Mahindra Ugine Steel Company Limited

49th ANNUAL REPORT

2011-2012

OPPORTUNITY GROWTH CAPABILITY

CONVERGENCE

VISION

One Goal. One Systech.

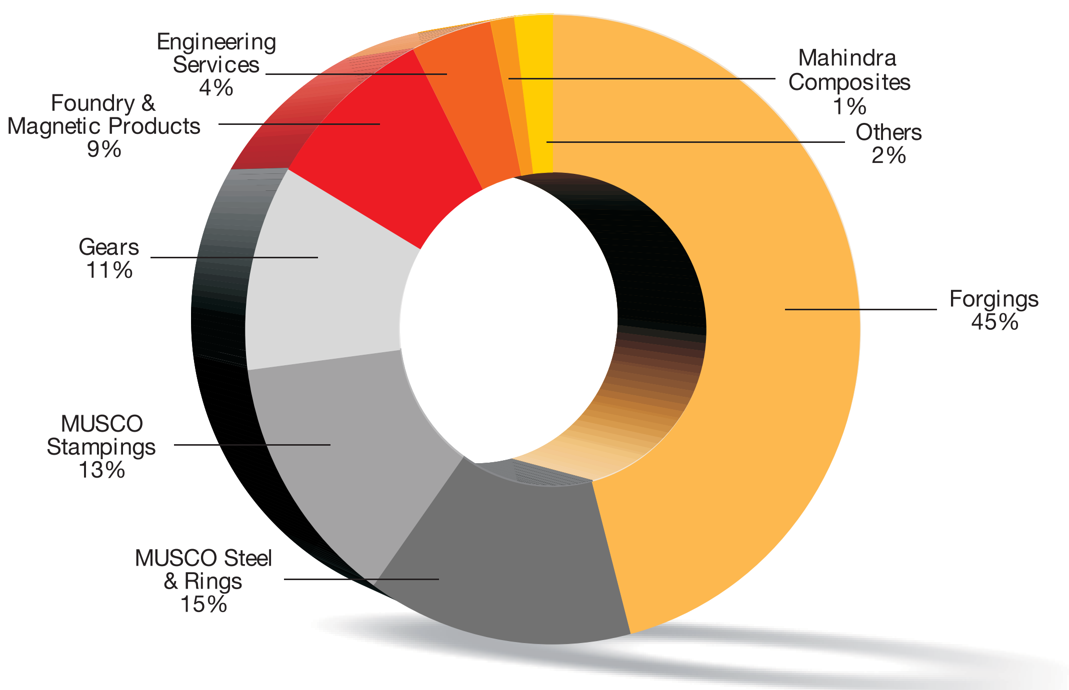
One Systech

MUSCO

Contents

Systech Sector Overview

Mahindra Systech was established in 2004 by the M&M Group. M&M entered into the components industry as India's global competitiveness took off. Leveraging our domain expertise in the automotive and farm equipment sectors, and with a series of acquisitions, we have grown rapidly in skill and scale.



Rising through convergence

Dear Shareholder,

In India and around the world, last year was marked by growth tempered with uncertainty.

In the US, we all saw people protesting against a political and economic model that seems to be leaving many behind. In Europe, differences in economic conditions and political responses at a national level has created anxious moments for the Euro Zone while at the same time Germany experienced healthy growth and remarkably low unemployment levels. In India, inflation-fighting interest rates and political challenges resulted in moderating growth rates. China seems to be heading towards a more stable and moderate growth rate after over a generation of rapid growth.

Despite the headwinds in the near term, we maintain a positive outlook for the global economy in general and the automotive industry in particular.

The automotive industry continues to see convergence worldwide as OEMs globalise operations and platforms, and regulations continue to emphasise improving fuel efficiency and reducing tailpipe emissions.

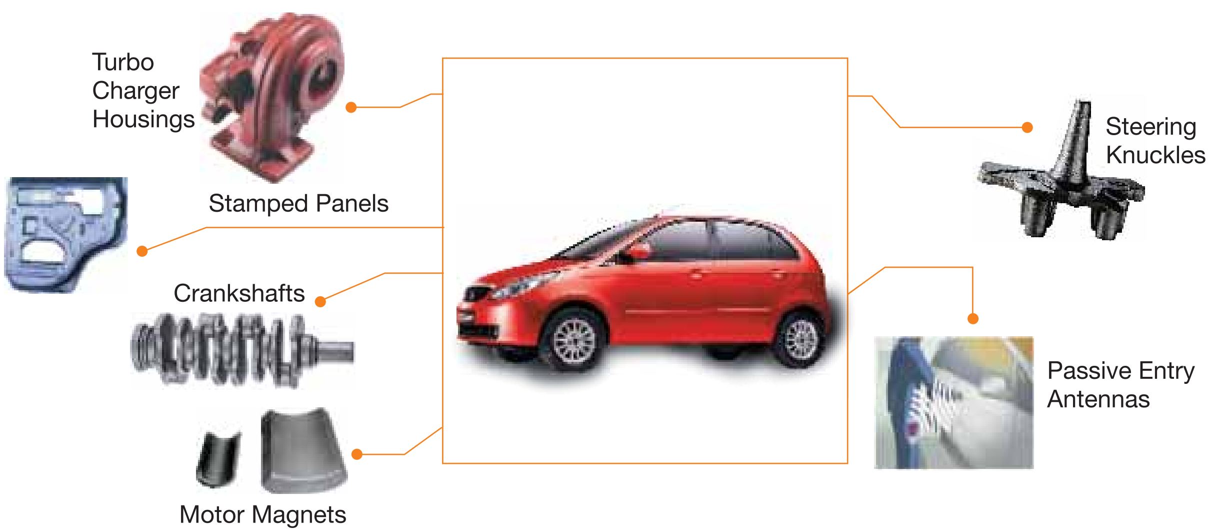
This convergence drives us to create growing commonality in our businesses between Europe and India and also makes us seek opportunities where we can take advantage of these changes in the marketplace.

We continue to progress on our vision of "One Systech" where the different constituent companies of the Systech Sector leverage their synergies across operations, product lines, and geographies. And this work will continue alongside the more fundamental goals of improving customer satisfaction, revenue growth and profitability in our business operations.

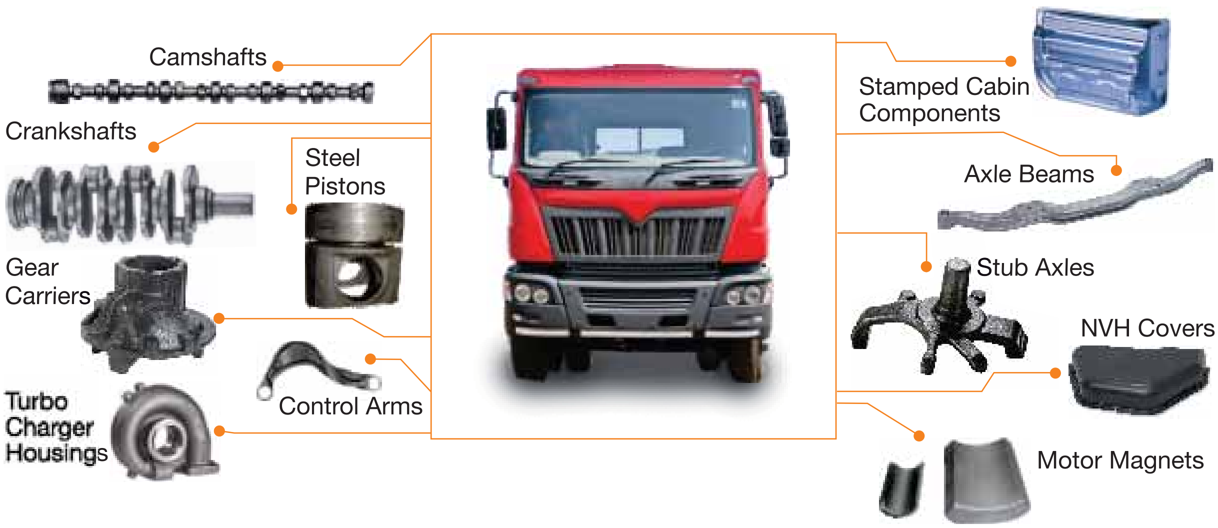
Best Regards,

Hemant Luthra
President
Systech Sector

Products & Applications



Products & Applications



Board of Directors

Keshub Mahindra - Chairman
Anand G. Mahindra - Vice Chairman
Uday Gupta - Managing Director
Hemant Luthra
R. R. Krishnan
Harsh Kumar
Manoj Kumar Maheshwari
Sanjiv Kapoor
S. Ravi
Daljit Mirchandani
Nikhilesh Panchal
Niranjan Mishra (Nominee of LIC)

Committees of the Board

Audit Committee
Sanjiv Kapoor
R. R. Krishnan
Manoj Kumar Maheshwari
S. Ravi
Daljit Mirchandani
Nikhilesh Panchal

Nomination & Remuneration Committee
Sanjiv Kapoor
S. Ravi
Hemant Luthra
Daljit Mirchandani

Investors' Grievance Committee
Hemant Luthra
S. Ravi
Uday Gupta

Ajit Lele - CEO - Stampings
Partha Sarathi Roy - Chief Finance Officer
Ajay Kadhao - Company Secretary

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
Chartered Accountants, Mumbai

Solicitors

M/s. Khaitan & Co.

Registered Office

74, Ganesh Apartment,
Opp. Sitaladevi Temple,
L. J. Road, Mahim, Mumbai - 400 016
Tel. No.: 022-24444287
Fax No.: 022-24458196
Website: www.muscoindia.com
E-mail: investors_relation@mahindra.com

Works

Steel and Rings
Jagdishnagar, Dist. Raigad,
Khopoli - 410 216 (Maharashtra)
Tel. No.: 02192-260500/263070

Stampings

1. 371, Takwe Road, At & Post: Kanhe,
   Dist. Pune - 412 106
   Tel. No.: 02114-255289/294
2. Plot No. D-2, MIDC, Ambad,
   Nashik - 422 010
   Tel. No.: 0253-6613400,6613406
3. Maharajpur Road, Lalpur, Rudrapur
   (U.S.Nagar) - 263 143 (Uttarakhand)
   Tel. No.: 05944-280921
4. Plot No.2, Sector-11, Tata Vendor Park,
   IIE, Pantnagar, Rudrapur - 263 153
   (Uttarakhand)
   Tel. No.:05944-250851

Registrar & Transfer Agents

Sharepro Services (India) Pvt. Ltd.
13 AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange
Lane, Off Andheri-Kurla Road, Sakinaka,
Andheri (East), Mumbai - 400 072
Tel. No.: 022-67720300/20400
Fax: 022-28591568

AT A GLANCE

(Rupees in Crores)

Financial Summary	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Sales	**1535.65**	1340.52	1087.88	1073.42	922.18	717.23	615.04	522.00	356.57	242.67
Other Income	**5.87**	2.39	1.46	1.76	2.76	1.68	9.73	1.05	2.47	2.56
Increase/(Decrease) in stocks	**2.26**	8.62	15.78	-11.06	16.13	-4.39	24.92	6.79	-1.45	-5.90
Manufacturing and other expenses	**1493.92**	1287.29	1024.79	1031.83	846.29	617.79	526.07	443.46	328.19	233.23
Depreciation	**31.44**	31.45	30.87	24.74	26.71	16.73	13.08	9.62	9.26	9.61
Interest	**54.27**	42.39	40.83	36.06	28.63	11.83	11.15	11.38	13.51	13.71
Profit/(Loss) for the year before Exceptional item and tax	**-35.85**	-9.60	8.63	-28.51	44.19	68.17	99.38	65.38	6.63	-17.22
Exceptional item - profit on sale of land	**88.57**	—	—	—	—	—	—	—	—	—
Profit for the year before tax	**52.72**	—	—	—	—	—	—	—	—	—
Current tax (MAT)	**10.40**	—	—	—	—	—	—	—	—	—
MAT credit entitlement (including credit recognised for an earlier year of Rs.1.00 crore	**-11.12**	—	1.00	—	10.55	24.82	32.40	5.13	0.53	—
(Excess) provision for earlier years w/back(net)	**0.07**	-0.30	—	—	—	—	—	—	—	—
Deferred Tax	**16.48**	-3.33	2.96	-10.13	4.15	-1.55	-2.13	12.09	—	—
Premium on redemption of Pref.Shares	**—**	—	—	—	—	—	4.04	—	—	—
Profit/(Loss) after tax	**36.89**	-5.97	4.67	-18.83	29.49	44.91	65.06	48.16	6.10	-17.22
Equity Dividend	**—**	—	3.25	—	9.74	14.62	14.62	9.28	—	—
Preference Dividend	**—**	—	—	—	—	0.22	1.01	1.91	—	1.87
Gross Fixed Assets	**642.43**	580.40	567.81	455.27	410.22	317.05	269.63	200.09	200.85	202.11
Net Fixed Assets	**325.09**	300.93	306.10	326.02	292.40	233.00	115.82	68.61	70.34	81.24
Investments	**14.10**	14.09	14.09	14.09	0.42	0.52	0.87	3.09	3.11	3.29
Miscellaneous Expenditure	**—**	—	—	—	0.03	0.20	0.59	1.04	1.82	2.31
Equity Share Capital	**32.48**	32.48	32.48	32.48	32.48	32.48	32.48	30.93	30.93	30.93
Share Capital	**32.48**	32.48	32.48	32.48	32.48	32.48	37.94	47.39	47.39	47.39
Reserves and Surplus	**169.63**	131.47	137.43	136.56	155.39	137.31	110.77	43.92	8.78	6.10
Net Worth	**202.11**	165.21	171.21	170.34	189.00	170.16	148.12	90.28	54.35	47.5
Borrowings	**309.56**	343.53	339.97	335.91	316.46	207.42	99.55	64.41	92.26	82.00
Profit before tax as a % of sales	**3.43**	—	0.79	—	4.79	9.50	16.16	12.52	1.86	—
Profit after tax as a % of sales	**2.40**	—	0.43	—	3.20	6.26	10.58	9.22	1.71	—
Earnings - Rs. per Equity Share	**11.36**	-1.84	1.44	-5.80	9.08	13.75	19.68	15.03	1.81	-6.17
Dividend - Rs. per Equity Share	**—**	—	1.00	—	3.00	4.50	4.50	3.00	—	—
Book Value - Rs. per Equity Share	**62.22**	50.87	52.71	52.44	58.15	52.36	43.93	23.86	12.26	10.03

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NOTICE

The Forty–Ninth Annual General Meeting of the Members of MAHINDRA UGINE STEEL COMPANY LIMITED will be held on Friday, the 3rd day of August, 2012 at 4.00 p.m. at Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 to transact the following business:

ORDINARY BUSINESS:

1) To receive and adopt the audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.

2) To appoint a Director in place of Mr. Manoj Kumar Maheshwari, who retires by rotation and being eligible, offers himself for re-appointment.

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

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

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

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. Niranjan Mishra, 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 a Special Resolution:

   "RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article No. 126 of the Articles of Association of the Company be and is hereby deleted and in place thereof the following Article be substituted as Article No. 126 of the Articles of Association of the Company:

   126. (1) Subject to provisions of Section 255 of the Act, one-third of the Directors shall be Directors who are appointed in accordance with the provisions hereinafter appearing.

   (2) Subject to the provisions of these articles the Directors referred to in sub-clause (1) of this Article shall be appointed by Mahindra & Mahindra Limited (hereinafter referred to as M & M), provided that if there be an odd number of Directors to be so appointed then the additional Director shall be appointed by M&M.

   (3) M & M shall have the right to remove any person appointed by it as a Director in accordance with the provisions of these Articles and to appoint any other person or persons in place of a Director or Directors so removed and shall have the right to appoint a Director to fill any vacancy caused by the retirement, resignation, termination of office or death of any Director so appointed by it.

   (4) The appointment or removal of any such Director of M & M be effected by a writing under the hand

of the Chairman or Secretary of M&M and such appointment or removal shall take effect forthwith upon delivery of such writing to the Board of the Company.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as may be in its absolute discretion be deemed necessary and to settle any question that may arise in this regard."

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

"RESOLVED that pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and Rules framed thereunder and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the existing Articles of Association of the Company be amended as under:

i) The following Article be inserted after the existing Article 83 as Article 83A:

Participation through Electronic Mode

83A Notwithstanding anything contrary contained in the Articles of Association, the Company may provide Video Conference facility and/or other permissible electronic or virtual facilities for communication to enable the Shareholders of the Company to participate in General Meetings of the Company. Such participation by the Shareholders at General Meetings of the Company through Video Conference facility and/ or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

ii) The following Article be inserted after the existing Article 153 as Article 153A:

Participation through Electronic Mode

153A Notwithstanding anything contrary contained in the Articles of Association, the Director(s) may participate in Meetings of the Board and Committees thereof, through Video Conference facility and/or other permissible electronic or virtual facilities for communication. Such participation by the Director(s) at Meetings of the Board and Committees thereof, through Video Conference facility and/or use of other permissible electronic or virtual facilities for communication shall be governed by such legal or regulatory provisions as applicable to the Company for the time being in force.

iii) The following proviso be inserted after the existing Article 154:

Provided further that a Director participating in a Meeting through use of Video Conference or any other permissible electronic mode of communication shall be counted for the purpose of quorum, notwithstanding anything contrary contained in the Articles of Association.

iv) The following Article be inserted after the existing Article 221(2) as Article 221(3):

221(3) Notwithstanding anything contrary contained in the Articles of Association, a document may be served by the Company on any Member by any electronic mode of communication and in such manner as is/ may be permitted by any law. Where a document is served by any such electronic mode, the service thereof shall be deemed to be effected in the manner as is/may be provided by any law.

FURTHER RESOLVED that the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any Committee or any person which the Board may constitute/ nominate to exercise its powers, including the powers by this Resolution) be authorised to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

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 ITS 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 Thursday, the 19th July, 2012 to Friday, the 3rd August, 2012 (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, 2005 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, and made available at the meeting.

(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 dematerialized 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:

Mr. Niranjan Mishra, Mr. Harsh Kumar, Mr. Manoj Kumar Maheshwari and Mr. Sanjiv Kapoor who are seeking appointment/re - appointment, do not hold any shares in the Company. Mr. Hemant Luthra who is seeking re-appointment, holds 5906 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, 2004 due for transfer to the Investor Education and Protection Fund.

Due dates for transferring unclaimed and unpaid dividends declared by the Company for the year 2004-05 and thereafter to IEPF:

Financial Year ended	Date of declaration of dividend	Last date for claiming unpaid/unclaimed dividend
31st March, 2005	29th July, 2005	28th August, 2012
31st March, 2006	24th July, 2006	23rd August, 2013
31st March, 2007 (Interim dividend)	23rd March, 2007	22nd April, 2014
31st March, 2007	26th July, 2007	25th August, 2014
31st March, 2008	24th July, 2008	23rd August, 2015
31st March, 2010	27th July, 2010	26th August, 2017

(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 Ministry of Corporate Affairs (“MCA”) has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and has issued circulars on April 21, 2011 and April 29, 2011 inter-alia stating that a company would have complied with Section 53 of the Companies Act, 1956, if the service of document has been made through electronic mode. In that case, the company is required to obtain email addresses of its members for sending the notice/ documents through email by giving an advance opportunity to every shareholder to register his email address and changes therein, if any, from time to time with the company.

The Company expects whole hearted support from its members towards the Green Initiative of MCA and request all its members to communicate their email ID and changes thereto from time to time to the Depository Participant/ Company’s Registrar & Share Transfer Agent, to enable the Company to send all its reports, notices and other communication to its members via email.

Please note that the member will be entitled to receive, free of cost, all reports, notices and other communication that may be sent to the member by the Company, from time to time, electronically via email, upon receipt of a requisition from the member of the Company.

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.

Date: 2nd May, 2012

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. Niranjan Mishra, was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 11th November, 2011 and holds office upto the date of the ensuing Annual General Meeting.

Mr. Niranjan Mishra, 56 years of age, is a Science Graduate and holds a degree in Law.

Mr. Niranjan Mishra joined Life insurance Corporation of India in the year 1983 as an Assistant Administrative Officer, a direct recruit officer of 12th Batch and thereafter was elevated to the next higher level cadre and held various positions like Branch Manager, Senior Branch Manager, Manager(Sales), Area Manager, Senior Divisional Manager and Regional Manager of Eastern, East Central and West Zone and also worked in various regions like Jabalpur, Kolkata, Patna and Mumbai, before becoming an Executive Director (Marketing – Chief Life Insurance Advisor). Mr. Niranjan Mishra is having vast experience of 23 years in the area of marketing.

Mr. Niranjan Mishra, as an Executive Director – (Marketing – CLIA), acquired an experience of liasoning and networking with people. He loves socializing and spends his leisure time reading books.

Mr. Niranjan Mishra does not hold any shares in the Company.

The Board is of view that Mr. Niranjan Mishra'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 for your approval.

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

ITEM NO. 8

The Company was incorporated with an object interalia to manufacture specialized alloy steel products of high quality. To attain this objective the Company had technical arrangement with M/s. Societe D'Electro-Chimie D'Electro-Metallurgie et des Acieries Electriques D'Ugine (hereinalter referred to as UGINE), the then French steel manufacturing major. As a part of the technical arrangement, Ugine were granted certain rights under clause 126 of the Articles of Association of the Company to nominate directors on the Board alongwith similar rights of Mahindra & Mahindra Limited (M&M) to nominate directors as mentioned in the item No. 8 of this notice.

Over a period, Ugine has ceased to be associated with the Company and is longer associated with the Company. In view of non-existence of any association of the Company with Ugine the said rights of Ugine, under Clause 126 of Articles of Association of the Company, are proposed to be deleted, without affecting the rights of M&M under clause 126.

Accordingly, the existing clause 126 of the Articles of Association of the Company be substituted by way of new clause 126 as produced in the proposed resolution at Item No. 8 of this Notice. In terms of section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company. A copy of the Memorandum and Articles of Association along with proposed draft amendment to the Articles of Association kept open for the inspection of the members during the working hours of the Company between 10.00 a.m. to 12.00 noon on all working days.

The proposal outlined above is in the interest of the Company and the Board recommends the Special Resolution for approval of the Members. None of the directors is in anyway concerned or interested in the said resolution.

ITEM NO. 9

The Ministry of Corporate Affairs ("MCA"), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated 20th May, 2011 and Circular No.35/2011 dated 6th June, 2011 has permitted companies to hold Board Meetings and Shareholders Meetings through Video Conference facility, as part of the Green Initiatives under Corporate Governance. Further, MCA vide Circular No. 72/2011 dated 27th December, 2011 made the Video Conference facility at the Shareholders Meetings optional to the listed companies.

Section 53 of the Companies Act, 1956 and Articles 221(1) and (2) provide for modes of service of documents on a Member of the Company. The MCA has vide Circular No. 17/2011 dated 21st April, 2011 stated that a company would have complied with section 53 if the service of a document has been made through electronic mode, provided the company has obtained e-mail addresses of its Members for sending Notices/Documents through e-mail by giving an advance opportunity to every Shareholder to register their e-mail addresses with the company. Clause 32 of the Listing Agreement of the Stock Exchanges also permits a company to send soft copies of full Annual Reports, Balance Sheet, Profit and Loss Account and Directors' Report to all Shareholders who have registered their e-mail addresses for the purpose.

It is proposed to carry out necessary amendments in the existing Articles of Association of the Company by inserting appropriate enabling provisions as set out in the Special Resolution under Item No.9 to give effect to the above Circulars of MCA.

In terms of section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company. A copy of the existing Memorandum and Articles of Association of the Company alongwith the proposed draft amendments to the Articles of Association is available for inspection by any Member at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on all working days (except Saturdays, Sundays and Public Holidays).

The Directors recommend the passing of the Resolution at Item No.9 as a Special Resolution.

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

By Order of the Board

Ajay Kadhao
Company Secretary

Registered Office:

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

Date: 2nd May, 2012

DIRECTORS' REPORT

The Directors present their Forty-Ninth Report together with the audited accounts of your Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

(Rupees in crores)

	2011-12	2010-11
Gross Income	**1541.52**	1342.91
Profit before Interest and Depreciation	**49.86**	64.24
Less: Interest	**54.27**	42.39
Less: Depreciation	**31.44**	31.45
Profit/ (Loss) before exceptional items and Taxation	**(35.85)**	(9.60)
Add : Exceptional Item (profit on sale of land)	**88.57**	-
Profit/(Loss) after exceptional item (before Tax)	**52.72**	(9.60)
Less: Provision for Taxation		
- Current Tax	**(0.65)**	-
- Fringe Benefit Tax	**-**	(0.30)
- Deferred Tax	**16.48**	(3.33)
Profit/(Loss) after Tax	**36.89**	(5.97)
Balance of profit brought forward from earlier years	**40.29**	46.25
Profit available for Appropriation	**77.18**	40.28
Less: Proposed Dividend on Equity Shares	**-**	-
Less: Tax on Dividend (excess for earlier year written back)	**-**	(0.01)
Less: Transfer to General Reserves	**-**	-
Balance Carried Forward to Balance Sheet	**77.18**	**40.29**

DIVIDEND

In view of operational losses incurred by the Company during the financial year under review, your Board of Directors has not recommended any Dividend for the financial year 2011-12.

PERFORMANCE

The growth of the Indian economy in the financial year under review was slower at around 6.5% as compared to the growth of around 8.4% recorded in the previous financial year. The domestic economy faced major challenges of rising inflationary pressures and constrained state of global economy, particularly in the western countries.

The slowdown in domestic economy, mainly on account of high inflationary pressures, hikes in borrowing rates and high cost of inputs, has impacted the domestic steel consumption during the year under review. The higher input costs of metallic, power & furnace oil coupled with adverse forex variation could not be recovered from the major customer segments in the Steel & Ring Business due to competitive pressure thereby the performance as a whole was adversely impacted. In spite of gain in operating efficiencies in terms of quality improvement, yield and specific energy consumption, the margin was under acute pressure. Fixed cost recorded significant rise due to increased water levy, legal costs and forex loss besides increase in employment cost.

