


 **Mahindra Forgings**

**We make it a smooth ride**  
...with innovation, dedication & global integration.



**Mahindra Forgings Limited**  
**10th Annual Report 2008-09**



Mahindra Forgings Limited is among the largest forging companies in the world. Its Indian operations at Chakan, Pune with a state-of-the-art plant has excellent manufacturing facilities. The 6300 T press has enhanced its forging capacity up to 55 kgs per part.

## **Notice**

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of MAHINDRA FORGINGS LIMITED will be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400 034 on Wednesday, 29<sup>th</sup> July, 2009 at 2.30 p.m., to transact the following business:

### **ORDINARY BUSINESS**

- 1) To receive and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
- 2) To appoint a Director in place of Mr. Hemant Luthra who retires by rotation and, being eligible, offers himself for re-election.
- 3) To appoint a Director in place of Mr. Fali P. Mama who retires by rotation and, being eligible, offers himself for re-election.
- 4) To appoint a Director in place of Mr. Anand G. Mahindra who retires by rotation and, being eligible, offers himself for re-election.
- 5) To appoint Messrs. B. K. Khare & Co., Chartered Accountants, the retiring Auditors of the Company, as Auditors, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors.

### **SPECIAL BUSINESS**

- 6) To consider and, if thought fit, to pass, with or without modification(s), the following 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. Daljit Mirchandani, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation .”
- 7) To consider and, if thought fit, to pass, with or without modification(s), the following 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. Piyush Mankad, who was appointed as an Additional Director and who

ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed 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 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. Deepak Dheer, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a Notice in writing proposing his candidature for the office of Director as per the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company.”

### **Notes:**

- (a) Explanatory statement as required under 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 AND A PROXY NEED NOT BE A MEMBER.
- (c) The instrument appointing a proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time for holding the Meeting.
- (d) The Company's Registrar and Transfer Agents for its Share Registry Work (Physical and Electronic) are having their office at Karvy Computershare Private Limited, “Karvy House” 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.
- (e) The Register of Members and Share Transfer Books of the Company will remain closed from 21<sup>st</sup> July, 2009 to 29<sup>th</sup> July, 2009 (both days inclusive).
- (f) Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to Karvy Computershare Private Limited at the above mentioned address. Members holding shares in electronic form may contact their respective Depository Participant for availing this facility.
- (g) Members are requested to write to the Company at least ten days before the Meeting for obtaining any

## Mahindra Forgings Limited

information as regards to accounts and operations of the Company so that the same could be compiled in advance.

(h) Members are requested to:

- (i) intimate to the Company's Registrar and Transfer Agents viz. Karvy Computershare Private Limited at the above mentioned address, changes, if any, in their registered addresses at an early date, in case of shares held in physical form;
- (ii) intimate to respective Depository Participant, changes, if any, in the registered addresses at an early date, in case of shares held in dematerialised form;
- (iii) quote their folio numbers/client ID/DP ID in all correspondence;
- (iv) consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.

(i) Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.

(j) Appointment/Re-appointment of Directors

Mr. Fali P. Mama, Non-Executive Director holds 2220 Equity Shares in the Company.

The Directors of the Company are not inter-se related to each other.

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 to the Chapter on Corporate Governance in the Annual Report.

(k) In terms of approval granted by the Central Government, the accounts etc., of the subsidiary companies are not required to be attached with the Balance Sheet of the holding company, these documents will be submitted on request to any member wishing to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

By Order of the Board

Registered Office: Krishnan Shankar  
Mahindra Towers Company Secretary & GM – Legal  
P. K. Kurne Chowk  
Worli, Mumbai-400 018.  
11<sup>th</sup> May, 2009.

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

#### Item No. 6

Mr. Daljit Mirchandani was appointed as an Additional Director by the Board of Directors of the Company at its Meeting held on 29<sup>th</sup> July, 2008. He holds office up to the date of the forthcoming Annual General Meeting of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company.

The Company has received a notice from a Member signifying his intention to propose Mr. Mirchandani as a candidate for the office of Director of the Company at the ensuing Annual General Meeting.

Mr. Mirchandani is a Graduate Engineer from Birla Institute of Technology. He is currently Chairman of Ingersoll-Rand (India) Limited. Prior to this, Mr Mirchandani has held several key positions in the Kirloskar Group. He was the Chairman of the Karnataka State Council of the Confederation of Indian Industries (CII) in 2005 the premier industry body that interfaces with the State and Central Government bodies. In 2007, he was nominated by the CII to be a member of the National Horticulture Board and the Task Force formed by the Ministry of Agriculture, to examine policy interventions for the formation of the Cold Chain Infrastructure in India for Fresh Fruits and Vegetables.

Mr. Mirchandani is on the Board of Ingersoll Rand (India) Limited, Praj Industries Limited, SREI Infrastructure Finance Limited and Quippo Energy Private Limited.

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

It is in the interest of the Company to avail of the services of Mr. Mirchandani as a Director of the Company.

Your Directors recommend the Resolution for your approval.

None of the other Directors except Mr. Mirchandani is deemed to be concerned or interested in this item of business.

#### Item No. 7

Mr. Piyush Mankad was appointed as an Additional Director by the Board of Directors of the Company at its Meeting held on 29<sup>th</sup> July, 2008. He holds office up to the date of the forthcoming Annual General Meeting of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company.

The Company has received a notice from a Member signifying his intention to propose Mr. Mankad as a candidate for the office of Director of the Company at the ensuing Annual General Meeting.

Mr. Piyush Mankad is a retired civil servant with a distinguished career of over forty years in the prestigious Indian Administrative Service, which he joined in 1964.

He was educated at Delhi University, India and later at Cambridge, U.K., where he obtained a postgraduate Diploma in Development Studies, with distinction. Some of the important positions that he has held include Counselor (Economic) in the Indian Embassy, Tokyo; Controller of Capital Issues, Ministry of Finance; Finance Secretary, Government of India; and Executive Director for India and four other countries and Board Member, Asian Development Bank, Manila, which was his last assignment till July, 2004.

His areas of experience and expertise include, among others, public finance and policy; capital market regulation and development; promotion of industry, F.D.I. and infrastructure; and public administration.

Mr. Piyush Mankad is on the Board of Tata Power Limited, Tata International Limited, Tata Elxsi Limited, Mahindra & Mahindra Financial Services Limited, DSP-Blackrock Fund Managers Limited, U.B (Holdings) Limited, Kingfisher Airlines Limited, Max India Limited, SRF Limited, ICRA Limited, Noida Toll Bridge Company Limited and Heidelberg Cement India Limited (formerly known as Mysore Cements Limited).

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

It is in the interest of the Company to avail of the services of Mr. Mankad as a Director of the Company.

Your Directors recommend the Resolution for your approval.

None of the other Directors except Mr. Mankad is deemed to be concerned or interested in this item of business.

### Item No. 8

Mr. Deepak Dheer was appointed as an Additional Director by the Board of Directors of the Company at its Meeting held on 26<sup>th</sup> August, 2008. At the said meeting Mr. Deepak Dheer was also appointed as the Managing Director of the Company for a period of three years with effect from 1st September, 2008, pursuant to the approval of the Remuneration / Compensation Committee. The appointment and remuneration of Mr. Dheer was approved by members at the Extraordinary General Meeting held on 4th December, 2008. Mr. Dheer holds office up to the date of the forthcoming Annual General Meeting of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company.

The Company has received a notice from a Member signifying his intention to propose Mr. Dheer as a candidate for the office of Director of the Company at the ensuing Annual General Meeting.

Mr. Dheer is a Graduate in Mechanical Engineering from IIT Chennai, and has done his Post Graduation Diploma in Business Management from IIM, Ahmedabad.

He has a vast experience of 36 years in various industries. Mr. Dheer has held various senior positions in several reputed companies. He worked for Tata Motors Limited and Tata Robins Limited, Jamshedpur in various capacities. Mr. Dheer worked as Business development manager with Guest Keen & Williams for setting up of joint venture Tungsten Carbide Project in India. Mr. Dheer also worked as Chief Project Manager with Times of India Group. He had also worked with HMT, Bangalore as General Manager, Corporate Planning. He joined Ranbaxy Laboratory as CEO of Biotech and became Vice President of Pharma Division in the Sales, Marketing & Distribution of Pharmaceutical Dosage forms in India & Abroad. He had worked with UNIGLOVE, Bangkok as CEO and handled Exports to USA and European countries. Mr. Dheer has widely travelled on different assignments and is an effective team leader. Mr. Dheer was working as Managing Director of Tudor India Limited, a wholly owned subsidiary of Exide Technologies, USA for 8 years. The last position of employment held by him was with Mahindra Ugine Steel Company Limited as Executive Director.

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

It is in the interest of the Company to avail of the services of Mr. Dheer as a Director of the Company.

Your Directors recommend the Resolution for your approval.

None of the other Directors except Mr. Dheer is deemed to be concerned or interested in this item of business.

By Order of the Board

Registered Office: Mahindra Towers  
P. K. Kurne Chowk  
Worli, Mumbai-400 018.  
11<sup>th</sup> May, 2009.

Krishnan Shankar  
Company Secretary & GM – Legal



## BOARD OF DIRECTORS

Anand G. Mahindra	Chairman
Hemant Luthra	
Zhooben Bhiwandiwalla	
Deepak Dheer	Managing Director
V. K. Chanana	
Mohit Burman	
Fali P. Mama	
Nikhilesh Panchal	
Harald Korte	
Oliver Scholz	
Daljit Mirchandani	
Piyush Mankad	
Ajay Mantry	General Manager - Finance & Accounts
Krishnan Shankar	Company Secretary & GM - Legal

## COMMITTEES OF THE BOARD

### Audit Committee

V. K. Chanana  
 Mohit Burman  
 Zhooben Bhiwandiwalla  
 Nikhilesh Panchal  
 Fali P. Mama  
 Daljit Mirchandani

### Remuneration / Compensation Committee

Mohit Burman  
 Anand G. Mahindra  
 Hemant Luthra  
 V. K. Chanana  
 Nikhilesh Panchal  
 Daljit Mirchandani

### Share Transfer and Shareholders'/ Investors' Grievance Committee

Daljit Mirchandani  
 V. K. Chanana  
 Fali P. Mama

## REGISTERED OFFICE

Mahindra Towers, P. K. Kurne Chowk  
 Worli, Mumbai – 400 018.

## FACTORY

Gat No. 856 to 860  
 Chakan Ambethan Road  
 Taluka: Khed, Dist. Pune -410 501.

## AUDITORS

B. K. Khare & Co.  
 Chartered Accountants  
 706/708, Sharda Chambers  
 Mumbai – 400 020.

## REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Private Limited  
 Karvy House, 46, Avenue 4  
 Street No. 1, Banjara Hills  
 Hyderabad – 500 034.

## BANKERS

State Bank of India  
 Axis Bank Limited  
 HDFC Bank Limited



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## DIRECTORS' REPORT TO THE SHAREHOLDERS

### To The Members, Mahindra Forgings Limited

Your Directors present the 10<sup>th</sup> Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31<sup>st</sup> March, 2009.

### Financial Highlights

	Rs. in Lakhs	
	2008-09	2007-08
Gross Income	24,246	22,004
Profit before Interest, Depreciation, Goodwill and tax	1,149	2,337
Less : Depreciation	1,954	1,159
Profit/(Loss) before Interest, Goodwill and tax	(805)	1,178
Less : Interest and Finance cost	2,539	1,289
Profit/(Loss) before Goodwill and tax	(3,344)	(111)
Less : Goodwill	0	1,739
(Loss) before tax & before prior period expenses	(3,344)	(1,850)
Less : Provision for tax –		
Current Tax	0	(42)
Deferred Tax	650	(474)
Fringe Benefit Tax	13	18
(Loss) after tax & before prior period expenses	(4,007)	(1,352)
Less : Prior Period Expenses	133	65
(Loss) for the year	(4,140)	(1,417)
Balance of Profit & Loss Account brought forward losses from earlier years	(3,882)	(2,448)
Add: Transfer from Securities Premium Account as approved in the Extraordinary General Meeting & confirmed by Honourable High Court of Bombay (Refer Note B-1 of Schedule 15 of notes to accounts)	4,701	-
Add: Brought forward losses from amalgamated companies (taken over)	-	(17)
(Loss) carried to Balance Sheet	(3,321)	(3,882)

### Financials

During the year under review, your Company registered a total income of Rs.24,246 Lakhs as against Rs. 22,004 Lakhs in the previous year and Profit before Interest, Depreciation, Goodwill and tax of Rs.1,149 Lakhs. The net loss before taxes and prior period expenses stood at Rs.3,344 Lakhs. The Gross Income of the Company has grown by 10.19 % over the previous year.

### Operations

Based on the feedback received from existing domestic and potential export customers, the reliability of the supply chain was strengthened and three additional presses – 2X 4000T Presses and 1X 6300T Press were commissioned during the first quarter of the Financial Year 2008-09 virtually doubling the capacity. In addition, the 5000T Press was re-commissioned in the last quarter of the Financial Year. This completes the expansion plan in the Forge Shop. The enhanced capacity will help in increasing both revenue and profitability as well as strengthen both domestic and export market capability.

Unfortunately, the capacity expansion coincided with an unprecedented slow down in the Global economy, the impact of which was also felt in the second half of the Financial Year on

demand for your Company's products. While the worst seems to be behind us as measured by domestic off take in the second half of the Financial Year, the markets in Europe and USA are still suffering from a lack of confidence and credit.

There are some early signs that Inventories have been corrected and that demand is beginning to pick up but your Company has assumed that the recovery could be slow and has taken several measures to effect a reduction in overheads and strengthen its competitive position for the future. The Company expects this trend to continue and are actively working with all stakeholders to lower costs and break even points in both its domestic and overseas operations.

