BOARD OF DIRECTORS

Keshub Mahindra – Chairman
Anand G. Mahindra – Vice Chairman
K. V. Ramarathnam – Managing Director
Dr. Homi N. Sethna
M. R. Ramachandran
Hemant Luthra
R. R. Krishnan
Harsh Kumar
Manoj Kumar Maheshwari
Sanjiv Kapoor
S. Ravi
Sarojini Dikhale *(nominee of LIC)*

CHIEF EXECUTIVE OFFICERS

Mr. Uday Gupta – Steel Division
Mr. Arijit Das – Stampings Division
Mr. Satish Gopinath – Ring Division

CHIEF FINANCE OFFICER

Partha Sarathi Roy

COMPANY SECRETARY

Ajay Kadhao

CONTENTS

PAGE NO.

BANKERS

State Bank of India
Dena Bank
Bank of Baroda
Bank of India
ING Vysya Bank Ltd.
Standard Chartered Bank
DBS 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 (West), 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 & Ring :
Jagdishnagar, Khopoli - 410 216,
District Raigad, Maharashtra
Tel. No. : 02192-263318/347
Fax No. : 02192-263073/6

Stampings :
1. 371, Takwe Road, At & Post: Kanhe,
   Dist. Pune - 412 106.
   Tel. No. : 02114-255289/294,
   Fax No. : 02114-255293
2. Plot No. D-2, MIDC, Ambad, Nashik- 422 010.
   Tel. No. : 0253-6613400,6613406
   Fax No. : 0253-6613409
3. 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,
2nd 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.

AT A GLANCE

(Rupees in Crores)

Financial Summary	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Sales	**1087.88**	1073.42	922.18	717.23	615.04	522.00	356.57	242.67	256.21	238.93
Other Income	**1.46**	1.76	2.76	1.68	9.73	1.05	2.47	2.56	0.96	3.68
Increase/(Decrease) in stocks	**15.78**	-11.06	16.13	-4.39	24.92	6.79	-1.45	-5.90	8.34	-5.08
Manufacturing and other expenses	**1024.79**	1031.83	846.29	617.79	526.07	443.46	328.19	233.23	247.06	226.37
Depreciation	**30.87**	24.74	26.71	16.73	13.08	9.62	9.26	9.61	9.29	9.19
Interest	**40.83**	36.06	28.63	11.83	11.15	11.38	13.51	13.71	15.40	16.21
Profit/(Loss) for the year before tax	**8.63**	-28.51	44.19	68.17	99.38	65.38	6.63	-17.22	-6.23	-14.23
Provision for Taxation - Current Tax	**1.00**	—	10.55	24.82	32.40	5.13	0.53	—	-0.57	—
— Deferred Tax	**2.96**	-10.13	4.15	-1.55	-2.13	12.09	—	—	—	—
Premium on redemption of Pref.Shares	—	—	—	—	4.04	—	—	—	—	—
Profit/(Loss) after tax	**4.67**	-18.83	29.49	44.90	65.06	48.16	6.10	-17.22	-5.67	-14.23
Equity Dividend	**3.25***	—	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	**567.81**	455.27	410.22	317.05	269.63	200.09	200.85	202.11	200.05	194.85
Net Fixed Assets	**306.10**	326.02	292.40	233.00	115.82	68.61	70.34	81.24	87.26	92.31
Investments	**14.09**	14.09	0.42	0.52	0.52	3.09	3.11	3.29	3.34	3.34
Net Current Assets	**200.84**	173.03	229.80	156.93	146.04	95.08	73.17	44.98	52.91	46.50
Miscellaneous Expenditure	-	-	0.03	0.20	0.59	1.04	1.82	2.31	4.55	7.83
Equity Share Capital	**32.48**	32.48	32.48	32.48	32.48	30.93	30.93	30.93	30.93	30.93
Share Capital	**32.48**	32.48	32.48	32.48	37.94	47.39	47.39	47.39	47.39	43.93
Reserves and Surplus	**137.43**	136.56	155.39	137.31	110.77	43.92	8.78	6.10	71.30	74.82
Net Worth	**171.21**	170.34	189.00	170.16	148.12	90.28	54.35	47.5	62.48	64.93
Borrowings	**339.97**	335.91	316.46	207.42	99.55	64.41	92.26	82.00	81.02	77.22
Profit before tax as a % of sales	**0.79**	-	4.79	9.50	16.16	12.52	1.86	—	—	—
Profit after tax as a % of sales	**0.43**	-	3.20	6.26	10.58	9.22	1.71	—	—	—
Earnings - Rs. per Equity Share	**1.44**	-5.80	9.08	13.75	19.68	15.03	1.81	-6.17	-2.18	-5.07
Dividend - Rs. per Equity Share	**1.00***	-	3.00	4.50	4.50	3.00	—	—	—	—
Book Value - Rs. per Equity Share	**52.71**	52.44	58.15	52.36	43.93	23.86	12.26	10.03	14.88	16.79

* Proposed dividend for the year 2009-10.

NOTICE

The Forty–Seventh Annual General Meeting of the Members of MAHINDRA UGINE STEEL COMPANY LIMITED will be held on Tuesday, the 27th day of July, 2010 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 31st March, 2010 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 declare Dividend on Equity Shares.

3) To appoint a Director in place of Mr. Keshub Mahindra, who retires by rotation and being eligible, offers himself for re-appointment.

4) To appoint a Director in place of Mr. Hemant Luthra, who retires by rotation and being eligible, offers himself for re-appointment.

5) To consider and, if thought fit, to pass, with or without modification(s), the following resolution, in respect of the vacancy caused by the retirement of Mr. M. R. Ramachandran, who retires by rotation and has expressed his desire not to seek re-appointment, which is not proposed to be filled up, as an Ordinary Resolution.

   "RESOLVED that Mr. M. R. Ramachandran, who retires by rotation and has expressed his desire not to seek re-appointment, be not re-appointed and that the vacancy thereby caused be not filled up."

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

   "RESOLVED that pursuant to section 224 of the Companies Act, 1956, Messrs. Deloitte Haskins & Sells, Chartered Accountants (Registration Number 117366W), the retiring Auditors of the Company, be re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Board in addition to out of pocket expenses as may be incurred by them during the course of the Audit."

SPECIAL BUSINESS

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. Sanjiv Kapoor, 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 a 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, Ms. Sarojini S. Dikhale, 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 her 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."

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 Wednesday, the 14th July, 2010 to Tuesday, the 27th July, 2010 (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 31st March, 2003 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.

(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, 2nd 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.

(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, Mr. Keshub Mahindra and Mr. Hemant Luthra, who are holding 1231 and 5906 shares respectively, in the Company, none of the directors who are seeking appointment/re-appointment, hold any shares in the Company.

(l) Pursuant to the provisions of section 205A of the Companies Act, 1956, there were no unclaimed dividends for the financial year ended 31st March, 2002 due for transfer to the Investor Education and Protection Fund. Further, there are no unclaimed dividends for the Financial Year ended 31st March, 2003, which are required to be transferred to the Investor Education and Protection Fund.

(m) The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend. The Company will not entertain any direct request from shareholders holding shares in electronic form for deletion of/change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

(n) The Company has the facility of electronic credit of dividend directly to the respective Bank Accounts of the Members through the Electronic Clearing Service (ECS) of the Reserve Bank of India. Members wishing to avail of this facility are requested to intimate the Company's Registrar and Transfer Agents in the prescribed form and with the prescribed details. Shareholders located in places where ECS facility is not available may submit their Bank details. This will enable the Company to incorporate this information on the Dividend Warrants and thus prevent fraudulent encashment.

By Order of the Board

Ajay Kadhao
Company Secretary

Registered Office:
74, Ganesh Apartment,
Opp. Sitaladevi Temple,
L.J.Road, Mahim (West),
Mumbai-400 016.
29^{th} April, 2010.

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

ITEM NO.7.

In accordance with Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, Mr. Sanjiv Kapoor, was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th July, 2009 and holds office upto the date of the ensuing Annual General Meeting.

Mr. Sanjiv Kapoor is 56 years of age and is a Commerce Graduate and Fellow member of Institute of Chartered Accountants of India (F.C.A.). Mr. Sanjiv Kapoor is the senior partner of M/s. S. K. Kapoor & Co., Chartered Accountants, one of the leading Accountancy firm. As a partner of the firm, he has conducted audits of a number of large Corporates/Institutions such as R.B.I., L.I.C., N.T.P.C., Indian Oil, U.T.I., Banks etc. He is having vast knowledge, expertise and experience in field of Finance, Accounts, Taxation and management of affairs of organizations.

Mr. Sanjiv Kapoor is on the Boards of several companies and is also a Member of various Committees of the Board, details whereof are given in the Chapter on Corporate Governance in the Annual Report.

Mr. Sanjiv Kapoor does not hold any shares in the Company.

The Board is of view that Mr. Sanjiv Kapoor'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. Sanjiv Kapoor is deemed to be concerned or interested in this resolution.

ITEM NO.8.

In accordance with Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, Ms. Sarojini S. Dikhale was appointed as an Additional Director of the Company by the Board of Directors with effect from 27th October, 2009, and holds office upto the date of the ensuing Annual General Meeting.

Ms. Sarojini S. Dikhale is 50 years of age and holds a Bachelor's Degree in Arts, a Master's Degree in Economics and a Law Degree all from Mumbai University. She also holds a postgraduate Diploma in Advanced Marketing from the International Institute of Indian Advanced Marketing (IIAM) and is certified Fellow Member of IIAM. In November 1983, she joined LIC as an AAO Direct recruit officer and at present is the Executive Director (Micro Insurance) at LIC.

Ms. Sarojini S. Dikhale is not on the Board of any other Company. Detailed bio-data of Ms. Sarojini S. Dikhale is given in the Chapter on Corporate Governance in the Annual Report.

Ms. Sarojini S. Dikhale does not hold any shares in the Company.

The Board is of the view that Ms. Sarojini S. Dikhale's knowledge and experience will be of immense benefit and value to the Company and, therefore, recommends her appointment as the Director of the Company to the shareholders.

None of the Directors of the Company other than Ms. Sarojini S. Dikhale is deemed to be concerned or interested in this resolution.

By Order of the Board

Ajay Kadhao
Company Secretary

Registered Office:
74, Ganesh Apartment,
Opp. Sitaladevi Temple,
L.J.Road, Mahim (West),
Mumbai-400 016.
29th April, 2010.

DIRECTORS' REPORT

The Directors present their Forty-seventh Report together with the audited accounts of your Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rupees in crores)

	2009-10	2008-09
Gross Income	**1089.34**	1075.18
Profit before Interest and Depreciation	**80.33**	32.29
Less: Interest	**40.83**	36.06
Less: Depreciation	**30.87**	24.74
Profit/(Loss) before Tax	**8.63**	(28.51)
Less: Provision for Taxation		
- Current Tax	**1.00**	-
- Fringe Benefit Tax	**-**	0.45
- Deferred Tax	**2.96**	(10.13)
Profit/(Loss) after Tax	**4.67**	(18.83)
Balance of profit brought forward from earlier years	**45.38**	64.21
Profit available for Appropriation	**50.05**	45.38
Less: Proposed Dividend on Equity Shares	**3.25**	-
Less: Tax on Dividend	**0.55**	-
Less: Transfer to General Reserves	**-**	-
Balance Carried Forward to Balance Sheet	**46.25**	45.38

DIVIDEND

In view of the improved performance of the Company for the year under review, your Directors have recommended a dividend of Re.1.00 per share on the equity shares of Rs. 10/- each, as against Nil for the previous year. The dividend on equity shares, together with the tax on distributed profits, will absorb a sum of Rs. 3.80 crores (previous year Rs.Nil) and will be paid to those Members of the Company who are entitled to receive the same as on the book closure date.

PERFORMANCE

Indian economy has shown remarkable resilience to the global economic crisis and has recorded an impressive growth of 7.4% in the year under review over the previous year. This has helped the recovery of Steel industry which was under severe pressure due to economic slowdown till 1st half of the year under review. The Automobile, Engineering and Construction industries, major consumers of Alloy Steel of your Company, registered an excellent growth during the year under review, which has enabled the Company to post improved results.

As compared to previous year, the performance of your Company has witnessed a marked improvement and earned a net profit after tax of Rs. 4.67 crores as against loss of Rs. 18.83 crores incurred in the corresponding previous year. The gross income of the Company grew marginally from Rs. 1075.18 crores to Rs.1089.34 crores while the earnings before other Income, Interest and depreciation (EBIDTA) for the year under review was Rs. 78.87 crores as compared to Rs. 30.53 crores of the previous year.

STEEL & RING BUSINESSES:

During the year under review your Company sold 1,21,654 tonnes of alloy steel products as compared to 1,12,066 tonnes sold last year, registering a growth of around 8.55%. Your Company registered sales revenue of Alloy and Steel products aggregating Rs. 617.61 crores for the year under review as compared to Rs. 715.07 crores of the previous year. The drop in sales revenue is largely attributable to the reduction in average sales price consequential to fall in raw material prices in FY 2009-10 as compared to that of previous year.

Your Company also registered sales of 983 tonnes of Ring (Bearing Races) for a value of Rs. 8.49 crores for the year under review as compared to sales of 357 tonnes for a value of Rs.3.58 crores recorded in the previous year.

During the year under review, the Company has successfully commenced the commercial production of the Continuous Mill and also the second Vacuum Degasser in the Steel Melting Shop. The addition of Vacuum Degasser has enhanced the secondary refining capacity of the melting shop. The Company is also expected to derive the benefit of lower power cost from 2nd half of FY 2010-11 once the power supply starts at an agreed rate from Wardha Power Company Limited, in whose equity your Company has invested. The management continuously takes all efforts and initiatives to improve the volume, value added products, productivity, efficiency and input cost of production to maintain growth.

STAMPINGS BUSINESS:

During the year under review, Stampings business of the Company grew from 34,654 MT (previous year) to 50,013

MT registering a growth of 44%. The sales value for the Stampings business for the year under review was Rs. 374.96 crores as compared to Rs. 293.82 crores last year, recording a growth of around 28%. The Stampings business has effectively managed the challenge of exploiting the turnaround of auto-industry in FY 2009-10, and also expanded its business during FY 2009-10.

The Stampings business has in the pipeline orders from several new models of Mahindra & Mahindra Limited as well as Tata Motors Ltd. The proposed Pantanagar Project is expected to give further boost to the business volumes beyond the next financial year. With the auto industry expected to continue its growth momentum, the Stampings Divisions focus remains on improving customer centricity, quality and efficiency and is expected to perform better in FY 2010-11.

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 has been satisfactory and improved over last year. The Company was able to restructure and source Term Loan for capital expenditure and also for working capital facilities through banks in the revival of credit growth. Your Company has been able to optimize interest and finance charges with the support of Banks.