However, the Stampings business posted significant performance improvement due to buoyant domestic automobile demand, higher capacity utilization, improved operating efficiencies and return of the capital invested.

During the year under review your Company suffered a loss of Rs.35.85 crores, before exceptional item and taxation as compared to loss of Rs. 9.60 crores suffered in the corresponding previous year. The gross income of the Company grew by around 15% from Rs.1342.91 crores to Rs.1541.52 crores. The earnings before other Income, Interest and depreciation for the year under review was Rs.48.08 crores as compared to Rs.61.85 crores in the previous year. During the year under review the Company, in order to monetize the unutilised assets for growth of the company, sold excess land of 65 acres situated at Stampings division at Kanhe. On account of the sale of the said land, the Company has posted a net profit for the year under review.

STEEL & RING BUSINESSES:

During the year under review, your Company sold 1,19,370 tonnes of alloy steel products as compared to 1,23,447 tonnes sold in the previous year. Your Company registered sales revenue of Alloy and Steel products aggregating Rs.783.36 crores for the year under review as compared to Rs. 760.67 crores of the previous year posting a growth of 2.98%. The rise in sales revenue is largely attributable to enriched product mix in the financial year 2011-12 as compared to that of the previous financial year. The operating efficiencies improved during the financial year under review.

Your Company also registered sales of 3714 tonnes of Ring (Bearing Races) products for a value of Rs.44.61 crores during the year under review as compared to sales of 2785 tonnes for a value of Rs. 24.32 crores recorded in the previous year. Exports also improved during the year under review.

During the year under review, the Steel Division faced challenges of spirally input cost and increased competitive pressure in special alloy steel market. The benefit of lower power cost from Wardha Power Company Limited, (WPCL) which was expected in second half of financial year (FY) 2011-12, could not materialize pending regulatory approvals. However, WPCL has got all approvals and the Company is expected to receive the power at lower cost from WPCL in 1st half of FY 2012-13. Management will continue to undertake initiatives for increasing margin by way of further improvements in operating efficiencies and increase coverage of metallic surcharge mechanism with customers for mitigating input price volatility. The Company also foresees significant increase in sales mainly in the value added segments as process/quality audits by many global MNCs are expected to fructify into sales in the near future.

The Board has at its meeting held on 11th November, 2011 approved the proposal of the transfer of the Steel (including Ring business) Division by way of Slump Sale on a going concern basis to the wholly owned subsidiary of the Company i.e Navyug Special Steel Private Limited (Navyug Steel), subject to necessary approval as may be required. The detail of this matter is mentioned elsewhere below in this Report.

STAMPINGS BUSINESS:

During the year under review, the sales volume of the Stampings business of the Company grew from 55,364 MT (previous year) to 63,953 MT registering a growth of around 16%. The sales value for the Stampings business for the year under review was Rs. 703.26 crores as compared to Rs. 553.79 crores recorded in the previous year, registering a growth of around 27%. The robust growth witnessed by the Stampings business is on account of various initiatives taken by the management to expand its business and by exploiting the growth in the automobile industry.

The Stampings business is expected to grow at a firm and healthy rate, as it has product orders in the pipeline for new models of Mahindra & Mahindra Limited and Tata Motors Ltd. The Pantnagar Project has started operations in the financial year 2011-12, which will further strengthen the business volumes of the Stampings Division. The Stampings Division is committed to improve its performance by improving customer centricity, quality and efficiency. The Stampings business is exploring opportunities to expand in southern region i.e. Zahirabad, Dharwad to cater the Origial Equipment Manufacturers (OEMs) present in that region.

SUBSIDIARIY COMPANY:

During the year under review, Navyug Special Steel Private Ltd. (Navyug Steel) became a wholly owned subsidiary of the Company. The Company proposes to transfer its Steel & Ring Business to Navyug Steel on a slump sale basis as a going concern.

The Statement pursuant to Section 212 of the Companies Act, 1956 containing details of the Company's subsidiary is attached.

In accordance with the General Circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary company are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary Company and the related detailed information to any Member of the Company who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiary would also be available for inspection by any Member at the Registered Office of the Company during working hours upto the date of the Annual General Meeting.

CONSOLIDATED FINANCIAL STATEMENT

The Consolidated Financial Statement of the Company and its subsidiary prepared in accordance with Accounting Standard AS 21 forms part of this Annual Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary company and associate.

TRANSFER OF STEEL & RING BUSINESS TO A WHOLLY OWNED SUBSIDIARY:

The Steel Business is operating under a challenging environment due to various factors like high costs of raw materials, borrowings, power, fuel etc. These factors are adversely affecting the performance of the Steel business. With a view of improving the performance of the Steel business and ensure its growth, the Company has been exploring options and opportunities to restructure the same. One of the restructuring proposals considered by the Board involves hiving off the Steel Business as a going concern by way of a slump sale, to a wholly owned subsidiary of the Company and induct in such subsidiary, some strategic investor/s who can bring in new technology and marketing network to provide quality edge and wide customer base for the products of the Steel Business.

Accordingly, as a first step towards accomplishing the above objective the Board of Directors, at its meeting held on 11th November, 2011 has approved, subject to the approval of the members and other approvals, as may be required, the transfer of the Steel Business of the Company on a going concern basis as a slump sale to Navyug Special Steel Private Limited ("Navyug Steel"), a wholly owned subsidiary of the Company, in terms of the Business Transfer Agreement (BTA) entered into between the Company and Navyug Steel.

The proposed slump sale would be for a lump sum consideration of Rs. 133.50 crores (Rupees One Hundred Thirty Three Crores & Fifty Lacs only), subject to the terms, conditions, and provisions as set forth in the Business Transfer Agreement (BTA).

Your Company has *inter-alia* entered into appropriate contractual arrangements with Sanyo Special Steel Co Ltd ("Sanyo") and Mitsui & Co Ltd ("Mitsui"), pursuant to which it is proposed that Sanyo and Mitsui will invest in the equity capital of Navyug Steel, subject to requisite approvals and satisfaction of certain conditions.

The said restructuring envisages investment by Sanyo and Mitsui in Navyug Steel after the transfer of the Company's Steel Business to Navyug Steel and Sanyo and Mitsui would be issued new equity shares of Navyug Steel. Sanyo will invest an amount of Rupees 111 crores approximately and Mitsui will invest an amount of Rupees 76 crores approximately, for 29% and 20%, of the equity share capital of Navyug Steel (on fully diluted basis), respectively. The Company will retain the majority equity stake at 51% in Navyug Steel (joint venture).

Your Company, Sanyo and Mitsui are expected to utilize their respective brands, technologies and networks in order to meet the customers' needs of the Steel Business through the proposed joint venture. The Company, Sanyo and Mitsui are expected to drive general management, manufacturing & technology and marketing functions of the proposed joint venture respectively.

Sanyo's technical assistance will enable the Steel business to strengthen and differentiate its product portfolio with the introduction of new products for niche and emerging market segments in India like the oil & gas, power, engineering industries among others. This is expected to further strengthen the profitability position of the steel business.

Mitsui will assist the Steel business in strengthening its sales and marketing footprints in the aforesaid niche and emerging segments as well as the existing alloy steel market in India. They will also help the proposed joint venture to access global customers.

The joint venture is expected to pave way for the Steel business to "re-invent" its position in the domestic and global markets through transition from commodity steel to Specialty steel capabilities over a period of 3-5 years. The joint venture is expected to improve the sustainability of the steel business due to improvement in its profitability and thereby enhancing the value for the stakeholders of the Company.

The hive off, of the steel business and the proposed joint venture, will enable the Company to fully focus on the Stampings business, improve margins while it continues to grow, thus unlocking value for the stakeholders.

The Members of the Company vide Postal Ballot resolution passed on 4th January 2012 have approved the proposed transfer of the Steel Business, as a going concern on a slump sale basis to Navyug Steel (the wholly owned subsidiary of the Company). The said transfer of the steel business and the proposed investment by the Mitsui and Sanyo is subject to the fulfillment of all statutory formalities as may be required and contractual obligations entered into by the Company.

SALE OF EXCESS LAND AT STAMPINGS DIVISION, KANHE:

The Board at its meeting held on 27th March, 2012, has approved the sale of Company's excess land of 65 acres, out of the total land of around 122 acres, of the Stampings Unit of the Company situated at Kanhe, Maharashtra.

The said industrial land of 65 acres was sold as per the valuation report of an Independent Valuer for Rs. 89.05 crores. The said sale of the excess land was with a view to monetize the value of its unutilized assets and improve shareholder value by freeing up capital to reduce debt and facilitate growth.

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 the 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, liquidity position of the Company was in general satisfactory. The Company faced inflationary pressure and increase in cost of funds which has impacted the cost of capital. The Company met its obligations towards capital expenditure and working capital requirements through its bankers.

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:

Your 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 and Analysis Report.

DIRECTORS:

Mr. Harsh Kumar, Mr. Manoj Kumar Maheshwari, Mr. Sanjiv Kapoor and Mr. Hemant Luthra, Directors, retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Ms. Sarojini S. Dikhale, Director resigned from the Directorship of the Company with effect from 5th August, 2011. The Board has placed on record its sincere appreciation of the services rendered by Ms. Sarojini S. Dikhale during her tenure as the Director of the Company.

Mr. Niranjan Mishra, LIC Nominee, was appointed as an Additional Director of the Company with effect from 11th November, 2011 and he holds office upto the date of ensuing Annual General Meeting. The Company has received Notice from a Member under Section 257(1) of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Niranjan Mishra, 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, your 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, 2012 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.

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.

COST AUDIT REPORT:

Your Company had appointed Mr. Kishore Bhatia, a qualified practicing Cost Accountant holding valid Membership No. 8241 for the financial year 2010-11 with the approval of the Central Government, Ministry of Corporate Affairs, New Delhi to carry out cost audit of its steel plant. The Cost Auditor has filed the Cost Audit Report for the financial year 2010-11 on 30th August, 2011 to the Central Government, Ministry of Corporate Affairs, New Delhi. The due date for filing the said Cost Report was 27th September, 2011. The Board of Directors of your Company has upon recommendation of the Audit Committee appointed Mr. Kishore Bhatia., Cost Accountant, to audit the cost accounts of the Company for the financial year ending 31st March, 2012 and the Central Government has approved the appointment. As required under the provisions of Section 224(1B) read with Section 233 (B)(2) of the Companies Act, 1956, the Company has obtained a written confirmation from Mr. Kishore Bhatia to the effect that he is eligible for appointment as Cost Auditor under Section 233B of the Companies Act, 1956. The Audit Committe has also received a certificate from the Cost Auditor certifying his independence and arm's length relationship with the Company.

PUBLIC DEPOSITS AND LOANS/ADVANCES:

An amount of Rs.1.76 Lakhs in the aggregate consisting of 12 matured fixed deposits had remained unclaimed as at 31st March, 2012. Your 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 particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement are furnished separately.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

Your Company is committed to its social responsibilities and always takes initiatives to serve the society at large 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 several CSR activities by conducting health check up camp / awareness programme on serious disease, arranged free check up for old people at old age home on a weekly basis and provided medicines. Tree plantation drive inside / outside the company premises was conducted. Provided medical check up / IT support / teaching staff at a school run by NGO in Raigad.

The Stampings divisions at Kanhe, Nashik and Rudrapur had undertaken various CSR initiatives during the year 2011-12 viz., at Mother Teresa' Missionaries of Charity's Home for destitutes at Adgaon, Nashik. Under this programme the Nashik Division has donated an advanced eye check up machine and arranged for eye check up of elders. The Nashik, stampings Unit has also donated spects and helped the poor who have undergone the Cataract operations. The Union of the Nashik Unit arranged a Blood Donation Camp which has been actively participated by the workers and employees.

The Stampings Division at Kanhe had undertaken various CSR activities such as donation of Electrical sound system with sound boxes to the Kanhe village school. Donated 25 nos. of electrical poles to Naygaon & Kanhe Village for street & Chowk lights. The Stampings Division has conducted Blood donation camp for Naygaon & Kanhe village people and also made donations to 'Nanhi Kali', a project for adoption of girl children.

The Stampings Division at Rudrapur had undertaken various CSR activities during the year 2011-12, such as Traffic rules awareness programme, educating people on the use of paper bags instead of plastic bags, plantation of trees, stress management programme, Cricket Tournament etc.

SUSTAINABILITY INITIATIVES:

Your Company continues to be aligned with Mahindra Group's approach towards sustainable development by making conscious efforts to reduce the environmental impact of business as well as enhancing its responsibility towards society.

Your company continued with identification and implementation of various projects for reduction in energy and GHG emissions, to achieve the targets set under its Sustainability Road map. Moreover the following new initiatives were taken:

- A research project was undertaken in collaboration with National Metallurgical Laboratory, Jamshedpur a premier research centre of India to convert the Fume extraction dust in to Pavement Blocks. The product developed qualifies for Green Building material. It meets all the IS specifications and have no negative environmental effect.
- In order to generate more awareness about sustainability and the triple bottom line approach, your Company organized a Sustainability Quiz "Mahindra Sustainability Challenge" on the World Environment Day and the winning team was awarded the coveted "Harish Mahindra Memorial Trophy".
- Various water management techniques were implemented whereby the water consumption was reduced during the year. Moreover, a project for harnessing rain water has resulted in considerable savings in use of water from the local municipality during the monsoon season. Water foot printing exercise was also conducted to achieve further reduction in water use.

During the year under review, the triple bottom line performance was published as a part of the Mahindra Group's Sustainability Report, in accordance with the latest guidelines of the internationally accepted Global Reporting Initiative or the GRI standards and like the previous 3 reports, this report was externally assured by E&Y with an A+ rating and GRI checked.

PARTICULARS OF EMPLOYEES:

The Company had 4 employees who were employed throughout the financial year under review and were in receipt of remuneration of not less than Rs. 60,00,000 per annum during the financial year ended 31st March, 2012 or not less than Rs. 5,00,000 per month during any part of the said year. However, as per the provisions of section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all 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 wish to express their appreciation of the continued support and co-operation received from the Banks, Financial Institutions, Government Departments, Vendors, Customers and Employees of the Company.

For and on behalf of the Board

Keshub Mahindra
Chairman

Mumbai: 2nd May, 2012.

ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

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

Employees Stock Option Scheme 2006 (ESOS 2006)

(a)	Options granted	10,98,000	
(b)	The Pricing Formula	1st Tranche	2nd Tranche
		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	Options stand vested on 31st March, 2012.	
(d)	Options Exercised	Nil	
(e)	The Total number of shares arising as a result of exercise of Options	Nil	
(f)	Options Lapsed	3,86,000	
(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 31.03.12	7,12,000	
(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. 11.36	

(l)	Where the company has calculated employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs. 0.01 crores. Profit after tax would have been lower by Rs. 0.01 crores and there would be no impact on both the basic and diluted earnings per share as charge is negligible.
(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, 2012.

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, 2012.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

1. The main pump-house water delivery pipeline has been modified to improve the efficiency of pumps. This has enabled to reduce the running of 4 numbers of 110KW pumps to 3 numbers.
2. The following Energy efficient high lumens light fittings have been introduced to achieve energy efficiency and save cost;
   - 500 numbers of 80W conventional fluorescent tube light fittings were replaced with 28W T5 tube fittings in office buildings.
   - 110 numbers of technologically improved new induction lamps replaced in different shops to achieve desired lumens level.
   - 200 numbers of standard tube light fittings replaced with 18W electronically operated tubes in housing colony staircases.
3. Following Voltage Variable frequency drive (VVFD) were installed in different equipments to save electrical energy;
   - 45kw VVFD for combustion blower of Walking beam furnace in BAR mill.
   - 55kw VVFD for Long travel motion of 100T liquid metal handling EOT crane in SMS bay.
4. Combustion efficiency improved in oil fired preheating furnaces by;
   - Flue duct and recuperator modification in the chamber furnace in forge shop to enhance the recovery of flue gas.
   - Improved fuel efficiency in preheating chamber furnace in Blooming mill by replacing energy efficient flue gas recovery system (recuperator).
   - Combustion air control valves are automated by installing motorized arrangement to maintain the air fuel ratio in walking hearth furnace in Blooming mill to improve fuel consumption.
5. Electrically operated controlled cooling pit modified for reducing skin temperature loss and energy waste through top covers.
6. Metallic heavy impeller replaced with light weight fiber impeller for Continuous Cast machine cooling tower.
7. 50 numbers of air condition energy saving unit installed for window type air conditions to save Energy.
8. Old inefficient reciprocating compresses have been replaced by new generation energy efficient screw compresses to save power.

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

1. Energy audit is proposed to be conducted in financial year 2012-13 by authorized Energy auditors TERI (The Energy and Resources Institute, New Delhi). Proposal to replacing 140 numbers of technologically improved new induction lamps in different shops to achieve desired lumens level.
2. Energy management system software proposed to be implemented for effective data collections to enhance the improvement projects.

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

There has been overall energy savings of around 1785600 Kwh power and 255 KL oil during the year due to various energy saving initiatives and measures taken by the Company as stated above. This has resulted in saving of energy costs to the Company.

(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

	Financial Year 2011-2012			Financial Year 2010-2011		
A) POWER & FUEL CONSUMPTION	STEEL	STAMPINGS	TOTAL	STEEL	STAMPINGS	TOTAL
1 ELECTRICITY						
a) **PURCHASED**						
UNITS (KWH)	175,268,708	17,829,451	193,098,159	186,700,927	15,310,590	202,011,517
TOTAL AMOUNT (Rs)	1,164,624,083	101,610,369	1,266,234,452	1,051,628,005	77,111,331	1,128,739,336
RATE/UNIT (Rs)	6.64	5.70	6.56	5.63	5.04	5.59
b) **OWN GENERATED (KWH)**	57,964	1,154,631	1,212,595	49,048	1,588,241	1,637,289
2 COAL FOR GASIFIER (MT)	6,185	N.A	6,185	10,419	N.A	10,419
TOTAL AMOUNT (Rs)	42,240,113	N.A	42,240,113	58,393,082	N.A	58,393,082
RATE/UNIT (Rs)	6,829	N.A	6,829	5,604	N.A	5,604
3 FURNACE OIL K.LTRS	17,724	N.A	17,724	19,991	N.A	19,991
TOTAL AMOUNT (Rs)	625,293,406	N.A	625,293,406	502,158,584	N.A	502,158,584
RATE/UNIT (Rs)	35,279	N.A	35,279	25,119	N.A	25,119
4 OTHER FUEL OIL (L.D.O.) K.LTRS	390	N.A	390	404	N.A	404
TOTAL AMOUNT (Rs)	20,975,238	N.A	20,975,238	16,890,706	N.A	16,890,706
RATE/UNIT (Rs)	53,783	N.A	53,783	41,809	N.A	41,809
B) CONSUMPTION PER UNIT OF PRODUCTION						
1 PRODUCTS (MT) *	123,672	63,997	187,669	126,232	55,305	181,537
2 ELECTRICITY (KWH/MT) Total for the Plant	1,418	297	1,035	1,479	306	1,122
3 FURNACE OIL (K.LTRS/MT) Total for the Plant	0.143	N.A	0.094	0.158	N.A	0.110
4 COAL FOR GASIFIER (MT/MT) Total for the Plant	0.050	N.A	0.033	0.083	N.A	0.057
5 OTHER FUEL OIL (K.LTRS/MT) Total for the Plant	0.0032	N.A	0.0021	0.0032	N.A	0.0022
6 TOTAL FUEL (FURNACE OIL+L.D.O.) (K. Litres /MT)	0.146	N.A	0.097	0.162	N.A	0.112

* Indicates in house production only.

B. TECHNOLOGY ABSORPTION:

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 financial year 2011-12**
2. **Benefits derived as result of the same:-**

Sr. No.	Product & process improvement	Benefits derived
1.	Installed slag decantation unit in the SMS	This will remove primary EBT slag into the LRF. Better control of chemistry, oxygen and inclusions in steel
2.	Development of crankshaft quality steel with modified morphology of inclusions. Special inclusion assessment method as per Japanese Industrial standard was developed.	The steel quality conforms to the stringent quality requirement of customers.
3.	Developed special steels for Turbine blade application.	This has helped to achieve creep properties, uniform grain size and low delta ferrite in Steel manufactured thereby improving the quality of steel as per requirement of customers.
4.	Developed bearing steels with low volume fraction of inclusions.	Enabled to meet the stringent quality requirement of global customers and has helped in marketing the bearing steel products to global customers.
5.	Development of EFS quality hot die steels.	Improvement in microstructure and impact properties thereby improving overall product quality.
6.	Development of steel grades SUJ2S 3K, & 24K.	Customer of low oxygen and high cleanliness steel grade has given approval and further improvement is in progress.
7.	Heat treatment process modified with quench tank.	By quenching the water, the temperature is maintained within close limits to achieve good agitation, uniform hardness, tensile, impact etc., to improve process efficiency.
8.	Project with Carnegie Mellon University USA for improving finishing of products.	An unusual white line was appearing after finish machining in certain grade material produced through Continuous Casting (CC) route. The project with Carnegie Mellon University, USA has helped to resolve the said quality issue.
9.	Networking with Premier Institutes for Research & Development.	This has enabled to develop new products, improve quality and control wastage.
10.	Developed 260 x 220mm CC Bloom section in continuous casting.	Enhanced the product base by inclusion of this new product.
11.	Modified foot rollers in CC machine.	To improve internal quality of bars.
12.	Developed new cooling bed at continuous rolling mill.	It helps to reduce heat treatment and shorten lead times.

3. **Future Plan of action:-**

- Conversion of EBT fumes extraction dust into pavement blocks.
- Tundish water modeling to improve yield and steel quality.
- Modification of sulphide inclusion morphology in micro alloyed steel grade.
- To develop low oxygen bearing steels for global applications.
- Installation of online ultrasonic testing machine for developing new customers.
- To develop new shrouding system for ingot casting to reduce oxygen levels.

- Upgradation of QA laboratory through installation of new equipment
- To develop baffle for tundish to improve cleanliness of steel.
- Further improvement in microstructure in H13 steel grade to enhance the die life.

4. Expenditure on R&D:

		2011-12 (Rs. in Lacs)	2010-11 (Rs. in Lacs)
a)	Capital	**10**	-
b)	Recurring	**162**	148
c)	Total	**172**	148
d)	Total R&D expenditure as percentage of total turnover	**0.112%**	0.110%

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.	Deslagging unit to remove primary EBT slag.	Production of better quality steel
2.	Development of 260 x 220mm CC Bloom size.	Enhanced product base and new product development.
3.	Modified foot rollers in CC machine.	Improve internal quality of CC product.

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: 2nd May, 2012.

Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., pursuant to Clause 32 of the Listing Agreement

Loans and advances in nature of loans to subsidiaries

Name of the Company	**Balance as on 31st March, 2012 Rs. Crores**	**Maximum amount outstanding during the year Rs. Crores**	**Investment by the loanee in the shares of parent company No. of shares**
Navyug Special Steel Private Limited	Nil	Nil	Nil

Loans and advances in the nature of loans to associates

Name of the Company	**Balance as on 31st March, 2012 Rs. Crores**	**Maximum amount outstanding during the year Rs. Crores**	**Investment by the loanee in the shares of parent company No. of shares**
Mahindra Hotels and Resorts Limited	0.64 *	0.64 *	Nil

* amount has been provided for in the books of accounts of the company

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 and Nasik in Maharashtra and Rudrapur and Pantnagar in Uttarakhand.

ANALYSIS OF STEEL AND RING (BEARING RACES) BUSINESS SEGMENT

Overview

The Company is secondary producer of special alloy steel through steel scrap as its main raw material, and caters mainly to Automotive, Engineering, Oil & Gas, Tools & Die Industry, Bearings and other capital goods industries. The Steel Division manufactures alloy and specialty Long Steel Products (Bars & billets through 50 T Electric Arc Furnace (EAF) route.

The Ring Rolling business is forward integration for the Steel Division and caters to the Bearing industry (especially antifriction bearings) as well as Auto parts in as forged / and green machined condition. It manufactures rings through both closed die forging and seamless ring rolling processes.

Industry Structure and Development

The Indian economy is estimated to grow at around 6.5% in financial year 2012 as compared to the GDP growth of around 8.4% recorded in the previous financial year. The Indian economy is faced with stiff challenges of rising inflationary pressures, uncertain policy environment and deteriorating global growth conditions even as the economic fundamentals that will drive long term growth viz. consumer demand, strong entreprenuership, competitiveness in key sectors etc. remain intact.

The slow space of growth in domestic economy and the volatile state of global economy has adversely impacted the domestic steel consumption during the year under review. The Indian Economy Survey pointed out a list of bottlenecks responsible for lower steel consumption, including high inflationary pressure in India, gloomy state of global economy, multiple hikes in interest rates by the Reserve Bank of India. Despite low growth in industrial demand for finished steel, the overall performance of Indian steel industry is poised for recovery.

The Union Budget for fiscal 2012-13 has enhanced the basic customs duty on non-alloy, flat-rolled steel and reduced the duty on imported plant & machinery to facilitate growth of Indian steel industries. Historically, the automotive and construction markets have remained the largest consumers of steel, absorbing more than half of the total steel produced. The initiatives of the government to push infrastructure and real estate projects by extending certain incentives are also expected to provide impetus for steel consumption. Further the growth of Indian automobile market is one of the fastest in the world and is expected to maintain its growth momentum, an indication positive for the alloy steel industry.