### Utilisation of Securities Premium Account

Pursuant to the special resolution passed by the shareholders at the Extraordinary General Meeting of the Company held on 4<sup>th</sup> December, 2008, and sanctioned by the Hon'ble High Court of Bombay, vide its order dated 16<sup>th</sup> January, 2009, an amount of Rs. 10,180.77 Lakhs drawn from the Securities Premium Account was utilized to write off the Goodwill of Rs.5,215.58 Lakhs, Non Compete Fees of Rs. 150 Lakhs (Gross of Deferred Tax of Rs. 50.98 Lakhs) and debit balance lying in the Profit & Loss Account of Rs.4,701.15 Lakhs and provision for Non Compete Fees of Rs. 250 Lakhs (Gross of Deferred Tax of Rs. 84.98 Lakhs).





## Management Discussion and Analysis

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

### Corporate Governance

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. Your Company has been following good Corporate Governance procedures. 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.

### Dividend

In view of the losses, your Directors do not recommend any dividend for the year.

### Stock Options

On the recommendation of the Remuneration/Compensation Committee, your Company has granted 9,95,000 Options to Eligible Employees during the year under review.

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

### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation 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 31<sup>st</sup> March, 2009 and of the loss of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

### Directors

Mr. R. R. Krishnan resigned as a Director of the Company with effect from 26<sup>th</sup> August, 2008. The Board has placed on record its appreciation of the services rendered by Mr. Krishnan during his tenure as a Director of the Company.

Mr. Piyush Mankad and Mr. Daljit Mirchandani were appointed as Additional Directors by the Board at its Meeting held on 29<sup>th</sup> July, 2008. Mr. Deepak Dheer was appointed as an Additional Director of the Company with effect from 1<sup>st</sup> September, 2008. They hold

office up to the date of the ensuing Annual General Meeting. The Company has received Notices from Members under Section 257(1) of the Companies Act, 1956, alongwith the requisite amount of deposit, signifying their intention to propose the candidatures of Mr. Piyush Mankad, Mr Daljit Mirchandani and Mr. Deepak Dheer for the office of Director of the Company at the ensuing Annual General Meeting.

Mr. Deepak Dheer was also appointed as the Managing Director of the Company with effect from 1<sup>st</sup> September, 2008 for a period of 3 years.

Mr. Hemant Luthra, Mr. Fali P. Mama and Mr. Anand G. Mahindra, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, have offered themselves, for re-appointment as Directors.

### Auditors

Messrs. B. K. Khare & Co., Chartered Accountants retire as Auditors of the Company and have given their consent for re-appointment. The shareholders will be required to elect Auditors for the current year and fix their remuneration.

As required under 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.

### Industrial Relations

Industrial Relations generally remained cordial and harmonious throughout the year. The Management Discussion and Analysis gives an overview of the developments in Human Resource / Industrial Relations during the year.

### Safety, Health and Environment Performance

The Company has a Safety, Occupational Health and Environmental (SH&E) policy on general health, safety and environmental conservation through which every employee is made responsible for the observance of the measures designed to prevent accidents, damage to health and avoidable environmental pollutants.

The Safety Committee of the Company has members comprising representatives from workers and executives from various departments who meet periodically to review the situation. Safety training and reporting of accidents are reviewed to resolve the safety issues and various initiatives such as emergency mock drills and advanced fire protection system for improving the Safety Performance are in place. The Company has been imparting training to employees besides carrying out safety audits of various facilities of the Company. The Company continues its commitment to improve the well being of the employees and Medical checkups are regularly conducted for its employees.

The Company attaches greater importance to environment monitoring by implementing various initiatives such as effluent treatment, increased Green Zones thereby complying with all relevant environment legislations and regulations.

### Subsidiary Companies

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

The Consolidated Financial Statements of the Company and its



subsidiaries prepared in accordance with Accounting Standard AS 21 forms a part of the Annual Report.

In terms of the approval granted by the Central Government under Section 212(8) of the Companies, 1956, copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the subsidiaries have not been attached to the Balance Sheet of the Company. The Company Secretary & GM – Legal will make these documents available upon receipt of request from any Member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been separately furnished in a statement forming a part of the Annual Report. These documents will also be available for inspection at the Registered Office of the Company and of the subsidiaries during working hours up to the date of the Annual General Meeting.

#### **Public Deposits and Loans/Advances**

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

The Company has not made any loan/advances which are required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement with Stock Exchanges.

#### **Sustainability Initiatives**

With growing concern of global warming and climate change, it is imperative for every citizen of the world to take steps in the direction that we handover the environment, without causing much harm to it, to our future generation.

In that direction, your Company has started awareness programs internally and participated in Sustainability audit program of Ernst & Young conducted within the Mahindra group. The Company's initiatives encompass a wider spectrum and extend to the conservation of ecological balance of the planet through responsible business practices and greater accountability and greater transparency.

#### **Corporate Social Responsibility**

As part of Corporate Social Responsibility (CSR) initiatives the employees of your Company participated in upgrading the skills of the local community schools and also participated in Blood Donation drives during the National Safety Week. Your Company encourages its employees in participating in local community development schemes.

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

The particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are provided in the Annexure II to this Report.

#### **Particulars of Employees**

As required under Section 217 (2A) of the Companies Act, 1956 and Rules thereunder a statement containing particulars of Company's employees who are in receipt of remuneration of not less than Rs.24,00,000/- during the year ended 31<sup>st</sup> March, 2009 or not less than Rs.2,00,000/- per month during any part of the said year is given in the Annexure III to this report.

#### **Acknowledgement**

Your Directors wish to place on record their sincere appreciation of the financial institutions and consortium of banks led by State Bank of India and Company's customers, vendors and investors for their continued support during the year.

The Directors also wish to place on record their appreciation for the dedication and contribution made by employees at all levels and look forward to their support in future as well.

For and on behalf of the Board

**Anand G. Mahindra**  
Chairman

Mumbai, 11<sup>th</sup> May, 2009.



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

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

(a) Options granted	17,82,000					
(b) The pricing formula	1 <sup>st</sup> Tranche	2 <sup>nd</sup> Tranche		3 <sup>rd</sup> Tranche	4 <sup>th</sup> Tranche	5 <sup>th</sup> Tranche
	3,84,000 Options granted at a fixed price of Rs. 197/- per share.	3,91,000 Options granted at a fixed price of Rs. 83/- per share.	12,000 Options granted at a fixed price of Rs. 197/- per share.	2,50,000 Options granted at a Discount of 15% on the average price preceeding the specified date – 9 <sup>th</sup> May, 2008	2,45,000 Options granted at a Discount of 15% on the average price preceeding the specified date – 29 <sup>th</sup> July, 2008	5,00,000 Options granted at a Discount of 15% on the average price preceeding the specified date – 26 <sup>th</sup> August, 2008
	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 preceeding the specified date.					
	Specified date — Date on which the Remuneration/Compensation Committee granted the Options.					
(c) Options vested	1,49,500					
(d) Options exercised	Nil					
(e) The total number of shares arising as a result of exercise of Option	Not Applicable					
(f) Options lapsed	2,48,000					
(g) Variation of terms of Options	Nil					
(h) Money realised by exercise of Options	Nil					
(i) Total number of Options in force	15,34,000					
(j) Employee-wise details of Options granted to :						
i) Senior managerial personnel	As per statement attached.					
ii) Any other employee who receives a grant in any one year of Option amounting to 5% or more of Option granted during the year,	Name	Options granted during the year ended 31 <sup>st</sup> March, 2008				
	Mr. Hemant Luthra	2,00,000				
iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None					
(k) Diluted Earnings Per Share (EPS) pursuant to issue of share on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'.	Rs (5.09)					



(l) Where the Company has calculated the employee compensation cost using the intrinsic value of the stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the Options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company has adopted the intrinsic value method of accounting for determining compensation cost for its stock based on compensation plan. Had the Company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by Rs. 173.26 Lakhs, Loss after tax lower by Rs. 173.26 Lakhs, and the basic and diluted earning per share would have been higher by Rs. 0.25		
(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.	Options Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)
	9 <sup>th</sup> May, 2008	152/-	98.44/-
	29 <sup>th</sup> July, 2008	102/-	74.34/-
	26 <sup>th</sup> August, 2008	109/-	78.24/-
(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:	The fair value of stock Options granted on 9 <sup>th</sup> May, 2008, 29 <sup>th</sup> July, 2008 and 26 <sup>th</sup> August, 2008 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows :		
	Options Grant Dated 09/05/08	Options Grant Dated 29/07/08	Options Grant Dated 26/08/08
(i) risk-free interest rate,	7.59%	9.35%	9.13%
(ii) expected life,	3.5 years	3.5 years	3.5 years
(iii) expected volatility,	44.84%	44.87%	44.87%
(iv) expected dividends, and	Nil	Nil	Nil
(v) The price of the underlying share in market at the time of option grant.	Rs 172.35	Rs 122.55	Rs 130.00

### STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

Name of the Senior Managerial Persons of the Company to whom Stock Options have been granted	Number of Options granted in 2008-09	Number of Options granted in 2007-08
Hemant Luthra	Nil	2,00,000
Deepak Dheer	75,000	Nil
Zhooben Bhiwandiwala	12,000	10,000
Nikhilesh Panchal	12,000	10,000
V. K. Chanana	12,000	10,000
Fali Mama	12,000	10,000
Mohit Burman	12,000	10,000
Harald Korte	10,000	Nil
Piyush Mankad	10,000	Nil
Daljit Mirchandani	10,000	Nil
S. Ravindran	Nil	*40,000
R.R.Krishnan	Nil	*10,000

\* The Options have lapsed since the concerned Directors have resigned before vesting of the same.



## ANNEXURE II TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS AS PER 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, 2009.

### A. Conservation of Energy

(a) During the year, the Company has taken the following initiatives for conservation of energy:

#### Electrical Energy

1. Commissioned 132 KVA Power sub-station providing continuous and un interrupted power supply which has helped in saving usage of DG power and also eliminating production and process losses. This has also resulted in reducing the emission of pollutant gases from DG Set.
2. Avoiding usage of Power during peak hours thereby saving energy costs and reducing load on the Electricity supply authority.
3. Restructuring of shift workings to maximize output.
4. Installation of Variable Frequency Drives for pumps and compressors.
5. Implementation of Fan-less cooling Towers.
6. Continuous monitoring of power factor for saving energy costs.
7. Celebrated energy conservation week to promote awareness of energy saving and conservation of resources.

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

1. Modification to Induction Heaters in the new Press lines is in progress for lowering power consumption and scaling.
2. Continuous monitoring for reducing dropouts and elimination of unwanted rework.
3. Enhancement of tool life to reduce setup time.
4. Usage of bio diesel to partially replace LDO in heat treatment furnace.
5. Installation of Photo sensors to control electrical gadgets automatically.
6. Increase in control cooled products to reduce heat treatment process.
7. Detailed energy & compressed air audit to increase awareness and identify potential areas of savings/improvements.

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

The measures taken as mentioned in (a) & (b) above would result in lower energy consumption in the years to come.

(d) Total energy consumption and energy consumption per unit of production as per Form – A of the Annexure in respect of Industries specified in the Schedule.

A Power & Fuel consumption	2008-09	2007-08
<b>1.a. Electricity Purchased</b>		
Quantity (KWH in Lakhs)	327.14	320.56
Total Amount (Rs. in Lakhs)	1,640.86	1,539.90
Average Rate Per Unit (Rs)	5.02	4.87
<b>b. Own Generation</b>		
(i) Through diesel generator	NIL	NIL
(ii) Through steam turbine/generator	NIL	NIL
<b>2 Light Diesel Oil</b>		
Quantity ( KL.)	653.41	1,796.84
Total Amount (Rs. In Lakhs)	247.80	481.24
Average Rate per KL.(Rs)	37,923.87	26,782.00
<b>3 Liquefied Petroleum Gas</b>		
Quantity (Tons)	569.74	-
Total Amount (Rs. In Lakhs)	229.09	-
Average Rate per Ton (Rs.)	40,208.91	-
<b>B Consumption per unit of Production</b>		
Production (Tons)	21,868	24,636
<b>Fuel Used</b>	<b>Units</b>	
Electricity	KWH/Ton	1,495.96
Light Diesel Oil	Lit/Ton	29.88
Liquefied Petroleum Gas	Kg/Ton	26.05

### B. TECHNOLOGY ABSORPTION

#### Research & Development :

1 Areas in which Research & Development is carried out :

- Tooling through welding technologies in die shop.- Standardisation of dies and tools.
- Controlled cooled products which helps in avoiding heat treatment process.
- Introduction of energy efficient burners to reduce consumption of LPG and improve the quality of the parts heat treated.



## 2 Benefits derived as a result of the above efforts :

- Improvement in Yield.
- Die life improvement and less die cost per ton.
- Reduction in set up time and contingency planning.

## 3 Future plan of action :

- Provide training and coaching in Lean Manufacturing.
- Promote a Team working culture.
- Create a Total Quality approach to everything we do.
- Provide a safe and orderly working environment.
- Introduction of global best practices like TPM, Kaizen, MOST & 5S.