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.

The Safety committee members comprising representatives of workers and executives from various departments meet periodically to review the situation. Detailed review is stated in the Management Discussion Analysis report.

DIRECTORS:

Mr. Keshub Mahindra and Mr. Hemant Luthra, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. M.R. Ramachandran, Director, retires by rotation at the ensuing Annual General Meeting of the Company, and has expressed his desire not to seek re-appointment. The Company does not intend to fill the vacancy caused by the retirement of Mr. M. R. Ramachandran.

Mr. Arun Maira and Mr. K.B. Saha, Directors, have resigned from the Directorship of the Company with effect from 23rd July, 2009 and 24th July, 2009, respectively. The Board has placed on record its sincere appreciation of the services rendered by Mr. Arun Maira and Mr. K.B. Saha during their tenure as Directors of the Company.

Mr. Sanjiv Kapoor and Ms. Sarojini S. Dikhale were appointed as Additional Directors of the Company with effect from 28th July, 2009 and 27th October, 2009 respectively and they hold 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 candidature of Mr. Sanjiv Kapoor and Ms. Sarojini S. Dikhale, 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, 2010 and of the profit of the Company for the year ended on that date;

(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis.

HOLDING COMPANY:

The share-holding of Mahindra & Mahindra Limited in the Company is 1,64,66,789 equity shares of Rs.10/- each representing 50.69% of the paid up capital of the Company.

SUBSIDIARIES:

The Company had no subsidiary as on 31st March, 2010.

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.2.09 Lakhs in the aggregate consisting of 16 matured fixed deposits had remained unclaimed as at 31st March, 2010. The Company had, from 1st 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 is committed to its social responsibilities and always strives to serve the society with its best possible efforts. The Company is a part of Mahindra Group, which is known for maintaining high standards of CSR. Your Company, during the year under review, has undertaken various social initiatives. Steel division has arranged blood donation camps and donated blood to blood banks, conducted Diabetes & Obesity detection camp, conducted AIDS awareness programme and distributed AIDS awareness campaign pamphlets, distributed books and stationery to needy school children.

The Stampings division has also undertaken various CSR initiatives like organizing educational programme and activities for the village women to create awareness on Health, Education, saving schemes and personal growth. Distribution of plants seeds to villagers, for plantation near school, temples etc., with an objective of creating awareness amongst the people about importance of environment and also to improve greenery. The Kanhe stampings division has won ' The king & queen of Roses shield for creating awareness amongst the locals about importance of green environment. These initiatives were part of Employees Social Options Program (ESOP) of the Mahindra Group.

SUSTAINABILITY INITIATIVES:

In FY 2007-08, your Company had participated in the Mahindra Group's 'Sustainability' initiatives and was part of the Group's 1st Sustainability Review, which is a voluntary report setting out the Company's commitments to the environment and society, while generating profits. This report was released in October, 2008 and the shareholders were advised of this initiative in the last year's Directors' Report.

In October 2009, the 2nd Mahindra Sustainability Review for the year 2008-09 was published, wherein your Company's performance on the three bottom lines –i.e. People, Planet and Profit, was also included. Again this year, this report was externally assured by Ernst & Young and rated with the highest level of A+ and Global Reporting Initiative (GRI) checked.

During the year under review i.e 2009-10 a further progress was made in this journey and a Carbon foot-printing exercise was undertaken to inventorize Green House Gas (GHG) emissions from all business operations, as per internationally accepted standards. This will enable us to baseline data on our emissions and undertake initiatives towards improving performance in this area. This will be reported in our 3rd Sustainability Report, which will be released shortly.

In keeping with the Mahindra philosophy of 'ALTERNATIVE THINKING' your Company has been actively seeking and implementing alternative solutions that are inclusive and responsible. *(To know more about how Mahindra is powering a future based on Alternative Thinking, please visit www.mahindra.com/sustainability).*

PARTICULARS OF EMPLOYEES:

The Company had 4 employees who were in receipt of remuneration of not less than Rs. 24,00,000 during the year ended 31st March, 2010 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: 29th April, 2010.

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

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)		1st Tranche	2nd Tranche
	The Pricing Formula	Discount of 15% on the average Price preceding the specified date -18th August 2006	Discount of 15% on the average Price preceding the specified date -24th October 2007
		Average Price : Average of the daily high and low of the prices for the Company's Equity Shares quoted on Bombay Stock Exchange Limited during the 15 days preceding the specified date.	
		The specified date: Date on which the Remuneration Committee decided to grant options to eligible employees of the Company.	
(c)	Options vested	5,25,125 Options stand vested on 31st March, 2010	
(d)	Options Exercised	Nil	
(e)	The Total number of shares arising as a result of exercise of Options	Nil	
(f)	Options Lapsed	3,71,000	
(g)	Variation of terms of Options	At the Annual General Meeting held on 26th July, 2007, the Company has passed a special resolution to provide for recovery of Fringe Benefit Tax from employees. Accordingly the terms of options of ESOS scheme 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 31.03.10	7,27,000	
(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 Shares (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	Rs.1.43	
(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 lower by Rs. 0.10 crores. Profit after tax would have been higher by Rs. 0.07 crores and both the basic and diluted earnings per share would have been higher by Rs. 0.02.	

(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 31ST MARCH, 2010.

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

*ceased to be director of the Company.

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 31ST MARCH, 2010.

A. CONSERVATION OF ENERGY

(a) **Energy conservation measures taken**:

1. Initiatives taken last year on installation of capacitor bank for power factor improvement & Coal gasifier for reduction in furnace oil consumption proved to be sustainable.

2. High luminous light fittings have been introduced in shed lighting at forge shop, conditioning shop, bar mill. The Company has replaced 231 Nos. of 400 watt Sodium Vapor lamps with 82 numbers of metal halide lamps.

3. Digital energy efficient DC drive installed in place of old analogue drive in blooming mill titling finger arrangement, front & back feed rolls & work tables.

4. The second Gasifier installed this year is expected to bring saving in energy cost.

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

Commissioning of second Gasifier for Blooming Mill Chamber furnaces, at Khopoli.

(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. Savings in electricity costs.

2. Usage of Coal Gasifier has helped to save fuel costs.

3. A net energy saving on high bay lamp replacement.

4. An average 1000 Kwh per month of saving of energy, by introducing the new digital controlled system.

(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

	FY 2009-2010			FY 2008-2009		
	Steel	Stampings	Total	Steel	Stampings	Total
A Power & Fuel Consumption						
1 Electricity						
a Purchased						
Units (KWH)	163,573,121	14,264,920	177,838,041	143,318,904	10,613,581	153,932,485
Total Amount (Rs.)	835,806,603	65,888,449	901,695,053	669,134,291	50,338,481	719,472,772
Rate/Unit (Rs.)	5.11	4.62	5.07	4.67	4.74	4.67
b Own Generated (Kwh)	57,698	926,814	984,512	42,084	799,789	841,873
2 Coal For Gasifier (MT)	7,311	N.A.	7,311	759	N.A.	759
Total Amount (Rs.)	33,559,398	N.A.	33,559,398	4,033,648	N.A.	4,033,648
Rate/Unit (Rs.)	4,590	N.A.	4,590	5,314	N.A.	5,314
3 Furnace Oil (K.Litres)	16,908	N.A.	16,908	15,481	N.A.	15,481
Total Amount (Rs.)	370,214,069	N.A.	370,214,069	369,298,356	N.A.	369,298,356
Rate/Unit (Rs.)	21,896	N.A.	21,896	23,855	N.A.	23,855
4 Other Fuel Oil (L.D.O.) (K.Litres)	323	N.A.	323	233	N.A.	233
Total Amount (Rs.)	11,702,798	N.A.	11,702,798	8,903,844	N.A.	8,903,844
Rate/Unit (Rs.)	36,232	N.A.	36,232	38,214	N.A.	38,214
B) Consumption Per Unit Of Production						
1 Products (MT) *	122,637	50,522	173,159	111,594	34,481	146,075
2 Electricity (KWH/MT) Total For The Plant	1,334	301	1,033	1,285	331	1,060
3 Furnace Oil (K.Litres/MT) Total For The Plant	0.138	N.A.	0.098	0.139	N.A.	0.106
4 Coal For Gasifier (MT) Total For The Plant	0.060	N.A.	0.042	0.0068	N.A.	0.0052
5 Other Fuel Oil (K.Litres/MT) Total For The Plant	0.0026	N.A.	0.0019	0.0021	N.A.	0.0016
6 Total Fuel (Furnace Oil+L.D.O.) (K.Litres/MT)	0.141	N.A.	0.100	0.141	N.A.	0.108

* Indicates In House Production Only.

B. TECHNOLOGY ABSORPTION:

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

FORM B

RESEARCH & DEVELOPMENT (R&D)

1. **Specific areas in which R & D carried out by the company during the year 2009-10 and**
2. **Benefits derived as result of the same:-**

Sr. No.	Product & process improvement	Benefits derived
1.	Direct Reduced Iron (DRI) feeder has brought in flexibility in scrap usage.	Saving on reprocessing for high residuals and good residual controls.
2.	New Product: - As-cast Round Ingots produced.	Enabled entry in new value added product market.
3.	Adopted flying tundish continuous casting.	Reduced cycle time and increased continuous casting productivity.
4.	Developed various micro alloyed steel grades for use in Automotive Sector.	Reduced costs in customer's heat treatment and cycle time and increased customer satisfaction.
5.	Developed Low Hydrogen steel making process to aim hydrogen less than 1.5 ppm.	Improved steel quality.
6.	Forging of duplex stainless steel developed.	Entered high value market segment.
7.	Forging of 8 meter Whip Stock & Stabilizer for oil and gas industry done.	Developed new customer base for Oil & Gas industry applications.
8.	Forging of 11 meter mandrel done.	Developed new customer base for special engineering applications.
9.	Installed shot blasting unit.	Improved surface quality.
10.	Equipped quality heat treatment furnaces with scada control.	Improved heat treatment quality and customer satisfaction.

3. **Future Plan of action:**
   - Networking with Premier Institutes for R&D to develop new products and improve quality.
   - To improve H13 microstructures for enhancing Die life.
   - To Install slag detection system on ladle to improve internal quality of steel.
   - To develop cooling methods of blooms to improve surface quality.

4. **Expenditure on R&D:**

		2009-10 (Rs. in Lacs)	2008-09 (Rs. in Lacs)
a)	Capital	-	-
b)	Recurring	141	169.12
c)	Total	141	169.12
d)	Total R&D expenditure as percentage of total turnover	0.130	0.158

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 DRI feeder for DRI usage.	Productivity improvement. Reduction in tramp elements.
2.	Commissioning of Round Ingots Casting.	Development of market segments.

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Company continues to strive to improve its export earnings. Further details in respect of exports are set out elsewhere in the Report.

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

For and on behalf of the Board

Keshub Mahindra
Chairman

Mumbai: 29th April, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

COMPANY OVERVIEW

Mahindra Ugine Steel Company Limited (MUSCO) operates in two business segments:

- Alloy steel long products and ring rolling – located at Khopoli, Maharashtra.
- Stampings (Pressed Sheet metal components and assemblies) – located at Kanhe & Nasik in Maharashtra and at Rudrapur in Uttarakhand.

Mahindra & Mahindra Ltd (M & M) holds 50.69% of the share capital in the company whereas promoter holding stands at 55.47% of the total paid up share capital.

INDUSTRY STRUCTURE AND DEVELOPMENT

Steel Business

India has weathered the global economic crisis relatively well and has recorded a Gross Domestic Product (GDP) growth of over 7% in FY 2009-10. Overall, the economy is poised to grow over 8% in FY 2010-11. Global steel production decreased by 8% in 2009 as output declined in European Union, United States, Japan, CIS countries. Asia remained the exception - growth momentum was maintained in China and India Year on Year (YoY) basis.

The Indian Steel industry is on an upswing due to strong domestic demand and is projected to grow over 8% in the current year. The per capita alloy steel consumption in India is still low as compared to developed and major emerging economies. This provides an opportunity for further growth with the expectation that investments will be made in the capital goods sector to keep pace with the overall GDP growth.

Alloy steel industry in India is also poised for a healthy growth as the consumption by its major consumer industries, automobile, auto components, power and engineering, is expected to remain strong in the near future. The Indian automobile industry which is a major consumer has recorded a phenomenal growth during Financial Year (FY) 2009-2010 and is expected to maintain its growth momentum in FY 2010-11 also. While some of the growth could be attributed to the fiscal stimulus provided by the government, Government of India's proposal to increase spending on infrastructure and railways will also boost the demand for steel and alloy steel products.

India continues to benefit from increased outsourcing from global Original Equipment Manufacturers (OEMs) in many industry segments - automobile, auto components, engineering, oil & gas, mining etc. Global OEMs strive to cost in their supply chains by outsourcing. Increasingly, these global OEMs are also evaluating value added products which involves innovative design & engineering, improved process capability and increasing transparency.

Bearing Races (MUSCO Rings/Races) Business

Post recession, the markets for bearing races and automotive components are experiencing renewed growth because of increased outsourcing from India by the global auto and bearing OEMs. The large OEMs now focus on supply chain stability along with the best price consideration. It is also expected that demand in other segments like Wind energy, Oil & Gas and Aerospace segments will significantly increase in the near future.

Stampings Business

Stampings business services the automotive and farm equipment markets. These sectors of the industry have come back strongly after a slowdown in FY 2008-09 and posted a remarkable growth in FY 2009-10. As indicated earlier these segments are expected to maintain the momentum thereby providing ample growth opportunities for the stampings business. Automotive OEMs are increasingly launching variants targeting consumer sub-segments and stamping companies will be required to respond to this trend. Demand from OEMs to locate stamping facilities at a close proximity to their manufacturing outfits is also expected to have an impact on the strategy of stamping companies and help them maintain sticky customer relationship.

MUSCO BUSINESS STRATEGY

In FY 2009-10, the Company strategy was focused on the short term objective of optimising cash while not losing sight of long term imperatives that will ensure success when the market bounces back from the downturn. The Company is using the Balanced Scorecard framework to ensure that the strategy outlined is implemented properly. The Company comes under Mahindra Systech sector/division of Mahindra & Mahindra Limited (M&M or Mahindra Group). The three pronged strategy is in line with the overall framework of Mahindra Systech and can be summarised as follows:

- **Reboot** (Short Term)- Focus on the 3Cs of the business
  - Enterprise wide sustainable **cost** reduction program.
  - Conserve **cash.**
  - Get closer to **customers** to build stronger relationship.
- **Reinvent** (Medium Term)
  - Achieve operational excellence.
  - Balance the product portfolio.
  - Explore new market segments and its niches.
  - Prospect new customers in existing markets.
  - Move up the value chain.
- **Reignite**
  - Get ready to actualise our long term strategy and ambitions.