Performance

In the financial year 2011-12, the Steel and Rings business of the Company recorded a modest growth in sales revenue by 5.7% on year to year basis. Despite the improvement in sales, the business suffered operating loss before interest cost of Rs. 38.06 crores in the financial year 2011-12 (as compared to operating profit (PBIT) of Rs. 1.96 crores recorded in the financial year 2010-11). The Steel business in the year under review witnessed competitive pressure from domestic alloy players which along with spiral in fixed cost adversely affected the performance of the Company.

The rise in operating loss is mainly on account of increase in metallic cost, power and fuel costs which largely remain unrecovered from the customers due to competitive pressure. The fixed cost of operation increased in the financial year 2011-12 by 21% as compared to that in the financial year 2010-11 mainly on account of finance charges including foreign exchange loss, personnel cost and provision for water charges pertaining to an earlier period. One time non recurring administrative & legal costs were also incurred in respect of proposed demerger of the Steel Business.

During the year under review, the sales revenue of the Ring Division recorded a growth of 83% on year to year basis. The sales revenue for the year under review was Rs. 44.61 Crores as compared to previous year revenue of Rs. 24.32 crores. The rise in sales indicates improvement in customer satisfaction. To further meet customer requirement of machined rings, the company is in the process of developing and establishing machining capacity with Vendors. With stronger order book the Ring business is expected to improve operational performance in the next financial year.

Summarised operational performance of Steel and Ring business for financial year 2011-12 is given below:

- Sales were 1,23,084 tonnes in financial year 2011-12 as compared to 1,26,232 tonnes recorded in financial year 2010-11.
- The overall revenue from steel and rings products was around Rs. 827.97 crores in the financial year 2011-12 as compared to around Rs. 784.99 crores recorded in financial year 2010-11 registering growth of around 5.48% on year to year basis.
- Direct exports increased to 2652 tons valued at around

Rs. 40 crores in the financial year 2011-12 as compared to export of 2374 tons valued at around Rs. 27 crores recorded in the financial year 2010-11, respectively.

- The operating margin (EBITDA) in the financial year 2011-12 declined to around Rs.(18.44) crores as compared to around Rs. 20.40 crores recorded in the financial year 2010-11.
- Average Power cost increased from Rs. 5.63/KWH in financial year 2010-11 to Rs.6.64 /KWH in financial year 2011-12.
- The steep increase in cost of the furnace oil from Rs. 25,119/- per Kilo Litre (total cost around Rs. 50 crore p.a.) incurred in the previous financial year to Rs.35,279/- per Kilo Litre (total cost around Rs. 63 crore p.a.) incurred in the financial year under review, impacted the performance of the Steel business.
- There was foreign exchange loss of around Rs. 6.17 crores to the Company in the financial year 2011-12.
- The company has made a provision of Rs 3.51 crores on account of estimated liability in water charges litigation.

The benefit in power cost from Wardha Power Company Limited (WPCL) was expected in the previous financial year but could not materialise due to delay in regulatory approvals. WPCL has received all regulatory approvals and the Company expect to receive the low cost power from WPCL in first quarter of the financial year 2012-13, which will enable the Steel business to improve its cost of production. The Company continues to undertake improvement initiatives for reducing costs, increasing productivity, improving quality, optimizing utilization of resources and process de-bottlenecking for performance improvement.

Opportunities and Strategic Outlook

India has emerged as one of the largest steel producers in the world. However, the per capita consumption of steel in India is still low as compared to developed countries, providing huge opportunity for growth. The alloy steel consumption in India is expected to grow in tandem with the economy. The long term demand growth from the sectors like automobile, engineering and energy is expected to remain firm, providing opportunity to the Company to participate in these markets. Global automobile manufacturers are enhancing procurement from India and the Company is further exploring business opportunities in this area. Tool and dies; Oil, Gas & Mining and the renewable energy sectors are target markets for the company both domestically and for exports. The Company is already an approved supplier for globally reputed manufacturers in these sectors and in some cases is the single supplier. A major overseas Original Equipment Manufacturer (OEM) of Bearings has placed orders of rings with the Company, while all major auto OEMs prefer MUSCO Rings since it has a captive steel source and the approval of steel and rings can happen together.

The key elements of the Company strategy remain unchanged to what was reported last year - “reboot” (reduce costs), “reinvent” (move up the value chain), and “reignite” (pursue growth). The Company has made considerable progress towards implementation of the strategy. Given the harsh environment prevailing in the last financial year, the steel division continues to focus on reducing costs and optimising operations. It is diversifying into high margin products of Oil & Gas and Mining segment. Likewise, the rings business is focusing on increase in capacity utilisation, cost improvement in the area of machining and transportation through the proposed mechanism of Vendor Park and in the area of heat treatment by additional in-house facilities.

To ensure that the Company reignites its performance and puts itself back on the path of growth and profitability, it has entered into a joint venture with M/s Sanyo Special Steel Co Ltd of Japan (Sanyo), one of the global steel majors and M/s Mitsui & Co Ltd of Japan, (Mitsui) global steel trader both of whom have agreed to invest in equity of Navyug Special Steel Private Limited, subject to certain terms, conditions and approvals. As discussed in the Directors’ Report for financial year 2011-12, the Steel (including Ring) Business is proposed to be transferred/hived off on a going concern basis to Navyug Special Steel Private Limited (Navyug Steel) the wholly owned subsidiary of the Company, subject to statutory and contractual approvals. The Company, Sanyo and Mitsui are expected to utilize their respective brands, technologies and networks in order to meet the customers’ needs, of the Steel Business, through the joint venture. The joint venture is intended to help the Company achieve its goal of operational excellence, improved productivity and enhancement of both cost and quality to international standards to enable the Steel Business to achieve its full business potential.

In view of overall growth opportunities as discussed above and the proposed joint venture with Sanyo and Mitsui, the out look for Steel business is promising.

Threats and Risks

The steel business carry the risk of volatile input prices and foreign exchange as major raw materials are imported by the Company. Inadequacy in price recovery from the market and rising input prices carries risk of contraction of operating margin. The Company is adding high value customers in the purview of suitable price variation clauses based on surcharge mechanism to mitigate risk.

The demand of alloy steel products depends on domestic and international economic conditions. Adverse effect of macroeconomic changes is likely to affect the company performance. The Steel business mainly caters to demand of automobile segment, any adverse development in demand in said segment will affects the performance of the business. The Company is taking initiatives to reduce its dependence on auto sector by diversifying the product portfolio. The Company has initiated gradual diversification into high risk-high margin products of Oil & Gas and Mining sector, however this sector has the product liability risks. To control and mitigate such business risks the Company relgularly follows the internal risk management review process.

The Company remains alter and updated on the latest technology and product development processes and best practices applied in the area of business risks to control and mitigate the risk of intense market competitive pressure and product liability risks.

The Ring business is dependent on the outsourced machining vendors and thus risk in supply chain is high. The Company proposed to have in-house machining facility possibly through Vendor park to begin with and gradually may go for own in-house facility to mitigate this risk.

As discussed in this report, the Steel business is expected to receive the technology and the market reach through Sanyo and Mitsui, the proposed joint venture partners for the Steel business which is proposed to be transferred to Navyug Steel. This joint venture is expected to control and mitigate the risk of technology stagnation and competitive pressure of the Steel business.

ANALYSIS OF STAMPINGS BUSINESS SEGMENT

Overview

MUSCO Stampings provides a range of stamped products like skin and non skin panels, chassis reinforcements, cross members, engine components etc. to some of the largest automotive and tractor OEMs in India. Services provided range from conceptualization to design, manufacturing, testing, and manufacture of stamping products. The core strengths of the business lie in tool design and development, and in providing value-added services like welded assemblies and finishing operations such as powder coating and electrophoretic deposition (ED) coating. It operates from four manufacturing facilities at Kanhe (near Pune), Nashik, Rudrapur and Pantnagar, the last two being in the State of Uttarakhand. All four facilities are located near important automotive clusters in India. Approximately two thirds of the revenue is supplied to the utility vehicle segments while the company has significant presence in the tractor, light commercial vehicles, passenger cars and three wheeler segments of the automotive market.

Industry Structure and Outlook

The financial year 2011-2012 (FY 12) was a year where the automotive market experienced a slowing down in growth rates driven by inflationary pressures and industrial unrest at some large OEMs. But the target market of MUSCO Stampings viz. Utility Vehicles (UVs), tractors and Light Commercial Vehicles (LCVs) continued to experience good growth rates. Production of Utility Vehicles (UVs) in India grew by 19%, tractors by 13% and LCVs by 27% even as overall passenger car (including UVs) production grew by 5% only (source: SIAM). In the coming year, we expect the car& UV market to experience increased growth rates while we expect a deceleration in growth rates of LCVs and tractors.

The long term outlook of the Indian automotive industry remains positive. Relatively low penetration of cars, steady economic growth, rising disposable income levels, growing middle class population and adequate availability of financing are likely to provide a sustained long term demand growth for passenger cars. India is also fast emerging as a global manufacturing hub for small cars. Changing emission norms and overloading regulations will ensure good growth in the commercial vehicle market. The growing attractiveness of the Indian automotive market has led to the entry of almost all major global car and commercial vehicle manufacturers into India.

The Automotive Components Manufacturers Association of India [ACMA] expects the Indian automotive components market to grow at an annual compounded growth rate [CAGR] of 14% between 2009-20. This growth will be driven not only by the growth in the domestic automotive market but also by exports.

Tighter emission norms and higher fuel efficiency requirements are forcing OEMs to develop new light-weighting solutions and they are increasingly relying on suppliers to co-develop these new parts. Volumes per platform are also increasing and suppliers are expected to meet these large volume requirements while increasing their delivery reliability at the same time. Suppliers who meet these changing requirements better, will be in a position to take advantage of the long term growth in the component market. Suppliers also have to contend with increasing raw material and other input costs like power and labour in the short term. Availability of labour is also an issue in some of the key auto clusters in the country.

Performance

The stampings business had a strong growth in financial year 2011-12 in line with the growth of the auto and tractor markets. The performance of the business improved significantly as it provided economic solutions to its customers and also increased capacity to meet their needs. In FY 12, the company expanded capacities at Kanhe, Nashik & Rudrapur and established a new state-of-the-art plant at the Tata Motors Vendor park at Pantnagar. In order to improve efficiency and meet larger volume requirements, the Kanhe plant installed automation on its press lines. The company also increased the number of products which are manufactured via automated press lines.

In financial year 2011-12, the Stampings business achieved the highest ever operating income, even surpassing the then highest income achieved in financial year 2010-11. The key highlights are as follows:

- Sale of stampings & assemblies increased from 55,364 MT in the financial year 2010-11 to 63,953 MT in the financial year 2011-12 posting a growth of around 16%.
- Operating Income increased from Rs. 553.79 crores in financial year 2010-11 to Rs. 703.26 crores in financial year 2011-12 posting a growth of 27%.
- Operating margin before exceptional items (EBIDTA) increased from Rs.43.84 crores in financial year 2010-11 to Rs. 68.30 crores in financial year 2011-12 posting a growth of around 56%.

Opportunities and Strategic Outlook

MUSCO Stampings is gearing up to meet the growth opportunity and the increasing technological and delivery requirements of customers. It aims to provide complete part development including development of tools, dies & checking fixtures, sheet metal stampings, welded assemblies to the customers. It is building on the successful automation project completed in Kanhe to continuously improve its capability to develop and implement low cost robotics automation in the press shop. The plan is to deploy 'smart-o-mation' in a big way at all manufacturing locations. Capacity is being added at all locations to meet the increased demand of customers. There is a focus on developing more value added products. In order to combat the expected inflation in input costs, the company is focused on increasing overall efficiency by enhancing throughput, improving yield and trimming overheads.

Threats and Risks

The Stampings Business follows and complies with the risk management procedures of the Company on similar lines of Steel & Ring business. In the financial year under review, the stampings business faced inflationary pressure on operating expenses, rise of energy prices and fluctuations in steel prices. The increasing cost of input remains a threat on the overall competitiveness of the Indian auto-component industry. The Stampings Division is aware of the risks and takes appropriate measures to strengthen its processes to optimising costs and mitigate the risk of rising input costs and competitive pressures.

The total reliance on the automotive and farm equipment industry is a major risk to the Stampings business. In order to mitigate the risk the Stampings division continues to diversify its product portfolio across the major Original Equipment manufacturers, sub-segments and new variant.

FINANCIAL PERFORMANCE

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

Amount in (Rs.) Crores

Particulars	Steel (including Bearing Races)		Stampings		Total	
	April-Mar 12	April-Mar 11	April-Mar 12	April-Mar 11	April-Mar 12	April-Mar 11
Sales & Operating Income	832.39	786.73	703.26	553.79	1535.65	1340.52
Other Income	5.39	1.19	89.05	1.20	94.44	2.39
Total Income	837.78	787.92	792.31	554.99	1630.09	1342.91
EBIDTA	(18.44)	20.40	68.30	43.84	49.86	64.24
PBT	(88.61)	(36.22)	141.33	26.62	52.72	(9.60)
PAT					36.89	(5.97)

SAFETY, HEALTH AND ENVIRONMENT

The Company has an effective policy framework, of highest standard, on Safety, Health & Environment (SHE) for protecting the safety, health and welfare of its employees and workers. The Company accords priority to the objectives of preserving and developing the environment, maintaining the work place as safe, enhancing the quality of the work conditions and health aspects of its employees. HSE policy not only meets all applicable statutory requirements but also focuses on motivation, learning and training of employees in these areas. The process defined under the SHE Policy ensures leadership from the top management for improving safety, environment and health aspects in operations. It also lays down norms for participation from across the management and workforce hierarchy, External audits are conducted to ensure effectiveness of the SHE policy and initiatives and recommendations are considered for further improvements in SHE process. SHE issues are addressed proactively and effectively in terms of ISO standards and guidelines. The Steel Division and Stamping Division (at Rudrapur) have received ISO 14001 and OHSAS 18001 certificates.

The Company gives highest importance for adopting safety measures to prevent accidents. In case of any accident, a thorough investigation is carried to identifying the root cause and immediate steps are taken to eliminate the root cause to ensure it does not recur. The Company regularly conducts counselling and safety review meetings for employees to appraise and educate them on the adoption of safety measures and avoidance of unsafe act. Awareness and first aid trainings are conducted regularly along with mock drills as a preparation for disaster management readiness. The Company is in compliance with regulations pertaining to safety. The objective is to achieve zero accident, zero incident and safe work environment.

The Company periodically conducts health checkups and health awareness programmes for all employees and necessary and provide prompt medical assistance to employees. The Company has internal plant dispensary which operates round the clock and qualified doctors and staff is available for addressing health issues of employees. The Company maintain high hygienic and housekeeping standards across the work places. The goal of all occupation health and safety measures is to encourage safe work environment.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

The total employee strength of the Company at the end of the financial year 2011-12 was 1719 employees comprised of 844 employees in Steel including Bearing Races and 875 in Stampings business. Apart from above employee strength the Company hires apprentice, trainees and contract workers from time to time. The relationship of the Company with its human resources was cordial in financial year 2011-12.

The Company conducts regular training programmers in various areas of operations at different levels in the organization to improve skills and knowledge of employees. The Company has process to collect employee feedback on such programme to access the effectiveness and to improve overall engagement. The Company has adopted the concept of Mahindra Quality Way and works closely with Mahindra Management Development Centre and Mahindra Institute of Quality (MIQ) by actively participating in the programmes organised at MMDC/MIQ. The Company through external professionals and experts, periodically imparts training to employees for upgrading skills and knowledge. The Company selectively send its executives to attend business education programmes of leading technical and management institutions of India.

The Human Resources policies are comprehensive and based on best of the prevailing HR practise. The performance evaluation and management process continues to be the backbone of all HR activities and is based on appropriate goal-setting process. The Company encourages all employees and workers to participate in the fair and transparent feedback system called “Bindass Bol” (talk candidly) for sharing views, concern and opinion operations.

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 Company uses an Enterprise Resource Planning (ERP) package, which enhances the internal control mechanism. 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 Mahindra Systech

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

(a) components – forgings, castings, stampings, ferrites, composites & gears

(b) alloy steel and rings manufacturing

(c) services - engineering and design services and contract sourcing.

The sector derives significant advantages of synergies and cross selling because of its presence in multiple auto component technologies. The sector is able to provide a basket of products and services to customers, largely OEMs or tier 1 suppliers, thereby enabling it to differentiate itself from competitors. A unified business development structure has been created under which Systech-wide key account managers have been assigned to large customers. The efforts of all Systech companies around web presence, collaterals, event planning etc have been harmonized. Systech companies also regularly explore synergies in areas of procurement, sourcing and product development. For example, MUSCO Rings in its quest to improve operations has benefited from sharing of best practices and the deputation of personnel from other Systech companies and functions. The management of Mahindra Systech is contemplating bringing together all its component companies to create a large listed multi technology firm.

Relationship with Mahindra Group

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

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

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

Adherence to good Corporate Governance is an integral part of the philosophy of the Company with an objective of value creation for its stakeholders. The management governs the affairs of the Company in a fair, honest, ethical, transparent and legal manner to ensure optimum utilization of available resources for maximizing benefits for all its stakeholders. 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. The corporate structure, business and disclosure practices at the Company are in complete adherence to its Corporate Governance Philosophy. The Company believes in setting high standards of ethical values, transparency, integrity and a disciplined approach to achieve excellence in all its sphere of activities for value creation for its stakeholders.

A Report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in Clause 49 of the Listing Agreement is given below.

I. BOARD OF DIRECTORS - Constitution and Composition

The Board of Directors of your Company comprises of twelve directors and the composition of the Board is in accordance with the requirements of 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 Non-Executive Independent Directors comprises of more than fifty percent of the total number of Directors. The Managing Director along with the Key Management Personnel of the Company, manage the day-to-day affairs of the Company. The Managing Director functions under the overall 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. Professional fees of Rs. 1,99,22,158/- for the year 2011-2012, has been paid to Khaitan & Co., Advocates & Solicitors, in which Mr. Nikhilesh Panchal, Non-Executive Director is a partner.

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, none of the Directors and Independent Directors, have any other material pecuniary relationship or transaction with the Company, its Promoters, its Directors, its Senior Management, its holding Company, subsidiaries and associate which, in their judgment, would affect their independence. The Independent Directors are not related to Promoters or senior management of the Company. The Directors of the Company are not inter-se related to each other.

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

A. Composition of Board

The total strength of the Board is Twelve Directors comprising of a Managing Director, a Non-Executive Chairman, Three Non-Independent Non-Executive Directors and Seven 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 tenure of Mr. K.V. Ramarathnam as the Managing Director of the Company was upto 4th May 2011. The Board, at its meeting held on 27th April 2011, has appointed Mr. Uday Gupta as the Managing Director with effect from 5th May, 2011.

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

The Constitution of the Board as on 31st March, 2012 is as under:

Directors	Category	Total number of Committee Memberships of Public Companies as on 31st March, 2012. +	Total number of Chairmanships of Committees of Public Companies as on 31st March, 2012. +	Directorships of Public Companies as on 31st March, 2012. *
Non-Executive				
Mr. Keshub Mahindra - Chairman	Non Independent	1	1	6
Mr. Anand G. Mahindra - Vice Chairman	Non Independent	1	Nil	8
Mr. Hemant Luthra	Non independent	2	1	7
Mr. Harsh Kumar	Non Independent	Nil	Nil	3
Mr. R.R.Krishnan	Independent	2	1	2
Mr. S. Ravi	Independent	7	4	7
Mr. Manoj Kumar Maheshwari	Independent	4	Nil	6
Mr. Sanjiv Kapoor	Independent	5	5	6
Mr. Niranjan Mishra (nominee of LIC) (w.e.f. 11-11-2011)	Independent	Nil	Nil	1
Mr. Daljit Mirchandani	Independent	3	1	2
Mr. Nikhilesh Panchal	Independent	3	Nil	3
Executive				
Mr. Uday Gupta - Managing Director (w.e.f. 05-05-2011)	Non Independent	1	Nil	1

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

\+ Committees considered are Audit Committee and Shareholders/Investors' Grievance Committee, including in Mahindra Ugine Steel Company Limited. Total number of committee membership includes the Chairmanship.

B. Board Procedure

A detailed Agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director briefs the Board at every Meeting on the overall performance of the Company, followed by presentations by 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, minutes of the Board Meetings of your Company's unlisted subsidiary company, 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 Company Secretary/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, 2011 to 31st March, 2012 on the following dates:

- 27th April, 2011
- 27th July, 2011
- 11th November, 2011
- 3rd February, 2012
- 27th March, 2012

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

The Forty – eighth Annual General Meeting (AGM) of the Company was held on 27th July, 2011.

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

Director	Number of Board Meetings Attended	Attendance at the last AGM
Mr. Keshub Mahindra	5	Yes
Mr. Anand G. Mahindra	4	Yes
Mr. K.V.Ramarathnam*	1	NA
Mr. Uday Gupta***	4	Yes
Mr. Hemant Luthra	5	Yes
Mr. R.R.Krishnan	4	Yes
Mr. S. Ravi	1	No
Mr. Manoj Kumar Maheshwari	4	Yes
Mr. Harsh Kumar	5	Yes
Mr. Sanjiv Kapoor	5	Yes
Ms. Sarojini S. Dikhale** (Nominee of LIC)	1	No
Mr. Daljit Mirchandani	5	Yes
Mr. Nikhilesh Panchal	2	Yes
Mr. Niranjan Mishra**** (Nominee of LIC)	2	NA

* retired as Director and Managing Director with effect from 4th May, 2011.

** resigned as Director with effect from 5th August, 2011.

*** appointed as Managing Director with effect from 5th May, 2011.

**** appointed as additional Director with effect from 11th November, 2011.

D. Directors seeking appointment/re-appointment

Mr. Hemant Luthra, Mr. Harsh Kumar, Mr. Manoj Kumar Maheshwari and Mr. Sanjiv Kapoor retire by rotation and, being eligible, have offered themselves for re-appointment.

During the year Mr. Niranjan Mishra was appointed as an Additional Director of the Company. His appointment, as director liable to retire by rotation, is proposed at the forthcoming annual general meeting. He holds office up to the date of the forthcoming Annual General Meeting. A notice under section 257 of the Companies Act, 1956, has been received from a member of the Company proposing the candidature of Mr. Niranjan Mishra for the office of Directorship, at the forth coming Annual General Meeting.

Brief resume of the directors are presented below:

Mr. Niranjan Mishra

Mr.Niranjan Mishra, 56 years, is a Science Graduate and holds a degree in Law.

Mr.Niranjan Mishra joined Life Insurance Corporation of India in the year 1983 as an Assistant Administrative Officer, a direct recruit officer of 12th Batch and thereafter was elevated to the next higher level cadre. He held various positions like Branch Manager, Senior Branch Manager, Manager(Sales), Area Manager, Senior Divisional Manager and Regional Manager of Eastern, East Central and West Zone and also worked in various regions like Jabalpur, Kolkata, Patna and Mumbai, before becoming an Executive Director (Marketing – Chief Life Insurance Advisor). Mr. Niranjan Mishra has vast experience of 23 years in the area of marketing. As an Executive Director – (Marketing – CLIA), Mr. Niranjan Mishra, acquired experience of liasoning and networking with people. He loves socializing and spends his leisure time reading books.

Mr. Niranjan Mishra is not a member of any committee of the Board.

Mr. Niranjan Mishra does not hold any shares in the Company.

Mr. Hemant Luthra

Mr. Hemant Luthra, 63 years, 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).

Mr. Hemant Luthra has 35 years of varied and rich professional career in various industries and held various positions such as Finance Industry Head, IBM India, CFO & COO of a business Group having businesses in Paper, Chemical and Engineering. He was Founder CEO of one of India's early Private Equity Funds. He was the CEO of Essar Telecom before it was merged with Hutchison and Vodafone.

Mr. Hemant Luthra presently is the President - Mahindra Systech, Member of the Group Executive Board, Mahindra & Mahindra Limited. He is the Chairman of Mahindra Composites Limited, Mahindra Forgings Limited and Mahindra Engineering Services Limited. He also holds Directorships of other Indian companies namely Mahindra Sona 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 Trustee of "Save the Children" Foundation.

Mr. Luthra 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	Chairman
		Nomination & Remuneration Committee	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 holds 5906 shares of the Company.

Mr. Harsh Kumar

Mr. Harsh Kumar, 57 years, is the Managing Director of two of the Mahindra group companies namely Mahindra Intertrade Ltd (MIL) and Mahindra Steel Service Centre Ltd (MSSCL). MIL's primary focus is in the area of processing and trading steel, with operations in India as well as abroad, and operates in businesses as diversified as metals and ferro alloys to high pressure compressors and tyre testing equipment. MSSCL's focus is in the steel processing space.

Mr. Kumar is a member of the Group Executive Board of Mahindra & Mahindra Limited (M&M), and also on the Boards of Mahindra Ugine Steel Company Limited, Mahindra Middle East Electrical Steel Service Centre (FZC) and Mahindra Electrical Steel Private Limited.

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

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

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

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

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

Mr. Manoj Kumar Maheshwari

Mr. Manoj Kumar Maheshwari is 54 years of age and is a second-generation entrepreneur with interests in the Information Technology, Marketing and Chemical industries. He is a graduate from the Bombay University with a major in Chemistry and has done his post graduation in Industrial Management. Mr. Maheshwari work experience encompasses the project management, production, marketing, financial and general management areas of medium sized companies.

He is also a Director of MIRC Electronics Ltd., Hamilton & Co. Ltd., RPG Life Sciences Ltd., Ador Welding Ltd., Metro Shoes Ltd., Aurovision Pvt. Ltd., Ignite Education Pvt. Ltd., Maheshwari Investors Pvt. Ltd., Aurovision Solutions (India) Pvt. Ltd., Karjan Enterprises Pvt. Ltd., Gopal Traders Pvt. Ltd., R.J. Investments Pvt. Ltd. and Quadrum Solutions Pvt. Ltd. As a director he brings a judicious mix of entrepreneurial and professional skills to the various Boards that he serves on.