## 4 Expenditure on R&D :

a) Capital ( Deferred Revenue)	NIL
b) Recurring	NIL
c) Total	NIL
d) Total R&D expenditure as percentage of total Turnover	NIL

## Technology absorption, adaptation and innovation :

1. Efforts in brief made towards technology absorption, adaptation and innovation:
  - Fully automated line for crankshaft having descaler, auto transfer system with robots.
2. Benefits derived as result of the above efforts:
  - Surface quality improvement.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of financial year), following information may be furnished:
  - (a) Technology imported – NIL
  - (b) Year of import – NA
  - (c) Has the technology been fully absorbed ? – NA
  - (d) If not fully absorbed, areas where this has not taken place, reasons therefore and further plans of action. – NA

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lakhs)

	2008 - 09	2007 - 08
Total Foreign Exchange earned	841.98	607.38
Total Foreign Exchange used	125.30	111.18

## ANNEXURE III TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

Name	Designation	Qualification	Date of Commencement of Employment	Age/ (Experience) in years	Remuneration (Subject to tax)	Last Employment held (Designation/ Organisation)
Mr. Deepak Dheer*	Managing Director	B.Tech & PGDBM	1st September, 2008	57(35)	Rs. 43.38 Lakhs	Executive Director/ Mahindra Ugine Steel Company Ltd.
Mr. S. Ravindran **	Managing Director	B.E & PGDBM	27th July, 2006	61(38)	Rs. 29.32 Lakhs	Managing Director/ GKN Driveline Ltd.

\* employed for part of the year.

\*\* resigned as Managing Director w.e.f 22<sup>nd</sup> April, 2008.

### Notes:

1. Nature of employment is contractual, subject to termination on one month's notice on either side.
2. None of the above employees is related to any Director of the Company.
3. Gross remuneration received as shown in the statement includes salary, house rent allowance or value of perquisites for accommodation, car perquisite value/allowance, as applicable, employers' contribution to Provident Fund, Leave Travel facility, reimbursement of medical expenses, performance pay and all other allowances/perquisites and terminal benefits.
4. No employee holds by himself or alongwith his spouse and dependent children 2% or more of the equity shares of the Company.
5. Terms and conditions of employment are as per Company's rules.

For and on behalf of the Board

**Anand G. Mahindra**  
Chairman

Mumbai, 11<sup>th</sup> May, 2009.



## Management Discussion and Analysis

### Company Overview

Mahindra Forgings ('Mahindra Forgings', 'MFL' or 'the Company') is among the top global forging companies with plants in Germany, UK and India. Between all its plants, the Company is capable of producing most of the forging components in a car or a truck. The German operations are a full range provider of forging parts while being one of the top four axle beam manufacturers in the world. The UK operations have expertise in producing 'flashless' parts and the Indian operations focuses on design, development & machining of crankshafts.

In Europe, the Company is focused on the truck (commercial vehicle) segment (Figure 1) and is also the largest player in that segment. MFL, Europe ('MFE') has a diversified revenue base with significant share of revenues coming from the non auto market, and from value added products like complex and machined forgings. The Company is sufficiently de-risked through a diversified customer base with the top 5 customers accounting for <50% of the business. Some of the marquee names in the auto industry are its customers. The European operations have a long track record of innovation and being trusted co-development partners.

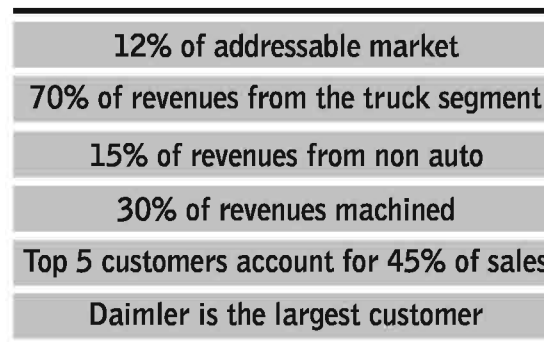


Figure 1: MFL, Europe - Key Highlights

*Diversified product portfolio*

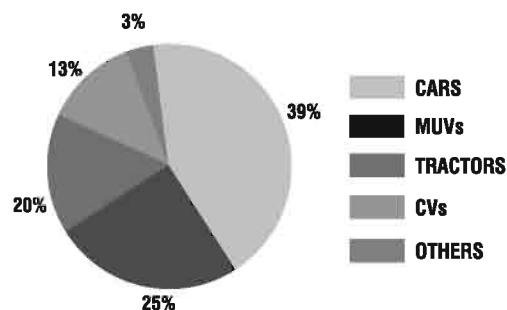


Figure 2: Breakup of MFL, India Revenues (FY09)

MFL India is the largest manufacturer of crankshafts and stub axles for cars/MUVs and tractors in the Indian domestic market. 80% of its revenue come from the leading car, UV and tractor OEMs of the country (Figure 2).

The Company has by consciously protecting the intellectual property of its customers won the confidence of India's leading OEMs including M&M and its competition.

*Leading player in Europe*

### Overall Strategy - A Recap

The management of Mahindra & Mahindra's (M&M's) SysTech Sector had enunciated a vision of creating one of the leading forging companies in the world by 2010. Mahindra Forgings Limited is already among the five largest forgings companies in the world. Towards this goal, the Company had earlier outlined a three phased approach (Figure 3), the first two phases of which are completed.

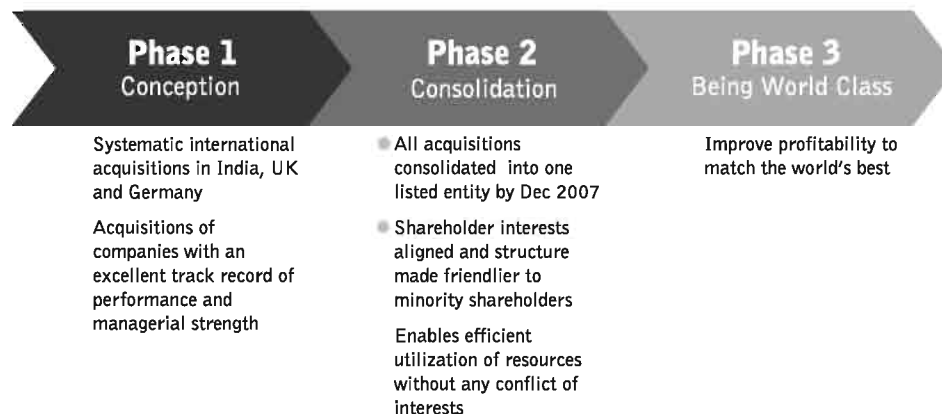


Figure 3: Strategy Approach - A Recap

*Aiming to match the world's best*



## Industry Outlook & Structure: Uncertain Times

### Europe

Europe is the largest producer of forgings (including open die forgings) in the world accounting for roughly a third of the world production. Germany is the largest producer of forgings in Europe accounting for roughly half of Europe's production. The auto industry is the prime driver of demand for forgings. The last few years have seen steady growth in the forgings industry as the auto industry grew steadily. Production of cars grew by 2% p.a. both in FY07 & FY08. In the same period, truck production grew over 6% p.a.

*Difficult environment in Europe*

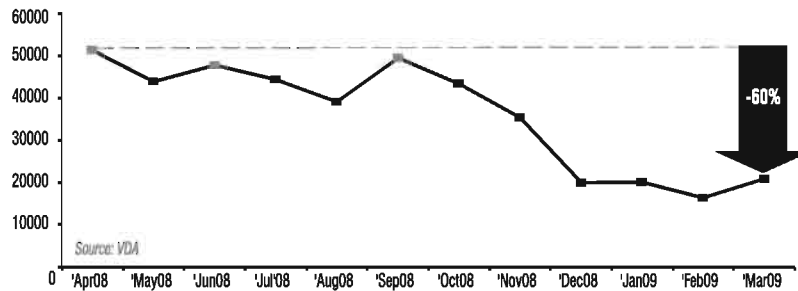


Figure 4: Truck Production in Germany

FY09 saw a sharp decline in the auto industry with monthly production declining by as much as 60% between Apr'08 and Mar'09 in the case of trucks (Figure 4). Trucks account for the majority of the Company revenues in Europe. The market situation is expected to remain uncertain in the first half of FY10 though recovery could be expected in the second half.

The conservative approach of some banks and financial institutions in the wake of the financial crisis has further compounded the problem and is leading to a dramatic liquidity crunch in the industry. Rothschild and Roland Berger in their review of the automotive industry in Feb 2009 have noted that ~ 200 suppliers could go out of business in Germany alone. This will create opportunities for MFE/MFL which has a strong backing from its holding company, M&M Ltd.

### India

The growth trajectory of the auto industry was sharply arrested in the year FY09. Most of the segments showed negative growth but M/HCVs were affected the most (Figure 5).

The slowdown affected the Indian auto industry in Q309 but Q409 has shown signs of recovery (Figure 6). Also, unlike the European and American economy; Indian economy has shown better resilience and is expected to grow at 6-7% in GDP.

*Indian auto market affected but recovering*

Segment	FY07	FY08	FY09
Passenger Cars	18%	14%	3%
M / HCVs	34%	-1%	-35%
LCVs	31%	13%	-24%
Overall Cvs	33%	5%	-28%

Source: M&M Research (figures for passenger cars include those for Uvs and MPVs)

Figure 5: Indian Auto Production Growth(%)

The automotive sector is expected to register a positive growth in the medium term. However the growth will be subdued unlike what was experienced in the recent past years.

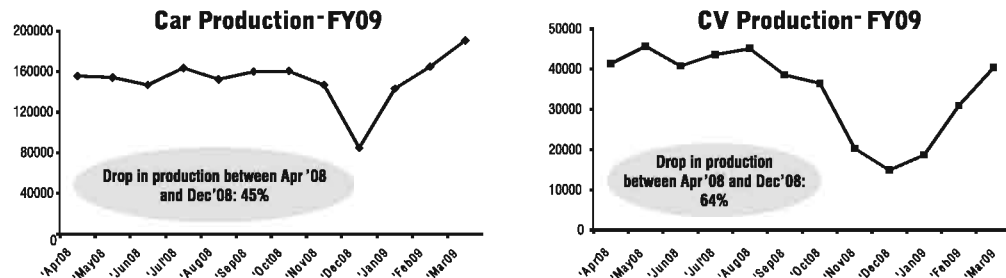


Figure 6: Auto Production - FY09





## Adjusting our Strategy in Times of Uncertainty

The strategic goal of matching the world's best remains but the approach has to be adjusted to take into account the unprecedented slowdown that the global economy in general and the automotive sector in particular are experiencing. Accordingly, the Company is focused on a three pronged strategy (Figure 7) that will help it emerge as a winner when the crisis eases as expected in late FY10. In order to counter the slowdown, the Company is focusing on diversifying product - markets, improving operational efficiencies and optimizing cash. A cross functional team comprising senior management across India & Europe has been put in place to ensure execution of initiatives.

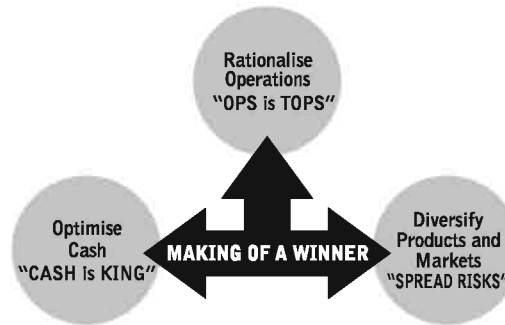


Figure 7:  
Making of a Winner: Facing the Slowdown

*Proactive  
strategy to  
face uncertainty*

*“Cash is King”  
and  
“Ops is Tops”*

### Europe

The dramatic drop in truck demand has put enormous pressure on margins & cash position. MFE has responded to the crisis by restructuring its operations :

- Significant rationalisation in personnel - more than 500 people reduced
  - Inventory reduction
  - Capex reduced to bare minimum requirement for maintenance and tooling
  - Reduction in fixed costs - every plant in Europe has a structured cost reduction program which is monitored on a monthly basis
  - Plant Closure at Walsall, UK, possible Closure of some plants in Germany. The plant closures have been done optimally with payback of about 1 year.
- With the measures & sustained efforts as above, MFE is expected to be cash positive at any reduced volume.

*Europe  
business being  
restructured*



Figure 8: MFE Medium Term Strategy

In the medium term, MFE continues to pursue a strategy that will further diversify its product offerings and help it to continually move up the value chain (Figure 8)

MFE has a strong innovation culture manifest in its close relationship with customers with whom it works as co-development partners. It co-developed a pre machined and friction welded piston along with Kolbenschmidt and is also in the process of developing a complex gear shaft.

MFE plans to further buttress its strong position in the European market by leveraging the low cost Indian plant. MFE is closely working along with their Indian counterparts to harmonize the costing system and to produce low margin parts for the European market in India.

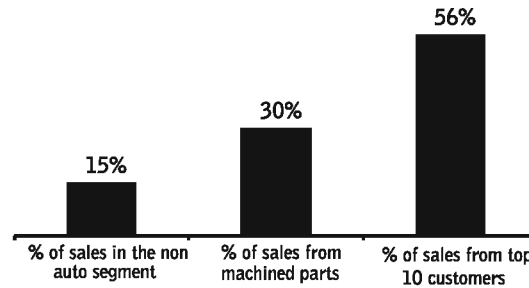


Figure 9: Diversification

In terms of diversification, a healthy portion of MFE revenues come from machined forgings and non auto but the effort would be to increase it further (Figure 9).



*Focus on  
improving  
operations in India*

*Product market  
diversification  
key in India*

*Adding new  
customers &  
products to  
meet challenges*

## India

MFL India has been focused on manufacturing crankshafts and stub axles for cars/MUVs and tractors in the Indian domestic market. It has a two pronged strategy of diversifying its product offerings and making its operations world class with the help of its European counterparts.

Given the slowdown in the market, the highest priority is being accorded to improving operations and shoring up the cash position

- Lower rejections and match performance of European counterparts
- Aggressive focus on yield improvement
- Monitor inventory very closely and optimize

Going forward, MFL India has set itself to grow with a four pronged strategy in line with overall Systech's vision like focusing on Value Added Products, New Products, Manufacturing Rationalisation and Non-Auto sales (Figure 10).



Figure 10: MFL, India - Medium Term Strategy

MFL India has developed new Value Added parts including supplying a fully assembled part to current and new customers.