SEGMENT PERFORMANCE, OPPORTUNITIES AND OUTLOOK

Steel Business

Performance

On the back of a good recovery of the economy and the implementation of strategic initiatives undertaken by the Steel division in terms of reducing fixed and variable costs and improving the product mix, the Steel Division of your Company has posted an improved operating performance for the FY 2009–10. However, the high cost of raw material coupled with dampened price persistence has restricted the upside. Increase in borrowings has also affected the overall financial performance. The Company is therefore staying focused on improving margins and enhancing product mix with visible growth in sales volume.

In FY 2009-10, the Steel Division posted marginal loss of Rs.0.99 crores as compared to loss of Rs.28.75 crores in FY 2008-09. This was largely due to an improved performance in the second half of the FY 2009-10 led by improved margin and enriched product mix. The results could have improved further but for the loss of over 7,000 Tonnes contracted volume for Railway Wheel Factory which suffered equipment failures in 4th Quarter of FY 2009 -10 and was forced to curtail all off-take. Following is the summarised operational performance of Steel Division for FY 2009-10.

- Net Sales increased from 1,12,066 tonnes in FY 2008-09 to 1,21,654 tonnes in FY 2009-10 registering a YOY growth of 8.5%.
- The overall revenue from steel products was however Rs. 617.61 crores in FY 2009-10 as compared to Rs. 715.07 crores in FY 2008-09. The decline in revenue is due to lower average price realisation on account of commodity price fall prevailing in the current year.
- The operating margin (EBIDTA) in FY 2009-10 improved significantly to Rs.42.58 crores as compared to Rs.9.70 crores in FY 2008-09.
- Average Power cost increased from Rs 4.67/KWH in FY 2008-09 to Rs.5.11/KWH in FY 2009-10.
- There was no foreign exchange loss to the Company in the FY 2009-10.

Your Company decided to go ahead with the remaining investments required to complete the capacity enhancement program that was initiated in the earlier years. The Company expects that this enhancement will allow it to be more responsive to the customers and ensure growth when upturn begins at the end of the dark tunnel of recession.

As a part of sustainable cost reduction program, following initiatives were implemented:

- One Coal Gasifier installed for the batch heating furnaces of blooming mill operation to ensure substantial savings in fuel costs.
- The Company maximised its operation in terms of output from the steel melting shop in the low tariff time zone. The second Vacuum Degasser helped to improve productivity in this low power tariff zone resulting in appreciable savings on power cost.
- Small group projects were undertaken to improve upon consumable usages and also to replace the same selectively with alternative materials at lower price without compromising on quality.

Opportunities & Outlook

The Company has segmented the market into key segments and is approaching each segment with well defined initiatives.

Steel business has a current product market portfolio mainly encompassing automotive components, bearings, engineering goods, power, tool & dies components, railway axle and defense equipment. All the key market segments are expected to grow. With enhanced capacity in our manufacturing facility, the Company is ready to participate in the growth curve.

Global sourcing from India in the bearing segment is also on the rise. The Japanese bearing manufacturers are following the footsteps of the Japanese auto OEMs in India and they are showing keen interest in developing indigenous sources for steel. Your Company is well poised to tap this potential market. The Company is already an approved source for the globally reputed bearing manufacturers and in some cases is the single supplier.

In the engineering segments of plastic moulding machines, chemical machinery and stationary power engines, a rebound in the recent time has been witnessed as the domestic demand and exports of capital goods have picked up. Increased global sourcing from India is also visible in Oil, Gas & Mining segments. The Company is evaluating possibilities of moving up the value chain in these segments.

A steady volume growth has also been observed in the tool and dies segment. In order to foster further growth, your Company has been actively engaged in research to develop improved materials for enhancing tool & die life. It is also evaluating the prospect of manufacturing those varieties of die steel which are still imported.

Domestic demand growth from the conventional as well as the renewable power segments is foreseen in the near future. The Company has started participating by producing transmission products for OEMs in the power industry. It has recently introduced large size rings in its product portfolio for the power industry.

Aviation and nuclear power segments in India will become active segments in the near future. The Company intends to build its capability to serve these segments.

In the infrastructure segment, the Company has been a preferred supplier of steel for the railway axles. With increased Government spending in this segment, the Company has the opportunity to supply value added products.

Exports to oil & gas, mining and tube segments in the regional hubs as well as Europe have a large potential as products of the Company are preferred by large multi nationals because of its brand reputation, corporate governance practices and process capability. This has been identified as a potential area for growth going forward.

The strategy of the steel division is to build a diversified product-market portfolio and retain & further build on already large established customer base. In this manner, it expects to leverage its enhanced capacity and capability and thereby achieve its long term goals for growth and profitability.

In addition, enterprise wide cost reduction initiatives will continue. The battery of Coal Gasifier will be stepped up over a period of time through appropriate capital expenditure (Capex) in order to derive increased benefit of fuel cost savings. Balancing machinery will be added as necessary to improve operational efficiency and reduce cost.

Your Company will strive to achieve continuous but sustainable cost reduction by benchmarking, reducing internal process rejections, adopting appropriate technology & enhancing plant productivity.

The Company will derive benefit from lower power cost once Wardha Power Company Limited (WPCL) starts supplying contracted power by way of investment made towards power purchase agreement. This is expected to start in the 2nd half of FY 2010-11.

If FY 2009-10 was a year of consolidation for the steel business, FY 2010-11 will be a year of growth and return to targeted operating margin & profit.

Bearing Races (MUSCO Rings/Races) Business

Performance

Ring business primarily worked on a strategic shift from commodity to specialty products in the bearing segment and value added products in the auto segment. Steps have been taken to de-risk the business from being 95% bearings industry focused to having an even split between the Auto and Bearings industry, with significant focus on the Railways and Engineering market also. The Ring Business is uniquely positioned in the market as the only player which is integrated with an alloy steel manufacturing base.

Much of the year was spent in developing a strong & stable portfolio of products and customers. Over the course of last year, the company has succeeded in developing over 75 products, primarily in the non-commodity space. The business has now entered the commercialization phase.

Sales revenue from MUSCO Rings was Rs 8.49 crores (983 tonnes) in FY 2009-10 with an operating margin (EBIDTA) of Rs. (0.69) crores. Product development costs for trials and customer approvals have been absorbed in the current year awaiting commercial supply to be scaled up in FY 2010-11.

During this year, the Company has tried to maximize production efficiency through adoption of Total Productivity Management (TPM) drive and the focus of incorporating systems in place has resulted in the business been awarded the ISO 9001 and ISO14001 certification. The business now stands ready to turn significantly improved results in the coming years.

Opportunities & Outlook

In FY 2010-11, the Rings business will focus on full commercialization of products developed in FY 2009-10. It is also exploring entry into new segments.

Entry into Computed Numerically Controlled (CNC) machining of rolled / forged products will make it a full service supplier. A techno economic proposal is being prepared to assess this opportunity. MUSCO Rings also sees good opportunity in entering into the manufacture of Large Rings. 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.

If FY 2009-10 was a year to shift the strategic gear to de-risk from commoditization and earn approval for products in the bearing as well as the auto segments, FY 2010-11 will be a year for stepped up commercial supply thereby achieving targeted capacity utilization and operating margin.

Stampings Business

Performance

Your Company has taken significant advantage of the economic recovery and rebound in the domestic automotive and farm equipment segments in FY 2009-10 through remarkable improvement in the performance of the Stamping Business.

- Sale of stampings & assemblies increased from 34,654 MT in FY 2008-09 to 50,013 MT in FY 2009-10 – up by 44%.
- Operating Income at Rs. 450.26 crores in FY 2009-10 compared to Rs. 346.84 crores in FY 2008-09 reflects a growth of 30%.
- Operating margin (EBIDTA) at Rs. 36.98 crores in FY 2009-10 compared to Rs. 23.70 crores in FY 2008-09 registers an improvement of 56%.

Opportunities & Outlook

Opportunities, for Stampings division, center on the growth in auto and farm equipment segments and also from the demand of value added products. In FY 2009-10 the stampings business was grown by seizing such opportunities and management effort towards identifying and exploiting these opportunities will also continue in FY 2010-11 and beyond.

In FY 2009-10, the Stampings business achieved the highest ever operating income. The Management is leveraging this performance and the increased customer demand, to expand Stampings capacity by about 70-80% of present capacity in next couple of years. The current capacity of the business is fully utilized. Stampings division is preparing for new business volumes through fresh investments at Nashik, Kanhe and Rudrapur units. Locating stamping facilities in close proximity to OEM's manufacturing units has become a strategic priority. Setting up a new plant in Pantnagar in the state of Uttarakhand is a move in this direction.

While capacity is being increased in response to increased demand, consistent and sustainable cost reduction is being pursued to address competitive pressures. A new robotics line commissioned in Kanhe has significantly enhanced the productivity and quality of products. In FY 2010-11, the Management plans to extend the automation learning and experience of Kanhe plant in other plants of Musco Stampings so that your Company can leverage this competitive advantage. The portfolio of customers will be expanded to include major domestic & overseas OEMs.

If FY 2009-10 has witnessed a high growth trajectory in volume, operating income and profit, FY 2010-11 will consolidate the growth curve leveraging the core competency of the business.

THREATS AND RISKS

Each business has a specific set of risk characteristics which are managed through an internal risk management practice. In FY 2009-10, the Company experienced a lethal cocktail of adverse situations - quick free fall of commodity prices, collapsing product prices, adverse Foreign exchange (Forex) fluctuation, demand drought and evaporating credit.

This experience prompted the Company to further strengthen the existing enterprise wide risk management, control and response processes of the Company.

Steel & Ring Business

Market Risk

- High dependence of steel & ring businesses on auto segment (and related bearing segment).

  The cyclical characteristics of alloy steel business has its origin in the historically cyclical nature of the auto segment especially in the Commercial Vehicle (CV) sub segment. While the domestic auto segment has shown remarkable recovery post recession with an outlook to maintain its growth momentum, the condition of auto industry in North America and Western Europe continues to be challenging.

  Steel division has a diversified product – market portfolio and hence retaining customer base in the non-auto segments is a major imperative in the risk mitigation process. Likewise, Ring business would build a part of its portfolio with non-auto, non–bearing customers to mitigate risk.

- Uncertainties in the Oil, Gas and Mining segment due to regulatory, environmental and political risks.

  While steel business engages with oil, gas and mining segments as key focus area, it is also progressively building capability for catering to the nuclear, aerospace and renewable energy segments as a risk mitigation step. Large ring manufacturing facility in Ring business is also a step in this direction.

Risk from technology shift

The Company has entered into Jumbo Caster (large section continuous caster) to replace Ingot casting route. This is because the Company faces risk of erosion of market share in the large size crankshaft segment with competitors acquiring jumbo caster and thereby replacing the ingot route product. Such trends may navigate into other product segments. In order to mitigate this risk the Company has finalized the techno-economic study of modifying its existing caster to increase the bloom size.

Risk from Commodity Price Volatility and Inventory

The global financial crisis led to an unprecedented volatility in the commodity prices of input metallics and your Company was also affected on this front. In order to mitigate this risk the Company has taken/identified steps like having Lean supply chain practices, Raw Material stocking as per short term forecast, and contracts with price variation clauses based on commodity index movement.

Stampings Business

Stampings Business complies with the risk management procedures of the Company on similar lines of Steel & Ring business. However, Stampings business has unique Market Risk due to its almost complete Dependency on the Automotive Sector. However, diversification of products across (1) major OEMs (2) sub-segments (3) new variant is in process to minimise risk.

Rise of input costs is other area of concern along with concerns that the growth in the auto industry will decline as the Government's fiscal stimulus gets withdrawn eventually. Your Company's approach to mitigate such threats is to keep costs under control. In FY 2009-10, MUSCO Stampings managed costs well and will continue to do the same to lessen any impact, if such threats materialize.

Health, Safety and Environment

The Company has in place an effective policy framework on the Health, Safety & Environment for maintaining the highest standards in this area. The policy apart from meeting all applicable statutory requirements is focused on motivating and training of employees to reduce pollution and mitigate any other adverse impact on the environment. The process of Safety, Health & Environment (SHE) Policy ensures leadership from the top management with participation from across the management and workforce hierarchy for improving safety, environment and health aspects in operations. The entire process is subjected to audit from internal as well as external parties. Steel Division has received ISO 14001 certificate. Stampings Division at Rudrapur has received ISO 14001 and ISO 18001 certificates.

Safety:

Top priority is given to adopt safety measures for preventing accidents and recurrence of any accidents/ incidences by way of thorough investigation for arriving at the root cause and eliminating unsafe conditions. The safety initiatives and measures are summarised below;

- Safety Officer, Safety Committee members, Department representatives and Senior Management Team conduct regular safety review meeting.

- Special protective equipment and gears are provided to all personnel to ensure highest safety and health standards and is mandatory for use.
- Regular audits of operation are carried out to identify unsafe condition by executing time bound improvement projects.
- Awareness and first aid trainings are conducted regularly along with mock drills as a preparation for disaster management readiness.
- Safety Manual and its linkage to standard operating practices in individual process are checked for compliance. Technical standards are being made based on accidents & incidents findings for companywide implementation.
- Housekeeping under 5S system has been introduced for model zones for horizontal deployment across the Company over a period of time. About 400 workmen & management staffs have been trained on basics of 1S & 2S.

The Company is committed to produce 'accident free' products from Steel, Rings and Stampings business, by applying best of its capabilities.

Health

A scheme is available for regular health check up for all staff. Plant dispensary runs 24 hrs on all days to attend to the health issues of employees. Environmental standard & hygiene are maintained on priority at workplace to ensure protection from any health hazard.

Sustainability

Company has aligned to the overall sustainability framework of the Mahindra Group. The Company, as a part of Mahindra Systech sector, participates in the internationally recognised Global Reporting Initiative (GRI) Sustainability Reporting initiatives (externally assured) consolidated at the Mahindra Group. Detailed paragraph on Sustainability Initiatives is reported in the Directors' Report to this Annual Report.

Financial Performance

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

Summary of Financial Performance

Amount in (Rs.) crore

Particulars	Steel (including Bearing Races)		Stampings		Total	
	April-Mar 10	April-Mar 09	April-Mar 10	April-Mar 09	April-Mar 10	April-Mar 09
Sales	637.62	726.58	450.26	346.84	1087.88	1073.42
Other Income	0.76	1.16	0.70	0.64	1.46	1.80
Total Income	638.38	727.74	450.96	347.48	1089.34	1075.22
EBIDTA	41.89	6.82	36.97	23.70	78.86	30.52
PBT	(10.66)	(35.74)	19.29	7.23	8.63	(28.51)
PAT					**4.67**	**(18.83)**

Material Development in Human Resources/ Industrial Relations

The total employee strength of the Company at the end of FY 2009-10 was 1545 employees comprised of 788 employees in Steel division including Bearing Races and 757 in Stampings division. Apart from above employee strength the Company hires apprentice, trainees and contract workers from time to time. The industrial relationship with employees and workers was cordial.