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

Sr. No.	Name of the Company	Type of Committee	Chairman/ Member
1.	MIRC Electronic Ltd.	Audit Committee	Member
2.	Hamilton & Co. Ltd.	Audit Committee	Member
3.	Ador Welding Ltd.	Audit Committee	Member
4.	Mahindra Ugine Steel Co. Ltd.	Audit Committee	Member

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

Mr. Sanjiv Kapoor

Mr. Sanjiv Kapoor, 58 years, 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 firms of Chartered Accountants. As the partner of the firm, he has conducted audits of number of large institutions / Corporates such as R.B.I., L.I.C., N.T.P.C., Indian Oil, U.T.I., Banks etc.

Mr. Kapoor was a Director of Mahindra & Mahindra Ltd., Ballarpur Industries Ltd., Indian Bank, Corporation Bank, UPSE Securities Ltd. and 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, U. P. Stock Exchange Ltd., Sahara India Medical Institute Ltd., HLL Life Care Limited and General Insurance Corporation of India.

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

Sr. No.	Name of the Company	Type of the Committee	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.	Disciplinary Committee	Member
4.	Mahindra Ugine Steel Co. Ltd.	Audit Committee Nomination & Remuneration Committee	Chairman Chairman
5.	HLL Life Care Ltd.	Audit Committee Investment Committee	Chairman Member
6.	Sahara India Medical Institute Ltd.	Audit Committee Remuneration Committee	Chairman Member

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

E. Codes of Conduct

The Board has laid down two separate Codes of Conduct- one for Board Members and the other for Senior Management and Employees of the Company. These Codes have been posted on the Company's website www.muscoindia.com. 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, 2012.

II. REMUNERATION TO DIRECTORS

A. Remuneration Policy

While deciding on the remuneration of Directors, the Board and the Nomination & 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/Nomination & 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 from time to time.

B. Remuneration to Non-Executive Directors for the year ended 31st March, 2012.

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 Nomination & Remuneration Committee Meetings. The fees paid to Non-Executive Directors for the year ended 31st March, 2012 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, 2012
Mr. Keshub Mahindra	37500	1231
Mr. Anand G. Mahindra	30000	13617
Mr. Hemant Luthra	48750	5906
Mr. R. R. Krishnan	60000	-
Mr. S. Ravi	22500	-
Mr. Manojkumar Maheshwari	60000	-
Mr. Harsh Kumar	37500	-
Mr. Sanjiv Kapoor	78750	-
Ms. Sarojini S. Dikhale*	7500	-
Mr. Daljit Mirchandani	78750	
Mr. Nikhilesh Panchal	30000	
Mr. Niranjan Mishra**	15000	

* resigned as director with effect from 5th August, 2011 and sitting fees paid to LIC of India.

** appointed as additional director with effect from 11th November, 2011 and sitting fees paid to LIC of India.

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 the 15 days preceeding the date of grant of options. Details of these are given in the Statement attached to Annexure I of 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

Remuneration paid/payable to Mr. Uday Gupta, (Managing Director w.e.f. 5th May 2011) and Mr. K.V. Ramarathnam, (Managing Director upto 4th May 2011), were fixed by the Nomination & Remuneration Committee and subsequently approved by the Board of Directors, the shareholders and the Central Government.

Following is the remuneration paid/payable to Mr. Uday Gupta, and Mr. K.V. Ramarathnam, as the Managing Directors during the year ended 31st March, 2012.

Director	Salary (Rs.) basic	Company's contribution to funds (Rs.)	Perquisites and allowances (Rs.)	Performance pay (Rs.)	Total (Rs.)	Contract Period
Mr. Uday Gupta*	24,02,484/-	6,48,671/-	33,62,538/-	16,32,328/-*	80,46,021/-	5th May, 2011 to 4th May, 2014
Mr. K. V. Ramarathnam Managing Director**	3,29,113/-	88,861/-	2,88,590/-	2,07,000/-	9,13,564/-	Upto 4th May, 2011.

Note:

1. *The total remuneration paid to Mr. Uday Gupta includes the provisional amount of Rs. 16,32,328/-, being the upper limit of the Performance Pay fixed by the Board of Directors, payable to the Managing Director for the financial year 2011-12.
2. **The total remuneration paid to Mr. K. V. Ramarathnam includes the provisional amount of Rs. 2,07,000/-, being the upper limit of the Performance Pay fixed by the Board of Directors, if payable to the Managing Director for his tenure upto 4th May, 2011 in the financial year 2011-12. The Company has paid an amount of Rs.7,76,160/- to Mr. K. V. Ramarathnam towards the performance pay for the year 2010-11.
3. The Company has not granted any stock option to Mr. Uday Gupta, Managing Director. Mr. Uday Gupta does not hold any shares in the Company.
4. Notice period applicable to Mr. Uday Gupta is three months.
5. Performance pay is the only component of remuneration that is linked to the performance. 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. 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. The 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.
7. Mr. K. V. Ramarathnam does not hold any shares in the Company.

III. RISK MANAGEMENT

The Company has a well defined framework of Risk management. The said framework comprises objectives of the Risk framework, the process through which risks (Internal as well as External Risks) to the Company and its businesses 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 operating management periodically places before the Board, a report on the Risk Assessment and management process followed by the Company and steps taken for mitigating the risks to the Company. 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 re-constituted by the Board of Directors and presently it comprises Mr. Sanjiv Kapoor (Chairman), Mr. R.R. Krishnan, Mr. Manoj Kumar Maheshwari, Mr. S. Ravi, Mr. Daljit Mirchandani and Mr. Nikhilesh Panchal. All the members of the Committee are Independent-Non-Executive Directors. All the Members of the Committee have vast experience and knowledge of corporate affairs and financial management and possess strong accounting and financial management expertise. The Company Secretary acts as the 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 authorized 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 the Auditors, if felt necessary. It is also empowered to review Financial Statements of the Company, 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. It is also empowered to review Financial Statements and investments of unlisted subsidiary company. 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 and the Internal Auditors.

The Chairman of the Committee, Mr. Sanjiv Kapoor, was present at the Annual General Meeting held on 27th July, 2011 to answer queries of shareholders.

Five (5) Meetings of Committee were held during the year 1st April, 2011 to 31st March, 2012 on the following dates:

- 27th April, 2011
- 27th July, 2011
- 11th November, 2011.
- 3rd February, 2012.
- 27th March, 2012

The gap between two Meetings did not exceed four months. The attendance at the Meetings are as under:

Sr. No.	Members	Meetings Attended	Remarks
1	Mr. Sanjiv Kapoor – Chairman	5	-
2	Mr. R. R. Krishnan	4	-
3	Mr. Manoj Kumar Maheshwari	4	-
4	Mr. S. Ravi	1	-
5	Mr. Daljit Mirchandani	5	-
6	Mr. Nikhilesh Panchal	2	Appointed as member of the Audit Committee w.e.f. 27th April, 2011.

B. Investors' Grievance Committee

The Investors' Grievance Committee has been re-constituted by the Board of Directors and it comprises Mr. S. Ravi, Mr. Hemant Luthra and Mr. Uday Gupta. Mr. Hemant Luthra is the Chairman of the Committee.

Mr. Ajay Kadhao 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.

Two Committee Meetings were held during the year 2011-12. The attendance at these Meetings was as under:

Sr. No.	Members	Meetings Attended
1.	Mr. Hemant Luthra – Chairman	2
2.	Mr. Uday Gupta	2
3.	Mr. S. Ravi	1

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 matters, if any. 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, 4 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. Nomination & Remuneration Committee.

The Board of Directors at its meeting held on 27th March, 2012, has reconstituted the Remuneration Committee as Nomination & Remuneration Committee. The Powers and duties of the Nomination & Remuneration Committee are well defined by the Board. The role of the Committee is to review the qualifications, positive attributes and independence of a director while recommending to the Board the appointment and/or remuneration of the directors and key managerial personnel. The Committee also review the market practices while deciding the remuneration packages applicable to the Managing Director/Executive Director. During the course of its review, the Committee also decides on the Commission or Performance pay and/or other incentives payable, taking into account the individual's performance as well as that of the Company. The Nomination & Remuneration Committee is also empowered to decide on matters relating to Employee Stock Option Scheme of the Company.

The Nomination & Remuneration Committee comprises of Mr. Sanjiv Kapoor, Mr. Hemant Luthra, Mr. S. Ravi, and Mr. Daljit Mirchandani. The Company Secretary acts as Secretary to the Committee.

Mr. Sanjiv Kapoor is the Chairman of the Committee.

One Committee Meeting was held during financial year 2011-12. The attendance at Meeting is as under:

Sr. No.	Members	Meetings Attended
1.	Mr. Sanjiv Kapoor - Chairman	1
2.	Mr. Hemant Luthra	1
3.	Mr. S. Ravi	1
4.	Mr. Daljit Mirchandani	1

V. Subsidiary Companies

Clause 49 defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company did not have any material non-listed subsidiary during the year under review. During the financial year under review, Navyug Special Steel Private Limited has become a subsidiary of the Company and same is not a material subsidiary of the Company. The minutes of the Board meetings of the subsidiary company are placed at the Board meeting of the Company for its review. The Audit Committee of the Company has reviewed the financial statements of the subsidiary of the Company.

VI. DISCLOSURES

A. Disclosures relating to related party

During the financial year 2011-12, 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. "37" forming part of the financial statements of the Annual Report.

B. Disclosure of Accounting Treatment in Preparation of Financial Statements

Your 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, your 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-ninth Annual General Meeting of the Company will be held on Friday, the 3rd August, 2012 at 4.00 p.m. at Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 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 30.06.2012 - by beginning of August, 2012.

— Half-year ending 30.09.2012 - by end of October, 2012.

— Quarter ending 31.12.2012 - by end of January, 2013.

— Year ending 31.03.2013 - by end of April, 2013.

Note: The above dates are indicative.

(iii) Date of Book Closure

Thursday, the 19th July, 2012 to Friday, the 3rd August, 2012 (both days inclusive).

(iv) Dividend Payment date

Not Applicable.

(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

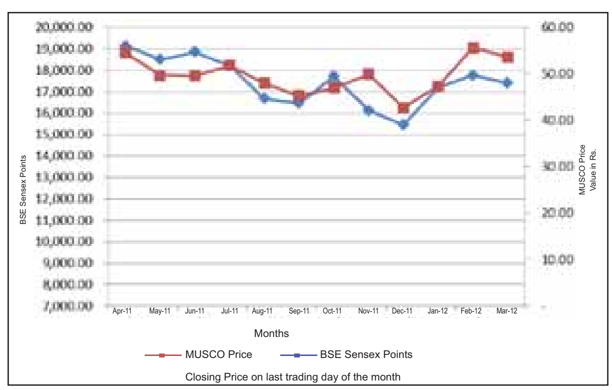
(c) International Securities Identification Number (ISIN) in NSDL and CDSL for Equity Shares - INE 850A01010

(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 of India Ltd.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2011	64.50	53.10	63.95	52.80
May 2011	55.30	48.75	55.00	48.60
June 2011	56.50	44.50	52.75	45.00
July 2011	61.50	46.25	61.90	46.35
August 2011	54.00	43.50	54.10	43.15
September 2011	50.80	42.30	50.80	42.15
October 2011	49.70	43.00	48.90	42.45
November 2011	63.50	46.00	62.00	40.05
December 2011	53.00	42.25	57.35	42.60
January 2012	52.50	42.25	53.00	40.50
February 2012	66.75	47.85	67.00	47.25
March 2012	58.00	50.80	62.50	50.05

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



Closing Price on last trading day of the month

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 all 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 matters, if any. 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, 2012

Sr. No.	Description	Number of Shares	% to capital
1	Promoters and Promoter Group	18019489	55.47
2	Mutual Funds/UTI	9716	0.03
3	Financial Institutions/Banks	910	0.00
4	Insurance Companies	1539159	4.74
5	Foreign Institutional Investors	18450	0.06
6	Bodies Corporate	1267135	3.90
7	Foreign Company	1000	0.00
8	Non Resident Indian/ Foreign National	201924	0.62
9	Indian Public (Individuals)	11424515	35.18
10	Trusts	231	0.00
	TOTAL	**3,24,82,529**	**100.00**

(xii) Distribution of shareholding as on 31st March, 2012

Shares Held	No. of Shareholders	% to Shareholders	No. of Shares	% to Shares
Up to – 500	24549	88.22	3151678	9.70
501 – 1000	1818	6.53	1444390	4.45
1001 - 2000	769	2.77	1199756	3.70
2001 – 3000	226	0.81	582812	1.79
3001 – 4000	128	0.46	458711	1.41
4001 – 5000	103	0.37	497074	1.53
5001 – 10000	124	0.45	929331	2.86
10001-and above	109	0.39	24218777	74.56
TOTAL	**27826**	**100.00**	**3,24,82,529**	**100.00**

(xiii) Dematerialization of Shares and Liquidity as on 31st March, 2012.

Physical Form : 2.07%

Dematerialized Form : 97.93%

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). Non-promotors' share holding is 44.53% and the liquidity of the stock is fairly good.

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

Your 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.

   d) Plot No.2, Sector-11, Tata Vendor Park, IIE, Pantnagar, Rudrapur – 263 153 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
2008-09	28.07.2009	3.00 p.m.
2009-10	27.07.2010	3.00 p.m.
2010-11	27.07.2011	3.00 p.m.

All the above 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
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.
2009-10	27.07.2010	Nil
2010-11	27.07.2011	1. Appointment of Mr. Uday Gupta as the Managing Director of the Company for a period of 3 (Three) years with effect from 5th May, 2011 and approval of remuneration. 2. Approval of revision in remuneration payable to Mr. K. V. Ramarathnam for a period with effect from 1st April, 2011 upto the remainder of his tenure i.e. 4th May, 2011. 3. Payment of remuneration to Non-Executive Directors by way of Commission upto one percent of the net profits of the Company, for a period of five years with effect from 1st April, 2011.

Postal Ballot

During the year under review, the Company has not passed any special resolution by way of Postal Ballot process. The Company has not proposed any special resolution to be conducted through postal ballot.

Your Company has passed an ordinary resolution through the postal Ballot process in respect of transfer of its Steel business on slump sale basis as a going concern to the wholly owned subsidiary of the Company. The details of the said ordinary resolution passed through Postal Ballot, conducted as per provisions of Section 192A of the Companies Act, 1956 ("Act") read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, are as follows:

Date of the Board Meeting	Description of the Postal Ballot Resolution passed	% of valid votes in the favour of the Resolution	Scrutinizer for the conducting the Postal Ballot
11th November 2011	Ordinary Resolution for transfer, sell or otherwise dispose of the Steel Business of the Company to a wholly owned subsidiary of the Company namely Navyug Special Steel Private Limited, on terms as more specifically mentioned in the Postal Ballot Notice dated 21st November, 2011. The said Notice along with Explanatory Statement, Postal Ballot Form and pre-paid self addressed envelope was sent to all the members of the Company. The Postal Ballot Results were declared on 4th January, 2012, whereby the members of the Company have approved the said ordinary resolution.	99.89%	Mr. S. N. Ananthasubramanian, Practicing Company Secretary.

2. Details of non-compliance etc.

Your Company has complied with all the requirements of regulatory authorities. During the last three years, there were no instances of non-compliance 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 and yearly results are published in Business Standard and Sakal which are national and local dailies respectively. These are not sent individually to the Shareholders. The 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, 2012, 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:**

Your Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance.

Further, your Company has adopted the following non-mandatory requirements of the Clause:

I Your Company has set up the Nomination & Remuneration Committee (earlier known as Remuneration Committee).

II During the year under review, there is no audit qualification in the Company's financial statements.

Your 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.

Your 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.

Your 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, 2nd May, 2012.

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

To

The Members of Mahindra Ugine Steel Company Limited

I, Uday Gupta, 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, 2012.

Uday Gupta
Managing Director

Place: Mumbai
Date: 2nd May, 2012.

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, 2012, 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
Registration No.117366W

Rajesh K Hiranandani
Partner
Membership No.: 36920

Place: Mumbai
Date: 2nd May, 2012.

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, 2012, the Statement of Profit and Loss 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 Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement 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, 2012;

      (ii) in the case of the Statement of Profit and Loss, 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, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 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)

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 2nd May, 2012

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) Having regard to the nature of the Company's business/activities/result, clauses (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. 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 in respect of fixed assets verified during the year.

(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. Also, the proposed disposal arising from the discontinuing operations (see Note 40) although constituting a substantial part of the fixed assets, in our opinion, would not affect the going concern status of the Company.

(iii) In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals. 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 (iii) (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.

(iv) 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.

(v) 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.

(vi) 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.

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

(viii) 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.

(ix) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(x) 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 and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Sales tax, Wealth Tax, Service tax, Customs Duty, Excise Duty and other material statutory dues in arrears as at 31st March, 2012 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 and Excise Duty which have not been deposited as on 31st March, 2012 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)
Sales Tax Laws	Sales Tax	Joint Commissioner Appeals	FY 2010-11 and 2011-12	0.22
Sales Tax Laws	Sales Tax	Maharashtra Sales Tax Tribunal	F.Y. 2006-2007, and F.Y. 2007-2008	8.51
Excise Duty Laws	Excise Duty	Customs, Excise & Service Tax Appellate Tribunal	April 1996 to October 1999, April 1999 to March 2004, January 2003 to February 2004 and April 2003 to March 2007	6.37
	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 2010	0.47
	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
Chapter V of Finance Act, 1994	Service Tax	Commissioner Appeals	April 2008 to March 2009	0.39
Customs Act, 1962	Custom Duty	Customs, Excise & Service Tax Appellate Tribunal	March 1994 and April 1994	17.99 #

As explained to us, the Company is in process of filing an appeal.

(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) 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.

(xiii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis amounting to Rs. 52.43 Crores have, *prima facie*, been used for long- term investment.

(xiv) 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)

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 2nd May, 2012

BALANCE SHEET AS AT 31st MARCH, 2012

	Note No.	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	1	**32.48**	32.48
(b) Reserves and surplus	2	**169.63**	132.73
		202.11	165.21
Non-current liabilities			
(a) Long-term borrowings	3	**27.86**	61.17
(b) Deferred tax liability (Net) (See Note 39)		**23.00**	6.52
(c) Long-term provisions	4	**9.74**	6.42
		60.60	74.11
Current liabilities			
(a) Short-term borrowings	5	**209.90**	208.79
(b) Trade payables	6	**295.05**	257.33
(c) Other current liabilities	7	**92.58**	95.06
(d) Short-term provisions	8	**12.19**	3.21
		609.72	564.39
TOTAL		**872.43**	803.71
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	**318.60**	286.66
(ii) Intangible assets	9	**0.06**	0.11
(iii) Capital work-in-progress		**6.43**	14.16
(b) Non-current investments	10	**14.10**	14.09
(c) Long-term loans and advances	11	**46.22**	34.67
		385.41	349.69
Current assets			
(a) Inventories	12	**172.47**	163.15
(b) Trade receivables	13	**289.65**	265.92
(c) Cash and cash equivalents	14	**3.00**	1.92
(d) Short-term loans and advances	15	**20.88**	22.14
(e) Other current assets	16	**1.02**	0.89
		487.02	454.02
TOTAL		**872.43**	803.71
See accompanying notes forming part of the financial statements	1 - 45		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Rajesh K. Hiranandani
Partner

Mumbai : 2nd May, 2012

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

For and on behalf of the Board

Keshub Mahindra Chairman
Uday Gupta Managing Director
Hemant Luthra
R.R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Niranjan Mishra
Nikhilesh Panchal
Directors

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

		Note No.	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
	Continuing operations (Stampings division)			
I	Revenue from operations	17	**765.25**	601.71
	Less: Excise duty		**61.99**	47.92
			703.26	553.79
II	Other income	18	**0.66**	1.20
III	**Total revenue (I+II)**		**703.92**	554.99
IV	Expenses:			
	Cost of raw materials and components consumed (See Note 28) (includes processing cost Rs. 8.44 Crores; 2010-11- Rs. 5.74 Crores)		**527.52**	424.33
	Changes in inventories of finished goods and work-in-progress	19	**0.22**	(2.53)
	Employee benefit expenses	20	**57.76**	46.46
	Finance costs	21	**4.40**	4.91
	Depreciation and amortisation expense (See Note 9)		**11.82**	13.01
	Other expenses	22	**49.44**	42.19
	Total expenses		**651.16**	528.37
V	**Profit before exceptional item and tax (III-IV)**		**52.76**	26.62
VI	Exceptional item - profit on sale of land		**88.57**	-
VII	Profit for the year from continuing operations before tax (V+VI)		**141.33**	26.62
VIII	Tax expense/(credit) :			
	- Current tax (MAT)		**10.40**	-
	- MAT credit entitlement (including credit recognised for an earlier year of Rs. 1.00 Crore ; 2010-11 - Rs. Nil)		**(11.12)**	-
	- Deferred tax		**48.32**	7.79
	- (Excess)/short provision in respect of earlier years		**0.07**	(0.30)
			47.67	7.49
	Profit for the year from continuing operations after tax (VII-VIII)	(A)	**93.66**	19.13
	Discontinuing operations (Steel division)			
IX	(Loss) for the year from discontinuing operations before tax (See Note 40)		**(88.61)**	(36.22)
X	Tax expense/(credit) :			
	Deferred tax		**(31.84)**	(11.12)
			(31.84)	(11.12)
	(Loss) for the year from discontinuing operations after tax (IX-X)	(B)	**(56.77)**	(25.10)
XI	**Profit/ (Loss) for the year**	(A+B)	**36.89**	(5.97)
XII	Earnings per equity share (EPS) (See Note 38)			
	(1) Basic EPS for (face value Rs.10 per share)			
	- Profit for the year from continuing operations			
	- Before exceptional item (in Rupees)		**10.42**	5.89
	- After exceptional item (in Rupees)		**28.84**	5.89
	- Profit/(Loss) for the year from total operations			
	- Before exceptional item (in Rupees)		**(7.06)**	(1.84)
	- After exceptional item (in Rupees)		**11.36**	(1.84)
	(2) Diluted EPS for (face value Rs.10 per share)			
	- Profit for the year from continuing operations			
	- Before exceptional item (in Rupees)		**10.42**	5.89
	- After exceptional item (in Rupees)		**28.84**	5.89
	- Profit/(Loss) for the year from total operations			
	- Before exceptional item (in Rupees)		**(7.06)**	(1.84)
	- After exceptional item (in Rupees)		**11.36**	(1.84)
	See accompanying notes forming part of the financial statements	1 - 45		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Rajesh K. Hiranandani
Partner

Mumbai : 2nd May, 2012

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

For and on behalf of the Board

Keshub Mahindra Chairman
Uday Gupta Managing Director
Hemant Luthra
R.R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Niranjan Mishra
Nikhilesh Panchal
Directors

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

	Particulars	31st March, 2012		31st March, 2011	
		Rs. Crores	**Rs. Crores**	Rs. Crores	Rs. Crores
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Profit / (Loss) before tax		**52.72**		(9.60)
	Adjustments for:				
	Depreciation and amortisation	**31.44**		31.45	
	(Profit) / loss on sale / write off of fixed assets (net)	**(88.08)**		0.05	
	Expense on employee stock option scheme	**0.00 ***		(0.04)	
	Finance costs	**56.84**		44.63	
	Interest income	**(0.70)**		(0.92)	
	Dividend income	**(0.00) ***		(0.00) *	
	Provision for doubtful trade receivables and loans and advances written back (net)	**(4.09)**		(0.47)	
	Provision for water charges (disputed)	**2.94**		-	
	Net unrealised exchange loss	**3.37**		0.66	
			1.72		75.36
	Operating profit before working capital changes		**54.44**		65.76
	Changes in working capital				
	Adjustments for (increase) / decrease in operating assets:				
	Inventories	**(9.32)**		(9.07)	
	Trade receivables	**(19.12)**		(33.50)	
	Short-term loans and advances	**0.70**		5.68	
	Long-term loans and advances	**(2.44)**		(5.07)	
	Other current assets	**(0.13)**		(0.89)	
	Adjustments for increase / (decrease) in operating liabilities:				
	Trade payables	**34.35**		41.80	
	Other current liabilities	**1.86**		3.60	
	Short-term provisions	**(0.54)**		3.21	
	Long-term provisions	**0.38**		0.54	
			5.74		6.30
	Cash generated from operations		**60.18**		72.06
	Income tax (paid)		**(1.18)**		(5.26)
	Net cash flow from / (used in) operating activities (A)		**59.00**		66.80
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Capital expenditure on fixed assets, including capital advances	**(56.52)**		(26.61)	
	Proceeds from sale of land	**89.05**		-	
	Proceeds from sale of other fixed assets	**0.19**		0.19	
	Purchase of non-current investment				
	- Subsidiary company	**(0.01)**		-	
	Interest received				
	- Others	**0.70**		0.92	
	Dividend received				
	- Others	**0.00 ***		0.00 *	
			33.41		(25.50)
	Net cash flow from / (used in) investing activities (B)		**33.41**		(25.50)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	31st March, 2012 Rs. Crores	Rs. Crores	31st March, 2011 Rs. Crores	Rs. Crores
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long-term borrowings	**38.88**		4.00	
Repayment of long-term borrowings	**(74.52)**		(40.86)	
Net increase / (decrease) in working capital borrowings	**(23.89)**		40.52	
Proceeds from other short-term borrowings	**25.00**		-	
Finance costs	**(56.82)**		(44.31)	
Dividend paid	**-**		(3.26)	
Tax on dividend	**-**		(0.55)	
Net cash flow from / (used in) financing activities (C)		**(91.35)**		(44.46)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		**1.06**		(3.16)
Cash and cash equivalents at the beginning of the year		**1.51**		4.67
Cash and cash equivalents at the end of the year		**2.57**		1.51
Reconciliation of cash and cash equivalents with balance sheet:				
Cash and bank equivalents as per balance sheet - See Note 14		**3.00**		1.92
Less: Bank balances not considered as cash and cash equivalents (See Note (ii) below)				
- Earmarked balances	**0.40**		0.40	
- Margin money/security deposit balances	**0.03**	**0.43**	0.01	0.41
Cash and cash equivalents at the end of the year #		**2.57**		1.51
# Comprises:				
(a) Cash on hand	**0.06**		0.06	
(b) Cheques, drafts on hand	**1.95**		-	
(c) Balances with banks				
- In current accounts	**0.56**	**2.57**	1.45	1.51

* denotes amounts less than Rs. 50,000

Notes:

(i) The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discontinuing operations. The cash flows for discontinuing operations - Steel division have been disclosed in Note 40.