New customers – especially Europe based OEMs - will reduce dependency on business from the top five customers to 45% from the existing 80%. The Company has implemented a key account management process to serve customers in a better manner.

Revenues from exports are expected to be significantly ramped up. To facilitate exports from India, the Company has set up sales offices in Germany and France along with the help of MFE.

As is the need of the hour, MFL India is also focusing on the non-auto businesses and is working on many enquiries. Approving the facility and adhering to their quality levels is a big challenge which we will overcome in the coming financial year.



## Opportunities and Threats

In spite of the slowdown, there is renewed focus on the Indian auto and auto component industry. As India develops into a hub for small cars, there is great interest in sourcing components from India based suppliers (Figure 11).

*Indian based supplier industry retains optimism*

	Plans for the Indian Auto Market	Initiatives to Source from India
	Ranjangaon Engine & Vehicle assembly plant gone live	India Purchase Office with 50+ team to accelerate buying from India Reducing buying from Graziano worldwide
	Pune plant starts production Plan to localise engines	Global sourcing team set up at Pune
<b>DAIMLER</b>	New launch on schedule	Evaluating contract manufacturing partner for transmission
	Mahindra Navistar truck launch on track	Fresh vigour with new & wider Navistar team in India
	JCB India - Engine program on schedule	New Holland building India as a feeder hub
<b>Others</b>	A - Star export plans aggressive Hyundai continues to grow with i10 / i20 production	Magna Powertrain targeting Euro 60 Mn outsourcing from India

Figure 11: Opportunity Beckons the Indian auto & auto component industry

On the other hand, the consolidation in the auto component business predicted by Rothschild & Roland Berger and referred to earlier is expected to create opportunities for those that can credibly survive the downturn.

The Company has adopted a strong and proactive strategy across its European and Indian operations to face the situation. The strategy as outlined earlier is focused on conserving cash, cutting costs and improving the product market situation. The Company is also targeting integration between the Indian and the European operations. MFL continually seeks synergies with other companies in the M&M Systech sector fold as well as M&M itself. The Company believes that such an integrated approach is what gives it a unique edge in the market place.

*Strategic opportunity to improve market position*

The Company thus views the 'crisis' an opportunity to strengthen MFL's long term position (Figure 12).



Figure 12: The Strategic Opportunity



## Operations

### Europe

The Company's plants in Europe operate at world class levels. The yield % (output to input ratio in terms of tons) at all our plants in Europe exceeded 75% while rejections are less than 3%.

In order to meet the growing demands in Europe, the Company commissioned a 12000T press at its plant in Hagen, Germany. This will now enable the Company to acquire full service capability to meet the demands of truck OEMs.

*MFL European operations achieves world class levels*



### India

In FY09, the Company has completely revamped its Indian operations in its journey to become world class. MFL has successfully completed installation of four new presses, which has doubled the forging capacity of the plant. In addition, it is also automating few of these presses to cater to demanding customers in India and abroad.

The addition of the new presses has ensured that there is a backup for each press and no part is dependent on being produced on a single press alone. This has helped to assure customers of much higher reliability, some of whom have reposed faith by giving the Company 100% share of business in certain parts. This will also ensure that there shall be little loss of production in case of breakdown of a press as was the case in FY08, an event that was duly reported in last year's discussion.

*'New Chakan' unveiled*



6300 T

4000T Smeral

4000T Hasanclaver



Die Shop Layout

*Indian based  
supplier industry  
retains optimism*



HASS Machine Centre



Die Inspection CMM Machine



New Die

For better through-put time and to meet customers' demands in developing new products, the Company has further invested in a design centre that is well equipped with CAD/CAM facilities. MFL India closely works with its customers by collaborating with them for developing new products and placing its engineers at their site for this purpose. With the cooperation of Renault, MFL India has adopted a new quality process system known as ASES that will help MFL cater to OEMs overseas as well as manufacturing of few critical parts from MFE, especially where cost is a primary concern.

### **Material Development in Human Resources / Industrial Relations**

The Company has been focusing on four major HR levers: organisation structures, performance management system, a reward and recognition system and communication.

To appreciate our employees' ideas, MFL has launched a new programme called "BINDAAS BOL" (Speak your mind). It is aimed at encouraging all the employees to contribute their knowledge and experience in areas outside their own immediate duties by making suggestions for improvements.

*Promoting  
openness*



## Financial performance with respective operational performance

Figure 13 gives the standalone (MFL, India) and consolidated profit and loss account for Mahindra Forgings for 2007-08 (FY08) and 2008-09 (FY09)

		Standalone		Consolidated	
		Financial Year Ended			
				(Audited)	(Audited)
1	Gross Sales/Income from Operations	2,666.77	2,452.08	22,720.01	23,498.20
	Less: Excise Duty	295.81	310.75	295.81	310.75
	<b>Net Sales/Income from Operations</b>	<b>2,370.95</b>	<b>2,141.33</b>	<b>22,424.20</b>	<b>23,187.45</b>
2	Other Operating Income	9.42	7.08	9.42	12.87
3	<b>Total Income (1+2)</b>	<b>2,380.37</b>	<b>2,148.41</b>	<b>22,433.62</b>	<b>23,200.33</b>
4	Expenditure				
	a. (Increase)/decrease in stock in trade and work in progress	(43.35)	(23.42)	144.79	(390.95)
	b. Consumption of raw materials	1,547.00	1,303.52	10,930.95	11,569.41
	c. Purchase of traded goods	-	-	-	14.26
	d. Employee cost	216.84	135.70	5,497.69	5,583.85
	e. Depreciation	195.35	115.94	1,494.49	1,048.73
	f. Other expenditure	602.51	550.94	4,588.63	4,458.73
	<b>Total</b>	<b>2,518.34</b>	<b>2,082.66</b>	<b>22,656.54</b>	<b>22,284.03</b>
5	Profit from Operations before Other Income, Interest and Exceptional Items (3-4)	(137.97)	65.75	(222.93)	916.30
6	Other Income	44.19	51.99	222.56	109.64
7	Profit before Interest and Exceptional Items (5+6)	(93.77)	117.74	(0.36)	1,025.94
8	Interest	253.92	128.86	704.00	465.25
9	Profit after Interest but before Exceptional Items (7-8)	(347.69)	(11.12)	(704.36)	560.69
10	Exceptional items	-	180.38	382.56	246.37
11	Profit before Depreciation, Interest and Exceptional Items and Tax (3)-(4)+(4e)	57.38	181.68	1,271.57	1,965.02
12	Profit (+)/ Loss(-) from ordinary activities before tax (3+6)-(4+8+10)	(347.69)	(191.50)	(1,086.93)	314.32
13	Tax expenses				
	-Current Tax	0.04	(4.20)	(0.15)	283.08
	-Deferred Tax	64.98	(47.34)	79.32	(128.40)
	-Fringe Benefit Tax	1.29	1.76	1.29	1.76
14	Profit (+)/ Loss(-) from ordinary activities after tax (12-13)	(414.01)	(141.72)	(1,167.39)	157.88
15	Extraordinary Items				
16	Net Profit (+)/ Loss(-) for the period	(414.01)	(141.72)	(1,167.39)	157.88
17	Minority Interest	-	-	(1.38)	(0.15)
18	<b>Net Profit after Minority Interest</b>	<b>(414.01)</b>	<b>(141.72)</b>	<b>(1,166.01)</b>	<b>158.04</b>

Figure 13: MFL's abridged P&L Statement for 2008-09 (Rs million)

On a consolidated basis, the net income of the Company decreased by 3.4% in FY09. This reflects the sharp slow down in the automotive market experienced in the latter half of FY09. Material costs as % of net income increased from 48.2% in FY08 to 49.4% in FY09 largely because of increase in price of some key inputs like steel especially in the first half of FY09. In line with decrease in sales, personnel costs decreased by 2.5%

FY09 was a year of two 'halves' with the performance in H109 being dramatically different from that in H209 (Figure 14). In fact, consolidated income in H109 grew by 25% over H108 while consolidated EBITDA grew by 44% in the same period. Unfortunately, the slowdown that suddenly overtook the world in H209 dragged down the entire FY09 performance.

	H1 Performance			H2 Performance		
	H109	H108	Growth	H209	H208	Growth
Income	14290	11420	25%	8360	11889	-30%
EBITDA	1530	1060	44%	-258	905	-129%

Figure 14: Comparing H109 and H209 Consolidated Performance (Rs million)



Information for our Indian and overseas operations are summarized in Figure 15 below:

<b>SEGMENT-WISE REVENUE, RESULTS AND CAPITAL EMPLOYED</b>			
Sr.No.	Particulars	Year Ended	Year Ended
		31.03.2009	31.03.2008
		(Audited)	(Audited)
1	Segment Revenue		
	a) Indian	2,421.07	2,197.33
	b) Overseas	20,257.73	21,123.84
	Total	22,678.80	23,321.17
	Less : Inter Segment Revenue	22.70	14.39
	Net Sales/Income from Operations	22,656.10	23,306.78
2	Segment profit / (loss) before tax and interest from		
	a) Indian	(83.99)	(68.35)
	b) Overseas	(284.80)	851.38
	Total	(368.79)	783.02
	Less:		
	(i) Un-allocable expenditure	722.88	493.13
	(ii) Un-allocable income	(4.74)	(24.43)
	Total Profit Before Tax	(1,086.93)	314.32
3	Capital Employed		
	(Segment assets - Segment Liabilities)		
	a) Indian	2,448.70	2,993.21
	b) Overseas	13,680.79	14,258.38
	Total	16,129.50	17,251.60

Note : Indian and Overseas segment comprises sales of Forgings in India and Outside India respectively.

Figure 15: Segment wise results (Rs millions)

## Internal control systems and their Adequacy

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

Under the supervision of M&M's Central Management Services (CMS) internal audit of Chakan unit is conducted by leading independent Chartered Accountants firm. This provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The Corporate Governance practices instituted by the Company are discussed in detail in the chapter on Corporate Governance which forms part of the Annual Report.

## Risk and Concerns

The business has a specific set of risk characteristics which are managed through an internal risk management practice.

### Economic Risks

The current economic slump will negatively affect the Company's operations spread across Germany, UK and India. Management regularly monitors economic conditions and actively considers these factors in making short term operating and longer term strategic decisions. More than 80% of the consolidated revenues come from the automotive market and the Company is exposed to the risk of an economic slowdown in the automotive industry. To mitigate the risk, we are focusing on the non auto sector - Railway, Oil and Gas Industry, Aerospace, Defence, Marine etc. and other avenues.



**Operating Risks**

In India, the Company had instances of losses being incurred due to breakdown of its major press. Investment in additional higher tonnage presses during the year has also helped in mitigating this risk. Availability of power is critical to the operations of the Company in India. In order to mitigate this risk, the Company has installed a power sub-station which ensures guaranteed power on six days of a week.

**Financial Risks**

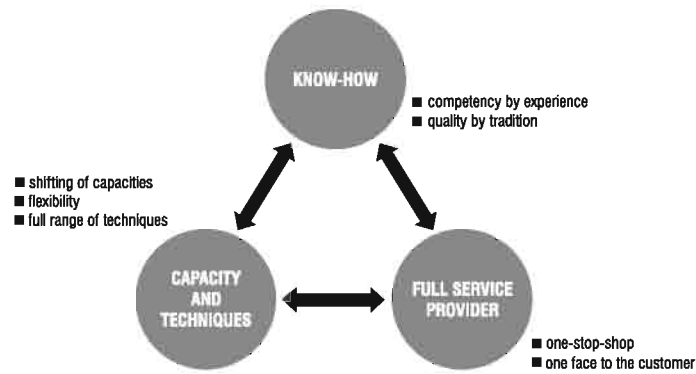
The Company has financed a substantial part of its expansion plans through debt. The debt agreements are subject to financial covenants. The forecast cash requirements of the Company are closely monitored along with actual and projected adherence to covenants.

The Company actively monitors its Foreign Exchange exposure and derivatives and other financial instruments are used to manage any exposures where considered appropriate in consultation with the holding Company i.e. M & M.

**Outlook**

The economic environment in which the Company operates remains uncertain and therefore the focus is on optimizing the cash flow situation. The Company is not only confident of tiding over the crisis but expects to emerge stronger from it. The Company is driven by the aim to provide the best returns to all stakeholders. We have created an integrated, commonly aligned international management team which can leverage synergies across the different locations. The intent is to fully utilise our wide product portfolio to secure larger orders from clients across different geographies and execute them in the most optimal, cost competitive manner. Thus we aim to fully unlock the potential of our business (Figure 16).

*Outlook –  
Unlock  
our potential*



**Figure 16: Unlocking Potential**

Mahindra Forgings has set itself a target of achieving world class profitability levels. The management of Mahindra Forgings reiterates its commitment to make the Company one of the best forgings companies in the world while leveraging the synergies across geographies, products and other verticals of Mahindra Systech.

**Cautionary Statement**

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the automobile industry – global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.





## CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is based on preserving core beliefs and ethical business conduct while maintaining a strong commitment to maximise long-term shareholder value. Your Company is focussed towards bringing transparency in all its dealings, adhering to well-defined corporate values and leveraging the corporate resources for long-term value creation.

Your Company is committed to moulding corporate governance practices in line with the Mahindra Group's core values, beliefs and ethics. Following the Mahindra Group's philosophy, your Company believes in attainment of highest levels of transparency in all facets of its operations and maintains an unwavering focus on imbibing good corporate governance practices.

In India, Corporate Governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges. As a Company which believes in implementing corporate governance practices that go beyond meeting the letter of law, your Company has comprehensively adopted practices mandated in the Clause 49.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with the Clause 49 during the year ended 31<sup>st</sup> March, 2009.