The Human Resource Department operates on the following levers which are part of the learning and growth framework of the company's balanced scorecard:

- **Training & Development**

  Company conducts regular programmes for training and skill development of employees and workers.

  Training needs of employees are regularly identified and internal and external trainers are hired to impart training. It is worth mentioning that the enterprise wide cost reduction initiatives in FY 2009-10 did not affect the training budget. In fact, structured training for executives to attend business education were organised at the leading institutions of India viz. ISB, IIM A, IIM B, IIM C, XLRI, MDI, NITIE etc. Similarly workmen training were also scaled up.

- **Performance Management System**

  The Company has well documented Human Resource (HR) policies based on which Performance and Rewards system for employee is formulated.

- **Communication**

  The Company has fair and transparent feedback system called "Bindass Bol" (talk candidly) to enable employees to provide frank and candid views. It is aimed at encouraging all the employees to contribute their knowledge and experience by making suggestions for improvement.

- **Networking with leading Indian & Overseas Institutes**

  The Company has initiated building relationship with the leading technical institutes in India and overseas to strengthen the knowledge management processes. The Company will selectively embark on joint short term projects in the area of (1) customers' problem solving (2) steel cleanliness and process improvement (3) co-development of products and (4) waste recycling projects.

- **Mahindra Quality Way** – *A Strategy Execution Enabler: Alignment to our core value – Quality Focus*

  The Company has adopted Mahindra Quality Way (MQW) - a business excellence model engineered & promoted by the Mahindra Institute of Quality with an aim to enhance business performance of Mahindra group companies. MQW was developed by Mahindra Institute of Quality with close involvement of eminent Japanese Quality experts. MQW as a framework and guideline is expected to promote (1) customer centricity (2) quality focus in all our processes (3) develop leadership across the organisation with empowerment and finally (4) operational excellence to achieve our business results.

Internal Control Systems and their Adequacy

Your Company has adequate internal controls for its business processes across departments to ensure efficient operations, compliance with internal policies, applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions. The Company also has an internal audit system which is conducted by an independent firm of Chartered Accountants so as to cover various operations on continuous basis. Summarized Internal Audit Observations/Reports are reviewed by the Audit Committee on a regular basis. The finance and accounts functions of the Company are well staffed with qualified and experienced members. The internal controls are complemented, on an on-going basis, by an extensive program of internal audits being implemented through-out the year. The internal controls are designed to ensure that the financial and other records of the Company are reliable for preparing financial statement and other data for maintaining accountability of assets.

Synergies with Parent

Synergies within the Mahindra Systech Group

The Company is a part of the Mahindra Systech of the Mahindra group, which aims to leverage the global competitiveness of Indian companies in the automobile component sector. Companies within the Mahindra Systech are present in complementary businesses such as steel manufacturing, castings, stampings, ferrites, composites and gear manufacturing, and provide engineering and design services, contract sourcing services. We believe that we derive significant advantages of synergies and cross selling because of presence of the Mahindra group in these businesses. For example, the Company and Mahindra Forging Limited (MFL) together cater to the auto component needs of various major OEMs (M & M, Maruti Udyog Ltd, TATA Motors, Piaggio, V M Motor etc).

Strong Parentage and Brand Value

Mahindra group is one of the leading industrial houses in India. Forbes has ranked the Mahindra group in its Top 200 list of the World's Most Reputable Companies in 2009. It is a widely recognised brand name in India and has operations in the several key sectors of the Indian economy. M&M, our parent company and the flagship company of the Mahindra group, is one of the leading automotive manufacturers in India. M&M is also one of our major customers.

We believe that our association with the Mahindra group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We also believe that our association with the Mahindra Group aids us in winning new businesses and obtaining financial assistance.

Looking Ahead

As we begin FY 2010-11, we can take heart from the way the Company have weathered the storm of the financial downturn so far. As growth returns, tentatively in Europe and explosively in India, the Company has the chance to build on the good work and to take our rightful place as one of the leading steel and steel component companies.

We believe that the opportunities before us are limit-less and we would need to think about new ways of seizing these opportunities. Customer requirements from steel and steel component makers are getting wider and more stringent and those who are able to adapt to these requirements will emerge winners. There is a need to drive positive change through our organization and that is what Mahindra Systech aims to do. The senior management team is empowered to act as entrepreneurs and is encouraged to 'be the change they want to see'.

Mahindra Systech is driven by the aim to provide the best returns to all stakeholders. We have created an integrated, commonly aligned international management team which can leverage synergies across the different locations. The intent is to fully utilize our wide product portfolio to secure larger orders from clients across different geographies and execute them in the most optimal, cost competitive manner. We are focused on extracting the maximum synergies among our verticals through cross selling, best practice exchange and optimization of production. We provide a diverse range of components and 'art to part' promise to our customers along with the highest standard of governance characteristic of the Mahindra Group. Thus we aim to fully unlock the potential of our business and rise to the opportunities that are available to us.

Cautionary Statement

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

CORPORATE GOVERNANCE REPORT

Company's philosophy on code of Corporate Governance

The Corporate Governance philosophy of the Company is based on key elements of good corporate governance i.e. honesty, trust, ethics, integrity, openness, accountability, and commitment to the organization and its stakeholders. The management governs the affairs of the Company in an honest, ethical, legal, and transparent manner to ensure optimum utilization of available resources for maximizing benefits for all stakeholders of the Company. The Company has well defined Codes of Conduct for its employees as well as its Directors. Both these codes are available on the website of the Company. The Company makes prompt, complete and accurate disclosures under the applicable laws about its financials, shareholding and other material information for knowledge of its stakeholders. Being a responsible corporate citizen, the Company is dedicated to not only enhance value of its shareholders but also to create goodwill for the entire external environment and communities within which it operates. The Company adheres to best of the Corporate Governance standards and believes in creation of wealth for its stakeholders in a fair, honest and transparent manner which is legal and ethical.

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 twelve directors and the composition of the Board is in accordance with the requirements of the Clause 49 of the Listing Agreement. All Directors have extensive experience, knowledge and expertise in their respective functional areas.

The Company has a Non-Executive Chairman and the number of Independent Directors comprises fifty percent of the total number of Directors and the number of Non-Executive Directors is more than fifty percent of the total number of 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 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/she is a Director.

The Constitution of the Board as on 31st March, 2010 is as under:

Directors	Category	Total number of Committee Memberships+ of Public Companies as on 31st March, 2010.	Total number of Chairmanships of Committees+ of Public Companies as on 31st March, 2010.	Directorships* of Public Companies as on 31st March, 2010.
Non- Executive				
Mr. Keshub Mahindra - Chairman	Non Independent	1	1	6
Mr. Anand G. Mahindra - Vice Chairman	Non Independent	1	Nil	13
Mr. Hemant Luthra	Non independent	2	Nil	7
Mr. R.R.Krishnan	Non Independent	2	1	2
Mr. Harsh Kumar	Non Independent	Nil	Nil	4
Dr. H.N.Sethna	Independent	8	3	6
Mr. M.R.Ramachandran	Independent	2	2	1
Mr. S.Ravi	Independent	5	2	6
Mr. Manoj Kumar Maheshwari	Independent	5	Nil	7
Mr. Sanjiv Kapoor (w.e.f. 28-07-2009)	Independent	3	2	4
Ms. Sarojini S. Dikhale (nominee of LIC) (w.e.f. 27-10-2009)	Independent	Nil	Nil	1
Executive				
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 every Meeting on the overall performance of the Company, followed by presentations by 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 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 1st April, 2009 to 31st March, 2010 on the following dates:

- 28th April, 2009
- 28th July, 2009
- 27th October, 2009
- 22nd January, 2010
- 26th March, 2010

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

The Forty – sixth Annual General Meeting (AGM) was held on 28th July, 2009.

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

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

* resigned as director with effect from 24th July, 2009.
** resigned as director with effect from 23rd July, 2009.
*** appointed as additional director with effect from 28th July, 2009.
**** appointed as additional director with effect from 27th October, 2009.

D. Directors seeking appointment/re-appointment

Mr. Keshub Mahindra and Mr. Hemant Luthra retire by rotation and, being eligible, have offered themselves for re-appointment.

Mr.M.R.Ramachandran, Director retires by rotation at the ensuing Annual General Meeting of the Company. He has expressed his desire not to seek re-appointment. It is not intended to fill the vacancy caused by the retirement of Mr. Ramachandran.

During the year Mr. Sanjiv Kapoor and Ms. Sarojini S. Dikhale 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.

Brief resume of these Directors are presented below:

Mr. Sanjiv Kapoor

Mr. Sanjiv Kapoor, was appointed as an Additional Director of the Company with effect from 28th July, 2009.

Mr. Sanjiv Kapoor is a Commerce Graduate and Fellow member of Institute of Chartered Accountant of India. He is the senior partner of M/s. S. K. Kapoor & Co., Chartered Accountants, one of the leading Chartered Accountancy firms. As partner of the firm, he has conducted audits of number of large Corporates/Institutions such as R.B.I., L.I.C., N.T.P.C., Indian Oil, U.T.I., Banks etc.

Mr. Kapoor has been a Director of Mahindra & Mahindra Ltd., Ballarpur Industries Ltd., Indian Bank, Corporation Bank, U. P. Stock Exchange Association Ltd., UPSE Securities Ltd., Sahara Asset Management Co. (P) Ltd. He was the president of Kanpur Chartered Accountants Society in the year 1988-89. He was also the Vice President of Upper India Chamber of Commerce. At present, Mr. Kapoor is a Director on the Board of Mahindra Lifespace Developers Limited, Mahindra World City Developers Limited and Sahara India Life Insurance Co. Ltd.

Mr. Sanjiv Kapoor is a member of the following committees:

Sr. No.	Name of the Company	Type of the Company	Chairman/ Member
1.	Mahindra Lifespace Developers Ltd.	Audit Committee Remuneration Committee	Chairman Chairman
2.	Mahindra World City Developers Ltd.	Audit Committee	Chairman
3.	U. P. Stock Exchange Association Ltd.	Sub-Committee for Monitoring Compliance of SEBI Inspection Report Disciplinary Committee	Public Representative Public Nominee
4.	Mahindra Ugine Steel Co. Ltd.	Audit Committee Remuneration Committee	Member Member

Mr. Sanjiv Kapoor does not hold any shares in the Company.

Ms. Sarojini S. Dikhale

Ms. Sarojini S. Dikhale was appointed as an Additional Director of the Company with effect from 27th October, 2009. Born on 18th December 1959, and hailing from Mumbai, Ms. Sarojini S. Dikhale holds a Bachelor's Degree in Arts, a Master's Degree in Economics and a Law Degree all from Mumbai University. She holds a Postgraduate Diploma in Advanced Marketing from the International Institute of Indian Advanced Marketing (IIAM) recognized by AICTE, Government of India and is a certified Fellow Member of IIAM.

In November 1983, she joined LIC as an AAO Direct recruit officer of 12th Batch and thereafter was elevated to the next higher cadre in every four years, AO, ADM, DM, SDM, ZM and ED. She successfully led the Division of Goa for four years from 2001-2005 winning several Awards, Chairman's trophies and accolades for the Division in every area of business and service. On promotion to Zonal Manager's cadre in 2005, she was deputed to the National Insurance Academy (NIA) as a Trainer. Ms. Dikhale has co-authored the book "Tryst with Trust".

Ms. Sarojini S. Dikhale is not a member of any committee to the Board. Ms. Sarojini S. Dikhale does not hold any shares in the Company.

Mr. Keshub Mahindra

Mr. Keshub Mahindra, Chairman of Mahindra & Mahindra Limited, is a Graduate from Wharton, University of Pennsylvania, USA. After joining the Company in 1948, he became the Chairman in 1963.

He is a well-known philanthropist who redefined Corporate Governance by effectively channelising funds into the social sector.

Mr. Keshub Mahindra is Chairman of Mahindra Ugine Steel Company Limited, Chairman of the Board of Governors of Mahindra United World College of India, Vice-Chairman of Housing Development Finance Corporation Limited, Chairman of Kema Services (International) Private Limited, Chairman of Tech Mahindra Foundation, Chairman of Mahindra Holdings Limited and Director of Bombay Burmah Trading Corporation Limited, The Bombay Dyeing & Manufacturing Company Limited and Indian Institute for Human Settlements.

He was also appointed by the Government of India to serve on a number of Committees including the Sachar Commission on Company Law & MRTP; Central Advisory Council of Industries, etc.

Mr. Mahindra is associated with several Committees. He is a Member of Prime Minister's Council on Trade & Industry, New Delhi, Apex Advisory Council - ASSOCHAM, Deputy Chairman & Trustee - Employers' Federation of India, President of the Governing Council - University of Pennsylvania Institute for the Advanced Study of India, New Delhi and Member of United World Colleges (International), U.K., amongst other companies.

Mr. Mahindra was the President of Bombay Chamber of Commerce & Industry, President of ASSOCHAM, President of Indo-American Society and Chairman of Indian Institute of Management, Ahmedabad.

Mr. Mahindra has been recipient of the prestigious awards including 1989 Business India - Businessman of the Year, The Sir Jehangir Ghandy Medal for Industrial Peace - XLRI, Jamshedpur, 1998 IMC Diamond Jubilee Endowment Trust Award, Dadabhai Naoroji International Award for Excellence & Lifetime

Achievement, 2003 All India Management Association Lifetime Achievement, Lakshya Business Visionary Award - NITIE, 2007 Indian Business School (IBS) Kolkata Lifetime Achievement Award presented by the Institute of Chartered Financial Analysts of India (ICFAI), 2007 Ernst & Young Entrepreneur of the Year Lifetime Achievement Award, 2008 Society of Indian Automobile Manufacturers (SIAM) Award for 'Lifetime Contribution to the Automotive Industry', 2009 CNBC TV 18 India Business Leaders Lifetime Achievement Award 2008, 2009 ACMA Lifetime Achievement Award and very recently 2009 Economic Times Lifetime Achievement Award.

Mr. Keshub Mahindra is a Member of the following Board Committees:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra & Mahindra Limited	Share Transfer and Shareholders/ Investors Grievance Committee	Chairman
		Loans & Investment Committee	Chairman
		Remuneration/ Compensation Committee	Member
2.	Housing Development Finance Corporation Limited	Compensation Committee	Chairman
3.	Bombay Dyeing & Manufacturing Company Limited	Remuneration Committee	Chairman
4.	Bombay Burmah Trading Corporation Limited	Remuneration Committee	Member

Mr. Keshub Mahindra holds 1231 shares in the Company.