(ii) The bank balances in earmarked accounts relate to balances for unclaimed dividends and unclaimed interest on fixed deposit and the balances in margin money/security deposits can be used by the Company for specific identified purposes only.

(iii) Previous year's figures have been regrouped, wherever necessary to conform to current year's classifications.

See accompanying 1- 45 notes forming part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Rajesh K. Hiranandani
Partner

Mumbai : 2nd May, 2012

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

For and on behalf of the Board

Keshub Mahindra Chairman
Uday Gupta Managing Director
Hemant Luthra
R.R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Niranjan Mishra
Nikhilesh Panchal
Directors

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
1. SHARE CAPITAL		
Authorised capital		
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
Issued, subscribed and fully paid up		
32,482,529 Equity shares of Rs.10 each fully paid up	**32.48**	32.48
	32.48	32.48

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the year:
There is no movement in the share capital of the Company during the year.

(b) Terms/rights and restrictions attached to equity shares: The Company has only one class of equity shares having a face value of Rs.10 per share. The rights of the equity shareholders rank pari-passu for all matters, including dividend and each shareholder is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by the ultimate holding Company:
16,466,789 equity shares (2010-11 - 16,466,789 equity shares) are held by Mahindra & Mahindra Limited (M & M), the holding company.

(d) Shares held by each shareholder holding more than 5% shares, specifying the number of shares held:

	31st March, 2012	31st March, 2011
Mahindra & Mahindra Ltd.		
- Number of shares held	16,466,789	16,466,789
- Percentage holding	50.69	50.69
Girdharilal Agrawal		
- Number of shares held	1,921,452	-
- Percentage holding	5.92	-

(e) Shares reserved for issue under ESOP scheme:
(See Note 42)

Number of shares reserved for ESOP scheme	712,000	712,000
Number of shares vested but not exercised	712,000	691,875

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
2. RESERVES AND SURPLUS		
(a) 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 *
	0.00 *	0.00 *
(b) Capital Redemption Reserve Account		
- As per last balance sheet	**16.46**	16.46
	16.46	16.46
(c) Share Options Outstanding Account		
- As per last balance Sheet	**1.26**	1.30
Add : Current year charge	**0.00 ***	0.19
Less : Written back	**-**	0.23
	1.27	1.26
(d) General Reserve		
- As per last balance sheet	**74.72**	74.72
	74.72	74.72
(e) Surplus i.e. Balance in the Statement of Profit and Loss		
- As per last balance sheet	**40.29**	46.25
Add/(Less) : Profit/(Loss) for the year	**36.89**	(5.97)
Add : Excess tax on dividend for an earlier year written back	**-**	0.01
	77.18	40.29
	169.63	132.73
*denotes amounts less than Rs. 50,000		
3. LONG-TERM BORROWINGS (SEE NOTE 24)		
Secured		
Term loans		
- From banks	**27.86**	21.09
Unsecured		
Term loan		
- From a bank	**-**	40.08
	27.86	61.17
4. LONG-TERM PROVISIONS		
Provision for employee benefits		
- Compensated absences	**6.13**	5.73
- Other employee benefits	**0.10**	0.12
Provision for water charges (disputed) (See Note 41)	**3.51**	0.57
	9.74	6.42

* denotes amounts less than Rs. 50,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

			31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
5.	**SHORT-TERM BORROWINGS**			
	Secured			
	Loans repayable on demand - from banks			
	- Cash credit and working capital demand loan balances (secured by hypothecation of raw materials, finished goods, goods in process, stores, book debts etc)		**98.25**	145.95
	Unsecured			
	Deposits - Inter corporate deposit		**25.00**	-
	Other loans and advances			
	- Short term advances - from banks		**86.65**	62.84
			209.90	208.79
6.	**TRADE PAYABLES**			
	Acceptances		**155.90**	134.31
	Due to micro and small enterprises (See Note 34)		**3.32**	3.13
	Due to others		**135.83**	119.89
			295.05	257.33
7.	**OTHER CURRENT LIABILITIES**			
	Current maturities of long-term debt (See Note 24)		**70.27**	72.60
	Interest accrued but not due on borrowings		**1.86**	2.40
	Interest accrued and due on borrowings		**1.53**	0.97
	Unclaimed dividends		**0.37**	0.37
	Unclaimed matured deposits and interest on fixed deposits		**0.03**	0.03
	Other payables			
	- Statutory dues	**6.87**		4.80
	- Capital creditors	**3.21**		5.23
	- Trade advance	**5.00**		5.00
	- Security deposits received	**2.31**		2.78
	- Others	**1.13**		0.88
			18.52	18.69
			92.58	95.06
8.	**SHORT-TERM PROVISIONS**			
	Provision for employee benefits			
	- Compensated absences	**1.03**		1.17
	- Gratuity (Funded) (See Note 43)	**1.48**		1.02
	- Other employee benefits	**0.02**		0.88
			2.53	3.07
	Provision for taxation (net of advance tax)		**9.66**	0.14
			12.19	3.21

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

9. FIXED ASSETS

Rs. Crores

Particulars	COST				DEPRECIATION					WRITTEN DOWN VALUE	
	As at 1st April, 2011	Additions and adjustments	Deletions and adjustments	**As at 31st March, 2012**	As at 1st April, 2011	For the year discontinuing operations steel	For the year continuing operations stamping	Deletions and adjustments	**As at 31st March, 2012**	**As at 31st March, 2012**	As at 31st March, 2011
Tangible assets:											
Freehold land	1.01	-	0.49	**0.52**	-	-	-	-	**-**	**0.52**	1.01
Leasehold land	0.95	1.41	-	**2.36**	0.24	-	0.06	-	**0.30**	**2.06**	0.71
Buildings	60.20	8.73	0.76	**68.17**	21.36	0.84	1.14	0.24	**23.10**	**45.07**	38.84
Plant and equipment	500.13	52.44	0.20	**552.37**	257.70	18.27	10.05	0.16	**285.86**	**266.51**	242.43
Furniture and fixtures	2.84	0.25	0.02	**3.07**	1.47	0.06	0.11	0.03	**1.61**	**1.46**	1.37
Office equipment	2.08	0.45	0.04	**2.49**	0.91	0.06	0.13	0.02	**1.08**	**1.41**	1.17
Computers	5.36	0.59	0.32	**5.63**	5.17	0.09	0.13	0.32	**5.07**	**0.56**	0.19
Vehicles	3.71	0.60	0.63	**3.68**	2.77	0.28	0.15	0.53	**2.67**	**1.01**	0.94
	576.28	64.47	2.46	**638.29**	289.62	19.60	11.77	1.30	**319.69**	**318.60**	286.66
Intangible assets:											
Computer software	4.12	0.02	-	**4.14**	4.01	0.02	0.05	-	**4.08**	**0.06**	0.11
Total	**580.40**	**64.49**	**2.46**	**642.43**	**293.63**	**19.62**	**11.82**	**1.30**	**323.77**	**318.66**	
Previous year	567.81	13.83	1.24	580.40	263.18	18.44	13.01	1.00	293.63		286.77

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
10. NON-CURRENT INVESTMENTS		
Trade investments: (fully paid up) (At cost)		
(a) Investments in equity shares :		
Quoted		
- Orissa Sponge Iron Ltd. 2,785 equity shares of Rs. 10 each	**-**	-
- Dena Bank Ltd. 9,917 equity shares of Rs. 10 each	**0.03**	0.03
Unquoted		
(i) Investment in a subsidiary :		
- Navyug Special Steel Private Ltd. 10,000 equity shares of Rs. 10 each	**0.01**	-
(ii) Investment in Other Companies :		
- Wardha Power Company Ltd. 6,191,395 class A equity shares of Rs. 10 each	**6.19**	6.19
(b) Investments in preference shares :		
Unquoted		
- Wardha Power Company Ltd. 7,808,605 class A redeemable preference shares of Rs. 10 each	**7.81**	7.81

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

		31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
Other Investments: (fully paid up) (At cost)			
(a) Investments in equity shares			
Quoted			
- Kotak Mahindra Bank Ltd.			
6,000 equity shares of Rs.5 each		**0.00***	0.00 *
Unquoted			
(i) Investment in an associate :			
- Mahindra Hotels and Resorts Ltd.			
49,990 equity shares of Rs.10 each		**0.05**	0.05
(ii) Investment in other companies :			
- 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 *
- 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
- Mahindra Construction Co. Ltd.			
300,000 equity shares of Rs.10 each		**0.30**	0.30
		14.45	14.44
Less : Provision for diminution		**0.35**	0.35
		14.10	14.09
Notes : (1) Aggregate of quoted investments :			
- Cost		**0.03**	0.03
- Market value		**0.50**	0.46
(2) Aggregate of unquoted investments :			
- Cost		**14.42**	14.41
* denotes amounts less than Rs. 50,000			
11. LONG-TERM LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Capital advances		**5.52**	7.78
Security deposits		**4.74**	1.95
Loans and advances to a related party (See Note 37)			
- Security deposit to holding company		**0.57**	0.57
Other loans and advances			
- Taxation - advance tax less provision for tax		**22.77**	22.54
- MAT credit entitlement		**11.12**	-
- Employee loans and advances		**0.45**	0.51
- Advances (considered doubtful)	**2.73**		2.75
Less : Provision for doubtful advances	**2.73**		2.75
- Others		**1.05**	1.32
		46.22	34.67

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

			31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
12.	**INVENTORIES**			
	(At lower of cost and net realisable value)			
	Raw materials		**54.65**	55.61
	(includes in transit Rs. 14.15 Crores; 2010-11 - Rs. 12.10 Crores)			
	Work-in-progress			
	- Pressed sheet metal components, assemblies and dies	**9.01**		8.46
	- Tool alloy and special steel	**60.87**		65.13
			69.88	73.59
	Finished goods			
	(includes in transit Rs. 6.74 Crores ; 2010-11 - Nil)			
	- Pressed sheet metal components, assemblies and dies	**5.93**		6.70
	- Tool alloy and special steel	**6.74**		-
			12.67	6.70
	Stores and spares		**33.73**	26.06
	(includes in transit Rs. 0.53 Crore ; 2010-11 - Rs. 2.18 Crores)			
	Loose tools		**1.54**	1.19
			172.47	163.15
13.	**TRADE RECEIVABLES**			
	(Unsecured)			
	Outstanding for a period exceeding six months from the date they were due for payment			
	- considered good		**24.15** #	10.28
	- considered doubtful		**4.51**	7.32
	Others			
	- considered good		**265.50** ##	255.64 ##
	- considered doubtful		**1.14**	2.94
			295.30	276.18
	Less : Provision for doubtful debts		**5.65**	10.26
			289.65	265.92
	# Includes Rs.17.01 Crores, due from Rail Wheel Factory, Bangalore (Ministry of Railways) [RWF], in respect of supplementary invoices towards price variation, determined in accordance with the applicable indices as communicated earlier by RWF in June 2011. As per the recent communication received from RWF in March, 2012, RWF has revised the indices, on the basis of which the amount receivable works out to approximately Rs. 8.84 Crores. The Company is disputing the very basis of RWF revising the indices and is in discussion with the RWF for settlement at earlier agreed indices. Accordingly, the aforesaid amount of Rs. 17.01 Crores is considered good and recoverable.			
	# # Includes Debts due by a private company in which a director is a director.		**0.73**	0.30

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

		31st March, 2012	31st March, 2011
	Rs. Crores	Rs. Crores	Rs. Crores
14. CASH AND CASH EQUIVALENTS			
- Cash on hand		**0.06**	0.06
- Cheques on hand		**1.95**	-
- Balances with banks			
- In current accounts		**0.56**	1.45
- Other bank balances :			
- Earmarked balances			
- In earmarked current accounts for :			
- Unclaimed dividend/interest on fixed deposit accounts		**0.39**	0.39
- In earmarked fixed deposits for :			
- Unclaimed deposits (per Companies (Acceptance of Deposits) Rules, 1975)		**0.01** @	0.01 @
- Margin money/security deposits		**0.03** @	0.01 @
		3.00	1.92
@ The margin money/security deposits have original maturity of more than twelve months.			
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 'Cash Flow Statements' are		**2.57**	1.51
15. SHORT-TERM LOANS AND ADVANCES			
(Unsecured, considered good unless otherwise stated)			
Loans and advances to a related party (See Note 37)			
- Advance given to a subsidiary		**0.00** *#	-
Other loans and advances			
- Trade advance			
- considered good		**5.16**	10.41
- considered doubtful	**0.54**		-
Less : Provision for doubtful advance	**(0.54)**	**-**	-
- Balances with excise, customs and other statutory authorities		**12.05**	8.10
- Prepaid expenses		**2.04**	2.42
- Employee loans and advances		**0.46**	0.53
- Others		**1.17** #	0.68
		20.88	22.14
* denotes amounts less than Rs. 50,000			
# excludes Rs. 0.27 Crore; (2010-11 - Nil) paid towards stamp duty recoverable, in the event of transfer of steel division to the subsidiary, presently included in others.			
16. OTHER CURRENT ASSETS			
Unamortised premium on forward contracts		**1.02**	0.89
		1.02	0.89

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

		31st March, 2012	31st March, 2011
	Rs. Crores	**Rs. Crores**	Rs. Crores
17. REVENUE FROM OPERATIONS			
Sale of Products:			
- Pressed metal, sheet components and dies		**652.44**	514.87
Sale of Services:			
- Income from processing		**11.10**	8.28
- Other operating revenue			
- Scrap sales		**101.20**	78.01
- Others		**0.51**	0.55
		765.25	601.71
Less: Excise duty		**61.99**	47.92
		703.26	553.79
18. OTHER INCOME			
Interest income		**0.01**	0.02
Rent income		**0.17**	0.17
Profit on sale of fixed assets (net)		**0.05**	-
Other non-operating income		**0.43**	1.01
		0.66	1.20
19. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS			
Opening stock :			
Work-in-progress		**8.46**	6.83
Finished goods		**6.70**	5.80
		15.16	12.63
Less:			
Closing stock :			
Work-in-progress		**9.01**	8.46
Finished goods		**5.93**	6.70
		14.94	15.16
Net change - (increase) / decrease		**0.22**	(2.53)
20. EMPLOYEE BENEFIT EXPENSES			
Salaries and wages		**50.55**	40.49
Contribution to			
- Provident and other funds	**1.84**		1.26
- Gratuity fund	**0.41**		0.27
		2.25	1.53
Staff welfare expenses		**4.96**	4.44
		57.76	46.46
21. FINANCE COSTS			
Interest expense on			
- borrowings	**2.89**		3.95
- income tax	**0.23**		-
- others	**0.60**		0.26
		3.72	4.21
Other borrowing costs		**0.68**	0.70
		4.40	4.91

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
22. OTHER EXPENSES		
Stores consumed	**7.03**	5.02
Packing material consumed	**3.64**	2.88
Power and fuel	**11.87**	10.06
Rent including lease rentals	**1.26**	1.26
Rates and taxes	**0.99**	0.46
Insurance	**0.33**	0.24
Repairs and maintenance		
- Buildings	**0.46**	0.56
- Machinery	**3.14**	3.39
(including stores and spare parts consumed - Rs.3.11 Crores; 2010-11 - Rs.3.39 Crores)		
- Others	**3.92**	2.43
(including stores and spare parts consumed - Rs.2.99 Crores; 2010-11 - Rs.0.31 Crore)		
Legal and professional charges	**4.75**	3.91
Freight outward	**6.53**	5.58
Loss/(gain) on foreign exchange transactions and translations	**(0.01)**	0.05
Loss on fixed assets scrapped/written off	**0.55**	0.04
Bad debts/ advances written off	**0.09**	1.51
Provision for doubtful debts / advances (net)	**0.17**	0.32
Loss on fixed assets sold (net)	**-**	0.00 *
Excise duty charge	**0.24**	0.35
Miscellaneous expenses	**4.48**	4.13
	49.44	42.19

*denotes amounts less than Rs. 50,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

23. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting and preparation of financial statements:

The financial statements have been prepared on accrual basis and comply in all material respects with the Generally Accepted Accounting Principles in India (Indian GAAP) and the relevant provisions of the Companies Act, 1956 including Accounting Standards notified under the said Act.

b) Use of estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported revenue and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

c) (A) Tangible 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 Statement of Profit and Loss.

(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.

d) Investments:

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

e) Inventories:

Inventories are valued 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.

f) Foreign exchange transactions:

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

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

g) Revenue recognition:

Sales of products are recognised when the products are shipped or on transfer of significant risks and rewards of ownership to the buyer depending upon the terms agreed with customers. Sales of services are recognised when the services are rendered. Excise duty (including education cess) recovered are included in the sale of products (Gross). Excise duty (including education

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

cess) in respect of finished goods is shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods.

h) Employee benefits:

i) Provident fund:

The Company's contribution to the recognised provident fund, paid/payable during the year, is debited to the Statement of Profit and Loss. 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/schemes:

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 Statement of Profit and Loss.

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 gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash 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.

i) 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.

j) 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.

k) Earnings per share:

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit or increase the net loss per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

l) Taxes on income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

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.

m) **Research and development expenditure:**

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for tangible fixed assets and intangible assets.

n) **Impairment of assets:**

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

o) **Provisions and contingencies:**

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. Contingent liabilities are disclosed in the financial statements.

24. LONG-TERM BORROWINGS:

a. Terms of repayment of term loans and other loans are as under :-

Sr. No.	**As at 31st March, 2012**		**As at 31st March, 2011**		**Terms of repayment and other relevant terms with respect to the balance sheet date**
	Non-current	Current	Non-current	Current	
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores	
Secured – Term loans from banks:					
1.	-	7.50	7.50	7.50	The loan is to be repaid in 4 equal quarterly instalments of Rs. 1.875 Crores each from April 2012 till March 2013. The interest rate applicable is Base Rate + Term Premium + 3% p.a., payable monthly (presently 14.20%)
2.	5.99	2.97	3.00	1.00	The loan is to be repaid in 12 equal quarterly instalments of Rs. 0.7425 Crore each from April 2012 till March 2015. The balance of Rs. 0.05 Crore will be recovered in June 2015. The interest rate applicable is Base Rate + Term Premium + 3% p.a., payable monthly (presently 14.20%). During the year the Company has drawn balance amount of Rs.7.88 Crores remaining from the sanctioned limits.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

3.	-	9.95	9.95	10.00	The loan is to be repaid in 4 equal quarterly instalments of Rs. 2.50 Crores each from April 2012 till January 2013. The interest rate applicable is Base Rate + 5% p.a., payable monthly (presently 15.00%).
4.	8.75	1.25	-	-	The loan is to be repaid in 16 equal quarterly instalments of Rs. 0.625 Crore each from September 2012 till September 2016. The interest rate applicable is Base Rate + Term Premium + 2.75% p.a., payable monthly. (presently 13.95%).
5.	-	6.64	0.64	6.68	The loan is to be repaid in two half yearly instalments of Rs. 3.34 Crores and Rs. 3.30 Crores in September 2012 and March 2013 respectively. The interest rate applicable is Base Rate + 3.50% p.a., payable monthly (presently 14.25%).During the year ended March 2012, the Company has drawn the balance amount of Rs.6.00 Crores remaining from the sanctioned limits
6.	-	40.08	-	-	The loan is to be repaid in 5 instalments of Rs.18.00 Crores, Rs.5.00 Crores, Rs.4.06 Crores, Rs.5.00 Crores and Rs.8.02 Crores from April 2012 to July 2012. The average interest rate applicable on various tranches is 9 % p.a.
7.	13.12	1.88	0.00	0.00	The loan is to be repaid in 16 equal quarterly instalments of Rs. 0.9375 Crore each from December 2012 till September 2016. The interest rate applicable is 12.95% p.a.
	27.86	70.27	21.09	25.18	
Unsecured – Term loan from a bank :					
1.	-	-	40.08	47.42	The loan is to be repaid in one bullet payment on the expiry of 60 months from the respective drawdown dates of each tranche.
	-	-	40.08	47.42	
Total	27.86	70.27	61.17	72.60	

b) Details of security given for secured loans:-

i. Term loans from banks at Sr. No 1 to 4 & 7 in table above, are secured by a first equitable mortgage on entire fixed assets of the Company, ranking pari-passu.

ii. Term loans from banks at Sr. No 5 in table above, is secured by a first equitable mortgage on entire fixed assets of the Steel Division of the Company, ranking pari-passu.

iii. Term loans from banks at Sr. No 6 in table above, is secured by a second equitable mortgage on entire fixed assets of the Company.

25. DETAILS OF OTHER EXPENSES :

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
(a) Payment to auditors*		
- as auditor	**0.25**	0.23
- for company law matters** (Rs. 15,000; 2010-2011: Rs. 15,000)	**** 0.00**	** 0.00
- for other services	**0.13**	0.11
- for reimbursement of expenses*** (Rs. 22,310; 2010-2011: Rs. 18,048)	***** 0.00**	*** 0.00
(b) Commission to other selling agents	**1.19**	0.97
(c) Donation	**0.01**	0.03

Note: * Amounts mentioned are net of service tax

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

26. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st March, 2012 Rs. 8.27 Crores (2010-2011: Rs. 32.84 Crores).

27. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF :

a) Bills discounted but not matured Rs. 23.82 Crores (2010-2011: Rs. 25.38 Crores).

- Represents customers' bills discounted.

b) Excise duty and Service Tax:

Excise matters for which the Company is contingently liable amounting Rs. 11.72 Crores (2010-2011: Rs. 13.46 Crores). This includes:

i) Rs. 0.52 Crore (2010-2011: Rs. 0.52 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. Nil (2010-2011: 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 had decided against the Company. The case was remanded back to CESTAT which in turn remanded it back to the Commissioner. The Commissioner had raised a demand of Rs. 1.38 Crores with an equal penalty amount. The Company had again filed an appeal against the order with CESTAT who had remanded the case back to adjudicating authority to requantify the demand for the normal period of limitation. The Company has, based on such Order, quantified the amount and has deposited the duty with interest during the year. However, the final Order approving the amount of duty and interest has yet to be received by the Company.

iii) Rs. 4.65 Crores (2010-2011: Rs. 4.40 Crores) - relating to alleged availment of Cenvat credit on invoices issued by certain registered dealers without actually receiving the material covered therein. The commissioner has raised a demand of Rs. 1.37 Crores with an equal amount of interest and penalty. The Company has filed an appeal in CESTAT against the said demand.

iv) Rs. 0.39 Crore (2010-2011: Rs. Nil) being matters related to availment of service tax credit.

v) Rs. 1.63 Crores (2010-2011: Rs. 1.68 Crores) - being other matters.

In respect of (b) (i) above and other valuation issues, the excise department has continued to issue show cause cum demand notices for subsequent periods aggregating Rs. 4.53 Crores (2010-2011: Rs. 4.09 Crores).

c) Sales Tax:

Sales Tax matters for which the Company is contingently liable amounting Rs. 9.31 Crores (2010-2011: Rs. 9.09 Crores). This includes:

i) a demand of Rs. 8.51 Crores (2010-2011 : Rs. 8.51 Crores) for F.Y. 2006-07 and F.Y. 2007-08 by treating the branch transfer of goods as sales made by the Company and for non-submission of 'C' forms. The amount is inclusive of interest and penalty. The Company has filed an appeal in Sales Tax Tribunal against the said demand.

ii) Other sales tax matters Rs. 0.80 Crore (2010-2011: Rs. 0.58 Crore).

d) Taxation demands against which the Company is in appeal Rs. 17.18 Crores (2010-2011: Rs. 17.18 Crores).

e) Other matter for which the Company is contingently liable is Rs. 58.14 Crores (2010-2011: Rs. 17.02 Crores). This represents dispute in rate of water charges, inclusive of penal charge of Rs. 10.02 Crores (2010-2011: Rs. Nil) and late fee charge of Rs. 22.30 Crores (2010-2011: Rs. Nil), demanded by the Irrigation department.

During the year under review, the Hon'ble Court of Alibag district, before whom the appeal was filed by the Irrigation Department against the Order of the Court of the Civil Judge, Senior Division, Panvel, decided the appeal against the Company. Consequently the Company filed an appeal before the Hon'ble High Court of Judicature of Bombay challenging the Order of the Alibag Court. The Hon'ble Bombay High Court has admitted the appeal for the disputed period of July 1991 to March 2001 only, since for the period April 2001 onwards there has been no agreement in force between the Company and the Irrigation department. As per the directions of the Hon'ble Bombay High Court, the Company has deposited Rs. 2.87 Crores with the Hon'ble Bombay High Court, being the demand as per the Irrigation department for the said period of 1991 to 2001. In respect of the demand from period April 2001 onwards, the Company has filed a writ petition before the Hon'ble Bombay High Court and the writ is due for admission.

Of the above demand, the Company has paid and charged an amount of Rs. 0.59 Crore and has made a provision of Rs. 3.51 Crores for the period from July 1991 to March 2012 based on Company's assessment of water charges dues after

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

taking into consideration the legal advice.

