account.

iii) Gratuity and Compensated Absences:

Company's liability towards gratuity and compensated absences is determined using the projected unit credit method which considers each period of service as giving rights to an additional unit of benefit entitlement and measure each unit separately to build up the final obligation. Past services are recognised on straight line basis over the average period until the benefits become vested. Actuarial gain and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flow using discounted rate i.e. determined by reference to market yield at the balance sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and the estimated terms of the defined benefit obligation.

9. Taxes on income :

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of losses under tax laws are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets on account of other timing differences are recognised to the extent that there is a reasonable certainty of its realisation.

10. Segment Reporting :

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company and are identified having regard to the dominant nature of risks and returns and internal organisation and management structure.

Revenues and expenses have been identified to the segments based on their relationship to the business activity of the segment. Income and Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to the business segments are reflected as unallocated corporate expenses and income.

Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the company as a whole and not allocable to any segment.

# MAHINDRA UGINE STEEL COMPANY LIMITED

SCHEDULE 'N' ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.  
Balance Sheet Abstract and Company's General Business Profile:

## I. Registration Details

Registration No. 

1	2	5	4	2
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 State Code 

1	1
---	---

  
Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	0	9
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Date Month Year

## II. Capital raised during the year (Amount in Rs. Crores)

Public Issue 

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

  
Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

## III. Position of Mobilisation and Deployment of funds (Amount in Rs. Crores)

<p>Total Liabilities (including Shareholders' Funds)</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>6</td><td>9</td><td>1</td><td>.</td><td>1</td><td>7</td></tr></table> <p>Sources of Funds :</p> <p>Paid-up Capital</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>3</td><td>2</td><td>.</td><td>4</td><td>8</td></tr></table> <p>Secured Loans</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>2</td><td>1</td><td>8</td><td>.</td><td>4</td><td>8</td></tr></table> <p>Application of Funds :</p> <p>Net Fixed Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>3</td><td>2</td><td>6</td><td>.</td><td>0</td><td>2</td></tr></table> <p>Net Current Assets</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>6</td><td>6</td><td>.</td><td>1</td><td>4</td></tr></table> <p>Accumulated Losses</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	6	9	1	.	1	7	3	2	.	4	8	2	1	8	.	4	8	3	2	6	.	0	2	1	6	6	.	1	4	N	I	L	<p>Total Assets (including Miscellaneous Expenditure not written-off and adverse balance of profit and loss account)</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>6</td><td>9</td><td>1</td><td>.</td><td>1</td><td>7</td></tr></table> <p>Reserves &amp; Surplus</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>3</td><td>7</td><td>.</td><td>8</td><td>6</td></tr></table> <p>Unsecured Loans</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>1</td><td>7</td><td>.</td><td>4</td><td>3</td></tr></table> <p>Investments</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>4</td><td>.</td><td>0</td><td>9</td></tr></table> <p>Miscellaneous Expenditure</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	6	9	1	.	1	7	1	3	7	.	8	6	1	1	7	.	4	3	1	4	.	0	9	N	I	L
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## IV. Performance of Company (Amount in Rs. Crores) :

<p>Turnover (Sales and Other income)</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>0</td><td>7</td><td>5</td><td>.</td><td>1</td><td>8</td></tr></table> <p>+/- Profit/Loss before Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>(</td><td>2</td><td>8</td><td>.</td><td>5</td><td>1</td><td>)</td></tr></table> <p>Earnings per Share in Rupees</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>(</td><td>5</td><td>.</td><td>8</td><td>0</td><td>)</td></tr></table>	1	0	7	5	.	1	8	(	2	8	.	5	1	)	(	5	.	8	0	)	<p>Total Expenditure [Including decrease/(increase) in Stocks]</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>1</td><td>1</td><td>0</td><td>3</td><td>.</td><td>6</td><td>9</td></tr></table> <p>+/- Profit/Loss after Tax</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>(</td><td>1</td><td>8</td><td>.</td><td>8</td><td>3</td><td>)</td></tr></table> <p>Dividend Rate %</p> <table border="1" style="width: 100%; text-align: center;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	1	1	0	3	.	6	9	(	1	8	.	8	3	)	N	I	L
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1	1	0	3	.	6	9																																
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N	I	L																																				

## V. Generic Names of Three Principal Products/Services of Company (as per monetary terms) :

Item Code No. (ITC Code)	7228
Product Description	Other bars and rods of other alloy steel
Item Code No. (ITC Code)	8708
Product Description	Parts and accessories of motor vehicles
Item Code No. (ITC Code)	7214
Product Description	Other bars and rods of iron or non-alloy steel
Item Code No. (ITC Code)	8482
Product Description	Finished Rings / Races

### Signature to Schedules 'A' to 'N'

**Partha Sarathi Roy**  
Chief Finance Officer

Mumbai : 28<sup>th</sup> April, 2009.

**Ajay Kadhao**  
Company Secretary

For and on behalf of the Board

<p><b>Keshub Mahindra</b> <b>Anand G. Mahindra</b> <b>K. V. Ramarathnam</b> <b>Hemant Luthra</b> <b>Dr. Homi N. Sethna</b> <b>M. R. Ramachandran</b> <b>R. R. Krishnan</b> <b>Manoj Maheshwari</b> <b>Harsh Kumar</b></p>	<p>Chairman Vice Chairman Managing Director</p> <p style="font-size: 2em;">}</p> <p>Directors</p>
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# MAHINDRA UGINE STEEL COMPANY LIMITED

Registered Office : 74, Ganesh Apartment, Opp. Sitaladevi Temple,  
L. J. Road, Mahim, Mumbai - 400 016.

## Attendance Slip

I hereby record my presence at the 46<sup>th</sup> Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Memorial Trust, Lala Lajpat Rai Marg, Haji Ali, Mumbai – 400 034 on Tuesday, the 28<sup>th</sup> July, 2009 at 3.00 p.m.

Name of the Member	
Registered Folio No.	No. of Shares
Client ID No.	
DP ID No.	
Name of the Proxy	
Signature of the Member or Proxy	

**Note:** The Member/Proxy/Representative attending the 46<sup>th</sup> Annual General Meeting is requested to bring this slip duly filled in and present the same at the entrance to the Meeting.



# MAHINDRA UGINE STEEL COMPANY LIMITED

Registered Office : 74, Ganesh Apartment, Opp. Sitaladevi Temple,  
L. J. Road, Mahim, Mumbai - 400 016.

## Proxy Form

I/We ..... of .....  
in the District of ..... being a member/members of the above named Company  
hereby appoint ..... of .....  
in the District of ..... or failing him/her .....  
of ..... in the district of ..... as  
my/our proxy/proxies to vote for me/us on my/our behalf at the 46<sup>th</sup> Annual General Meeting of the Company to be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Memorial Trust, Lala Lajpat Rai Marg, Haji Ali, Mumbai – 400 034 on Tuesday, the 28<sup>th</sup> July, 2009 at 3.00 p.m., and at any adjournment thereof.

Signed this .....day of .....2009

Registered Folio No. ....

Client ID No. ....

DP ID No. ....

No. of Shares .....



Signature of the Member

**Note :** This Proxy Form in order to be effective should be duly filled in, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. The Proxy need not be a member of the Company.