Mr. Hemant Luthra

Mr. Hemant Luthra is a member of the Group Executive Board of Mahindra & Mahindra Ltd. (M&M). As President of Systech he has set himself an ambitious task of building a USD 1 bn business for M&M in a period of 5 years. The Systech team has succeeded in building a USD 800 mn business with Mahindra Forgings, Mahindra Castings and Mahindra Engineering being the primary drivers of this growth. Mahindra established itself as an Industry leader providing a unique 'Art to Part' offering that combines Engineering, Design Prototyping and Component manufacturing under one roof.

Mr. Hemant Luthra joined M&M as Executive Vice President – Corporate Strategy in December 2001 and was involved in a number of Strategic initiatives across different sectors and group companies. He serves on several Boards and is the Chairman of some (including the Supervisory Boards) of M&M's German subsidiaries.

Mr. Hemant Luthra has 35 years of varied and rich work experience in Operations, Finance, Business Development and Private Equity.

Mr. Hemant Luthra started his career with IBM in India where he was directly responsible for a substantial part of the business with responsibility for both Large Accounts and the Finance Industry vertical. He was seconded to IBM Singapore as Marketing Advisor and was the recipient of several awards including one from the Chairman for his special contribution to teamwork.

After IBM, Mr. Hemant Luthra spent 18 years with the Thapar Group, a $1 Billion conglomerate with interest in Paper, Chemicals & Engineering. As Group CFO and then as COO of the Group's flagship company BILT, he served on the Board of several joint ventures of the Group with Dupont, Mitsubishi, OKI and served as Chairman of the JV with Maersk Shipping.

Following his entrepreneurial instinct, Mr. Hemant Luthra then founded a Private Equity fund for the ING Group and served as its first CEO. He later joined the Essar Group as CEO of their Telecom business and helped engineer a lucrative merger of the business with Hutchison. He then worked with Enron India as CEO of their Broad Band business.

Mr. Hemant Luthra is a graduate of the Indian Institute of Technology, Delhi (1970) and he is an alumni of the Advanced Management Program of the Harvard Business School (AMP115, 1994). He is an avid golfer and supports select charities for disadvantaged children.

Mr. Hemant Luthra is the Chairman of Mahindra Engineering Services Limited and Mahindra Composites Limited. Apart from directorship of above companies and Mahindra Ugine Steel Co. Ltd., he also holds Directorships of other Indian companies namely Mahindra Sona Limited, Mahindra Forgings Limited, Mahindra Navistar Automotives Limited, Mahindra Castings Ltd, Mahindra Gears & Transmission Private Limited, Mahindra Navistar Engines Private Limited and Mahindra Aerospace Private Limited.

He is a member of the following Board Committees;

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Ugine Steel Co. Ltd.	Investors' Grievance Committee Remuneration Committee	Member Member
2.	Mahindra Engineering Services Ltd.	Remuneration/ Compensation Committee	Member
3.	Mahindra Forgings Ltd.	Remuneration/ Compensation Committee	Member
4.	Mahindra Castings Ltd.	Audit Committee	Member

Mr. Hemant Luthra is holding 5906 shares of 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. 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 Finance Officer have certified to the Board regarding the financial statements for the year ended 31st March, 2010.

II. REMUNERATION TO DIRECTORS

A. **Remuneration Policy**

While deciding on the remuneration of Directors, the Board, Remuneration Committee considers the performance of the Company, the current trends in the industry, the qualifications 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, 2010.**

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 31st March, 2010 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 31st March, 2010
Mr. Keshub Mahindra	30,000	1231
Mr. Anand G. Mahindra	7,500	-
Dr. Homi N. Sethna	18,750	2200
Mr. M. R. Ramachandran	41,250	-
Mr. Hemant Luthra	52,500	5906
Mr. R. R. Krishnan	67,500	-
Mr. S. Ravi	26,250	-
Mr. K. B. Saha*	-	-
Mr. Arun Maira**	-	-
Mr. Manojkumar Maheshwari	67,500	-
Mr. Harsh Kumar	37,500	-
Mr. Sanjiv Kapoor***	26,250	-
Ms. Sarojini S. Dikhale****	15,000	-

* resigned with effect from 24th July, 2009.

** resigned with effect from 23rd July, 2009.

*** appointed as an additional directors with effect from 28th July, 2009.

**** appointed as an additional director with effect from 27th October, 2009 and Sitting fees paid to LIC.

A total of 2,15,000 Stock Options have been granted to Non-Executive Directors under the Company's Stock Option Scheme on 18th 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 Limited 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 for the year ended 31st March, 2010.

Remuneration paid/payable to the Managing Director was fixed by the Remuneration Committee and approved by the Board of Directors and the same was also approved by the shareholders at a General Meeting and the Central Government.

Following Remuneration paid/payable to the Managing Director for the year ended 31st March, 2010.

Director	Salary (Rs.)	Company's contribution to funds (Rs.)	Perquisites and allowances (Rs.)	Performance pay	Total (Rs.)	Contract Period
Mr. K. V. Ramarathnam Managing Director	31,80,000	8,58,600	26,76,647	22,17,600*	89,32,847*	5th May, 08 to 4th May, 2011.

Note:

1. * The total remuneration includes the provision of amount of Rs. 22,17,600/- being the upper limit of the Performance pay fixed by the Board of Directors, payable to the Managing Director for the financial year 2009-10. The exact amount, not exceeding the above upper limit, of the performance pay will be determined by the Remuneration Committee, based on his individual performance and the performance of the Company.
2. The Company in August 2006, has granted 1,00,000 stock options to Mr. K.V. Ramarathnam. 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 18th 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.
3. Notice period applicable to Managing Director is three months.
4. The overall remuneration payable to the Managing Director is approved by the Remuneration Committee and the Board of Directors.
5. 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.
6. Mr. K. V. Ramarathnam, Managing Director, does not hold any shares in the Company.

III. RISK MANAGEMENT

The Company has an effective and efficient framework of Risk management. The said framework comprises objectives of the Risk framework, the process through which risk (Internal as well as External Risks) to the Company and its business are identified and steps to be taken for mitigating such risks and threats to the Company. The frame work has proper procedure for reporting the risks to various levels of operating management depending on the criticality and sensitivity of risk to the business of the Company. The framework defines 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 operating management periodically places before the Board, a detailed report on the Risk Assessment and Management process undertaken by the management for identifying, eliminating and mitigating the risk to the Company and its business from time to time. The broad threats and risks to the businesses of the Company 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. Sanjiv Kapoor, 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 possess strong accounting and financial management expertise. The Company Secretary acts as Secretary to the Committee.

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 Finance Officer, the Statutory Auditors, Internal Auditors and the Company Secretary.

The Chairman of the Committee, Mr. M.R. Ramachandran, due to his illness as on the date of the Annual General Meeting held on 28th July, 2009, was unable to remain present at the said meeting.

Four (4) Meetings of Committee were held during the year 2009-10. 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)	2	—
2	Dr. H. N. Sethna	1	—
3	Mr. R. R. Krishnan	4	—
4	Mr. S. Ravi	2	—
5	Mr. K. B. Saha	—	Ceased to be member of the Committee w.e.f. 24th July, 2009.
6	Mr. Manoj Kumar Maheshwari	4	—
7	Mr. Sanjiv Kapoor	1	Appointed as member of the Audit Committee w.e.f. 27th October, 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 2 Meetings during the year 2009-10. The attendance at these Meetings was as under:

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

The Board of Directors has authorized the Managing Director, the Chief Finance Officer and the Company Secretary to deal jointly with the matters relating to approval of the transfer, transmission, replacement, consolidation of shares etc., in order to expedite the process of Share Transfer/Transmission. Normally the said officials meet once in 15 days to approve share transfers and other related matter. The details of share transfer/transmission approved by above officials are properly recorded in the Shareholders Grievance Committee meetings and are also placed before Board, for its record.

During the year, 14 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.

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

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

The Committee held two Meeting during 2009-10. The attendance at these Meetings was as under:

Sr. No.	Members	Meetings Attended
1.	Dr. H.N. Sethna	1
2.	Mr. M. R. Ramachandran	2
3.	Mr. Hemant Luthra	2
4.	Mr. K.B. Saha*	-
5.	Mr. Sanjiv Kapoor**	1

* Ceased to be member of the Committee with effect from 24th July, 2009.

** Appointed as member of the Committee on 9th September, 2009.

V. **Subsidiary Companies**

The Company had no subsidiary as on 31st March, 2010.

VI. **DISCLOSURES**

A. **Disclosures relating to related party**

During the financial year 2009-10, 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-seventh Annual General Meeting of the Company will be held on Tuesday, the 27th July, 2010 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 1st April to 31st March.

Financial Reporting for:

— Quarter ending 30.06.2010 - by end of July, 2010.

— Half-year ending 30.09.2010 - by end of October, 2010.

— Quarter ending 31.12.2010 - by end of January, 2011.

— Year ending 31.03.2011 - by end of April, 2011.

Note: The above dates are indicative.

(iii) Date of Book Closure

Wednesday, the 14th July, 2010 to Tuesday, the 27th July, 2010 (both days inclusive).

(iv) Dividend Payment date

On or after 27th July, 2010.

(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

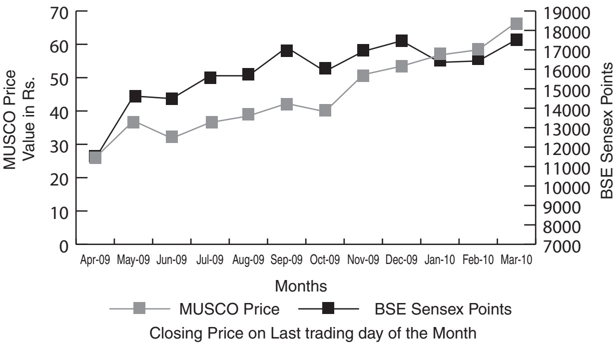
(c) International Securities Identification Number (ISIN) in NSDL and CDSL for Equity Shares - INE 850A01010

(vii) Stock Market price data:

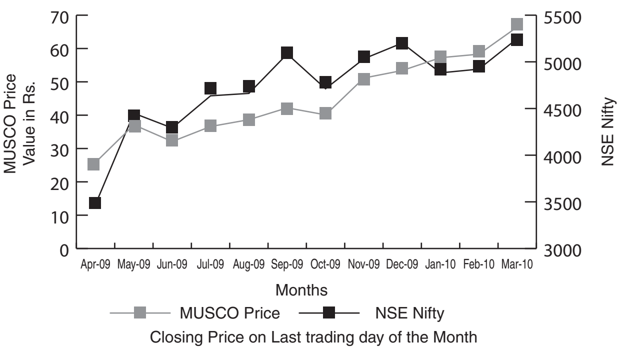
High/low prices during each month in last financial year on Bombay Stock Exchange Limited/National Stock Exchange of India Limited.

Month	Bombay Stock Exchange Ltd.		National Stock Exchange Ltd.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	30.70	20.50	31.70	20.70
May 2009	39.50	24.00	39.45	23.60
June 2009	45.70	31.65	45.25	31.50
July 2009	39.65	27.60	39.40	28.35
August 2009	41.50	33.60	41.80	34.00
September 2009	47.80	35.25	47.50	36.20
October 2009	46.30	39.00	46.30	38.50
November 2009	54.90	37.00	54.90	37.30
December 2009	60.05	49.25	60.20	49.50
January 2010	69.75	53.25	70.00	52.90
February 2010	62.55	54.10	63.20	54.00
March 2010	72.00	57.80	72.50	58.00

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



MUSCO Price on NSE



ix) Registrar and Transfer Agents-

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. 022-28591568/28508927

E-mail: sharepro@shareproservices.com

(x) Share Transfer System

The Board of Directors has authorized the Managing Director, the Chief Finance Officer and the Company Secretary to deal jointly with the matters relating to approval of the transfer, transmission, replacement, consolidation of shares etc., in order to expedite the process of Share Transfer/Transmission. Normally the said officials meet once in 15 days to approve share transfers and other related matter. The details of share transfer/transmission approved by above officials are properly recorded in the Shareholders Grievance Committee meetings and are also placed before Board, for its record.

(xi) Pattern of shareholding as on 31st March, 2010

Sr. No.	Description	Number of Shares	% to capital
1	Promoters and Promoter Group	1,80,16,789	55.47
2	Mutual Funds/UTI	9,716	0.03
3	Financial Institutions/Banks	1,944	0.01
4	Insurance Companies	18,32,770	5.64
5	Foreign Institutional Investors	18,450	0.06
6	Bodies Corporate	18,24,948	5.62
7	Foreign Company	1,000	0.00
8	Non Resident Indian/ Foreign National	2,34,736	0.72
9	Indian Public (Individuals)	1,05,41,945	32.45
10	Trusts	231	0
	TOTAL	**3,24,82,529**	**100.00**

(xii) Distribution of shareholding as on 31st March, 2010

Shares Held	No. of Share holders	% to Share holders	No. of Shares	% to Shares
Up to - 500	24,465	88.93	30,31,559	9.33
501 - 1000	1,641	5.97	13,56,982	4.18
1001 - 2000	661	2.40	10,33,347	3.18
2001 - 3000	225	0.82	5,84,868	1.80
3001 - 4000	117	0.43	4,27,054	1.32
4001 - 5000	113	0.41	5,40,547	1.66
5001 – 10000	171	0.62	12,96,375	3.99
10001-and above	117	0.42	2,42,11,797	74.54
TOTAL	27,510	100.00	3,24,82,529	100.00

(xiii) Dematerialization of Shares and Liquidity as on 31st March, 2010.

Physical Form : 2.25%

Dematerialized Form : 97.75%

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:

Financial Year	Date	Time
2006-07	26.07.2007	3.30 p.m.
2007-08	24.07.2008	3.00 p.m.
2008-09	28.07.2009	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
2006-07	26-07-2007	1. Appointment of Mr. Deepak Dheer as an Executive Director of the Company for the period of 3 Years from 20-10-2006. 2. Amendment to Articles of Association of the Company in respect to increase in Authorised Share Capital of the Company. 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 1st day of April, 2007.
2007-08	24.07.2008	1. Approval of revision in remuneration payable to Mr. K.V.Ramarathnam with effect from 1st April, 2007. 2. Approval of re-appointment of Mr. K.V.Ramarathnam as the Managing Director of the Company with effect from 5th May, 2008.
2008-09	28.07.2009	1. Approval of revision in remuneration payable to Mr. K.V. Ramarathnam with effect from 1st April, 2008 for the period of 3 years. 2. To keep Registers and Index of Members and Debenture Holders and copies of Annual Returns together with the copies of certificates and documents at the office premises of the Company's Registrars & Share Transfer agent viz. Sharepro Services (India) Pvt. Ltd.