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

i. Rs. 17.99 Crores (2010-2011: Rs. Nil) inclusive of interest and penalty of Rs. 14.04 Crores (2010 – 2011: Rs. Nil) pertaining to payment of custom duty in respect of the Value Based Advance Licenses (VBAL) purchased by the Company and used for import of goods. 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 had set aside the impugned order and has remanded the case back to the commissioner for reconsideration. The commissioner has reconsidered the case and has raised the demand. The Company will appeal against the same in CESTAT.

ii. Claim pertaining to material supply contract Rs. 9.46 Crores (2010-2011: Rs. 9.28 Crores). The matter is under arbitration.

iii. Claims relating to lease rentals Rs. 0.95 Crore (2010-2011: Rs. 0.87 Crore).

28. COST OF RAW MATERIALS AND COMPONENTS CONSUMED:

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
Continuing operations - Stamping division		
1) Metal sheets	**451.54**	356.70
2) Components, Paints and tools	**67.54**	61.89
3) Processing charges	**8.44**	5.74
	527.52	424.33
Discontinuing operations - Steel division		
1) Ferrous scrap	**334.75**	292.85
2) Ferro alloys	**133.16**	139.95
3) Processing charges	**10.19**	7.63
4) Others	**23.96**	22.02
	502.06	462.45

	31st March, 2012		31st March, 2011	
	Rs. Crores	**%**	Rs. Crores	%
Continuing operations - Stamping division				
Imported – at landed cost	**2.06**	**0.39**	1.06	0.25
Indigenously obtained	**525.46**	**99.61**	423.27	99.75
	527.52	**100.00**	424.33	100.00
Discontinuing operations - Steel division				
Imported – at landed cost	**199.02**	**39.64**	161.44	34.91
Indigenously obtained	**303.04**	**60.36**	301.01	65.09
	502.06	**100.00**	462.45	100.00

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

29. STORES AND SPARES CONSUMED

	31st March, 2012		31st March, 2011	
	Rs. Crores	**%**	Rs. Crores	%
Continuing operations - Stamping division				
Imported – at landed cost	**-**	**-**	-	-
Indigenously obtained	**13.13**	**100.00**	8.72	100.00
	13.13	**100.00**	8.72	100.00

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. Crores	%	31st March, 2011 Rs. Crores	%
Discontinuing operations - Steel division				
Imported – at landed cost	**10.61**	**14.87**	9.82	13.31
Indigenously obtained	**60.74**	**85.13**	63.97	86.69
	71.35	**100.00**	73.79	100.00

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

30. C.I.F. VALUE OF IMPORTS:

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
(a) Raw materials	**246.97**	178.14
(b) Stores and spares	**11.32**	9.70
(c) Capital goods	**0.01**	0.35

31. EXPENDITURE IN FOREIGN CURRENCY:

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
Interest	**1.03**	0.71
Professional and consultation fees	**0.96**	-
Others	**0.85**	0.16

32. EARNINGS IN FOREIGN EXCHANGE:

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
(a) F.O.B. value of exports	**39.11**	26.91
(b) Freight and insurance	**0.83**	0.62

33. Research and development expenditure debited to the Statement of Profit and Loss aggregates Rs. 1.62 Crores (2010-2011: Rs. 1.48 Crores) consisting of materials and salaries and power, based on allocations made by the Company.

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

Rs. Crores

Sr. No.	Particulars	31st March, 2012	31st March, 2011
(a)	Principal amount outstanding	**3.32**	3.13
(b)	Interest due on the above Rs. 33,230; (2010-2011: Rs. 7,466)	**0.00***	0.00*
(c)	Principal amount paid during the year beyond appointed day	**4.10**	3.66
(d)	Interest paid during the year beyond the appointed day	**0.09**	0.08
(e)	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	**0.01**	0.02
(f)	Amount of interest accrued and remaining unpaid at the end of the year	**0.01**	0.02
(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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

Note:

a. The above information and that given in Note 6 'Trade payables' 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.

b. 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.

35. FOREIGN CURRENCY EXPOSURES:

The Company has entered into forward exchange contracts and plain vanilla options [being derivative instruments], 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, 2012:

Currency	Amount in Crores	Buy/Sell	Cross Currency
US Dollar	**1.82**	**Buy**	**Rupees**
(US Dollar)	(1.64)	(Buy)	(Rupees)

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

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

	Indian Rupees (in Crores)	Foreign Currency (in Crore)
• Import of goods and services	**8.67**	**US $ 0.17**
	(6.08)	(US $ 0.14)
	1.91	**Euro 0.03**
	(0.44)	(Euro 0.01)
	NIL	**GBP NIL**
	(0.01)	(GBP 0.00*)
	NIL	**CHF NIL**
	(0.03)	(CHF 0.00*)

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

	Indian Rupees (in Crores)	Foreign Currency (in Crore)
• Export of goods and services	**1.34**	**US $ 0.03**
	(3.68)	(US $ 0.08)
	2.08	**EURO 0.03**
	(0.35)	(EURO 0.01)

The Company has outstanding borrowings of JPY 112.97 Crores which is equivalent of US $ 0.95 Crore (2010-2011: 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.

* Denotes amount less than 50,000

Previous year's figures have been disclosed in parenthesis.

36. Segment reporting:

Notes:

1. The Company has considered business segment as primary segment for disclosure. The segments have been identified taking

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

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

a) Primary segment information (Business segment)

Sr. No.	Particulars	**31st March, 2012 Rs. Crores**	31st March, 2011 Rs. Crores
1.	Segment revenue (net) (external sales)		
	- Steel	**832.39**	786.73
	- Stamping	**703.26**	553.79
	- Segment total	**1,535.65**	1,340.52
2.	Segment result		
	- Steel	**(28.23)**	10.58
	- Stamping (includes profit on sale of land Rs.88.57 Crores ; 2010-11 - Nil)	**146.44**	32.05
	- Segment total	**118.21**	42.63
	Unallocated corporate expenses net of unallocated income	**(9.35)**	(8.52)
	Profit before finance costs, interest income and tax (expense) /credit	**108.86**	34.11
	Finance costs	**(56.84)**	(44.63)
	Interest income	**0.70**	0.92
	Tax (expense) / credit	**(15.83)**	3.63
	Profit / (Loss) for the year	**36.89**	(5.97)
3.	Segment assets		
	- Steel	**530.23**	506.24
	- Stamping	**304.35**	258.88
	- Segment total	**834.58**	765.12
	Unallocated corporate assets	**37.85**	38.59
	Total assets	**872.43**	803.71
4.	Segment liabilities		
	- Steel	**247.80**	210.61
	- Stamping	**72.97**	71.40
	- Segment total	**320.77**	282.01
	Unallocated corporate liabilities	**349.55**	356.49
	Total liabilities	**670.32**	638.50

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

Sr. No.	Particulars	**31st March, 2012 Rs. Crores**	31st March, 2011 Rs. Crores
5.	Capital expenditure		
	- Steel	**16.35**	7.84
	- Stamping	**40.41**	18.68
	- Segment total	**56.76**	26.52
6.	Depreciation and amortisation expense		
	- Steel	**19.62**	18.44
	- Stamping	**11.82**	13.01
	- Segment total	**31.44**	31.45
7.	Non cash expenditure / (writeback) (net) other than depreciation		
	- Steel	**(1.32)**	(0.79)
	- Stamping	**0.17**	0.32
	- Segment total	**(1.15)**	(0.47)

b) Secondary segment information (Geographical segment)

Sr. No.	Particulars	**31st March, 2012 Rs. Crores**	31st March, 2011 Rs. Crores
1.	Segment revenue		
	- Within India	**1,495.71**	1,312.99
	- Outside India	**39.94**	27.53
	- Total revenue	**1,535.65**	1,340.52
2.	Segment assets		
	- Within India	**870.79**	799.68
	- Outside India	**1.64**	4.03
	- Total segment assets	**872.43**	803.71
3.	Capital expenditure		
	- Within India	**56.76**	26.52
	- Outside India	**-**	-
	- Total capital expenditure	**56.76**	26.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

37. RELATED PARTY DISCLOSURES:

a) Related parties where Control exists:

Holding Company	Mahindra & Mahindra Ltd.

b) Names of other related parties with whom transactions have taken place during the year

1) Subsidiary Company	Navyug Special Steel Pvt. Ltd. (from 11th November, 2011)
2) Associate Company	Mahindra Hotels and Resorts Ltd.
3) Fellow subsidiaries	Mahindra Forgings Ltd.
	Mahindra Gujarat Tractors Ltd.
	Mahindra Intertrade Ltd.
	Bristlecone India Ltd.
	Mahindra Logistics Ltd.
	Mahindra Gears and Transmission Pvt. Ltd.
	Mahindra Vehicle Manufacturers Ltd.
	Mahindra Steel Service Centre Ltd.
	Mahindra Navistar Automotives Ltd.
	Mahindra BPO Services Pvt. Ltd.
	Mahindra Hinoday Industries Ltd
	Mahindra Automobile Distributors Pvt. Ltd.
	Metalcastello S.p.A.
	Mahindra First choice Wheels Ltd.
	Mahindra Engineering & Chemical Products Ltd.
	Mahindra First Choice Services Ltd.
4) Other Group Companies	Mahindra Composites Ltd.
	Mahindra Sona Ltd. (Joint Venture of Holding Company)
5) Key Management Personnel	Mr. K. V. Ramarathnam, Managing Director (upto 4th May, 2011)
	Mr. Uday Gupta, Managing Director (from 5th May, 2011)

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

FS : Fellow Subsidiaries

Rs. Crores

Sr. No.	Particulars	Holding Co	100% subsidiary	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	Others - Grp Co	Others - Grp Co	Key Management Personnel	
		Mahindra & Mahindra Ltd	Navyug Special Steel Pvt Ltd	Mahindra Forgings Ltd	Mahindra Gujarat Tractors Ltd	Mahindra Intertrade Ltd	Mahindra Logistics Ltd	Mahindra Gears & Transmission Pvt Ltd	Mahindra Vehicle Manufacturers Ltd	Mahindra Steel Service Center Ltd	Mahindra Navistar Automotives Ltd.	Mahindra BPO Services Pvt Ltd	Mahindra Hinoday Industries Ltd	Mahindra Automobile Distributor Private Ltd	Metalcastello S.p.A.	Mahindra First choice Wheels Ltd	Mahindra Engg & Chemical Prod.s Ltd	Mahindra First Choice Services Ltd.	Mahindra Composites Ltd	Mahindra Sona Ltd	Mr. Uday Gupta	Mr. K V Ramarathnam
1	Purchases of Goods or Services	-	-	18.68	0.01	401.89	-	-	-	0.07	-	-	-	-	-	-	-	-	0.01	-	-	-
		(-)	(-)	(26.63)	(-)	(318.19)	(-)	(-)	(-)	(0.05)	(1.87)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.01)	(-)	(-)	(-)
2	Receiving of Services	6.03	-	-	-	-	0.47	-	-	-	-	0.15	-	-	-	-	-	-	-	-	-	-
		(4.52)	(-)	(-)	(-)	(-)	(0.65)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.01)	(-)	(-)	(-)	(-)
3	Rent Paid	1.31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(1.31)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
4	Sale of Goods	546.55	-	120.87	1.72	-	-	2.74	39.00	-	5.47	-	12.35	8.65	0.42	-	-	-	-	7.32	-	-
		(454.03)	(-)	(145.30)	(1.14)	(-)	(-)	(0.60)	(-)	(-)	(9.59)	(-)	(-)	(5.00)	(0.10)	(-)	(-)	(-)	(-)	(1.27)	(-)	(-)
5	Rendering of Services	3.28	-	-	0.38	-	-	-	-	-	-	-	-	6.01	-	-	-	-	-	-	-	-
		(2.76)	(-)	(-)	(0.27)	(-)	(-)	(-)	(5.85)	(-)	(-)	(-)	(-)	(3.96)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
6	Rent Income	0.14	-	-	-	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(0.13)	(-)	(-)	(-)	(0.05)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
7	Sale of Fixed Assets	89.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
8	Purchase of Fixed Assets / Capex Services	0.32	-	-	-	-	-	-	-	-	-	-	0.69	-	-	-	-	-	-	-	-	-
		(0.23)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
9	Deputation of Personnel charge	0.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(0.19)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
10	Remuneration to key managerial personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.81	0.09 ##
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.96)
11	Provision for Doubtful Debts made during the year	0.18	-	0.48	-	-	-	0.00 *	-	-	-	-	-	-	-	-	-	-	-	0.00 *	-	-
		(0.20)	(-)	(8.12)	(-)	(-)	(-)	(0.16)	(-)	(-)	(0.03)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.07)	(-)	(-)
12	Provision for Doubtful Debts written back	0.11	-	1.85	-	-	-	0.16	-	-	-	-	-	-	-	-	-	-	-	0.02	-	-
		(0.11)	(-)	(6.52)	(-)	(-)	(-)	(-)	(-)	(-)	(0.04)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.05)	(-)	(-)
13	Bad Debts Written off	0.07	-	-	-	-	-	-	-	-	-	-	-	0.02	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
14	Cash Discount Received	-	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(0.87)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
15	Cash Discount Paid	-	-	0.27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
16	Advance Given	-	0.00 * #	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
17	Finance:																					
	Investment in Equity Share Capital	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Equity Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(1.65)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Interest expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.76	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.40)	(0.12)	(-)	(-)	(-)	(-)	(-)
	ICD received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31.00	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(20.00)	(10.00)	(-)	(-)	(-)	(-)	(-)

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

FS : Fellow Subsidiaries

Rs. Crores

Sr. No.	Particulars	Holding Co	100% subsidiary	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	Others - Grp Co	Others - Grp Co	Key Management Personnel	
		Mahindra & Mahindra Ltd	Navyug Special Steel Pvt Ltd	Mahindra Forgings Ltd	Mahindra Gujarat Tractors Ltd	Mahindra Intertrade Ltd	Mahindra Logistics Ltd	Mahindra Gears & Transmission Pvt Ltd	Mahindra Vehicle Manufacturers Ltd	Mahindra Steel Service Center Ltd	Mahindra Navistar Automotives Ltd.	Mahindra BPO Services Pvt Ltd	Mahindra Hinoday Industries Ltd	Mahindra Automobile Distributor Private Ltd	Metalcastello S.p.A.	Mahindra First choice Wheels Ltd	Mahindra Engg & Chemical Prod.s Ltd	Mahindra First Choice Services Ltd.	Mahindra Composites Ltd	Mahindra Sona Ltd	Mr. Uday Gupta	Mr. K V Ramarathnam
	ICD refunded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31.00	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(20.00)	(10.00)	(-)	(-)	(-)	(-)	(-)
18	Guarantees & Collaterals lapsed / returned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
19	Outstandings																					
	Payables																					
	i) Other payables / Credit Balances	7.60	-	0.10	-	30.59	0.11	-	-	0.03	-	0.03	0.16	-	-	-	-	-	-	-	-	-
		(4.52)	(-)	(0.05)	(-)	(24.72)	(0.19)	(-)	(-)	(0.01)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.01)	(0.01)	(-)	(-)	(-)
	ii) Deposit Received	0.05	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(0.05)	(-)	(-)	(-)	(0.02)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	Receivables																					
	i) Other receivables / Other Debtors	88.03	0.00 * #	31.29	0.16	-	-	0.73	11.89	-	1.38	-	3.03	2.75	0.07	-	-	-	-	1.23	-	-
		(82.99)	(-)	(33.50)	(0.16)	(0.00) *	(-)	(0.30)	(2.69)	(-)	(2.66)	(-)	(-)	(1.42)	(0.02)	(-)	(-)	(-)	(-)	(0.24)	(-)	(-)
	ii) Deposits outstanding	0.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(0.57)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
	iii) Provision for doubtful debts and advances	0.18	-	0.23	-	-	-	0.00 *	-	-	-	-	-	-	-	-	-	-	-	0.00 *	-	-
		(0.11)	(-)	(1.60)	(-)	(-)	(-)	(0.16)	(-)	(-)	-	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.02)	(-)	(-)

* denotes amount less than Rs 50000

excludes Rs 0.27 crore recoverable from a subsidiary at the time of transfer of Steel Division.

excludes Rs 0.32 crore paid towards leave encashment and Gratuity on retirement.

Notes:

1. The transactions amounts reported above are inclusive of applicable taxes.
2. Previous year figures have been disclosed in parenthesis.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

38. EARNINGS PER SHARE HAVE BEEN COMPUTED AS UNDER:

				31st March, 2012	31st March, 2011
a)	Profit for the year from continuing operations after tax (Rs. Crores)			**93.66**	19.13
b)	Exceptional item [Rs.88.57 Crores less tax thereon Rs.28.74 Crores] (Rs. Crores)			**59.83**	-
c)	Profit for the year from continuing operations before exceptional item (Rs. Crores)		(a)-(b)	**33.83**	19.13
d)	Profit/(Loss) for the year (Rs. Crores)			**36.89**	(5.97)
e)	Profit/(Loss) for the year before exceptional item (Rs. Crores)		(d)-(b)	**(22.94)**	(5.97)
f)	Weighted Average Equity Shares (Nos.)			**32,482,529**	32,482,529
g)	Diluted Equity Shares (Nos.)			**32,482,529**	32,482,529
h)	i)	Basic earnings per share for (in Rupees)			
		Profit for the year from continuing operations			
		- Before exceptional item	(c)/(f)	**10.42**	5.89
		- After exceptional item	(a)/(f)	**28.84**	5.89
		Profit/(Loss) for the year from total operations			
		- Before exceptional item	(e)/(f)	**(7.06)**	(1.84)
		- After exceptional item	(d)/(f)	**11.36**	(1.84)
	ii)	Diluted earnings per share for (in Rupees)			
		Profit for the year from continuing operations			
		- Before exceptional item	(c)/(g)	**10.42**	5.89
		- After exceptional item	(a)/(g)	**28.84**	5.89
		Profit/(Loss) for the year from total operations			
		- Before exceptional item	(e)/(g)	**(7.06)**	(1.84)
		- After exceptional item	(d)/(g)	**11.36**	(1.84)

39. THE COMPONENTS OF DEFERRED TAX LIABILITY AND ASSETS ARE AS UNDER:

	31st March, 2012 Rs. Crores	31st March, 2011 Rs. Crores
Deferred tax liability:		
- On fiscal allowances on fixed assets	**28.32**	25.21
	28.32	25.21
Less: Deferred tax assets		
- On employee separation and retirement	**2.36**	2.28
- On provision for doubtful debts	**2.01**	3.32
- On unabsorbed depreciation	**-**	13.09
- On other timing differences	**0.95**	-
Deferred tax liability (Net)	**23.00**	6.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

40. DISCONTINUING OPERATIONS:

a. The Board of Directors at their meeting held on 11th November 2011, have proposed the transfer of the Company's Steel business, which is a separate segment as per AS 17 Segment Reporting, to Navyug Special Steel Private Limited (Navyug Steel), presently, a wholly owned subsidiary, by way of a slump sale. The Members of the Company, by a special resolution under sections 293(1)(a), 192A and other applicable provisions of the Companies Act, 1956, through a Postal Ballot, declared on 4th January, 2012, have approved the aforesaid slump sale, subject to statutory and contractual approvals, as may be required.

b. The lump sum consideration is Rs.133.50 Crores and is to be discharged by Navyug Steel as follows:-

(i) Issue of 50,90,000 equity shares of Rs.10 each at a premium of Rs. 208.57 per share in Navyug Steel Rs.111.25 Crores; and

(ii) Balance consideration of Rs. 22.25 Crores in cash.

Further, in terms of the Share Subscription agreement executed on 11th November, 2011, Sanyo Special Steel Company Limited, Japan (Sanyo) and Mitsui & Company Limited, Japan (Mitsui) will subscribe to the equity capital of Navyug Steel in such numbers and at a premium of Rs.371.43 per share of face value of Rs.10 each such that the equity shareholding in Navyug Steel would be as follows:

Sanyo-29%, Mitsui-20% and the Company-51% respectively.

c. The foregoing are subject to requisite regulatory approvals and satisfactory completion of certain conditions precedent and as agreed between the parties.

d. The transfer is likely to be effective during June 2012.

e. Accordingly, the Steel Business has been classified as "Discontinuing Operations" in the financial statements of the Company. The following table summarises the financial information for discontinuing operations. (also given alongside is the corresponding financial information for the continuing operations and the aggregate):

Rs. Crores

Particulars	Continuing Operations		Discontinuing Operations		TOTAL	
	Stamping Division		Steel Division		Company	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Assets						
Non-current assets	**174.40**	135.42	**211.01**	214.27	**385.41**	349.69
Current assets	**170.80**	150.37	**316.22**	303.65	**487.02**	454.02
Total assets	**345.20**	**285.79**	**527.23**	**517.92**	**872.43**	**803.71**
Liabilities						
Non-current liabilities	**42.02**	70.42	**18.58**	3.69	**60.60**	74.11
Current liabilities	**232.26**	173.40	**377.46**	390.99	**609.72**	564.39
Total liabilities	**274.28**	**243.82**	**396.04**	**394.68**	**670.32**	**638.50**
Revenue and expenses						
Revenue						
Revenue from operations	**703.26**	553.79	**832.39**	786.73	**1,535.65**	1,340.52
Other income	**1.01**	1.85	**4.86**	0.54	**5.87**	2.39
Total revenue	**704.27**	**555.64**	**837.25**	**787.27**	**1,541.52**	**1,342.91**
Expenses						
Cost of raw materials and components consumed	**527.52**	424.33	**502.06**	462.45	**1,029.58**	886.78
Changes in inventories of finished goods and work-in-progress	**0.22**	(2.53)	**(2.48)**	(6.09)	**(2.26)**	(8.62)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

Rs. Crores

Particulars	Continuing Operations		Discontinuing Operations		TOTAL	
	Stamping Division		Steel Division		Company	
	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011	31st March, 2012	31st March, 2011
Employee benefit expenses	**57.76**	46.46	**40.81**	37.78	**98.57**	84.24
Finance costs	**29.91**	20.00	**26.93**	24.63	**56.84**	44.63
Depreciation and amortisation expense	**11.87**	13.06	**19.57**	18.39	**31.44**	31.45
Other expenses	**51.50**	42.79	**311.70**	271.24	**363.20**	314.03
Total expenses	**678.78**	**544.11**	**898.59**	**808.40**	**1,577.37**	**1,352.51**
Profit/(Loss)before exceptional item and tax	**25.49**	**11.53**	**(61.34)**	**(21.13)**	**(35.85)**	**(9.60)**
Revenue / expenses (net) of discontinuing operations which will remain in continuing operations and hence included / (excluded) in/from amounts reported above for respective divisions*	**27.27**	15.09	**(27.27)**	(15.09)	**-**	-
Profit/(Loss) before exceptional item and tax as per the Statement of Profit and Loss	**52.76**	**26.62**	**(88.61)**	**(36.22)**	**(35.85)**	**(9.60)**
* comprising of						
- Other income	**(0.35)**	(0.65)	**0.35**	0.65	**-**	-
- Finance costs	**25.51**	15.09	**(25.51)**	(15.09)	**-**	-
- Depreciation and amortisation expense	**0.05**	0.05	**(0.05)**	(0.05)	**-**	-
- Other expenses	**2.06**	0.60	**(2.06)**	(0.60)	**-**	-
Total	**27.27**	**15.09**	**(27.27)**	**(15.09)**	**-**	**-**

Cash Flow	Continuing Operations		Discontinuing Operations		TOTAL	
Net Cash from / (used in) Operating Activities	**85.25**	34.94	**(26.25)**	31.86	**59.00**	66.80
Net Cash from / (used in) Investing Activities	**48.60**	(16.02)	**(15.19)**	(9.48)	**33.41**	(25.50)
Net Cash from / (used in) Financing Activities	**(64.47)**	(19.85)	**(26.88)**	(24.61)	**(91.35)**	(44.46)

41. PROVISION FOR WATER CHARGES (DISPUTED):

Rs. Crores

Particulars	Opening balance	Provision made during the year	Amount utilised / written back	Closing balance
Water Charges	0.57	2.94	-	3.51
	(0.57)	-	-	(0.57)

Note: Previous year's figures have been disclosed in parenthesis.

The details regarding dispute in water charges have been mentioned in Note 27(e). The outflow is expected to happen only on settlement of litigation between the Company and Irrigation department.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

42. 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, 386,000 Options have lapsed till 31st March, 2011. No Options have 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 each 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 each vesting, provided that at the end of five (5) years from the date of each 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, 2011	712,000	96
Options exercised during the year	-	-
Options outstanding on 31st March, 2012	712,000	96
Options vested but not exercised on 31st March, 2012	712,000	96

Information in respect of Options outstanding as at 31st March,2012:

Exercise price	**Number of Options**	**Weighted average Remaining life**
Rs. 99.00	631,500	-
Rs. 73.00	80,500	0.59 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 vesting, 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

accordingly on a straight line basis over the vesting periods. Consequently salaries, wages, bonus, etc. includes debit of Rs. 0.00* Crore (2010-11: credit of Rs.0.03 Crore) being the amortization of deferred employees compensation, after adjusting for reversals on account of options lapsed.

Had the Company adopted fair value method in respect of Options granted, the employee compensation cost would have been higher by Rs. 0.01 Crore (2010-11: Rs. 0.06 Crore), Profit for the year lower by Rs. 0.01 Crore (2010-11: loss for the year higher by Rs. 0.04 Crore) and there would be no impact on the basic and diluted earnings per share as the charge is negligible (2010-11: the basic and diluted EPS lower by Rs. 0.01).

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.