### BOARD OF DIRECTORS

The composition of the Board is in accordance with the requirements of the revised Clause 49 of the Listing Agreement. The Company has a Non-Executive Chairman and one-half of the Board comprises of Non- Executive Independent Directors.

The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates under the supervision and control of the Board. The Board reviews and approves strategy and oversees the results of management to ensure that the long term objectives of enhancing stakeholders' value are met.

Mr. Anand G. Mahindra, Chairman of the Company, Mr. Hemant Luthra and Mr. Zhooben Bhiwandiwala, Non-Executive Directors of the Company, are in whole time employment of the Holding Company, Mahindra & Mahindra Limited (M&M) and draw remuneration from it.

Apart from reimbursement of expenses incurred in the discharge of their duties, the remuneration that these Directors would be entitled to under the Companies Act, 1956 as Non-Executive Directors and the remuneration that a Director may receive for professional services rendered to the Company through a firm in which he is a partner, none of these Directors has any other material pecuniary relationships or transactions with the Company, its Promoters, its Directors, its Senior Management or its Subsidiaries and Associates which in their judgment would affect their independence. The Directors of the Company are not interse related to each other. Messrs. Khaitan & Co., Advocates & Solicitors, in which Mr. Nikhilesh Panchal, Non-Executive Director is a partner, received professional fees of Rs.1.92 Lakhs.

The Senior Management have made necessary 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.

### COMPOSITION OF THE BOARD

Currently, the Company's Board comprises of twelve Directors including the Managing Director. The Chairman is a Non-Executive Director and is a professional Director in his individual capacity. There are five Non – Independent Non - Executive Directors, including the Chairman. The remaining six Non-Executive Directors are Independent Directors and professionals, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields.

The names and categories of Directors, the number of Directorships and Committee positions held by them in the companies are given below. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the Companies in which he is a Director. The details are presented in table 1.

**Table 1: Composition of the Board of Directors**

Directors	Category	Total number of Committee memberships + of public companies as on 31st March, 2009	Total number of Chairmanships of Committees + of public companies as on 31st March, 2009	Total number of Directorships* of public companies as on 31st March, 2009
<b>NON – EXECUTIVE</b>				
Mr. Anand G. Mahindra	Non-Independent	1	Nil	12
Mr. Hemant Luthra	Non-Independent	1	Nil	6
Mr. Zhooben Bhiwandiwala	Non-Independent	5	Nil	6
Mr. Mohit Burman	Independent	3	Nil	8
Mr. V. K. Chanana	Independent	2	1	1
Mr. Nikhilesh Panchal	Independent	1	Nil	1



Directors	Category	Total number of Committee memberships + of public companies as on 31st March, 2009	Total number of Chairmanships of Committees + of public companies as on 31st March, 2009	Total number of Directorships* of public companies as on 31st March, 2009
Mr. Fali P. Mama	Independent	4	Nil	2
Mr. Daljit Mirchandani #	Independent	5	2	4
Mr. Piyush Mankad #	Independent	9	2	13
Mr. Harald Korte	Non- Independent	Nil	Nil	1
Mr. Oliver Scholz	Non- Independent	Nil	Nil	1
Mr. R. R. Krishnan **	Non-Independent	3	1	3
<b>EXECUTIVE</b>				
Mr. Deepak Dheer @	Managing Director	Nil	Nil	1

\* Excludes Directorships in private limited companies, foreign companies, Section 25 companies, government bodies and alternate Directorships but includes Additional Directorship and Directorships in Mahindra Forgings Limited.

+ Committees considered are Audit Committee and Share Transfer and Shareholders'/Investors' Grievance Committee, including that of Mahindra Forgings Limited.

# Appointed as Additional Director with effect from 29<sup>th</sup> July, 2008.

@ Appointed as an Additional Director and Managing Director with effect from 1<sup>st</sup> September, 2008.

\*\* Resigned as a Director with effect from 26<sup>th</sup> August, 2008.

#### 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 of the overall performance of the Company, followed by presentations by the other senior executives of the Company. 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, review of major legal issues, minutes of the Board Meetings of your Company's unlisted subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, adoption of quarterly/half-yearly/annual results, significant labour issues, transactions pertaining to purchase / disposal of property(ies), 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 and Compliance Officer.

#### NUMBER OF BOARD MEETINGS, ATTENDANCE RECORD OF THE DIRECTORS AT MEETINGS OF THE BOARD AND AT THE LAST ANNUAL GENERAL MEETING (AGM)

The Board of Directors met eight times during the year on the following dates – 9<sup>th</sup> May, 2008, 29<sup>th</sup> July, 2008, 26<sup>th</sup> August, 2008, 24<sup>th</sup> October, 2008, 13<sup>th</sup> January, 2009, 28<sup>th</sup> January, 2009, 25<sup>th</sup> February, 2009 and 16<sup>th</sup> March, 2009. The gap between two meetings was not more than four months.

The ninth Annual General Meeting (AGM) was held on 29<sup>th</sup> July, 2008.

Attendance of the Directors at these meetings is presented in table 2.

**Table 2: Number of Meetings and Attendance**

Directors	No. of Board Meetings Attended	Attendance at the AGM
Mr. Anand G. Mahindra	1	Yes
Mr. Hemant Luthra	8	Yes
Mr. Zhooben Bhiwandiwala	6	Yes
Mr. Mohit Burman	4	Yes
Mr. V. K. Chanana	6	Yes
Mr. Nikhilesh Panchal	6	Yes
Mr. Fali P. Mama	7	Yes
Mr. Harald Korte	4	Yes
Mr. Oliver Scholz	2	Yes
Mr. Piyush Mankad (1)	1	NA
Mr Daljit Mirchandani (1)	4	NA
Mr. R. R. Krishnan (2)	2	Yes
Mr. Deepak Dheer (3)	5	NA

(1) Appointed as an Additional Director with effect from 29<sup>th</sup> July, 2008.

(2) Resigned as Director with effect from 26<sup>th</sup> August, 2008.

(3) Appointed as Additional Director and Managing Director with effect from 1<sup>st</sup> September, 2008.



## DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

Mr. Hemant Luthra, Mr Fali P. Mama and Mr. Anand G. Mahindra retire by rotation and, being eligible, have offered themselves for re-appointment.

Mr. Daljit Mirchandani and Mr. Piyush Mankad were appointed as Additional Directors on the Board of the Company with effect from 29<sup>th</sup> July, 2008. Mr. Deepak Dheer was appointed as an Additional Director of the Company with effect from 1<sup>st</sup> September, 2008. They hold office up to the date of the ensuing Annual General Meeting. The Company has received Notices from Members proposing their candidature for the office of Director at the said Meeting.

A brief resume of these Directors is presented below :

### (1) Mr. Hemant Luthra

Mr. Hemant Luthra is a graduate of the Indian Institute of Technology, Delhi where he was nominated for the President's Gold Medal for best all round student. He has also been through the Advanced Management Programme at the Harvard Business School. Mr.Luthra joined Mahindra & Mahindra Limited (M&M) as Executive Vice President – Corporate Strategy in December 2001 and was involved in a number of Strategic initiatives across different sectors and group companies. He serves on several Boards and is also Chairman of some Mahindra Group companies.

Mr. Luthra is a member of the Group Management Board of M&M and is President of Mahindra Systems & Technologies (Systech) Sector.

Mr. Luthra has 36 years of varied and rich work experience in Operations, Finance, Business Development and Private Equity, which is of special interest to M&M today as it seeks to consolidate its leadership in different verticals on the back of its strong financial performance. Mr. Luthra started his career with IBM in India where he was directly responsible for a substantial part of the business with responsibility for both Large Accounts and the Finance Industry vertical. He was seconded to IBM Singapore as Marketing Advisor and was the recipient of several awards including one from the Chairman for his special contribution to teamwork.

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

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

Mr. Hemant Luthra is on the Board of Mahindra Sona Limited, Mahindra UGINE Steel Company Limited, Bristlecone Limited, Mahindra Engineering Services Limited, Stokes Group Limited, Mahindra Hinoday Industries Limited, Mahindra Gears & Transmissions Private Limited (formerly Mahindra Sar Transmission Private Limited), Jensand Limited, Stokes Forgings Dudley Limited, Stokes Forgings Limited, Mahindra Aerospace Private Limited, Mahindra Composites Limited, Mahindra Navistar Engines Private Limited, Mahindra Navistar Automotives Private Limited and Mahindra Castings Private Limited.

In addition to the above he is a member of the following Board Committees stated below:

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Engineering Services Limited	Selection Committee	Member
2.	Mahindra Forgings Limited	Remuneration/Compensation Committee	Member
3.	Mahindra UGINE Steel Company Limited	Investors' Grievance Committee	Member
4.	Mahindra Gears & Transmissions Private Limited (formerly Mahindra Sar Transmission Private Limited)	Audit Committee Remuneration Committee	Member Member
5.	Mahindra Castings Private Limited	Audit Committee	Member

Mr. Hemant Luthra does not hold any shares in the Company.

### (2) Mr. Fali P. Mama

Mr. Fali P. Mama is a graduate in science and law. He has over 43 years experience in the Indian Automotive & Engineering Industries in the area of Material Management and Plant Level operation. He has excellent interpersonal skills, is a problem solver,



effective negotiator and communicator. He was with erstwhile TATA Engineering & Locomotive Company Limited (now TATA Motors Limited) for 32 years and was General Manager (Materials). He was responsible at Corporate level for planning, negotiating and buying of components, raw material and consumables both local and imported for all the Plants. His buying experience largely related to procurement of steel raw material and components from Indian, European, Korean and Japanese suppliers.

After retirement from TATA Motors Limited, he joined Anand Group (Auto Components) in September, 1996 as President and independently managed their Export division for export of Shock Absorbers and other related auto components to China, Russia, Far East and Europe. He assisted Dana Spicer for establishing them as supplier of Axles and Drive shafts to Indian commercial vehicles OEMS. He was a member of Global Sourcing team at Dana Corporation (USA) and Haldex (Sweden) for sourcing strategic materials from India for their world wide operations.

Mr. Fali P. Mama is on the Board of Amforge Industries Limited, Nainesh Investment & Trading Company Private Limited, Salil Investments Private Limited, Viniyog Investment & Trading Company Private Limited and Dujon Commercial Private Limited.

Mr. Fali P. Mama is a member of the following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Amforge Industries Limited	Audit Committee Remuneration Committee Shareholders Investors Grievance Committee Share Transfer Executive Committee	Member Member Member Chairman
2.	Mahindra Forgings Limited	Audit Committee Share Transfer and Shareholders'/ Investors' Grievance Committee	Member Member

Mr. Fali P. Mama holds 2,220 Equity Shares of Rs.10 each in the Company.

(3) Mr. Anand G. Mahindra

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

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

In 1991, he was appointed Deputy Managing Director of Mahindra & Mahindra Limited, the country's dominant producer of off-road vehicles and agricultural tractors. He has since been engaged in a comprehensive change programme in Mahindra & Mahindra Limited to make the company an efficient and aggressive competitor in the new liberalised economic environment in India.

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

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

The awards that Mr. Mahindra has received include:

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

OTHER ACTIVITIES

Mr. Mahindra is the co-founder of the Harvard Business School Association of India, an association dedicated to the promotion of professional management in India. The association has grown substantially over the years.

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



Mr. Mahindra is a Director of the National Stock Exchange of India Limited appointed under the "Public Representatives" category. He takes a keen interest in matters related to education and apart from being a Trustee of the K.C. Mahindra Education Trust, which provides scholarships to students, he is also on the Board of Governors of the Mahindra United World College of India.

Mr. Mahindra is the Founder Chairman of the Mumbai Festival, which was launched in January 2005. The event was the first comprehensive festival to celebrate the rich cultural diversity of the city.

He is the Co-Chairman of the International Council of the Asia Society, New York, and President of India Design Council constituted by the Ministry of Commerce and Industry.

Mr. Mahindra also serves on the Boards and committees of Harvard Business School - Asia-Pacific Advisory Board, Harvard Business School - Member of the Board of Dean's Advisors, Harvard University Asia Centre - Advisory Committee, Asia Business Council - Member, National Sports Development Fund (NSDF), Government of India - Council and Executive Committee, The Nehru Centre, Mumbai - Executive Committee, National Council of Applied Economic Research, India Council for Sustainable Development - Member

Mr. Mahindra also holds the Directorships of Mahindra & Mahindra Limited, Mahindra Navistar Automotives Limited, Mahindra Sona Limited, Tech Mahindra Limited, Mahindra Lifespace Developers Limited, National Stock Exchange of India Limited, Kotak Mahindra Bank Limited, Tech Mahindra (Americas) Inc., Mahindra Ugin Steel Company Limited, Bristlecone Limited - Cayman Islands, Tech Mahindra Foundation, Avion Aerosols Private Limited, M.A.R.K. Hotels Private Limited, Angular Constructions Private Limited, Prana Holdings Inc., Mahindra Holdings Limited, Mahindra First Choice Wheels Limited, Mahindra Two Wheelers Limited.

Mr. Mahindra is a member of the following committees:

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

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

(4) Mr. Daljit Mirchandani

Mr. Daljit Mirchandani is a Graduate Engineer from Birla Institute of Technology. He is currently Chairman of Ingersoll-Rand (India) Limited. Prior to this, Mr Mirchandani has held several key positions in the Kirloskar Group. He was the Chairman of the Karnataka State Council of the Confederation of Indian Industries (CII) in 2005 the premier industry body that interfaces with the State and Central Government bodies. In 2007, he was nominated by the CII to be a member of the National Horticulture Board and the Task Force formed by the Ministry of Agriculture, to examine policy interventions for the formation of the Cold Chain Infrastructure in India for Fresh Fruits and Vegetables.