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.

During the year ended 31st March, 2010, 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:

I The Company has set up the Remuneration Committee.

II 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.

6. **Compliance with the Corporate Governance – Voluntary Guidelines, 2009**

In December, 2009 the Government of India, Ministry of Corporate Affairs ("MCA") had issued Corporate Governance Voluntary Guidelines 2009. MCA has clarified that the Guidelines were prepared and disseminated for consideration and adoption by Corporates and may be voluntarily adopted by public companies with the objective to enhance not only the economic value of the enterprise but also the value for every stakeholder who has contributed in the success of the enterprise and set a global benchmark for good Corporate Governance. MCA after taking into account the experience of adoption of these guidelines by Corporates and after consideration of the feedback received from them would review these guidelines for further improvements after a period of one year.

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

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

Mumbai, 29th April, 2010.

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 31st March, 2010.

K.V. Ramarathnam
Managing Director

Place : Mumbai
Date : 29th April, 2010.

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 31st March, 2010, 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
Reg. No.117366W

R K Hiranandani
Partner
Membership No.: 36920

Place : Mumbai
Date : 29th April, 2010.

ACCOUNTS

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** ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company 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. Those 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (CARO) issued by the Central Government 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 as follows:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the 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 are in compliance 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 31st March, 2010;

      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

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

5. On the basis of written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.117366W)

R. K. Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 29th April, 2010

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) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. In respect of furniture, fixtures and office equipment, location is broadly indicated unit-wise.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

(a) As explained to us, the inventories were physically verified by the Management at reasonable intervals. 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 substantial portion of inventory items have been confirmed by them.

(b) In our opinion and according to the information and explanation 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 were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. 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. No material discrepancies were noticed on physical verification.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) 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.

(vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.

(vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. We are informed that the cost statements as at the end of the financial year are in the process of being made up.

(ix) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, 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 with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of 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 in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.

(c) Details of dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in Crores)
Income Tax Laws	Income Tax	Commissioner of Income-tax (Appeals)	F.Y. 2002-2003, and F.Y. 2004-2005	13.73
Customs Duty Laws	Customs Duty	Customs, Excise & Service Tax Appellate Tribunal	February 1994	9.28@
Excise Duty Laws	Excise Duty	Customs, Excise & Service Tax Appellate Tribunal	April 1996 to October 1999, April 1999 to March 2004 and April 2003 to March 2007	4.10
	Excise Duty	Deputy Commissioner	July 2001 to June 2003	0.93
	Excise Duty	Assistant Commissioner	January 2004 to September 2004 and April 2008 to June 2009	0.41
	Excise Duty	Joint Commissioner	October 2004 to October 2006	1.49
	Excise Duty	Commissioner	November 2006 to July 2007	0.53
	Excise Duty	Additional Commissioner	July 2003 to December 2003 and August 2007 to March 2008	0.67

@ The amount has been stayed for recovery by the relevant authority.

(x) The Company does not have accumulated losses as at 31st March, 2010 and the Company has not incurred cash losses during the financial year but had 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 the repayment of dues to banks and financial institutions.

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.

(xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society.

(xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.

(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.

(xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

(xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that 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) The Company has not issued any debentures during the year and also there are no debentures outstanding as at year end.

(xx) The Company has not raised any money by public issue during the year.

(xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No.117366W)

R. K. Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 29th April, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	Rs. Crores	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
SHARE CAPITAL	A	32.48		32.48
EMPLOYEES STOCK OPTIONS OUTSTANDING		1.30		1.30
RESERVES AND SURPLUS	B	137.43		136.56
			171.21	170.34
LOAN FUNDS				
SECURED LOANS	C	207.13		218.48
UNSECURED LOANS	D	132.84		117.43
			339.97	335.91
Deferred Tax Liability [Net] (see note 22)			9.85	6.89
			521.03	513.14
APPLICATION OF FUNDS				
FIXED ASSETS	E			
Gross Block		567.81		455.27
Less : Depreciation		263.18		233.03
Net Block		304.63		222.24
Capital Work-in-progress		1.47		103.78
			306.10	326.02
INVESTMENTS	F		14.09	14.09
CURRENT ASSETS, LOANS AND ADVANCES	G			
Inventories		154.08		124.31
Sundry Debtors		231.95		175.23
Cash and Bank Balances		5.04		16.25
Loans and Advances		47.85		35.27
		438.92		351.06
LESS : CURRENT LIABILITIES AND PROVISIONS	H			
Current Liabilities		228.26		169.58
Provisions		9.82		8.45
		238.08		178.03
Net Current Assets			200.84	173.03
			521.03	513.14
Notes to the Accounts	L			
Significant Accounting Policies	M			

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

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

R. K. Hiranandani
Partner

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 29th April, 2010

Mumbai : 29th April, 2010

For and on behalf of the Board

Keshub Mahindra Chairman
Anand G. Mahindra Vice Chairman
K. V. Ramarathnam Managing Director
Hemant Luthra
M. R. Ramachandran
R. R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Sarojini Dikhale
Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Rs. Crores	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
INCOME				
SALE OF PRODUCTS/OTHER INCOME FROM OPERATIONS				
Sale of products (Gross) (see note 12)		1,076.11		1,135.90
Less : Excise Duty		79.35		127.50
			996.76	1,008.40
Income from processing (Gross) (see note 12)		5.31		6.35
Less : Excise Duty		1.01		2.28
			4.30	4.07
Arising, dies and other sales (Gross)		91.73		65.23
Less : Excise Duty		6.86		6.52
			84.87	58.71
Miscellaneous Receipts (see note 13)			1.95	2.24
			1,087.88	1,073.42
Other Income	I		1.46	1.76
			1,089.34	1,075.18
EXPENDITURE				
Manufacturing and other expenses	J		1,024.79	1,031.83
(Increase) / decrease in stocks	K		(15.78)	11.06
Depreciation	E		30.87	24.74
Interest (see note 8)			40.83	36.06
			1,080.71	1,103.69
PROFIT/ (LOSS) BEFORE TAX			8.63	(28.51)
Provision for tax				
- Current Tax			1.00	-
- Fringe Benefit Tax			-	0.45
- Deferred Tax charge/ (credit) (see note 22)			2.96	(10.13)
			3.96	(9.68)
PROFIT / (LOSS) AFTER TAX			4.67	(18.83)
Balance brought forward			45.38	64.21
BALANCE AVAILABLE FOR APPROPRIATION			50.05	45.38
Proposed Dividend on Equity Shares			3.25	-
Tax on Dividend			0.55	-
BALANCE CARRIED FORWARD			46.25	45.38
Earnings per share (basic) (face value Rs.10)			1.44	(5.80)
Earnings per share (diluted) (face value Rs.10) (see note 23)			1.43	(5.80)
Notes to the Accounts	L			
Significant Accounting Policies	M			

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

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

R. K. Hiranandani
Partner

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 29th April, 2010

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Sanjiv Kapoor
Sarojini Dikhale
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

			31st March, 2010	31st March, 2009
		Rs. Crores	Rs. Crores	Rs. Crores
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit/(Loss) before tax		8.63	(28.51)
	Adjustment for:			
	Depreciation	30.87		24.74
	Dividend Income	(0.00)*		(0.00)*
	Interest and commitment charges	40.83		36.06
	Amortisation of expenses	-		0.03
	Provision for Debts/Advances	0.96		3.06
	Employees Stock Option Charge	-		0.14
	Unrealised Foreign Exchange (Gain)/loss	(0.82)		2.95
	Loss on sale of fixed assets (net)	0.01		0.01
	Assets Written off	0.67		-
	Interest income	(0.48)		(1.14)
			72.04	65.85
	Operating Profit before Working Capital changes		80.67	37.34
	Changes in:			
	Trade and other receivables	(65.77)		38.86
	Inventories	(29.77)		19.22
	Trade and other Payables	58.92		(1.09)
			(36.62)	56.99
	Cash generated from operations		44.05	94.33
	Income-tax paid		(2.82)	(8.21)
	NET CASH FROM OPERATING ACTIVITIES		41.23	86.12
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of fixed assets		(15.24)	(55.10)
	Sale of fixed assets		0.02	0.24
	Purchase of investments		-	(14.00)
	Sale of investments		-	0.33
	Dividends received		0.00*	0.00*
	Interest received		0.48	1.15
	NET CASH USED IN INVESTING ACTIVITIES		(14.74)	(67.38)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from long term borrowings		32.88	49.20
	Repayment of long term borrowings		(65.46)	(23.43)
	Net proceeds/(payment) from/of short term borrowings		36.89	(7.07)
	Dividends paid including taxes		(0.01)	(11.33)
	Interest and commitment charges paid		(42.00)	(35.33)
	NET CASH USED IN FINANCING ACTIVITIES		(37.70)	(27.96)

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11.21)	(9.22)
CASH AND CASH EQUIVALENTS :		
Opening Balance	16.25	25.47
Closing Balance	5.04	16.25

* denotes amounts less than Rs. 50,000

NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
1. Cash and cash equivalents include:		
Cash and cheques on hand	0.08	0.05
Balances with scheduled banks:		
In Current Accounts	4.95	6.14
In Deposit Accounts	0.01	10.06
Total cash and cash equivalents	5.04	16.25

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

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

R. K. Hiranandani
Partner

Mumbai : 29th April, 2010

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 29th April, 2010

For and on behalf of the Board

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Directors

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

			31st March, 2010	31st March, 2009
		Rs. Crores	Rs. Crores	Rs. Crores
SCHEDULE 'A' - SHARE CAPITAL				
AUTHORISED:				
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
			150.00	150.00
ISSUED, SUBSCRIBED AND PAID-UP (see note 1)				
32,482,529	Equity Shares of Rs.10 each, fully paid-up		32.48	32.48
			32.48	32.48

[16,466,789 equity shares (2008-09 - 16,466,789) are held by Mahindra & Mahindra Limited (M & M), the Holding Company].

		31st March, 2010	31st March, 2009
	Rs. Crores	Rs. Crores	Rs. Crores
SCHEDULE 'B' - RESERVES AND SURPLUS			
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
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
Less: Transfer to General Reserve	0.17		-
		-	0.17
General Reserve			
- As per last Balance Sheet	74.55		74.55
Add: Transfer from Special Reserve	0.17		-
		74.72	74.55
Balance in Profit and Loss Account		46.25	45.38
		137.43	136.56

* denotes amounts less than Rs. 50,000

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
SCHEDULE 'C' - SECURED LOANS (see note 9)		
Loans and Advances from Banks		
- Term loans	83.13	116.21
(repayable within one year Rs. 40.25 Crores; 2008-09 - Rs. 37.33 Crores)		
- Cash Credit and Working Capital Demand loan balances	124.00	102.27
	207.13	218.48

The above loans includes interest accrued and due of Rs.1.07 Crores; 2008-09 - Rs.1.32 Crores.

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
SCHEDULE 'D' - UNSECURED LOANS		
Short Term Advances from Banks	45.34	29.93
Other Loans from Banks	87.50	87.50
	132.84	117.43

SCHEDULE 'E' - FIXED ASSETS **(Rs. Crores)**

ASSETS	COST				DEPRECIATION				WRITTEN DOWN VALUE	
	As on 1.4.2009	Additions and adjustments	Deductions and adjustments	As on 31.3.2010	Up To 31.3.2009	For the year	Deductions and adjustments	Upto 31.3.2010	As on 31.3.2010	As on 31.3.2009
Tangible:										
Freehold land	1.01	-	-	1.01	-	-	-	-	1.01	1.01
Leasehold land	0.95	-	-	0.95	0.15	0.04	-	0.19	0.76	0.80
Buildings	52.45	6.49	-	58.94	17.74	1.86	-	19.60	39.34	34.71
Plant and Machinery (see footnote 2)	383.01	106.78	0.85	488.94	204.11	26.56	0.53	230.14	258.80	178.90
Furniture, fixtures and office equipment (see Note 21)	9.92	0.10	0.07	9.95	6.63	0.48	0.05	7.06	2.89	3.29
Vehicles	3.91	0.20	0.15	3.96	2.12	0.63	0.14	2.61	1.35	1.79
Intangible:										
Software	4.02	0.04	-	4.06	2.28	1.30	-	3.58	0.48	1.74
	455.27	**113.61**	**1.07**	**567.81**	**233.03**	**30.87**	**0.72**	**263.18**	**304.63**	
Previous year	410.22	45.83	0.78	455.27	208.73	24.74	0.44	233.03		222.24
Capital work-in-progress									1.47	103.78
									306.10	326.02

Notes :

1. Additions to Plant and Machinery and Capital work in progress includes interest capitalised of Rs. Nil (2008-09 - Rs.9.86 Crores).
2. Depreciation on plant and machinery includes accelerated depreciation of Rs.Nil (2008-09 - Rs.0.30 Crore) 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.