* Denotes amounts less than 50,000/-

43. EMPLOYEE BENEFIT PLANS:

A Defined benefit plans:

Provident Fund:

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 Company has contributed Rs. 2.05 Crores (Steel: Rs. 1.13 Crores, Stamping: Rs. 0.92 Crore) (2010-11: Rs.1.73 Crores-Steel: Rs.1.07 Crores, Stamping Rs. 0.66 Crore) 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 as Defined Benefit Plans, since the Company is obliged to meet interest shortfall, if any, with respect to covered employees. According to the actuarial Valuation, the Defined Benefit Obligation of Interest rate Guarantee on exempted Provident Fund in respect of employees of the Company as at 31st March, 2012 works out to Rs. NIL and hence no provision is required to be provided for in the books of accounts (2010-11: Rs. 0.86 Crore) towards the guarantee given for notified interest rates.

In carrying out an actuarial valuation of interest rate guarantee on exempt provident fund liability, expected investment return is compared with the guaranteed rate of interest, the present value of annuity factor for a term of the obligation is determined and these are applied to accumulated value of the provident fund to arrive at the Defined Benefit Obligation.

The above process is carried out for 100 Basis Points upward and downward shifts in the expected rate of return and Defined Benefit Obligation of the interest rate guarantee is determined under these two scenarios. Defined Benefit Obligation of the interest rate guarantee is equal to the average of the Defined Benefit Obligation determined under all three scenarios above. The actuarial valuation is carried out using the projected accrued benefit method.

The major categories 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	
	2011-12	2010-11
Bonds and Securities of Central Government	**14.56**	13.36
Bonds and Securities of State Government	**9.93**	9.74
Bonds and Securities of Public Sector Undertakings	**38.34**	36.23
Special Deposits with Banks	**37.17**	40.67

Actuarial assumptions made to determine Interest Rate Guarantee on Exempt Provident Fund Liabilities are as follows:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	31st March, 2012
Discount Rate for the term of the Obligation	**8.40%**
Average Historic Yield on the Investment Portfolio	**8.42%**
Discount Rate for the remaining term to maturity of the Investment Portfolio	**8.55%**
Expected Investment Return	**8.27%**
Guaranteed Rate of Return	**8.25%**

Gratuity:

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 stamping 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.

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

		GRATUITY	
Particulars		**31st March, 2012 Rs. Crores**	31st March, 2011 Rs. Crores
I	**Expenses / (Income) recognised in the Statement of Profit and Loss for the year ended 31st March, 2012** (Disclosed in Note 20 under the head 'Contribution to Gratuity fund')		
1.	Current Service Cost	**0.97**	0.78
2.	Past Service Cost	**-**	0.42
3.	Interest Cost	**1.28**	1.15
4.	Expected return on plan assets	**(1.19)**	(1.21)
5.	Actuarial (Gains)/ Losses	**0.35**	0.22
6.	Total Expense / (Income)	**1.41**	1.36
II	**Net Asset / (Liability) recognised in the Balance Sheet as at 31st March, 2012**		
1.	Present Value of Defined Benefit Obligation as at 31st March, 2012	**17.50**	16.19
2.	Fair value of plan assets as at 31st March, 2012	**(16.02)**	(15.15)
3.	Net Asset/(Liability) as at 31st March, 2012	**(1.48)**	(1.04)
III	**Change in Obligation during the year ended 31st March, 2012**		
1.	Present Value of Defined Benefit Obligation at the beginning of the year	**16.19**	15.01
2.	Current Service Cost	**0.97**	0.78
3.	Past Service Cost	**-**	0.42
4.	Interest Cost	**1.28**	1.15
5.	Actuarial (Gains)/ Losses	**0.48**	(0.04)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

		GRATUITY	
Particulars		**31st March, 2012 Rs. Crores**	31st March, 2011 Rs. Crores
6.	Benefit Payments	**(1.42)**	(1.13)
7.	Present Value of Defined Benefit Obligation as at the end of the year	**17.50**	16.19
IV	**Change in Assets during the year ended 31st March, 2012**		
1.	Plan assets at the beginning of the year	**15.15**	15.33
2.	Expected return on plan assets	**1.19**	1.21
3.	Contributions by employer	**0.97**	-
4.	Actual benefits paid	**(1.42)**	(1.13)
5.	Actuarial Gains/ (Losses)	**0.13**	(0.26)
6.	Plan assets at the end of the year	**16.02**	15.15
V	**Actual return on Plan Assets (1+2)**	**1.32**	0.95
1.	Expected return on plan assets	**1.19**	1.21
2.	Actuarial Gains/ (Losses)	**0.13**	(0.26)
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:**		
1.	Discount Rate	**8.40%**	8.10%
2.	Expected rate of return on plan assets	**8.50%**	8.50%
3.	Mortality pre-retirement	**1994-96 Mortality base**	1994-96 Mortality base
4.	Mortality post-retirement	**-**	-
5.	Turnover rate	**1 to 2%**	1 to 2%
6.	Salary escalation rate	**7.50%**	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 / (Liabilities) recognised in the Balance Sheet as at respective year ends and experience adjustments:

Particulars	**31st March, 2012**	31st March, 2011	31st March, 2010	31st March, 2009	31st March, 2008
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
1. Present Value of Defined Benefit Obligation	**17.50**	16.19	15.01	14.86	11.61
2. Fair value of plan assets	**(16.02)**	(15.15)	(15.33)	(11.99)	(10.28)
3. Funded Status [Surplus/(Deficit)]	**(1.48)**	(1.04)	0.32	(2.87)	(1.33)
4. Net Asset/(liability)	**(1.48)**	(1.04)	0.32	(2.87)	(1.33)
5. Experience adjustment arising on:					
a. Plan Liabilities	**0.83**	0.18	0.42	0.14	0.63
b. Plan Assets	**0.13**	(0.26)	0.34	0.02	0.40

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

term of the obligations.

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

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

F. Defined Contribution Plans:

The Company makes contribution to Employees' pension scheme, Superannuation fund and Employees' State Insurance Scheme (ESIS), which are 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 employees' pension scheme, Superannuation fund and ESIS are recognised in the Statement of Profit and Loss. These amounts are recognised as an expense and included in Note 20 of the Statement of Profit and Loss under the heading "Employee benefit expenses" in line item "Contribution to provident and other funds". Company's contribution to ESIS is recognised as an expense in the line item "Staff welfare expenses".

		31st March, 2012	31st March, 2011
		Rs. Crores	Rs. Crores
Continuing operations - Stamping division			
i)	Superannuation fund	**0.17**	0.05
ii)	Employees' pension scheme	**0.75**	0.54
iii)	Employees State Insurance Scheme	**0.30**	0.30
Discontinuing operations - Steel division			
i)	Superannuation fund	**0.45**	0.51
ii)	Employees' pension scheme	**0.48**	0.44

44. The net foreign exchange loss debited to the Statement of Profit and Loss is Rs. 6.16 Crores (2010-2011: Rs. 1.48 Crores) of which Rs. 6.17 Crores (2010-2011: Rs. 1.43 Crores) pertains to discontinuing operations.

45. Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

Signature to Notes 1 to 45

For and on behalf of the Board

Keshub Mahindra Chairman
Uday Gupta Managing Director
Hemant Luthra
R.R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Niranjan Mishra
Nikhilesh Panchal
Directors

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies for the financial ended 31st March, 2012.

Name of the Subsidiary Companies.	Number of shares in the Subsidiary Company held by Mahindra Ugine Steel Company Limited at financial year ending date		The net aggregate of profits / (losses) of the Subsidiary Company so far as they concern the members of Mahindra Ugine Steel Company Limited.			
			For Current Financial Year		For Previous Financial Years	
	Equity	Extent of holding	Dealt with in the accounts of Mahindra Ugine Steel Company Limited for the year ended 31st March, 2012.	Not Dealt with in the accounts of Mahindra Ugine Steel Company Limited for the year ended 31st March, 2012.	Dealt with in the accounts of Mahindra Ugine Steel Company Limited for the year ended 31st March, 2012.	Not Dealt with in the accounts of Mahindra Ugine Steel Company Limited for the year ended 31st March, 2012.
	Nos.	%	Rupees crores	Rupees crores	Rupees crores	Rupees crores
Navyug Special Steel Private Limited.	10,000	100%	-	(0.01)	-	-

Summary of Financial Information of Subsidiary company as per Section 212 of the Companies Act, 1956.

Rupees

Name of the subsidiary	Capital (including preference capital)	Reserves and surplus	Total assets	Total liabilities	Details of investments (excluding investments in subsidiaries)	Gross turnover	Profit / (loss) before tax	Provision for tax	Profit/ (loss) after tax	Proposed dividend & tax thereon	Country
Navyug Special Steel Pvt. Ltd.	100,000	(57,168)	110,012	(42,832)	-	-	(57,168)	-	(57,168)	-	India

AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF MAHINDRA UGINE STEEL COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of **MAHINDRA UGINE STEEL COMPANY LIMITED** ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at 31st March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investment in an associate accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated 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. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.

4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiary and an associate and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2012;

   (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and

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

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

Rajesh K Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 2nd May, 2012

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2012

		Note No.	31st March, 2012 Rs. Crores
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital		1	**32.48**
(b) Reserves and surplus		2	**169.62**
			202.10
Non-current liabilities			
(a) Long-term borrowings		3	**27.86**
(b) Deferred tax liability (Net)*(See Note 31)*			**23.00**
(c) Long-term provisions		4	**9.74**
			60.60
Current liabilities			
(a) Short-term borrowings		5	**209.90**
(b) Trade payables		6	**295.06**
(c) Other current liabilities		7	**92.58**
(d) Short-term provisions		8	**12.19**
			609.73
	TOTAL		**872.43**
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets		9	**318.60**
(ii) Intangible assets		9	**0.06**
(iii) Capital work-in-progress			**6.43**
(b) Non-current investments		10	**14.09**
(c) Long-term loans and advances		11	**46.22**
			385.40
Current assets			
(a) Inventories		12	**172.47**
(b) Trade receivables		13	**289.65**
(c) Cash and cash equivalents		14	**3.01**
(d) Short-term loans and advances		15	**20.88**
(e) Other current assets		16	**1.02**
			487.03
	TOTAL		**872.43**
See accompanying notes forming part of the consolidated financial statements		1 - 34	

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

Rajesh K. Hiranandani
Partner

Mumbai : 2nd May, 2012

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

For and on behalf of the Board

Keshub Mahindra Chairman
Uday Gupta Managing Director
Hemant Luthra
R.R. Krishnan
Manoj Maheshwari
Harsh Kumar
S. Ravi
Sanjiv Kapoor
Niranjan Mishra
Nikhilesh Panchal
Directors

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

		Note No.	31st March, 2012 Rs. Crores
I	Revenue from operations	17	**1,679.42**
	Less : Excise duty		**143.77**
			1,535.65
II	Other income	18	**5.87**
III	**Total revenue (I+II)**		**1,541.52**
IV	Expenses:		
	Cost of raw materials and components consumed (includes processing cost Rs.18.63 crores)		**1,029.58**
	Changes in inventories of finished goods and work-in-progress	19	**(2.26)**
	Employee benefit expenses	20	**98.57**
	Finance costs	21	**56.84**
	Depreciation and amortisation expense *(See Note 9)*		**31.44**
	Other expenses	22	**363.21**
	Total expenses		**1,577.38**
V	**(Loss) before exceptional item and tax (III-IV)**		**(35.86)**
VI	Exceptional item - profit on sale of land		**88.57**
VII	Profit for the year before tax (V+VI)		**52.71**
VIII	Tax expense/(credit) :		
	- Current tax (MAT)		**10.40**
	- MAT credit entitlement (including credit recognised for an earlier year of Rs. 1.00 Crore; 2010-11 - Rs. Nil)		**(11.12)**
	- Deferred tax		**16.48**
	- (Excess)/short provision in respect of earlier years		**0.07**
			15.83
	Profit for the year before share of profit/ (loss) (net) in an associate (VII-VIII)		**36.88**
IX	Share of profit/ (loss) (net) in respect of investment in an associate		**-**
X	**Profit for the year**		**36.88**
XI	Earnings per equity share (EPS) *(See Note 30)*		
	- Basic EPS (face value Rs.10 per share)		
	- Before exceptional item (in Rupees)		**(7.06)**
	- After exceptional item (in Rupees)		**11.36**
	- Diluted EPS (face value Rs.10 per share)		
	- Before exceptional item (in Rupees)		**(7.06)**
	- After exceptional item (in Rupees)		**11.36**
	See accompanying notes forming part of the consolidated financial statements	1 - 34	

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

Rajesh K. Hiranandani
Partner

Mumbai : 2nd May, 2012

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

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Nikhilesh Panchal
Directors

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	Rs. Crores	31st March, 2012 Rs. Crores
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax		52.71
Adjustments for:		
Depreciation and amortisation	**31.44**	
(Profit) / loss on sale / write off of fixed assets (net)	**(88.08)**	
Expense on employee stock option scheme	**0.00** *	
Finance costs	**56.84**	
Interest income	**(0.70)**	
Dividend income	**(0.00)** *	
Provision for doubtful trade receivables and loans and advances written back (net)	**(4.09)**	
Provision for water charges (disputed)	**2.94**	
Net unrealised exchange loss	**3.37**	
		1.72
Operating profit before working capital changes		54.43
Changes in working capital		
Adjustments for (increase) / decrease in operating assets:		
Inventories	**(9.32)**	
Trade receivables	**(19.12)**	
Short-term loans and advances	**0.70**	
Long-term loans and advances	**(2.44)**	
Other current assets	**(0.13)**	
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	**34.36**	
Other current liabilities	**1.86**	
Short-term provisions	**(0.54)**	
Long-term provisions	**0.38**	
		5.75
Cash generated from operations		60.18
Income tax (paid)		(1.18)
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES (A)		59.00
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on fixed assets, including capital advances	**(56.52)**	
Proceeds from sale of land	**89.05**	
Proceeds from sale of other fixed assets	**0.19**	
Interest received		
- Others	**0.70**	
Dividend received		
- Others	**0.00** *	
		33.42
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES (B)		33.42

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars		31st March, 2012
	Rs. Crores	Rs. Crores
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	**38.88**	
Repayment of long-term borrowings	**(74.52)**	
Net increase / (decrease) in working capital borrowings	**(23.89)**	
Proceeds from other short-term borrowings	**25.00**	
Finance costs	**(56.82)**	
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES (C)		(91.35)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		1.07
Cash and cash equivalents at the beginning of the year		1.51
Cash and cash equivalents at the end of the year #		2.58
Reconciliation of cash and cash equivalents with the balance sheet:		
Cash and cash equivalents as per balance sheet - *(See Note 14)*		3.01
Less: Bank balances not considered as cash and cash equivalents (See Note (i) below)		
- Earmarked balances	**0.40**	
- Margin money/security deposit balances	**0.03**	0.43
Net cash and cash equivalents at the end of the year #		2.58
# Comprises:		
(a) Cash on hand	**0.06**	
(b) Cheques, drafts on hand	**1.95**	
(c) Balances with banks		
- In current accounts	**0.57**	
		2.58

* denotes amounts less than Rs. 50,000

Note:

(i) The Bank balances in earmarked accounts relate to balances for unclaimed dividends and interest on fixed deposits and the balances in margin money/security deposits can be used by the Company for only specific identified purposes.

See accompanying notes 1 to 34 forming part of the consolidated financial statements

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

Rajesh K. Hiranandani
Partner

Mumbai : 2nd May, 2012

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

For and on behalf of the Board

Keshub Mahindra Chairman
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Nikhilesh Panchal
Directors

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. Crores
1. SHARE CAPITAL	
Authorised Capital	
119,000,000 Equity shares of Rs.10 each	**119.00**
3,100,000 Redeemable cumulative preference shares of Rs.100 each	**31.00**
Issued, subscribed and fully paid up	
32,482,529 Equity shares of Rs.10 each fully paid up	**32.48**
	32.48

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the year:

There is no movement in the share capital of the Company during the year.

(b) Terms/rights and restrictions attached to equity shares:

The Company has only one class of equity shares having a face value of Rs. 10 per share. The rights of the equity shareholders rank pari-passu for all matters, including dividend and each shareholder is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by the ultimate holding company:

16,466,789 equity shares (2010-11 - 16,466,789 equity shares) are held by Mahindra & Mahindra Limited (M & M), the holding company.

(d) Shares held by each shareholder holding more than 5% shares, specifying the number of shares held:

	31st March, 2012
Mahindra & Mahindra Ltd	
- Number of shares held	16,466,789
- Percentage holding	50.69
Girdharilal Agrawal	
- Number of shares held	1,921,452
- Percentage holding	5.92

(e) Shares reserved for issue under ESOP scheme:

Number of shares reserved for ESOP scheme	712,000
Number of shares vested but not exercised	712,000

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

		31st March, 2012 Rs. Crores	
2.	**RESERVES AND SURPLUS**		
	(a) Capital Reserve		
	- As per last balance sheet	0.00	*
		0.00	*
	(b) Capital Redemption Reserve Account		
	- As per last balance sheet	16.46	
		16.46	
	(c) Share Options Outstanding Account		
	- As per last balance sheet	1.26	
	Add : Current year charge	0.00	*
		1.27	
	(d) General Reserve		
	- As per last balance sheet	74.72	
		74.72	
	(e) Surplus i.e. Balance in the Statement of Profit and Loss		
	- As per last balance sheet	40.29	
	Add : Profit during the year	36.88	
		77.17	
		169.62	
	*denotes amounts less than Rs. 50,000		
3.	**LONG-TERM BORROWINGS**		
	Secured		
	Term loans		
	- From banks	27.86	
		27.86	
4.	**LONG-TERM PROVISIONS**		
	Provision for employee benefits		
	- Compensated absences	6.13	
	- Other employee benefits	0.10	
	Provision for water charges (disputed) (See Note 32)	3.51	
		9.74	

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

			31st March, 2012
		Rs. Crores	Rs. Crores
5.	**SHORT-TERM BORROWINGS**		
	Secured		
	Loans repayable on demand - from banks		
	- Cash credit and working capital demand loan balances		**98.25**
	(secured by hypothecation of raw materials, finished goods, work in progress, stores, book debts, etc)		
	Unsecured		
	Deposits - Inter corporate deposit		**25.00**
	Other loans and advances		
	- Short term advances - from banks		**86.65**
			209.90
6.	**TRADE PAYABLES**		
	Acceptances		**155.90**
	Due to micro and small enterprises		**3.32**
	Due to others		**135.84**
			295.06
7.	**OTHER CURRENT LIABILITIES**		
	Current maturities of long-term debt		**70.27**
	Interest accrued but not due on borrowings		**1.86**
	Interest accrued and due on borrowings		**1.53**
	Unclaimed dividends		**0.37**
	Unclaimed matured deposits and interest on fixed deposits		**0.03**
	Other payables		
	- Statutory dues	**6.87**	
	- Capital creditors	**3.21**	
	- Trade advance	**5.00**	
	- Security deposits received	**2.31**	
	- Others	**1.13**	**18.52**
			92.58
8.	**SHORT-TERM PROVISIONS**		
	Provision for employee benefits		
	- Compensated absences	**1.03**	
	- Gratuity (Funded) (See Note 33)	**1.48**	
	- Other employee benefits	**0.02**	**2.53**
	Provision for taxation (net of advance tax)		**9.66**
			12.19

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

9. FIXED ASSETS

Rs. Crores

Particulars	COST				DEPRECIATION				WRITTEN DOWN VALUE
	As at 1st April, 2011	Additions and adjustments	Deletions and adjustments	**As at 31st March, 2012**	As at 1st April, 2011	For the year	Deletions and adjustments	**As at 31st March, 2012**	**As at 31st March, 2012**
Tangible assets:									
Freehold land	1.01	-	0.49	**0.52**	-	-	-	**-**	**0.52**
Leasehold land	0.95	1.41	-	**2.36**	0.24	0.06	-	**0.30**	**2.06**
Buildings	60.20	8.73	0.76	**68.17**	21.36	1.98	0.24	**23.10**	**45.07**
Plant and equipment	500.13	52.44	0.20	**552.37**	257.70	28.32	0.16	**285.86**	**266.51**
Furniture and fixtures	2.84	0.25	0.02	**3.07**	1.47	0.17	0.03	**1.61**	**1.46**
Office equipment	2.08	0.45	0.04	**2.49**	0.91	0.19	0.02	**1.08**	**1.41**
Computers	5.36	0.59	0.32	**5.63**	5.17	0.22	0.32	**5.07**	**0.56**
Vehicles	3.71	0.60	0.63	**3.68**	2.77	0.43	0.53	**2.67**	**1.01**
	576.28	64.47	2.46	**638.29**	289.62	31.37	1.30	**319.69**	**318.60**
Intangible assets:									
Computer software	4.12	0.02	-	**4.14**	4.01	0.07	-	**4.08**	**0.06**
Total	**580.40**	**64.49**	**2.46**	**642.43**	**293.63**	**31.44**	**1.30**	**323.77**	**318.66**

	31st March, 2012 Rs. Crores
10. NON-CURRENT INVESTMENTS	
Trade investments: (fully paid up) (At cost)	
a) Investments in equity shares	
- Quoted	**0.03**
- Unquoted	**6.19**
b) Investments in preference shares	
- Unquoted	**7.81**
Other Investments: (fully paid up) (At cost)	
a) Investments in equity shares	
(i) Investment in an associate : (See Note 24)	
- Unquoted	**-**
(ii) Investment in other companies :	
- Quoted	**0.00** *
- Unquoted	**0.36**
	14.39
Less : Provision for diminution	**0.30**
	14.09
Notes : (1) Aggregate of quoted investments :	
- Cost	**0.03**
- Market value	**0.50**
(2) Aggregate of unquoted investments :	
- Cost	**14.36**

* denotes amounts less than Rs. 50,000

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

			31st March, 2012
		Rs. Crores	Rs. Crores
11.	**LONG-TERM LOANS AND ADVANCES**		
	(Unsecured, considered good unless otherwise stated)		
	Capital advances		**5.52**
	Security deposits		**4.74**
	Loans and advances to a related party (See Note 29)		
	- Security deposit to holding company		**0.57**
	Other loans and advances		
	- Taxation - advance tax less provision for tax		**22.77**
	- MAT credit entitlement		**11.12**
	- Employee loans and advances		**0.45**
	- Advances (considered doubtful)	**2.73**	
	Less : Provision for doubtful advances	**2.73**	**-**
	- Others		**1.05**
			46.22
12.	**INVENTORIES**		
	(At lower of cost and net realisable value)		
	Raw materials		**54.65**
	(includes in transit Rs. 14.15 Crores)		
	Work-in-progress		**69.88**
	Finished goods		**12.67**
	(includes in transit Rs. 6.74 Crores)		
	Stores and spares		**33.73**
	(includes in transit Rs. 0.53 Crore)		
	Loose tools		**1.54**
			172.47
13.	**TRADE RECEIVABLES**		
	(Unsecured)		
	Outstanding for a period exceeding six months from the date they were due for payment		
	- considered good		**24.15 #**
	- considered doubtful		**4.51**
	Others		
	- considered good		**265.50 ##**
	- considered doubtful		**1.14**
			295.30
	Less :- Provision for doubtful debts		**5.65**
			289.65

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

		31st March, 2012
	Rs. Crores	Rs. Crores
# Includes Rs.17.01 Crores, due from Rail Wheel Factory, Bangalore (Ministry of Railways) [RWF], in respect of supplementary invoices towards price variation, determined in accordance with the applicable indices as communicated earlier by RWF in June 2011. As per the recent communication received from RWF in March, 2012, RWF has revised the indices, on the basis of which the amount receivable works out to approximately Rs. 8.84 Crores. The Company is disputing the very basis of RWF revising the indices and is in discussion with the RWF for settlement at earlier agreed indices. Accordingly, the aforesaid amount of Rs. 17.01 Crores is considered good and recoverable.		
# # Debts due by a private company in which a director is a director		0.73
14. CASH AND CASH EQUIVALENTS		
- Cash on hand		0.06
- Cheques on hand		1.95
- Balances with banks		
- In current accounts		0.57
- Other bank balances :		
- Earmarked balances		
- In earmarked current accounts for :		
- Unclaimed dividend/interest on fixed deposits accounts		0.39
- In earmarked fixed deposits for :		
- Unclaimed deposits (as per Companies (Acceptance of Deposits) Rules,1975)		0.01 @
- Margin money/security deposits		0.03 @
		3.01
@ The margin money/security deposits have original maturity of more than twelve months.		
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 'Cash Flow Statements' are		2.58
15. SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Other loans and advances		
- Trade advance		
- considered good		5.16
- considered doubtful	0.54	
Less : Provision for doubtful advance	(0.54)	-
- Balances with excise, customs and other statutory authorities		12.05
- Prepaid expenses		2.04
- Employee loans and advances		0.46
- Others		1.17
		20.88
16. OTHER CURRENT ASSETS		
Unamortised premium on forward contracts		1.02
		1.02

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	31st March, 2012 Rs. Crores
17. REVENUE FROM OPERATIONS	
Sale of Products:	
- Pressed metal, sheet components and dies	**652.44**
- Tool alloy and special steel	**909.75**
Sale of Services:	
- Income from processing	**11.10**
- Other operating revenue	
- Scrap sales	**104.71**
- Others	**1.42**
	1679.42
Less: Excise duty	**143.77**
	1535.65

18. OTHER INCOME	
Interest Income	**0.70**
(includes interest of Rs. 0.35 Crore on Income Tax Refund)	
Dividend income	**0.00** *
Rent income	**0.18**
Profit on sale of fixed assets (net)	**0.09**
Provision for doubtful debts/ advances written back	**4.09**
Other non-operating income	**0.81**
	5.87

*denotes amounts less than Rs. 50,000

19. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS	
Opening stock :	
Work-in-progress	**73.59**
Finished goods	**6.70**
Total	**80.29**
Less:	
Closing stock :	
Work-in-progress	**69.88**
Finished goods	**12.67**
	82.55
Net change - (increase) / decrease	**(2.26)**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

			31st March, 2012
		Rs. Crores	Rs. Crores
20.	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries and wages		83.74
	Contribution to		
	- Provident and other funds	3.90	
	- Gratuity fund	1.41	
			5.31
	Employee stock option scheme charge		0.00 *
	Staff welfare expenses		9.52
			98.57
	*denotes amounts less than Rs. 50,000		
21.	**FINANCE COSTS**		
	Interest expense on		
	- borrowings	53.28	
	- income tax	0.23	
	- others	0.76	
			54.27
	Other borrowing costs		2.57
			56.84
22.	**OTHER EXPENSES**		
	Stores consumed		64.78
	Packing material consumed		3.64
	Power and fuel		197.19
	Rent including lease rentals		2.00
	Rates and taxes		2.53
	Insurance		1.03
	Repairs and maintenance		
	- Buildings		2.55
	- Machinery		20.22
	- Others		9.61
	Legal and professional charges		12.02
	Freight outward		10.31
	Loss/(gain) on foreign exchange transactions and translations		6.16
	Loss on fixed assets scrapped/written off		0.58
	Bad debts/ advances written off		0.09
	Excise duty charge		0.44
	Provision for water charges (disputed) (See Note 32)		2.94
	Miscellaneous expenses		27.12
			363.21

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

23. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting and preparation of financial statements:

The financial statements have been prepared on accrual basis and comply in all material respects with the Generally Accepted Accounting Principles in India (Indian GAAP) and the relevant provisions of the Companies Act, 1956 including Accounting Standards notified under the said Act.

b) Use of estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported revenue and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

c) (A) Tangible 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 Statement of Profit and Loss.