Mr. Daljit Mirchandani is on the Board of Ingersoll Rand (India) Limited, Praj Industries Limited, SREI Infrastructure Finance Limited and Quippo Energy Private Limited.

Mr. Daljit Mirchandani is a member of the following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee Remuneration/Compensation Committee Share Transfer and Shareholders'/ Investors' Grievance Committee	Member Member Chairman
2.	Ingersol Rand (India) Limited	Audit Committee Shareholders'/Investors' Grievance Committee	Member Member
3.	Praj Industries Limited	Audit Committee	Chairman

Mr. Daljit Mirchandani does not hold any shares in the Company.



## (5) Mr. Piyush Mankad

Mr. Piyush Mankad is a retired civil servant with a distinguished career of over forty years in the prestigious Indian Administrative Service, which he joined in 1964. He was educated at Delhi University, India and later at Cambridge, U.K., where he obtained a postgraduate Diploma in Development Studies, with distinction. Some of the important positions that he has held include Counselor (Economic) in the Indian Embassy, Tokyo; Controller of Capital Issues, Ministry of Finance; Finance Secretary, Government of India; and Executive Director for India and four other countries and Board Member, Asian Development Bank, Manila, which was his last assignment till July, 2004.

His areas of experience and expertise include, among others, public finance and policy; capital market regulation and development; promotion of industry, F.D.I. and infrastructure, and public administration.

Mr. Piyush Mankad is on the Board of Tata Power Limited, Tata International Limited, Tata Elxsi Limited, Mahindra & Mahindra Financial Services Limited, DSP-Blackrock Fund Managers Limited, U.B (Holdings) Limited, Kingfisher Airlines Limited, Max India Limited, SRF Limited, ICRA Limited, Noida Toll Bridge Company Limited and Heidelberg Cement India Limited (formerly known as Mysore Cements Limited)

Mr. Piyush Mankad is a member of the following Board Committees:

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Tata International Limited	Audit Committee	Member
2.	Tata Elxsi Limited	Share Transfer-Investors Grievance Committee	Chairman
3.	DSP-Blackrock Fund Managers Limited	Audit Committee	Member
4.	Noida Toll Bridge Company Limited	Audit Committee Investors Grievance Committee	Member Member
5.	SRF Limited	Audit Committee	Member
6.	Heidelberg Cement India Limited (formerly known as Mysore Cements Limited)	Audit Committee Share Transfer & Shareholders'/ Investors' Grievance Committee	Member Chairman
7.	Max India Limited	Investors Grievance & Share Transfer Committee	Member
8.	Mahindra & Mahindra Financial Services Limited	Remuneration Committee	Chairman

Mr. Piyush Mankad does not hold any shares in the Company.

## (6) Mr. Deepak Dheer

Mr. Deepak Dheer is a Graduate in Mechanical Engineering from IIT Chennai, and has done his Post Graduation Diploma in Business Management from IIM, Ahmedabad.

He has a vast experience of 36 years in various industries. Mr. Dheer has held various senior positions in several reputed companies. He worked for Tata Motors Limited and Tata Robins Limited, Jamshedpur in various capacities. Mr. Dheer worked as Business development manager with Guest Keen & Williams for setting up of joint venture Tungsten Carbide Project in India. Mr. Dheer also worked as Chief Project Manager with Times of India Group. He had also worked with HMT, Bangalore as General Manager, Corporate Planning. He joined Ranbaxy Laboratory as CEO of Biotech and became Vice President of Pharma Division in the Sales, Marketing & Distribution of Pharmaceutical Dosage forms in India & Abroad. He had worked with UNIGLOVE, Bangkok as CEO and handled Exports to USA and European countries. Mr. Dheer has widely travelled on different assignments and is an effective team leader. Mr. Dheer was working as Managing Director of Tudor India Limited, a wholly owned subsidiary of Exide Technologies, USA for 8 years. The last position of employment held by him was with Mahindra Ugin Steel Company Limited as Executive Director.

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

Mr. Dheer is not a Director of any other company and also not a member of any Committee.

**CODES OF CONDUCT**

The Board has laid down two separate Codes of Conduct ('Codes'), one for Board members and other for designated Senior Management and Employees of the Company. These Codes have been posted on the Company's website <http://www.mahindraforgings.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.



## CEO/CFO CERTIFICATION

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the General Manager-Finance & Accounts of the Company have certified to the Board regarding the Financial Statements for the year ended 31<sup>st</sup> March, 2009.

## REMUNERATION/COMPENSATION POLICY

While deciding on the remuneration for Directors, the Board, Remuneration/Compensation Committee (Committee) considers the performance of the Company, the current trends in industry, the qualification of the appointee(s), their experience, past performance and other relevant factors. The Board / 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.

## REMUNERATION/COMPENSATION PAID TO DIRECTORS

Non-Executive Directors are paid sitting fee of Rs.2,500/- for every meeting of the Board, Audit Committee, Remuneration/Compensation Committee, Share Transfer and Shareholders'/Investors' Grievance Committee attended. The details are presented in table 3. The remuneration to the Managing Director is fixed by the Remuneration/Compensation Committee which is subsequently approved by the Board of Directors, shareholders at a General Meeting and Central Government (if applicable).

**Table 3: Details of remuneration paid/payable to the Directors including Managing Director for 2008-09**

Name of the Director	Sitting Fees (Rs.)	Salary and Perquisites (Rs.)	Contribution to Provident and Other Funds* (Rs.)	Performance Linked Incentive (Rs.)	Total (Rs.)	No. of Options granted in October, 2007@	No. of Options granted in February, 2008@@	No. of Options granted in August, 2008@@@	No. of Ordinary (Equity) Shares held as on 31st March, 2009
Mr. Anand G. Mahindra	NA	NA	NA	NA	NA	NA	NA	NA	NIL
Mr. Hemant Luthra	27,500	NA	NA	NA	27,500	NIL	2,00,000	NIL	NIL
Mr. R. R. Krishnan\$\$	15,000	NA	NA	NA	15,000	8,000	2,000	NIL	NA
Mr. Zhooben Bhiwandiwala	22,500	NA	NA	NA	22,500	8,000	2,000	10,000	1,507
Mr. Mohit Burman	22,500	NA	NA	NA	22,500	8,000	2,000	10,000	12,805
Mr. V. K. Chanana	40,000	NA	NA	NA	40,000	8,000	2,000	10,000	NIL
Mr. Nikhilesh Panchal	27,500	NA	NA	NA	27,500	8,000	2,000	10,000	NIL
Mr. Fali P. Mama	35,000	NA	NA	NA	35,000	8,000	2,000	10,000	2.220
Mr. Harald Korte	10,000	NA	NA	NA	10,000	NIL	NIL	10,000	NIL
Mr. Piyush Mankad **	2,500	NA	NA	NA	2,500	NA	NA	10,000	NIL
Mr Daljit Mirchandani **	15,000	NA	NA	NA	15,000	NA	NA	10,000	NIL
Mr. Oliver Scholz	5,000	NA	NA	NA	5,000	NA	NA	10,000	NIL
Mr. Deepak Dheer # (Managing Director)	NA	28,70,992	2,48,322	12,19,167	43,38,481	NA	NA	75,000	NIL
Mr. S. Ravindran (Managing Director) \$	NA	25,21,962	4,10,133	NIL	29,32,095	40,000	NIL	NA	NA

\* Aggregate of the Company's contributions to Superannuation Fund, Provident Fund, Gratuity and Privilege Leave Encashment.

\*\* Appointed as an Additional Director with effect from 29<sup>th</sup> July, 2008.

# Appointed as an Additional Director and Managing Director with effect from 1<sup>st</sup> September, 2008.

\$ Resigned as Managing Director and Director with effect from 22<sup>nd</sup> April, 2008.

\$\$ Resigned as Director with effect from 26<sup>th</sup> August, 2008.

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

@@ These Options vested/would vest in four equal instalments in February, 2009, February, 2010, February, 2011 and February, 2012



respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price of Rs. 197/- per share, except for Mr. Hemant Luthra who was granted Options at an exercise price of Rs. 83/-per share.

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

The Company did not advance loans to any of its Directors. The contract with the Managing Director is for a period of three years with effect from 1<sup>st</sup> September, 2008 to 31<sup>st</sup> August, 2011.

Notes:

- Notice period applicable to the Managing Director - one month.
- No severance fees and no commission.

## RISK MANAGEMENT

Your Company follows well-established and detailed risk assessment and minimisation procedures. The risk assessment and mitigation procedures are reviewed by the Board periodically.

## COMMITTEES OF THE BOARD

Your Company has constituted Board-level Committees to delegate particular matters that require greater and more focussed attention in the affairs of the Company. These Committees prepare the ground-work for decision making and report to the Board.

All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of service for Committee members are taken by the Board of Directors. Details regarding the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

### a) Audit Committee

The Audit Committee comprises of the following Non-Executive Directors viz. Mr. V. K. Chanana, Mr. Mohit Burman, Mr. Nikhilesh Panchal, Mr. Fali P. Mama, Mr. Daljit Mirchandani and Mr. Zhooben Bhiwandiwala. Except Mr. Zhooben Bhiwandiwala, all the Directors are Independent Directors. Mr. V. K. Chanana is the Chairman of the Committee.

All the members of the Audit Committee have strong accounting knowledge and expertise in financial management.

The Company Secretary is 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 Auditors, the Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review the remuneration payable to Statutory Auditors and to recommend a change in Auditors, if felt necessary. It is also empowered to inter alia review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis, Material individual transactions with related parties not in normal course of business or which are not on an arm's length basis. Generally, 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, General Manager – Finance & Accounts, the Statutory Auditors, the Internal Auditors and the Company Secretary & GM - Legal. The Chairman of the Audit Committee, Mr. V. K. Chanana was present at the Ninth Annual General Meeting of the Company held on 29<sup>th</sup> July, 2008.

The Committee held 4 meetings during the year 2008-09 on the following dates, i.e. 9<sup>th</sup> May, 2008, 29<sup>th</sup> July, 2008, 24<sup>th</sup> October, 2008 and 28<sup>th</sup> January, 2009. The time gap between two meetings was less than four months. The details are presented in table 4.

**Table 4: Attendance record of Audit Committee**

Name of the Member	Position	Status	No. of Meetings Attended
Mr. V. K. Chanana	Independent Director	Chairman	4
Mr. Mohit Burman	Independent Director	Member	3
Mr. Nikhilesh Panchal	Independent Director	Member	3
Mr. Fali P. Mama	Independent Director	Member	4
Mr. Zhooben Bhiwandiwala *	Non-Independent Non-Executive Director	Member	2
Mr. Daljit Mirchandani *	Independent Director	Member	2
Mr. R. R. Krishnan **	Non-Independent Non-Executive Director	Member	2

\* Appointed with effect from 26<sup>th</sup> August, 2008.

\*\* Resigned from the Audit Committee w.e.f. 26<sup>th</sup> August, 2008.





#### a) Remuneration/Compensation Committee

The function of the Remuneration/Compensation Committee is to look into the entire gamut of remuneration package for the Managing Director. The Committee which has formulated and administers Mahindra Forgings Employees' Stock Option Scheme also attends to such other matters as may be prescribed from time to time.

The Remuneration/Compensation Committee comprises of Mr. Anand G. Mahindra, Mr. Hemant Luthra, Mr. V. K. Chanana, Mr. Mohit Burman, Mr. Nikhilesh Panchal and Mr. Daljit Mirchandani. Mr. Mohit Burman is the Chairman of the Committee.

The Committee held 3 meetings during 2008-09 on the following dates, i.e. 9<sup>th</sup> May, 2008, 29<sup>th</sup> July, 2008 & 26<sup>th</sup> August, 2008. The details are presented in table 5.

**Table 5: Attendance details of Remuneration/Compensation Committee**

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Mohit Burman	Independent Director	Chairman	2
Mr. Anand G. Mahindra	Non-Independent Non-Executive Director	Member	Nil
Mr. Hemant Luthra	Non-Independent Non-Executive Director	Member	3
Mr. V. K. Chanana	Independent Director	Member	3
Mr. Nikhilesh Panchal	Independent Director	Member	2
Mr. Daljit Mirchandani *	Independent Director	Member	NA

\* Appointed with effect from 26<sup>th</sup> August, 2008.

The Remuneration/Compensation Committee of the Company recommends to the Board the compensation payable to the Managing Director.

#### c) Share Transfer and Shareholders'/Investors' Grievance Committee

The Company's Share Transfer and Shareholders'/Investors' Grievance Committee comprises of Mr. Daljit Mirchandani, Mr. V. K. Chanana and Mr. Fali P. Mama, all Non-Executive Directors. Mr. Daljit Mirchandani is the Chairman of the Committee. Mr. Krishnan Shankar, Company Secretary & GM – Legal is the Compliance Officer of the Company.

The Committee meets as and when required, to inter alia deal with matters relating to transfers / transmission of shares and monitors redressal of complaints from shareholders relating to transfers, non-receipt of balance-sheet etc. With a view to expediting the process of share transfers, Mr. Daljit Mirchandani, the Chairman of the Committee, is authorised to approve of transfers of shares which are upto 5,000 in number.

The Committee held three meetings during the year under review on 9<sup>th</sup> May, 2008, 29<sup>th</sup> July, 2008 and 24<sup>th</sup> October, 2008. All the meetings were well attended.

During the year, one complaint was received from the shareholder which has been attended/resolved.

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

#### Shares held by the Non-Executive Directors

As on 31<sup>st</sup> March, 2009, Mr. Mohit Burman alongwith his relatives held 2,24,519 equity shares, Mr. Zhooben Bhiwandiwalla held 1,507 equity shares and Mr. Fali P. Mama held 2,220 equity shares of the Company. Apart from them, no other Non-Executive Director held any shares or convertible instruments of the Company as on 31<sup>st</sup> March, 2009.