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
SCHEDULE 'F' - INVESTMENTS (at cost - Long term)		
(Unquoted, unless otherwise stated)		
Trade Investments:		
Shares (fully paid up)		
- Orissa Sponge Iron Ltd.		
2785 equity shares of Rs. 10 each (quoted)	-	-
- Dena Bank		
9,917 equity shares of Rs. 10 each (quoted)	0.03	0.03
Other Investments :		
Shares (fully paid up)		
- 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.		
300,000 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	0.00*	0.00*
10,000 equity shares of Rs.10 each	0.02	0.02
Share Application Money :		
- Wardha Power Company Ltd. (see note 2)	14.00	14.00
	14.44	14.44
Less : Provision for diminution in value of investments	0.35	0.35
	14.09	14.09
Notes : (1) Aggregate of quoted investments :		
- Cost	0.03	0.03
- Market Value	0.40	0.12
(2) Aggregate of unquoted investments :		
- Cost	14.41	14.41

* denotes amounts less than Rs. 50,000

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	Rs. Crores	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
SCHEDULE 'G' - CURRENT ASSETS, LOANS AND ADVANCES			
Inventories:			
Stores and spare parts (includes material in transit of Rs. 1.11 crores; 2008-09 - Rs.0.32 crore).	25.63		22.19
Loose tools	1.28		0.85
Raw materials (includes material in transit of Rs.14.65 crores; 2008-09 - Rs.7.91 crores).	54.74		37.00
Semi-finished goods	65.87		53.01
Finished goods	5.80		2.88
Scrap (generated at stamping units)	0.76		8.38
		154.08	124.31
Sundry Debtors : (unsecured)			
Over six months			
- considered good	1.52		23.79
- considered doubtful	9.67		6.82
Others			
- considered good	230.43		151.44
- considered doubtful	1.06		2.95
	242.68		185.00
Less : Provision for doubtful debts	10.73		9.77
		231.95	175.23
Cash and Bank Balances :			
Cash on hand	0.08		0.05
Balances with Scheduled Banks			
- in Current accounts	4.95		6.14
- in Fixed Deposit accounts	0.01		10.06
	4.96		16.20
		5.04	16.25
Loans and Advances : (unsecured)			
Advances recoverable in cash or in kind or for value to be received			
- considered good	30.72		19.61
- considered doubtful	2.75		2.75
	33.47*		22.36*
Less : Provision for doubtful advances	2.75		2.75
	30.72		19.61
Taxation - advance payments less provision	16.97		15.54
Balances - Excise, Port Trust, etc.	0.16		0.12
		47.85	35.27
		438.92	351.06
* including capital advances of		3.78	0.72

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE 'H' - CURRENT LIABILITIES AND PROVISIONS

		Rs. Crores	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
CURRENT LIABILITIES : **				
Acceptances		114.28		67.54
Sundry Creditors (see note 19)				
Total outstanding dues of :				
- micro enterprises and small enterprises (see note 20)	1.64			0.63
- creditors other than micro enterprises and small enterprises	109.97			98.11
		111.61		98.74
Dividend warrants posted but not encashed		0.34		0.35
Matured fixed deposit warrants posted but not encashed		0.02		0.02
Interest warrants posted but not encashed		0.02		0.02
Interest accrued but not due on loans		1.99		2.91
			228.26	169.58
PROVISIONS :				
Provision for taxation (net of payments)		0.14		0.53
Provision for Employee Benefits (see note 29)		5.88		7.92
Provision for proposed dividend on equity shares		3.25		-
Provision for tax on dividend		0.55		-
			9.82	8.45
			238.08	178.03

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

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

SCHEDULE 'I' - OTHER INCOME

Dividends from long term investments:			
- Trade	0.00*		0.00*
- Other	0.00*		0.00*
		0.00*	0.00*
Interest :			
- On long term other than trade investments		-	0.00*
- Other [including tax deducted at source Rs.0.05 Crore (2008-09 - Rs.0.21 Crore)]		0.48	1.14
Rent		0.19	0.31
Miscellaneous Income		0.79	0.31
		1.46	1.76

* denotes amounts less than Rs. 50,000

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

	Rs. Crores	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
SCHEDULE 'J' - MANUFACTURING AND OTHER EXPENSES			
1) Raw materials and bought out components consumed [including outside processing costs Rs. 9.56 crores 2008-09 - Rs. 8.75 crores {see note 10(a)}]		707.04	719.94
2) Payment to and provision for employees :			
(a) salaries, wages, bonus, etc.	61.08		46.80
(b) company's contribution to provident and other funds	3.50		3.16
(c) staff welfare expenses	6.74		6.86
(d) gratuity	(0.32)		2.87
		71.00	59.69
3) Operating and other expenses:			
(a) stores consumed	62.30		52.40
(b) repairs and maintenance to buildings (including stores consumed : Rs. 0.71 crore 2008-09 - Rs. 1.55 crores)	1.33		2.78
(c) repairs and maintenance to machinery (including stores and spare parts consumed Rs. 8.30 crores; 2008-09 - Rs. 9.59 crores)	11.22		12.11
(d) repairs and maintenance to others	3.85		3.76
(e) power and fuel	132.93		111.30
(f) rent (net of recoveries)	1.40		1.64
(g) rates and taxes	2.22		1.84
(h) insurance charges	0.53		0.68
(i) bad debts/advances written off	1.62		3.90
(j) provision for doubtful debts/advances (net)	0.96		3.06
(k) other expenses (see note 5 and note 18)	26.60		59.78
(l) amortisation of deferred revenue expenditure : Special payments under Voluntary Retirement Scheme	-		0.03
		244.96	253.28
4) Loss on sale of fixed assets (net)		0.01	0.01
5) Fixed Assets/ Capital work-in-progress written off		0.67	-
6) Excise duty charge/ (credit) (includes credit in respect of a prior year Rs.Nil; 2008-09 - Rs.0.63 crore)		1.11	(1.09)
		1,024.79	1,031.83

* denotes amounts less than Rs. 50,000

SCHEDULE 'K' - (INCREASE)/DECREASE IN STOCKS			
(Increase) / Decrease in stock of Finished goods and Semi-finished goods			
Opening stock :			
Semi-finished goods	53.01		60.48
Finished goods	2.88		6.47
Total		55.89	66.95
Less:			
Closing stock :			
Semi-finished goods	65.87		53.01
Finished goods	5.80		2.88
		71.67	55.89
(Increase)/decrease in stocks		(15.78)	11.06

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 6,191,395 Class A Equity Shares of Rs. 10 each and 7,808,605 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, 2010 Rs. 6.53 Crores (2008-2009: Rs. 5.74 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 'J' include :

		31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
(a)	Remuneration of auditors **		
	Audit fees	**0.21**	0.21
	Company Law Matters	**0.00***	0.00*
	Other services	**0.10**	0.09
	Reimbursement of out of pocket expenses	**0.00***	0.00*
(b)	(i) Cash discount on sales	**0.26**	0.34
	(ii) Commission to other selling agents	**0.00***	0.30
(c)	Donation	**0.01**	0.09

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. 0.93 Crore (2008-2009: Rs. 0.76 Crore) including contribution to provident fund and other funds Rs. 0.09 Crore (2008-2009: Rs. 0.09 Crore), perquisites Rs. 0.26 Crore (2008-2009: Rs. 0.29 Crore) and performance pay Rs. 0.22 Crore (2008-2009: Rs. Nil) and sitting fees payable to non-whole-time directors Rs. 0.04 Crore (2008-2009: Rs. 0.05 Crore). The provisions for gratuity and leave encashment are not included above as separate figures are not available. During the year, the Company has also paid/provided for arrears of Rs. 0.23 Crore relating to the financial year 2008-09 which comprises salary arrears of Rs. 0.01 Crore, contribution to provident fund and other funds Rs. 0.01 Crore, perquisites Rs. 0.07 Crore and performance pay Rs. 0.14 Crore. The remuneration for 2009-10 and the arrears are paid after obtaining the necessary approvals from the Central Government and the shareholders.
7. Contingent Liabilities not provided for in respect of :
   a) Bills discounted but not matured Rs. 13.93 Crores (2008-2009: Rs. 10.06 Crores).
      - Represents customers' bills discounted.

b) Excise duty:

Excise matters for which the Company is contingently liable amounting Rs. 8.88 Crores (2008-2009: Rs. 9.53 Crores). This includes:

i) Rs. 0.52 Crore (2008-2009: 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 (2008-2009: Rs. 2.77 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 has filed appeal against the order with CESTAT.

iii) Rs. 1.57 Crores (2008-2009: Rs. 2.19 Crores) - 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. 4.02 Crores (2008-2009: Rs. 3.95 Crores).

c) Taxation demands against which the Company is in appeal Rs. 16.84 Crores (2008-2009: Rs. 17.41 Crores).

d) Other matter for which the Company is contingently liable is Rs. 14.18 Crores (2008-2009: Rs. 11.67 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 of Rs. 0.57 Crore up to 31st March, 1995 raised by the Irrigation Department which was decided in favour of the Company in the court of the Civil Judge, Senior Division Panvel. The balance of Rs. 13.61 Crores (2008-2009: Rs. 11.10 Crores) represents differential demands raised by the Irrigation Department and interest computed thereon by the company for subsequent periods.

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

i. Rs. 9.28 Crores (2008-2009: Rs. 8.75 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. 9.08 Crores (2008-2009: Rs. 8.95 Crores).

iii. Claims relating to lease rentals Rs. 0.83 Crore (2008-2009: Rs. 0.59 Crore).

8. Interest:

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
On fixed loans	**24.38**	13.01
On others	**16.45**	23.05
	40.83	36.06

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.

10. Raw materials and bought out components consumed:

		31st March, 2010		31st March, 2009	
		Qty M/T	**Value Rs. Crores**	Qty M/T	Value Rs. Crores
a)	1) Ferrous scrap	**146,986**	**248.32**	121,003	315.28
	2) Ferro alloys	**5,148**	**94.09**	4,576	118.40
	3) Other metals	**3,618**	**9.33**	2,830	11.18
	4) Slag making materials	**10,073**	**5.15**	9,482	5.06
	5) Metal sheets	**70,336**	**291.18**	51,541	245.05
	6) Purchased billets	**392**	**2.41**	2	0.01
	7) Components and tools	-	**47.00**	-	16.21
	8) Processing charges	-	**9.56**	-	8.75
			707.04		719.94

		31st March, 2010 Rs. Crores	%	31st March, 2009 Rs. Crores	%
b)	Imported – at landed cost	**129.65**	**18**	209.02	29
	Indigenously obtained	**577.39**	**82**	510.92	71
		707.04	**100**	719.94	100

11. Stores and spares consumed :

	31st March, 2010 Rs. Crores	%	31st March, 2009 Rs. Crores	%
Imported – at landed cost	**8.16**	**11**	6.39	10
Indigenously obtained	**63.15**	**89**	57.15	90
	71.31	**100**	63.54	100

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

12. Information for class of goods manufactured :

Particulars in respect of goods manufactured:

Class of Goods	Unit of Measure-ment	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 M/T	**180,000** (180,000)	**180,000** (180,000)	**122,637** (111,594)	**-** (829)	**-** (4.38)	**-** (-)	**-** (-)	**122,637** (112,423)	**626.10** (718.65)
Pressed Sheet metal components and assemblies	M/T M/T	**66,400** (40,800)	**66,400** (40,800)	**50,522** (34,481)	**439** (612)	**2.88** (2.09)	**948** (439)	**5.80** (2.88)	**50,013** (34,654)	**374.96** (293.82)
Total					**439** (1,441)	**2.88** (6.47)	**948** (439)	**5.80** (2.88)	**172,650** (147,077)	**1,001.06** (1,012.47)

Notes :

(i) In respect of Tool, alloy and Special Steel, the industrial licence permits manufacture of castings and forgings up to 2,000 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.

13. Miscellaneous receipts includes :

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
Income from services rendered	**0.66**	0.65
Credit Balance Written back	**0.00***	-

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

14. C.I.F. Value of Imports

		31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
(a)	Raw materials	**143.79**	215.12
(b)	Stores and spares	**8.80**	5.23
(c)	Capital goods	**-**	0.85

15. Expenditure in foreign currency (on payment basis)

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
Interest	**1.36**	3.80
Others	**0.09**	0.68

16. Earnings in foreign exchange

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
(a) F.O.B. Value of exports	**6.37**	7.57
(b) Freight and insurance	**0.18**	0.17

17. Research and Development expenditure debited to Profit and Loss Account aggregates Rs. 1.05 Crores (2008-2009: Rs. 1.69 Crores) consisting of salaries and power, based on allocations made by the Company and materials.

18. The net difference in foreign exchange credited to the Profit and Loss Account is Rs. 1.43 Crores (2008-2009: debited to the Profit and Loss account is Rs. 28.41 Crores).

19. Sundry creditors include credit balances in current accounts with directors Rs. Nil (2008-2009: 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	31st March, 2010	31st March, 2009
(a)	Principal Amount Outstanding	**1.64**	0.63
(b)	Interest Due on the above (Rs. 7,395/-)	**0.00***	-
(c)	Principal amount paid during the year beyond appointed day	**13.52**	-
(d)	Interest paid during the year beyond the appointed day	**-**	-
(e)	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	**0.08**	-
(f)	Amount of interest accrued and remaining unpaid at the end of the year	**0.08**	-
(g)	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.	**-**	-

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

Note:

1. 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.
2. The interest computation for vendors, who have submitted their registration certificates during the year, is done from the date of receipt of such certificates by the Company.

21. Change in Accounting Policy:

The Company, in order to follow an uniform accounting policy at both Steel and Stamping divisions, has changed it’s accounting policy for charging depreciation on furniture, fixtures and office equipment at Steel division as per the straight line method, which hitherto were being depreciated as per the written down value method. The rates applied in both the methods are as specified in schedule XIV to the Companies Act, 1956. As a result of this change, the depreciation charge for the year is lower by Rs. 0.48 Crore, including Rs. 0.46 Crore in respect of earlier years, and the profit for the year is higher by an equivalent amount.

22. The components of Deferred tax liability and assets as at 31st March, 2010 are as under:

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
Deferred tax liability:		
- On fiscal allowances on fixed assets	**24.95**	21.54
	24.95	21.54
Less: Deferred tax assets		
- On employee separation and retirement	**1.89**	2.69
- On provision for doubtful debts	**3.65**	3.32
- On unabsorbed depreciation	**9.45**	8.43
- On other timing differences	**0.11**	0.21
	9.85	6.89

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:

		31st March, 2010	31st March, 2009
a) Net Profit/(Loss) for the year after tax (Rs. Crores)		**4.67**	(18.83)
b) Weighted Average Equity Shares (Nos.)		**32,482,529**	32,482,529
c) Diluted Equity Shares (Nos.)		**32,612,124**	32,612,124
d) i) Basic Earnings per share (Rs.)	(a)/(b)	**1.44**	(5.80)
ii) Diluted Earning per share (Rs.)	(a)/(c)	**1.43**	(5.80)

24. Related parties disclosures:

a) Related parties where Control exists:

Holding Company	Mahindra & Mahindra Limited Mahindra & Mahindra Limited (M&M) from 11th August 2008. Mahindra Holdings and Finance Limited (MHFL) up to 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 (FS)	Mahindra Forgings Limited Mahindra Gujarat Tractors Limited Mahindra Intertrade Limited Bristlecone India Limited Mahindra Logistics Limited Mahindra Gears & Transmission Private Limited Mahindra Vehicle Manufacturers Limited (formerly Mahindra Automotive Limited) Mahindra Steel Service Center Limited Mahindra Navistar Automotives Limited. Mahindra Castings Limited (Earlier konown as Mahindra Hinoday Industries Limited) Mahindra Renault Private Limited Falkenroth Umformtechnik GmbH Mahindra Consulting Engineers Limited Mahindra Metalcastello S.r.l. Gesenkschmiede Schneider GmbH Mahindra Holidays & Resorts India Limited Mahindra First Choice Wheels Limited
2) Other Group Company (Joint Venure of Holding Company)	Mahindra Sona Limited
3) Key Management Personnel	Mr. K. V. Ramarathnam, Managing Director
4) Others	Mahindra Foundation