(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.

d) Investments:

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

e) Inventories:

Inventories are valued 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.

f) Foreign exchange transactions:

Foreign exchange transactions are initially recognised at the exchange rate prevailing on the transaction date. At each balance sheet date foreign currency monetary items are translated at the relevant rates of exchange prevailing at the date. In respect

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

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 Statement of Profit and Loss.

g) Revenue recognition:

Sales of products are recognised when the products are shipped or on transfer of significant risks and rewards of ownership to the buyer depending upon the terms agreed with customers. Sales of services are recognised when the services are rendered. Excise duty (including education cess) recovered are included in the sale of products (Gross). Excise duty (including education cess) in respect of finished goods is shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods.

h) Employee benefits:

i) Provident fund:

The Company's contribution to the recognised provident fund, paid/payable during the year, is debited to the Statement of Profit and Loss. 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/schemes:

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 Statement of Profit and Loss.

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 gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash 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.

i) 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.

j) 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.

k) Earnings per share:

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit or increase the net loss per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

l) Taxes on income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company.

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.

m) Research and development expenditure:

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for tangible fixed assets and intangible assets.

n) Impairment of assets:

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

o) Provisions and contingencies:

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. Contingent liabilities are disclosed in the financial statements.

24. BASIS OF CONSOLIDATION:

a. The consolidated financial statements relate to Mahindra Ugine Steel Company Limited ('the Company'), its subsidiary and an associate. The Company and its subsidiary constitute the Group. These consolidated financial statements have been prepared on the historical cost convention and comply in all material respects with the Accounting Standards notified by Companies Accounting Standard Rules, 2006 and other generally accepted accounting principles.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

b. Principles of Consolidation

The consolidated financial statements have been prepared on the following basis:

i. The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions have been eliminated.

ii. The consolidated financial statements include the share of profit/loss of the associate, which are accounted under the 'Equity method' and accordingly, the share of profit/loss of the associate (the loss being restricted to the cost of investment) has been added to / deducted from the cost of investments. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.

iii. The excess of cost to the Company of its investment in subsidiary over its share of the equity of the subsidiary company at the dates on which the investments in the subsidiary company is made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in subsidiary as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and surplus', in the consolidated financial statements.

iv. Minority interest in the net assets of consolidated subsidiary company, if any, consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary company and further movements in their share in the equity, subsequent to the dates of investments.

c. The following subsidiary company is considered in the consolidated financial statements:

Name of the subsidiary company	Country of incorporation	% of holding
Navyug Special Steel Private Limited	India	100.00

d. The particulars of investment in an associate company as at 31st March, 2012 is as follows:

(Rs. Crores)

Name of the Associate	Country of incorporation	Ownership Interest (%)	Original Cost of Investment	Amount of Goodwill / (Capital Reserve) in Original Cost	Share of post acquisition Reserves and Surplus	Carrying Cost of Investment
Mahindra Hotels and Resorts Limited	India	49.90	0.05	Nil	(0.05)	-

25. Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st March, 2012 Rs. 8.27 Crores.

26. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF :

a) Bills discounted but not matured Rs. 23.82 Crores.

- Represents customers' bills discounted.

b) Excise duty and Service Tax:

Excise matters for which the Company is contingently liable amounting Rs. 11.72 Crores. This includes:

i) Rs. 0.52 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

ii) Rs. Nil - 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 case was remanded back to CESTAT which in turn remanded it back to the Commissioner. The Commissioner had raised a demand of Rs. 1.38 Crores with an equal penalty amount. The Company had again filed an appeal against the order with CESTAT who had remanded the case back to adjudicating authority to requantify the demand for the normal period of limitation. The Company has, based on such Order, quantified the amount and has deposited the duty with interest during the year. However, the final Order approving the amount of duty and interest has yet to be received by the Company.

iii) Rs. 4.65 Crores - relating to alleged availment of Cenvat credit on invoices issued by certain registered dealers without actually receiving the material covered therein. The Commissioner has raised a demand of Rs. 1.37 Crores with an equal amount of interest and penalty. The Company has filed an appeal in CESTAT against the said demand.

iv) Rs. 0.39 Crore being matters related to availment of service tax credit.

v) Rs. 1.63 Crores - being other matters.

In respect of (b) (i) above and other valuation issues, the excise department has continued to issue show cause cum demand notices for subsequent periods aggregating Rs. 4.53 Crores.

c) Sales Tax:

Sales Tax matters for which the Company is contingently liable amounting Rs. 9.31 Crores. This includes:

i) a demand of Rs. 8.51 Crores for F.Y. 2006-07 and F.Y. 2007-08 by treating the branch transfer of goods as sales made by the Company and for non submission of ‘C’ forms. The amount is inclusive of interest and penalty. The Company has filed an appeal in Sales Tax Tribunal against the said demand.

ii) Other sales tax matters Rs. 0.80 Crore.

d) Taxation demands against which the Company is in appeal Rs. 17.18 Crores.

e) Other matter for which the Company is contingently liable is Rs. 58.14 Crores. This represents dispute in the rate of water charges, inclusive of penal charge of Rs. 10.02 Crores and late fee charge of Rs. 22.30 Crores, demanded by the Irrigation department.

During the year under review, the Hon’ble Court of Alibag district, before whom the appeal was filed by the Irrigation Department against the Order of the Court of the Civil Judge, Senior Division Panvel, decided the appeal against the Company. Consequently the Company filed an appeal before the Hon’ble High Court of Judicature of Bombay challenging the Order of the Alibag Court. The Hon’ble Bombay High Court has admitted the appeal for the disputed period of July 1991 to March 2001 only, since for the period April 2001 onwards there has been no agreement in force between the Company and the Irrigation department. As per the directions of the Hon’ble Bombay High Court, the Company has deposited Rs. 2.87 Crores with the Hon’ble Bombay High Court, being the demand as per the Irrigation Department for the said period of 1991 to 2001. In respect of the demand from period April 2001 onwards, the Company has filed a writ petition before the Hon’ble Bombay High Court and the writ is due for admission.

Of the above demand, the Company has paid and charged an amount of Rs. 0.59 Crore and has made a provision of Rs. 3.51 Crores for the period from July 1991 to March 2012 based on Company’s assessment of water charges dues after taking into consideration the legal advice.

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

i. Rs. 17.99 Crores inclusive of interest and penalty of Rs. 14.04 Crores pertaining to payment of custom duty in respect of the Value Based Advance Licenses (VBAL) purchased by the Company and used for import of goods. The export obligation against the above VBAL was already fulfilled by the seller of the license. The Company appealed against the

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

said notice with CESTAT who had set aside the impugned order and has remanded the case back to the Commissioner for reconsideration. The Commissioner has reconsidered the case and has raised the demand. The Company will appeal against the same in CESTAT.

ii. Claim pertaining to material supply contract Rs. 9.46 Crores. The matter is under arbitration.

iii. Claims relating to lease rentals Rs. 0.95 Crore.

27. FOREIGN CURRENCY EXPOSURES:

The Company has entered into forward exchange contracts and plain vanilla options [being derivative instruments], 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, 2012:

Currency	Amount in Crores	Buy/Sell	Cross Currency
US Dollar	**1.82**	**Buy**	**Rupees**

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

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

	Indian Rupees (in Crores)	Foreign Currency (in Crore)
• Import of goods and services	**8.67**	**US $ 0.17**
	1.91	**Euro 0.03**

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

	Indian Rupees (in Crores)	Foreign Currency (in Crore)
• Export of goods and services	**1.34**	**US $ 0.03**
	2.08	**Euro 0.03**

The Company has outstanding borrowings of JPY 112.97 Crores which is equivalent of US $ 0.95 Crore 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.

28. SEGMENT REPORTING:

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

a) Primary segment information (Business segment)

Sr. No.	Particulars	31st March, 2012 Rs.Crores
1	Segment revenue (net) (external sales)	
	- Steel	832.39
	- Stamping	703.26
	- Segment total	1,535.65
2	Segment result	
	- Steel	(28.23)
	- Stamping (includes profit on sale of land Rs. 88.57 Crores)	146.44
	- Segment total	118.21
	Unallocated corporate expenses net of unallocated income	(9.36)
	Profit before finance costs, interest income and tax expense	108.85
	Finance costs	(56.84)
	Interest income	0.70
	Tax expense	(15.83)
	Profit / (Loss) for the year	36.88
3	Segment assets	
	- Steel	530.23
	- Stamping	304.35
	- Segment total	834.58
	- Unallocated corporate assets	37.85
	Total assets	872.43
4	Segment liabilities	
	- Steel	247.80
	- Stamping	72.97
	- Segment total	320.77
	- Unallocated corporate liabilities	349.56
	Total liabilities	670.33
5	Capital expenditure	
	- Steel	16.35
	- Stamping	40.41
	- Segment total	56.76
6	Depreciation and amortisation expense	
	- Steel	19.62
	- Stamping	11.82
	- Segment total	31.44
7	Non cash expenditure / (write back) (net) other than depreciation	
	- Steel	(1.32)
	- Stamping	0.17
	- Segment total	(1.15)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

b) Secondary segment information (Geographical segment)

Sr. No.	Particulars	31st March, 2012 Rs.Crores
1	Segment revenue	
	- Within India	**1,495.71**
	- Outside India	**39.94**
	Segment total	**1,535.65**
2	Segment assets	
	- Within India	**870.79**
	- Outside India	**1.64**
	Segment total	**872.43**
3	Capital expenditure	
	- Within India	**56.76**
	- Outside India	**-**
	Segment total	**56.76**

29. RELATED PARTY DISCLOSURES:

a) Related parties where Control exists:

Holding Company	Mahindra & Mahindra Ltd.

b) Names of other related parties with whom transactions have taken place during the year

1) Associate Company	Mahindra Hotels and Resorts Ltd.
2) Fellow subsidiaries	Mahindra Forgings Ltd.
	Mahindra Gujarat Tractors Ltd.
	Mahindra Intertrade Ltd.
	Bristlecone India Ltd.
	Mahindra Logistics Ltd.
	Mahindra Gears and Transmission Pvt. Ltd.
	Mahindra Vehicle Manufacturers Ltd.
	Mahindra Steel Service Centre Ltd.
	Mahindra Navistar Automotives Ltd.
	Mahindra BPO Services Pvt. Ltd.
	Mahindra Hinoday Industries Ltd.
	Mahindra Automobile Distributors Pvt. Ltd.
	Metalcastello S.p.A.
	Mahindra First choice Wheels Ltd.
3) Other Group Companies	Mahindra Composites Ltd.
	Mahindra Sona Ltd. (Joint Venture of Holding Company)
4) Key Management Personnel	Mr. K. V. Ramarathnam, Managing Director (upto 4th May, 2011)
	Mr. Uday Gupta, Managing Director (from 5th May, 2011)

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

FS : Fellow Subsidiaries

Rs. in Crores

Sr. No.	Particulars	Holding Co	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	Others - Grp Co	Others - Grp Co	Key Management Personnel	
		Mahindra & Mahindra Ltd	Mahindra Forgings Ltd	Mahindra Gujarat Tractors Ltd	Mahindra Intertrade Ltd	Mahindra Logistics Ltd	Mahindra Gears & Transmission Pvt Ltd	Mahindra Vehicle Manufacturers Ltd.	Mahindra Steel Service Center Ltd	Mahindra Navistar Automotives Ltd.	Mahindra BPO Services Pvt Ltd	Mahindra Hinoday Industries Ltd.	Mahindra Automobile Distributor Pvt Ltd	Metal castello S.p.A	Mahindra First choice Wheels Ltd	Mahindra Composites Ltd	Mahindra Sona Ltd	Mr. Uday Gupta	Mr. K V Ramarathnam
1	Purchases of Goods or Services	-	18.68	0.01	401.89	-	-	-	0.07	-	-	-	-	-	-	0.01	-	-	-
2	Receiving of Services	6.03	-	-	-	0.47	-	-	-	-	0.15	-	-	-	-	-	-	-	-
3	Rent Paid	1.31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Sale of Goods	546.55	120.87	1.72	-	-	2.74	39.00	-	5.47	-	12.35	8.65	0.42	-	-	7.32	-	-
5	Rendering of Services	3.28	-	0.38	-	-	-	-	-	-	-	-	6.01	-	-	-	-	-	-
6	Rent Income	0.14	-	-	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Sale of Fixed Assets	89.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Purchase of Fixed Assets / Capex Services	0.32	-	-	-	-	-	-	-	-	-	0.69	-	-	-	-	-	-	-
9	Deputation of Personnel charge	0.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Remuneration to key managerial personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.81	0.09##
11	Provision for Doubtful Debts made during the year	0.18	0.48	-	-	-	0.00*	*	-	-	-	-	-	-	-	-	0.00*	-	-
12	Provision for Doubtful Debts written back	0.11	1.85	-	-	-	0.16	-	-	-	-	-	-	-	-	-	0.02	-	-
13	Bad Debts Written off	0.07	-	-	-	-	-	-	-	-	-	-	0.02	-	-	-	-	-	-
14	Cash Discount Received	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Cash Discount Paid	-	0.27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Advance Given	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Finance:																		
	Investment in Equity Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Equity Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Interest expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0.76	-	-	-	-
	ICD received	-	-	-	-	-	-	-	-	-	-	-	-	-	31.00	-	-	-	-
	ICD refunded	-	-	-	-	-	-	-	-	-	-	-	-	-	31.00	-	-	-	-
18	Guarantees & Collaterals lapsed / returned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Outstandings																		
	Payables																		
	i) Other payables / Credit Balances	7.60	0.10	-	30.59	0.11	-	-	0.03	-	0.03	0.16	-	-	-	-	-	-	-
	ii) Deposit Received	0.05	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Receivables																		
	i) Other receivables / Other Debtors	88.03	31.29	0.16	-	-	0.73	11.89	-	1.38	-	3.03	2.75	0.07	-	-	1.23	-	-
	ii) Deposits outstanding	0.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	iii) Provision for doubtful debts and advances	0.18	0.23	-	-	-	0.00*	-	-	-	-	-	-	-	-	-	0.00*	-	-

* denotes amount less than Rs. 50,000
excludes Rs 0.32 crore paid towards leave encashment and Gratuity on retirement.
Note:
The transaction amounts reported above are inclusive of applicable taxes

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

30. EARNINGS PER SHARE HAS BEEN COMPUTED AS UNDER:

			31st March, 2012
a)		Profit for the year (Rs. Crores)	**36.88**
b)		Exceptional item [Rs. 88.57 Crores less tax thereon Rs. 28.74 Crores] (Rs. Crores)	**59.83**
c)		Profit/(Loss) for the year before exceptional item (Rs. Crores) (a) - (b)	**(22.95)**
d)		Weighted Average Equity Shares (Nos.)	**32,482,529**
e)		Diluted Equity Shares (Nos.)	**32,482,529**
f)	i)	Basic Earnings per share for (in Rupees)	
		Profit/(Loss) for the year	
		- Before exceptional item (c)/(d)	**(7.06)**
		- After exceptional item (a)/(d)	**11.36**
	ii)	Diluted Earnings per share for (in Rupees)	
		Profit/(Loss) for the year	
		- Before exceptional item (c)/(e)	**(7.06)**
		- After exceptional item (a)/(e)	**11.36**

31. THE COMPONENTS OF DEFERRED TAX LIABILITY AND ASSETS AS AT 31ST MARCH, 2012 ARE AS UNDER:

	31st March, 2012 Rs. Crores
Deferred tax liability:	
- On fiscal allowances on fixed assets	**28.32**
	28.32
Less: Deferred tax assets	
- On employee separation and retirement	**2.36**
- On provision for doubtful debts	**2.01**
- On other timing differences	**0.95**
Deferred tax liability (Net)	**23.00**

32. PROVISION FOR WATER CHARGES (DISPUTED):

Rs. Crores

Particulars	Opening balance	Provision made during the year	Amount utilised / written back	Closing balance
Water Charges	0.57	2.94	-	3.51

The details regarding dispute in water charges have been mentioned in Note 26(e). The outflow is expected to happen only on settlement of litigation between the Company and Irrigation Department.

33. EMPLOYEE BENEFIT PLANS:

A. Defined benefit plans:

Provident fund:

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 Company has contributed Rs. 2.05 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 as defined benefit plans, since the Company is obliged to meet interest shortfall, if any, with respect to covered employees. According to the actuarial valuation, the defined benefit obligation of interest rate guarantee on exempted Provident Fund in respect of employees of the Company as at 31st March, 2012 works out to **Rs. NIL** and hence no provision is required to be provided for in the books of accounts towards the guarantee given for notified interest rates.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

In carrying out an actuarial valuation of interest rate guarantee on exempt provident fund liability, expected investment return is compared with the guaranteed rate of interest, the present value of annuity factor for a term of the obligation is determined and these are applied to accumulated value of the provident fund to arrive at the defined benefit obligation.

The above process is carried out for 100 basis points upward and downward shifts in the expected rate of return and defined benefit obligation of the interest rate guarantee is determined under these two scenarios. Defined benefit obligation of the interest rate guarantee is equal to the average of the defined benefit obligation determined under all three scenarios above. The actuarial valuation is carried out using the projected accrued benefit method.

The major categories 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 31st March, 2012
Bonds and Securities of Central Government	**14.56**
Bonds and Securities of State Government	**9.93**
Bonds and Securities of Public Sector Undertakings	**38.34**
Special Deposits with Banks	**37.17**

Actuarial assumptions made to determine interest rate guarantee on exempt provident fund liabilities are as follows:

Particulars	31st March, 2012
Discount rate for the term of the obligation	**8.40%**
Average historic yield on the investment portfolio	**8.42%**
Discount rate for the remaining term to maturity of the investment portfolio	**8.55%**
Expected investment return	**8.27%**
Guaranteed rate of return	**8.25%**

Gratuity:

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 stamping 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.

Detailed disclosures on defined benefit plan - Gratuity is as follows:

	Particulars	GRATUITY 31st March, 2012 Rs. Crores
I	**Expenses / (Income) recognised in the Statement of Profit and Loss for the year ended 31st March, 2012** (Disclosed in Note 20 under the head 'Contribution to Gratuity fund')	
	1. Current Service Cost	**0.97**
	2. Past Service Cost	**-**
	3. Interest Cost	**1.28**
	4. Expected return on plan assets	**(1.19)**
	5. Actuarial (Gains)/ Losses	**0.35**
	6. Total Expense / (Income)	**1.41**
II	**Net Asset / (Liability) recognised in the Balance Sheet as at 31st March, 2012**	
	1. Present Value of defined benefit obligation as at 31st March, 2012	**17.50**
	2. Fair value of plan assets as at 31st March, 2012	**(16.02)**
	3. Net Asset/(Liability) as at 31st March, 2012	**(1.48)**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

	Particulars	GRATUITY 31st March, 2012 Rs. Crores
III	**Change in Obligation during the year ended 31st March, 2012**	
	1. Present Value of defined benefit obligation at the beginning of the year	**16.19**
	2. Current Service Cost	**0.97**
	3. Past Service Cost	**-**
	4. Interest Cost	**1.28**
	5. Actuarial (Gains)/ Losses	**0.48**
	6. Benefit Payments	**(1.42)**
	7. Present Value of defined benefit obligation as at the end of the year	**17.50**
IV	**Change in Assets during the year ended 31st March, 2012**	
	1. Plan assets at the beginning of the year	**15.15**
	2. Expected return on plan assets	**1.19**
	3. Contributions by employer	**0.97**
	4. Actual benefits paid	**(1.42)**
	5. Actuarial Gains/ (Losses)	**0.13**
	6. Plan assets at the end of the year	**16.02**
V	**Actual return on Plan Assets (1+2)**	**1.32**
	1. Expected return on plan assets	**1.19**
	2. Actuarial Gains/ (Losses)	**0.13**
VI	**The major categories of plan assets as a percentage of total plan**	
	Funded with LIC of India *(see Note below)*	100%
VII	**Actuarial Assumptions:**	**As at 31st March, 2012**
	1. Discount Rate	8.40%
	2. Expected rate of return on plan assets	8.50%
	3. Mortality pre-retirement	1994-96 Mortality base
	4. Mortality post-retirement	-
	5. Turnover rate	1 to 2%
	6. Salary escalation rate	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/ (liabilities) recognised in the balance sheet as at respective year ends and experience adjustments:

Particulars	**31st March, 2012 Rs. Crores**	31st March, 2011 Rs. Crores	31st March, 2010 Rs. Crores	31st March, 2009 Rs. Crores	31st March, 2008 Rs. Crores
1. Present value of defined benefit obligation	**17.50**	16.19	15.01	14.86	11.61
2. Fair value of plan assets	**(16.02)**	(15.15)	(15.33)	(11.99)	(10.28)
3. Funded status [surplus/(deficit)]	**(1.48)**	(1.04)	0.32	(2.87)	(1.33)
4. Net asset/(liability)	**(1.48)**	(1.04)	0.32	(2.87)	(1.33)
5. Experience adjustment arising on:					
a. Plan liabilities	**0.83**	0.18	0.42	0.14	0.63
b. Plan assets	**0.13**	(0.26)	0.34	0.02	0.40

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012

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 like supply and demand in the employment market.

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

F. Defined contribution plans:

The Company makes contribution to Employees' pension scheme, Superannuation fund and Employees' State Insurance Scheme (ESIS), which are 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 employees' pension scheme, Superannuation fund and ESIS are recognised in the Consolidated Statement of Profit and Loss. These amounts are recognised as an expense and included in the Note 20 of the Consolidated Statement of Profit and Loss under the heading "Employee benefit expenses" in line item "Contribution to provident and other funds". Company's contribution to ESIS is recognised as an expense in the line item "Staff welfare expenses".

		31st March, 2012 Rs. Crores
i)	Superannuation fund	**0.62**
ii)	Employees' pension scheme	**1.23**
iii)	Employees State Insurance Scheme	**0.30**

34. The Consolidated Financial Statements (CFS) have been prepared for the first time since Navyug Special Steel Private Ltd. has become a subsidiary of the Company from 11th November, 2011 and hence as per the transitional provisions of Accounting Standard 21 – Consolidated Financial Statements, comparative figures for the previous year are not presented in the CFS.

Signature to Notes 1 to 34

For and on behalf of the Board

Keshub Mahindra	Chairman
Uday Gupta	Managing Director
Hemant Luthra	Directors
R.R. Krishnan	
Manoj Maheshwari	
Harsh Kumar	
S. Ravi	
Sanjiv Kapoor	
Niranjan Mishra	
Nikhilesh Panchal	

Partha Sarathi Roy
Chief Finance Officer

Ajay Kadhao
Company Secretary

Mumbai : 2nd May, 2012

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 49th Annual General Meeting of the Company at Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 on Friday, the 3rd day of August, 2012 at 4.00 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 49th 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 49th Annual General Meeting of the Company to be held at Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020 on Friday, the 3rd day of August, 2012 at 4.00 p.m. and at any adjournment thereof.

Signed this ....…….......... day of 2012

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.*

Rising responsibly by utilising water more efficiently

MUSCO's initiative in rainwater harvesting
as part of the Corporate Social Responsibility programme.

Ground Reality:

Water is often one of the most heavily used resources in industrial operations. With the combination of growing business needs and the regulatory restrictions on water consumption, the judicious marshalling of this precious resource has become an imperative. Thus the need to identify and implement solutions to optimise the consumption of this vital natural resource.

Solution:

The breakthrough came in the form of scientific methods of rainwater harvesting. Taking simple steps like bringing the main incoming water pipeline from underground to above-ground, and making a closed loop internal water circuit, water consumption has been controlled to a great level. In addition, vital projects for internal plant improvement and water neutrality have been successfully carried out. Effective measures have been taken to collect the rooftop rainwater which is recycled and used for multiple applications.

These initiatives have helped us meet our day-to-day water requirement more efficiently and have also made us a proud environmentally responsible corporate citizen.

Registered Office:

Mahindra Ugine Steel Company Limited,
74, Ganesh Apartment, 7th Floor, Opp. Sitaladevi Temple,
L. J. Rd. Mahim (W), Mumbai - 400 016, India
Tel. No.: 91-22-24444287, Fax No.: 91-22-24458196
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MUSCO

Mahindra Ugine Steel Co. Ltd

Mahindra Systech

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