#### Subsidiary Companies

The 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 Indian subsidiary" during the year under review.

#### Disclosures

##### Disclosures of transactions with Related Parties

During the Financial Year 2008-09, there were no materially significant transactions entered into between the Company and its promoters, Directors or the management, subsidiaries or 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 number "21" in Part B of Schedule 15 to Annual Accounts of the Annual Report.

##### Disclosure of Accounting Treatment in preparation of Financial Statements

Your Company has followed the guidelines of Accounting Standards laid down by The Institute of Chartered Accountants of India (ICAI) and the Companies (Accounting Standards) Rules, 2006 in preparation of its financial statements.

##### Code for Prevention of Insider-Trading practices

In compliance with SEBI's regulation on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for 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 Company, and cautioning them of the consequences of violations.



## SHAREHOLDERS

### ADDITIONAL SHAREHOLDER INFORMATION

#### 10th Annual General Meeting

Date : 29<sup>th</sup> July, 2009  
 Time : 2.30 p.m.  
 Venue : Amar Gian Grover Auditorium,  
 Lala Lajpat Rai Memorial Trust,  
 Lala Lajpat Rai Marg, Haji Ali,  
 Mumbai – 400 034.

#### Book Closure

The dates of book closure will be from 21<sup>st</sup> July, 2009 to 29<sup>th</sup> July, 2009 inclusive of both days.

#### Dividend Payment

The Board of Directors of the Company has not recommended a dividend for the year 2008-09.

#### Financial Year

Financial year covers the period from: 1<sup>st</sup> April to 31<sup>st</sup> March

For the year ending 31<sup>st</sup> March 2010, results will be tentatively announced by

- End July, 2009: First quarter
- End October, 2009: Half yearly
- End January, 2010: Third quarter
- End April, 2010 or May, 2010: Fourth quarter and annual

#### Registered Office Address:

Mahindra Towers,  
 P. K. Kurne Chowk,  
 Worli, Mumbai – 400 018.  
 Maharashtra

#### Listing

At present, the equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

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

#### Stock code

	Stock code
Bombay Stock Exchange Limited	532756
National Stock Exchange of India Limited	MAHINDFORG
Demat International Security Identification Number in NSDL & CDSL for Equity Shares	ISIN- INE536H01010

#### Stock Market Data

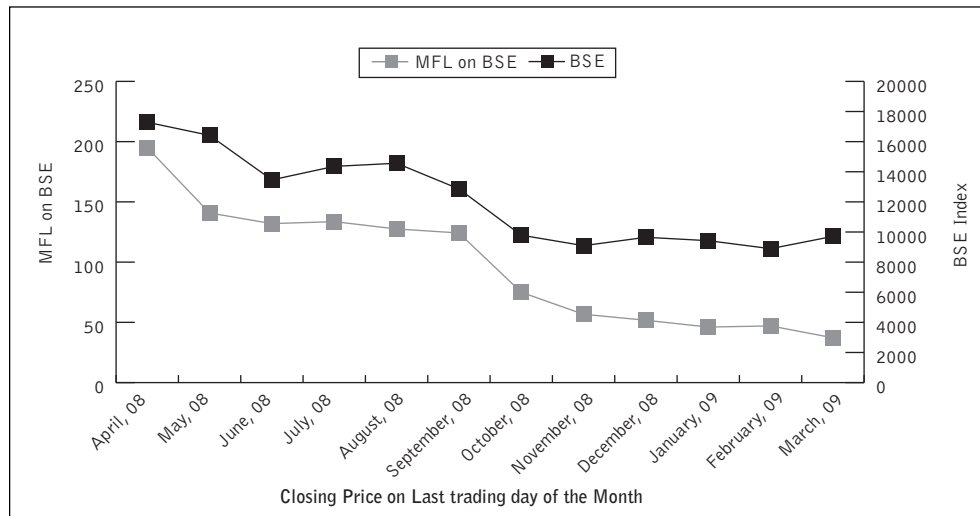
**Table 6: High and low price of Company's shares for 2008-09 at BSE**

	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April-2008	208.00	135.05	210.20	125.10
May-2008	203.00	136.00	209.95	135.00
June-2008	161.00	113.15	164.00	104.00
July-2008	136.90	110.00	147.25	108.60
August-2008	148.75	117.00	135.00	119.00
September-2008	155.90	120.00	160.00	117.00
October-2008	135.60	67.65	132.00	60.00
November-2008	83.00	53.15	84.00	53.75
December-2008	61.00	47.35	62.00	47.10
January-2009	57.75	41.35	59.50	40.30
February- 2009	54.75	40.00	56.00	41.45
March- 2009	51.25	35.35	52.30	36.40

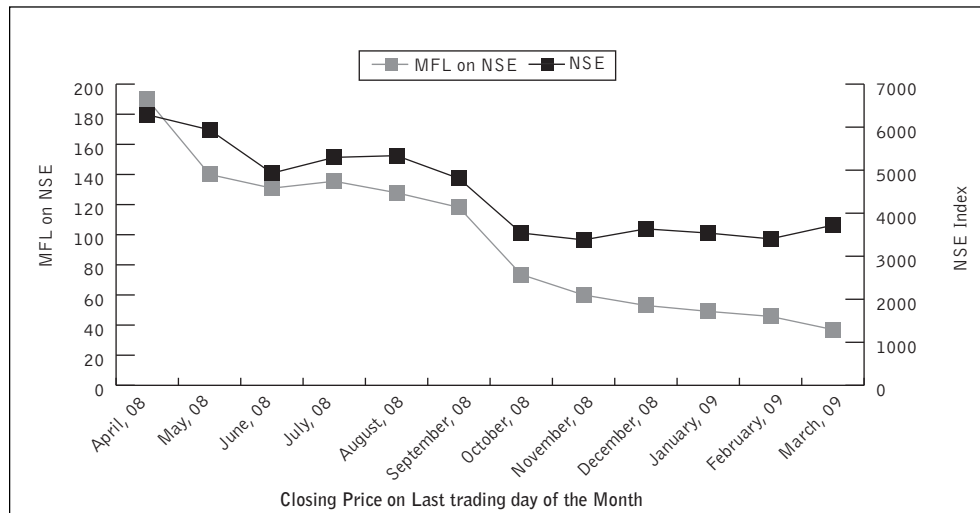


**STOCK PERFORMANCE**

The performance of the Company's shares relative to the BSE sensitive index is given in the chart below:



The Performance of the Company's shares relative to the NSE Sensitive Index (S&P Nifty Index) is given in the chart below:



**Registrar and Transfer Agents**

Karvy Computershare Private Limited.  
 Unit: Mahindra Forgings Limited  
 "Karvy House" 46 Avenue 4  
 Street No. 1, Banjara Hills  
 Hyderabad – 500 034.  
 Tel. No. + 91 - 40 – 23420815 to 820  
 Fax No. + 91 – 40 - 23420814/57  
 E-mail: krishnans@karvy.com



### Share Transfer System

Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects. With a view to expediting the process of share transfers, the Chairman of the Share Transfer and Shareholders'/Investors' Grievance Committee is authorised to approve of transfers of shares upto 5,000 in number. The Share Transfer and Shareholders'/Investors' Grievance Committee meets as and when required to consider the other transfer proposals and attend to shareholder grievances.

### Distribution of Shareholding

**Table 7: Distribution of shareholding as on 31st March, 2009**

Number of shares held	Number of shareholders	% of shareholders	Total shares	% of shareholding
1 to 5000	18,028	96.50%	10,66,934	1.56%
5001 to 10000	269	1.44%	2,20,965	0.32%
10001 to 20000	158	0.85%	2,39,470	0.34%
20001 to 30000	64	0.34%	1,68,875	0.25%
30001 to 40000	19	0.10%	67,212	0.10%
40001 to 50000	31	0.17%	1,47,637	0.22%
50001 to 100000	38	0.20%	2,73,726	0.40%
100001 & above	75	0.40%	6,63,82,917	96.81%
<b>Total</b>	<b>18,682</b>	<b>100%</b>	<b>6,85,67,736</b>	<b>100.00%</b>

### Shareholding pattern

**Table 8: Shareholding pattern as on 31st March, 2009**

Category of Shareholders	Number of Equity Shares held	Percentage (%)
Promoter & Promoter group	4,15,26,339	60.56%
Mutual Fund/UTI	30,004	0.04%
Financial Institutions/Banks	90	0.00%
Insurance Companies	24,855	0.04%
Foreign Institutional Investors	31,66,953	4.62%
Bodies Corporate	71,20,856	10.39%
Resident individuals	49,08,396	7.15%
NRIs	94,389	0.14%
Clearing Members	3,938	0.01%
Foreign companies	1,16,91,916	17.05%
<b>Total</b>	<b>6,85,67,736</b>	<b>100.00%</b>



### Dematerialisation of Shares

As on 31<sup>st</sup> March, 2009, 94% of the total Equity Capital was held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading in the Equity Shares of the Company is permitted only in dematerialised form as per notification issued by Securities and Exchange Board of India (SEBI).

### Outstanding GDRs/ADRs/Warrants

NIL

### Plant Location

Gat No. 856 to 860  
Chakan Ambethan Road,  
Tal. Khed, Dist. Pune - 410 501.  
Maharashtra

### Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:

Karvy Computershare Private Limited.

Unit: Mahindra Forgings Limited

“Karvy House” 46 Avenue 4, Street No. 1, Banjara Hills

Hyderabad – 500 034.

Tel. No. + 91 - 40 – 23420815 to 820

Fax No. + 91 – 40 - 23420814/57

E-mail: krishnans@karvy.com

On all matters relating to transfer/dematerialisation of shares and any other query relating to shares of the Company.

The Company has also designated [mfl.investors@mahindra.com](mailto:mfl.investors@mahindra.com) as an email ID for the purpose of registering complaints and the same has been displayed on the Company’s website.

Shareholders would have to correspond with the respective Depository Participants for shares held in demat mode.

For all investor related matters, the Company Secretary & GM – Legal can be contacted at Gat No. 856 to 860, Chakan Ambethan Road, Taluka.; Khed, District : Pune – 410501. Tel No.+91-2135-663307 Fax No. +91-2135- 663301 e-mail : [krishnan.shankar@mahindra.com](mailto:krishnan.shankar@mahindra.com).

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

### OTHER DISCLOSURES

#### General Body Meetings

Tables 9 and 10 give the details of the last three years’ General Meetings.

**Table 9: Annual General Meetings held during the past three years**

Year	Date	Time	Special Resolution(s) passed
2006	19 <sup>th</sup> May, 2006	11.00 a.m.	Change of name of the Company from “Mahindra Automotive Steels Limited” to “Mahindra Forgings Limited”.
2007	25 <sup>th</sup> July, 2007	3.30 p.m.	<ol style="list-style-type: none"> <li>1. Appointment and remuneration of Mr. S. Ravindran, Managing Director.</li> <li>2. Approval of Employee Stock Option Scheme for designated employees of the Company.</li> <li>3. Approval of Employee Stock Option Scheme for designated employees of holding and subsidiary company(ies).</li> </ol>
2008	29 <sup>th</sup> July, 2008	3.30 p.m.	Modification to the Employee Stock Option Scheme to provide for grant of Options to designated employees of holding and subsidiary company(ies) upto maximum limit of 5% of the enhanced paid up capital of the Company as on 31 <sup>st</sup> March 2008.

**Table 10: Extraordinary General Meetings held during the past three years**

Year	Date	Time	Special Resolution(s) passed
2006	24 <sup>th</sup> March, 2006	2.00 p.m.	i. Alteration of Articles of Association. ii. Conversion from Private Limited to a Public Limited Company. iii. Adoption of new set of Articles. iv. Change in name of the Company from 'Mahindra Automotive Steels Private Limited' to 'Mahindra Automotive Steels Limited'.
2008	4 <sup>th</sup> December, 2008	3.30 p.m.	i. Alteration of the Articles of Associations. ii. Utilisation of an amount from the Securities Premium Account for writing off the Goodwill, Non Compete Fees and debit balance in the Profit & Loss Account. iii. Appointment and remuneration of Mr. Deepak Dheer as Managing Director for a period of 3 years with effect from 1 <sup>st</sup> September, 2008.

The Annual General Meeting dated 19<sup>th</sup> May, 2006 was held at Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018. Other Annual General Meetings held on 25<sup>th</sup> July, 2007 and 29<sup>th</sup> July, 2008 were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400 034.

A Court Convened Meeting of the Equity Shareholders was held to pass the following resolution :

Year	Date	Time	Resolution passed
2007	12 <sup>th</sup> September, 2007	11.30 a.m.	Approving the proposed Scheme of Arrangement of Mahindra Stokes Holding Company Limited, Mahindra Forgings Mauritius Limited, Mahindra Forgings Overseas Limited with Mahindra Forgings Limited and their respective Shareholders.

### Postal Ballot

No resolutions were passed by postal ballot in the year under review. No special resolution is proposed to be conducted through Postal Ballot.

### Details of non-compliance by the Company

Your Company has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed/passed on the Company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets since the listing of the Company's shares.

### Means of Communication with Shareholders

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

Presentations are also made to international and national institutional investors and analysts which have also been put up on the website of the Company.

The Company also regularly posts information relating to financial results on the Company's website at <http://www.mahindraforgings.com>.

### Management Discussion and Analysis

Management Discussion and Analysis forms part of the Directors Report and is appearing elsewhere in the Annual Report.



## Compliance

### Mandatory requirements

The Company is fully compliant with the applicable mandatory requirements of the Clause 49.

### Adoption of non-mandatory requirements

Although it is not mandatory, the Board of the Company has constituted a Remuneration/ Compensation Committee. Details of the Committee have been provided under the Section 'Committees of the Board'. Additionally, the Company's financial statements are free from any qualifications by the Auditors.