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

Sr. No.	Particulars	Holding Companies		FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	Other - Group Co	Others	Key Management Personnel	
		Mahindra & Mahindra Limited	Mahindra Holdings and Finance Limited	Mahindra Forgings Limited	Mahindra Gujarat Tractors Limited	Mahindra Inter-trade Limited	Bristle-cone India Limited	Mahindra Logistics Limited	Mahindra Gears & Transmi-ssion Private Limited	Mahindra Vehicle Manufac-turers Limited (formerly Mahindra Automotive Limited)	Mahindra Steel Service Center Limited	Mahindra Navistar Automo-tives Limited	Mahindra Castings Limited	Mahindra Renault Private Limited	Falkenroth Umform-technik GmbH	Mahindra Consulting Engineers Limited	Mahindra Metal-castello S.r.l.	Gesenk-schmiede Schneider GmbH	Mahindra Holidays & Resorts India Limited	Mahindra First Choice Wheels Limited	Tech Mahindra Limited	Mahindra Sona Limited	Mahindra Founda-tion	Mr. K V Ramara-thnam	Mr. Deepak Dheer
1	Purchases of Goods or Services	- (17.92)	- (-)	13.94 (19.11)	- (-)	253.19 (193.96)	- (-)	- (-)	- (-)	- (-)	0.01 (-)	- (-)	- (-)	- (0.69)	- (-)	- (-)	- (-)	0.15 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
2	Receiving of Services	1.22 (0.35)	- (-)	- (-)	- (-)	0.10 (-)	0.61 (1.25)	0.88 (0.74)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.05 (-)	- (-)	- (-)	0.01 (-)	- (-)	- (0.03)	- (-)	- (-)	- (-)	- (-)
2.1	Rent paid	1.31 (1.34)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
3	Sale of Goods	378.62 (312.25)	- (-)	140.41 (86.40)	1.19 (0.30)	3.84 (29.63)	- (-)	- (-)	0.02 (-)	- (-)	- (-)	6.02 (1.45)	10.80 (0.16)	2.52 (9.69)	0.09 (-)	- (-)	0* (-)	- (-)	- (-)	- (-)	- (-)	3.63 (2.26)	- (-)	- (-)	- (-)
4	Rendering of Services	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.20 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
4.1	Rent Income	0.11 (0.11)	- (-)	- (0.20)	- (-)	0.20 (0.04)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
5	Sale of Fixed Assets	- (-)	- (-)	- (0.24)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
5.1	Purchase of Fixed Assets/ Capex Services	0.64 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
6	Deputation of Personnel charge	0.50 (1.35)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
7	Remuneration to key managerial personnel	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1.12 (0.54)	- (0.17)
8	Provision for Doubtful Debts made during the year	0.02 (1.00)	- (-)	- (0.47)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.01 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
8.1	Doubtful Debts written off	1.00 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.05 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
9	Donation	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (0.02)	- (-)	- (-)
10	Finance: Equity Dividend Paid	- (-)	- (4.94)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	Interest expenses	- (-)	- (-)	- (-)	- (-)	0.04 (0.31)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.07 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	ICD received	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	5.00 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	ICD refunded	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	5.00 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
11	Outstandings Payables																								
	i) Other payables / Credit Balances	1.81 (0.41)	- (-)	- (1.38)	- (-)	11.61 (22.19)	0.07 (0.16)	0.24 (0.13)	- (-)	- (-)	- (-)	0.81 (1.57)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.27 (-)	- (-)
	Receivables																								
	i) Other receivables	62.97 (53.11)	- (-)	42.04 (14.15)	0.07 (0.06)	0.05 (1.03)	- (-)	- (-)	0.02 (-)	0.10 (-)	- (-)	- (-)	0.88 (0.16)	1.33 (2.69)	- (-)	- (-)	0* (-)	- (-)	- (-)	- (-)	- (-)	0.54 (1.48)	- (-)	- (-)	- (-)
	ii) Deposits outstanding	0.57 (0.57)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
	iii) Provision for doubtful debts and advances	0.02 (1.00)	- (-)	- (0.47)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	0.01 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)

* Denotes amounts less than Rs. 50,000

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	**-** (0.03)	**-** (-)	**-** (0.03)	**-** (-)
	Total	**-** (0.03)	**-** (-)	**-** (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, 2010:

Currency	Amount in Crores	Buy/Sell	Cross Currency
US Dollar	**1.18**	**Buy**	**Rupees**
(US Dollar)	(0.88)	(Buy)	(Rupees)
US Dollar	**0.04**	**Sell**	**Rupees**
(Nil)	(Nil)	(Nil)	(Nil)

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	**5.98**	**US $ 0.13**
	(0.34)	(US $ 0.01)
	0.23	**Euro 0.00***
	(Nil)	(Nil)
	Nil	**GBP Nil**
	(0.02)	(GBP 0.00*)

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

	Indian Rupees (in Crores)	Foreign Currency (in Crores)
• Export of goods and services		
	1.14	**US $ 0.03**
	(0.38)	(US $ 0.01)
	Nil	**EURO Nil**
	(1.49)	(EURO 0.02)

The Company has outstanding borrowings of JPY 235.72 Crores which is equivalent of US $ 2.00 Crores (2008-2009: 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/-

27. SEGMENT REPORTING

a) PRIMARY SEGMENT INFORMATION
(BUSINESS SEGMENT)

Rs. Crores

		2009-10	2008-09	**2009-10**	2008-09
		External Sales		Total	
		Rs. Crores	Rs. Crores	**Rs. Crores**	Rs. Crores
1	Segment Revenue (Net)				
	- Steel	**637.62**	726.58	**637.62**	726.58
	- Stamping	**450.26**	346.84	**450.26**	346.84
	- Segment Total	**1,087.88**	1,073.42	**1,087.88**	1,073.42
2	Segment Result				
	- Steel	-	-	**30.50**	(1.60)
	- Stamping	-	-	**24.26**	11.56
	-Segment Total	-	-	**54.76**	9.96
	Unallocated corporate expenses net of unallocated income	-	-	**(5.78)**	(3.55)
	Profit before interest & taxation	-	-	**48.98**	6.41
	Interest expenditure	-	-	**(40.83)**	(36.06)
	Interest income	-	-	**0.48**	1.14
	(charge)/Credit for Taxation	-	-	**(3.96)**	9.68
3	Profit / (loss) After Taxation	-	-	**4.67**	(18.83)
	Other Information				
	1 Segment Assets				
	- Steel	-	-	**504.77**	440.93
	- Stamping	-	-	**217.82**	207.25
	- Segment Total	-	-	**722.59**	648.18
	Unallocated corporate assets	-	-	**36.52**	42.99
	Total Assets	-	-	**759.11**	691.17
	2 Segment Liabilities				
	- Steel	-	-	**185.85**	124.31
	- Stamping	-	-	**45.38**	49.76
	- Segment Total	-	-	**231.23**	174.07
	Unallocated corporate liabilities	-	-	**357.97**	348.06
	Total Liabilities	-	-	**589.20**	522.13
	3 Capital Expenditure				
	- Steel	-	-	**6.45**	49.75
	- Stamping	-	-	**4.85**	8.95
	- Segment Total	-	-	**11.30**	58.70
	4 Depreciation / Impairment				
	- Steel	-	-	**16.90**	12.04
	- Stamping	-	-	**13.97**	12.70
	- Segment Total	-	-	**30.87**	24.74
	5 Non cash expenditure (net) other than depreciation				
	- Steel	-	-	**2.45**	1.46
	- Stamping	-	-	**(1.49)**	1.90
	- Segment Total	-	-	**0.96**	3.36
b)	SECONDARY SEGMENT INFORMATION (GEOGRAPHICAL SEGMENT)				
1	Segment Revenue				
	- Within India	-	-	**1,081.33**	1,065.68
	- Outside India	-	-	**6.55**	7.74
	- Total Revenue	-	-	**1,087.88**	1,073.42
2	Segment Assets				
	- Within India	-	-	**756.38**	689.30
	- Outside India	-	-	**2.73**	1.87
	- Total Segment Assets	-	-	**759.11**	691.17
3	Capital Expenditure				
	- Within India	-	-	**11.30**	57.85
	- Outside India	-	-	**-**	0.85
	- Total Capital Expenditure	-	-	**11.30**	58.70

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 and rings. 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

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, 371,000 Options have lapsed till 31st March, 2010 which includes 107,000 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, 2009	834,000	96
Options granted during the year	-	-
Options forfeited/lapsed during the year	107,000	97
Options exercised during the year	-	-
Options outstanding on 31st March, 2010	727,000	96
Options vested but not exercised on 31st March, 2010	525,125	97

Information in respect of options outstanding as at 31st March, 2010:

Exercise price	**Number of Options**	**Weighted average Remaining life**
Rs. 99.00	646,500	1.42 Yrs
Rs. 73.00	80,500	2.59 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 24th October, 2007	**Grant dated 18th 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

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. Nil (2008-09: Rs.0.14 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 lower by Rs. 0.10 Crore (2008-09: higher by Rs. 0.26 Crore), Profit After Tax higher by Rs. 0.07 Crore (2008-09 : loss after tax is higher by Rs. 0.17 Crore) and both the basic and diluted earnings per share would have been higher by Rs 0.02 (2008-09: lower by Rs. 0.20).

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. 1.47 Crores (2008-09: Rs. 1.30 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:

Category	% of each to total plan assets	
	2009-10	2008-09
Bonds & Securities of Central Government	**14.18**	13.68
Bonds & Securities of State Government	**9.52**	7.83
Bonds & Securities of Public Sector Undertakings	**32.83**	29.64
Special Deposits with Banks	**43.47**	48.84

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

Particulars	GRATUITY	
	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
I Expenses/(Income) recognised in the statement of Profit and Loss Account for the year ended 31st March, 2010 (Disclosed in schedule 'J' under the head 'Payment to and provision for employees')		
1. Current Service Cost	**0.87**	0.60
2. Interest Cost	**1.00**	0.88
3. Expected return on plan assets	**(1.00)**	(0.76)
4. Actuarial (Gains)/Losses	**(1.19)**	2.43
5. Total Expense/(Income)	**(0.32)**	3.15
II Net Assets/ (Liability) recognised in the Balance Sheet as at 31st March, 2010		
1. Present Value of Defined Benefit Obligation as at 31st March, 2010	**15.01**	14.86
2. Fair value of plan assets as at 31st March, 2010	**(15.33)**	(11.99)
3. Funded Status [Surplus/(Deficit)]	**0.32**	(2.87)
4. Net Asset/(Liability) as at 31st March, 2010	**0.32**	(2.87)
III Change in Obligation during the year ended 31st March, 2010		
1. Present Value of Defined Benefit Obligation at the beginning of the year	**14.86**	11.61
2. Current Service Cost	**0.87**	0.60
3. Interest Cost	**1.00**	0.88
4. Actuarial (Gains)/Losses	**(0.85)**	2.45
5. Benefit Payments	**(0.87)**	(0.68)
6. Present Value of Defined Benefit Obligation as at the end of the year	**15.01**	14.86
IV Change in Assets during the year ended 31st March, 2010		
1. Plan assets at the beginning of the year	**11.99**	10.28
2. Expected return on plan assets	**1.00**	0.76
3. Contributions by employer	**2.87**	1.61
4. Actual benefits paid	**(0.87)**	(0.68)
5. Actuarial Gains/(Losses)	**0.34**	0.02
6. Plan assets at the end of the year	**15.33**	11.99
V Actual return on Plan Assets (1+2)	**1.34**	0.78
1. Expected return on plan assets	**1.00**	0.76
2. Actuarial Gains/(Losses)	**0.34**	0.02
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 31st March, 2010**	As at 31st March, 2009
1. Discount Rate	**7.90%**	6.75%
2. Expected rate of return on plan assets	**8.50%**	8.50%
3. Mortality	**1994-96 Mortality base**	1994-96 Mortality base
4. Turnover rate	**1 to 2%**	1 to 2%
5. Salary escalation rate	**7.50%**	7.50%

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.

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

Particulars	**31st March, 2010 Rs. Crores**	31st March, 2009 Rs. Crores	31st March, 2008 Rs. Crores	31st March, 2007 Rs. Crores
1. Present Value of Defined Benefit Obligation	**15.01**	14.86	11.61	9.49
2. Fair value of plan assets	**(15.33)**	(11.99)	(10.28)	(9.89)
3. Funded Status [Surplus/(Deficit)]	**0.32**	(2.87)	(1.33)	0.40
4. Net Asset/(Liability)	**0.32**	(2.87)	(1.33)	0.40
5. Experience adjustment arising on:				
a. Plan Liabilities [Loss/(Gain)]	**0.42**	0.14	0.63	0.19
b. Plan Assets [Loss/(Gain)]	**0.34**	0.02	0.40	(0.13)

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 normally fund the entire shortfall if any 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 'J' 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.

	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores
i) Officer's Superannuation Fund	**0.77**	0.73
ii) Family Pension Fund	**0.91**	0.90
iii) Employees State Insurance Scheme	**0.23**	0.12

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.

SCHEDULE ‘M’ - SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of accounts :

The accounts have been prepared to comply in all material respects with the 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 :

The Company provides depreciation 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 (i) below :

i) 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.

ii) 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 monetory 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.

6. 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 seperately as an item of Manufacturing and Other Expenses and included in the valuation of finished goods.

7. 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.

8. Borrowing costs :

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are eligible for capitalisation during the year.

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.

11. Provisions :

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

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.	12542
State Code	11
Balance Sheet Date (Date / Month / Year)	31 / 03 / 2010

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

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

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

Total Liabilities (including Shareholders' Funds)	759.11
Total Assets (including Miscellaneous Expenditure not written-off and adverse balance of profit and loss account)	759.11

Sources of Funds :

Paid-up Capital	32.48
Reserves & Surplus	138.73
Secured Loans	207.13
Unsecured Loans	132.84

Application of Funds :

Net Fixed Assets	306.10
Investments	14.09
Net Current Assets	200.84
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

IV. Performance of Company (Amount in Rs. Crores) :

Turnover (Sales and Other income)	1089.34
Total Expenditure [Including decrease/(increase) in Stocks]	1080.71
+/- Profit/Loss before Tax	8.63
+/- Profit/Loss after Tax	4.67
Earnings per Share in Rupees	1.44
Dividend Rate %	10

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

Signatures to Schedules 'A' to 'N'

For and on behalf of the Board
Keshub Mahindra Chairman
Anand G. Mahindra Vice Chairman
K. V. Ramarathnam Managing Director
Hemant Luthra
M. R. Ramachandran
R. R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Sarojini Dikhale
Directors

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 29th April, 2010

Notes

Notes

MAHINDRA UGINE STEEL COMPANY LIMITED

MUSCO

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

Attendance Slip

I hereby record my presence at the 47th 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 27th July, 2010 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 47th 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

MUSCO

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 47th 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 27th July, 2010 at 3.00 p.m., and at any adjournment thereof.

Signed this ....day of 2010

Registered Folio No. ....

Client ID No. ....

DP ID No. ....

No. of Shares ....

Fifteen Paise Revenue Stamp

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.