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

Mumbai, 11<sup>th</sup> May, 2009

## DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

### The Members of Mahindra Forgings Limited

I, Deepak Dheer, Managing Director of Mahindra Forgings Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Codes of Conduct for the year ended 31<sup>st</sup> March, 2009.

**Deepak Dheer**

Managing Director

Mumbai, 11<sup>th</sup> May, 2009

## CERTIFICATE

To

### The Members of Mahindra Forgings Limited.

We have examined the compliance of conditions of Corporate Governance by Mahindra Forgings Limited for the year ended 31<sup>st</sup> March, 2009, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that in respect of investor grievance received during the year 31<sup>st</sup> March, 2009, no investor grievances are pending against the Company as per records maintained by the Company and presented to the Share Transfer and Shareholders'/Investors' Grievance Committee of the Company.

We further state 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 B.K. Khare & Co.  
Chartered Accountants

**Padmini Khare Kaicker**

Partner

M.No. 44784

Place: Mumbai  
Dated: 11<sup>th</sup> May, 2009



## AUDITORS' REPORT

To the Members of Mahindra Forgings Limited,

1. We have audited the attached Balance Sheet of Mahindra Forgings Limited as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as 'the order') 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 that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) Without qualifying our opinion, we draw attention to:
 

Note No. B-26 of Schedule 15 of the accounts regarding investment of Rs. 5,285.59 Lakhs in one of its subsidiaries for which no diminution provision has been made as the impairment is not considered permanent.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2009;
  - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2009, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31<sup>st</sup> March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **B.K. Khare & Co.**  
Chartered Accountants

**Padmini Khare Kaicker**  
(Partner)  
M.No.44784

Place : Mumbai  
Dated : 11<sup>th</sup> May, 2009





## ANNEXURE TO THE AUDITORS' REPORT

### Referred to in paragraph 1 of our Report of even date :

- i (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All major assets have been physically verified by the management during the year. There is a regular programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on verification.
- (c) During the year, Company has not disposed of any substantial/major part of fixed assets.
- ii (a) The Management has conducted physical verification of inventory at reasonable intervals. Confirmations have been received in respect of inventories lying with third parties. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found 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 and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records are not material and have been properly dealt with in the books of account.
- iii. According to the information and explanations given to us and to the best of our knowledge, the Company has neither granted nor taken any loans, whether secured or unsecured to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- v (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956.
- vii. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii. We have broadly reviewed the books of accounts maintained by the Company relating to the manufacture of forgings pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix (a) According to the records of the Company and information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service-Tax, Customs Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities during the year. According to information and explanations given to us, there are no arrears of outstanding statutory dues as mentioned above as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (b) As on 31st March, 2009, according to the records of the Company and information and explanations given to us, following are particulars of disputed dues on account of income tax that have not been deposited

Name of statute	Nature of dues	Amount in Rs lakhs	Period to which amount relates	Forum where pending
Income Tax Act	Tax, interest thereon	29.89	2008-09	CIT (Appeals)

- x. The Company has accumulated losses, as at the end of the year, which are not more than 50% of its net worth as on 31.3.09. The Company has incurred cash losses in the current year. No cash losses were incurred in the immediately preceding financial year.
- xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies.
- xiv. The company is not dealing or trading in shares, securities or any other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions, except against loans including interest thereon amounting to Rs.139.79 lakhs for which the company has made adequate provision in the books



- of account in view of the likely default by the principal debtor.
- xvi. As informed to us, the term loans availed by the Company were applied for the purposes for which the loans were obtained.
- xvii. According to information and explanation given to us, on an overall examination of the balance sheet and the Cash Flow Statement of the company, we report that funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- xviii. The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, the company has not issued any debentures during the year.
- xx. The Company has not raised money by making any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **B.K. Khare & Co.**  
*Chartered Accountants*

**Padmini Khare Kaicker**  
*(Partner)*  
M.No.44784

Place : Mumbai  
Dated : 11<sup>th</sup> May, 2009



## Balance Sheet as at 31st March, 2009

	Schedule	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>I SOURCES OF FUNDS :</b>			
SHARE HOLDERS' FUNDS			
Share Capital .....	1	6856.77	6856.77
Employee Stock Options outstanding .....	1A	323.06	23.09
Reserve & Surplus .....	2	63244.94	73425.70
		<u>70424.77</u>	<u>80305.56</u>
LOAN FUNDS			
Secured Loans .....	3	17903.18	18990.12
Unsecured Loans .....	4	6394.65	1994.65
		<u>24297.83</u>	<u>20984.78</u>
		<u>94722.60</u>	<u>101290.33</u>
<b>II APPLICATION OF FUNDS :</b>			
FIXED ASSETS			
Gross Block .....		25952.63	24776.79
Less : Depreciation .....		6661.87	8553.89
Net Block .....		19290.76	16222.90
Capital Work in Progress .....		4614.54	12787.91
Total Fixed Assets .....	5	23905.30	29010.81
INVESTMENTS .....	6	66855.86	66824.11
DEFERRED TAX ASSET (Net) .....		-	513.87
Current Assets, Loans and Advances .....	7, 8		
Inventories .....		2461.92	2498.49
Sundry Debtors .....		2952.68	2605.71
Cash and Bank Balances .....		467.81	277.78
Loans & Advances .....		649.72	1161.27
		<u>6532.13</u>	<u>6543.26</u>
Less : Current Liabilities & Provisions .....	9		
Current Liabilities .....		5591.60	5230.45
Provisions .....		299.65	252.88
		<u>5891.25</u>	<u>5483.34</u>
NET CURRENT ASSETS .....		640.88	1059.93
PROFIT & LOSS ACCOUNT .....		3320.55	3881.62
		<u>94722.60</u>	<u>101290.33</u>
NOTES TO ACCOUNTS .....	15		

As per our Report of even date  
For **B K Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 11th May, 2009

For & on behalf of Board of Directors  
**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Harald Korte**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Ajay Mantry**  
(Chief Financial Officer)



## Profit & Loss Account for the year ended 31st March, 2009

	Schedule	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>I INCOME :</b>			
Gross Sales .....		26667.66	24520.82
Less - Excise duty on Sales .....		2958.12	3107.50
Net Sales .....		23709.54	21413.32
Other Income .....	10	536.10	590.69
		24245.64	22004.00
<b>II EXPENDITURE</b>			
Material Consumption .....	11	15036.46	12800.93
Personnel Expenses .....	12	2168.36	1356.95
Other Expenses .....	13	5892.26	5509.38
Interest & Finance cost .....	14	2539.16	1288.57
Depreciation .....	5	1953.51	1159.36
		27589.75	22115.19
Profit Before Goodwill , Contingency Provision & Tax		(3344.11)	(111.18)
LESS : Goodwill Amortisation ( Note A (iii) (c) of Sch 15) .....		-	1738.53
Profit / ( Loss ) before tax .....		(3344.11)	(1849.71)
Less : Provision for tax			
Current Tax .....		-	(43.00)
Wealth Tax .....		0.44	1.00
Deferred Tax .....		135.96	(92.13)
Prior period adjustments for Deferred Tax (Net) .....		513.87	(381.22)
Fringe Benefit Tax .....		12.92	17.55
Profit / (Loss) after Tax .....		(4007.30)	(1351.91)
Appropriations			
Less: Prior Period Expenses (net) ( Note B-24 of Sch 15 ) ..		132.79	65.27
Profit / (Loss) for the year .....		(4140.09)	(1417.19)
Balance of Profit & Loss Account brought forward .....		(3881.62)	(2447.85)
Add: Transfer from Securities Premium Account [Refer Note B-1 of Sch 15]		4701.15	-
Movement during the period .....		-	(16.58)
Balance of Profit & Loss Account carried to Balance Sheet		(3320.56)	(3881.62)
Earning per Share ( Note B-22 of Sch 15 ) ( Face value of Rs. 10 Per Share)			
Basic .....		(6.04)	(2.07)
Diluted .....		(6.04)	(2.07)
NOTES TO ACCOUNTS .....	15		

As per our Report of even date  
For **B K Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 11th May, 2009

For & on behalf of Board of Directors  
**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Harald Korte**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Ajay Mantry**  
(Chief Financial Officer)



### Cash Flow Statement for the year ended 31st March, 2009

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
Profit/(Loss) before tax after prior period adjustments .....	(3476.90)	(1914.99)
Add : Adjustment for .....		
Depreciation, Amortisation and expenditure as ESOS .....	2253.48	2921.02
Provision for doubtful debts/ Write off's .....	62.87	62.57
Interest (Expenses) .....	2539.16	1754.11
Loss on sale of Fixed Assets/ Assets written off .....	211.01	6.78
Sundry balances written off .....	-	2.20
Sub-Total .....	<u>1589.62</u>	<u>2831.69</u>
Less : Adjustments for .....		
Interest / Dividend Income .....	34.95	565.27
Profit on sale of Fixed Assets .....	1.82	-
Profit / Loss on sale of investment .....	-	22.64
Foreign Exchange Gain on Capex (Net) .....	402.24	-
Unrealised Foreign Exchange gain .....	-	124.29
Sub-Total .....	<u>439.01</u>	<u>712.20</u>
<b>Operating Profit before Working Capital changes .....</b>	<b><u>1150.61</u></b>	<b><u>2119.49</u></b>
Adjustments for .....		
Trade & Other receivables .....	35.62	17816.74
Inventories .....	36.57	(128.40)
Trade Payables .....	(174.02)	1116.47
<b>Cash generated from Operations .....</b>	<b><u>(101.83)</u></b>	<b><u>18804.81</u></b>
Direct Taxes (Paid) / Refund .....	52.73	(22.34)
<b>Net cash from Operating Activities .....</b>	<b><u>1101.51</u></b>	<b><u>20901.96</u></b>
Cash flow from Investing Activities .....		
Purchase of Fixed Assets .....	(1713.90)	(12063.84)
Sale of Fixed Assets .....	25.32	2.55
Purchase of Investments (Net) .....	(31.75)	(1889.63)
Interest / Dividend received .....	34.95	371.51
<b>Net Cash from investing Activities .....</b>	<b><u>(1685.38)</u></b>	<b><u>(13579.40)</u></b>
Cash flow from Financing Activities .....		
Term Loans .....	(1734.93)	(11906.24)
Issue of Share Capital .....	-	5577.54
Working Capital Loan .....	647.99	-
Inter-Corporate Deposit .....	4400.00	-
Interest Paid .....	(2539.16)	(2281.63)
<b>Net Cash from Financing Activities. ....</b>	<b><u>773.90</u></b>	<b><u>(8610.33)</u></b>



### Cash Flow Statement for the year ended 31st March, 2009 (Contd.)

	<b>2009</b> (Rs. in lakhs)	2008 (Rs. in lakhs)
Net ((Decrease)/Increase ) in Cash & Cash equivalents.....	190.04	(1287.77)
Opening Cash / Bank Balances	277.78	406.89
Add: Cash & Bank balances taken over from Amalgamated Companies	-	1158.66
Closing Cash / Bank Balances	467.83	277.78

## Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Statement issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents represents cash and bank balances only

As per our Report of even date

For **B. K. Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
(Partner)  
Membership No. 44784

Mumbai, 11<sup>th</sup> May, 2009

For &amp; on behalf of Board of Directors

**Deepak Dheer**  
Managing Director

**Virendra Kumar Chanana**  
Director

**Harald Korte**  
Director

**Krishnan Shankar**  
Company Secretary & GM - Legal

**Hemant Luthra**  
Director

**Fali P. Mama**  
Director

**Daljit Mirchadani**  
Director

**Ajay Mantry**  
(Chief Financial Officer)


**Schedules Annexed to and forming part of financial statements as at 31st March, 2009**

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>SCHEDULE 1</b>		
<b>Share Capital</b>		
<b>Authorised Capital :</b>		
7,20,00,000 (PY 3,30,00,000) Equity shares of Rs 10/- each .....	7,200.00	7,200.00
1,48,20,206 (PY 1,48,20,206) 4% Non Cumulative Redeemable Convertible Preference shares of Rs. 31/- each .....	4,594.26	4,594.26
Total.....	<u>11,794.26</u>	<u>7,894.26</u>
<b>Issued, Subscribed and Paid-up :</b>		
6,85,67,736 Equity shares ( P Y 6,85,67,736) of Rs 10/-each fully paid up .....	6,856.77	6,856.77
(Of the above shares, 5,53,67,356 are allotted as fully paid up pursuant to a contract without payments being received in cash)		
	<u>6,856.77</u>	<u>6,856.77</u>
<b>SCHEDULE 1A</b>		
<b>Employee Stock Options outstanding</b>		
Stock Options Outstanding .....	656.39	462.26
Less - Deferred Employee Compensation Expenses .....	(333.33)	(439.18)
( Refer Note B-6 of Sch 15)		
	<u>323.06</u>	<u>23.09</u>
<b>SCHEDULE 2</b>		
<b>Reserve &amp; Surplus</b>		
Securities Premium Account .....	15,754.92	11,480.99
Add:- Transferred on Amalgamation .....	-	4,806.54
Utilised for writing off - Share Issue Expenses .....		(532.61)
Utilised for writing off goodwill balance as on 31.03.2008 .....	(5,215.58)	-
Utilised for writing off non-compete fees balance as on 31.03.2008 .....	(99.01)	-
Utilised for writing off accumulated Profit and Loss debit balance as on 31.03.2008	(3,881.62)	-
Utilised for writing off accretion / variation of Profit and Loss debit balance from 1st April, 2008 to 30th September, 2008 .....	(819.53)	-
Utilised for providing for non compee fees payable in future .....	(165.02)	-
( Refer note B-1 of Sch 15)		
	<u>5,574.16</u>	<u>15,754.92</u>
General reserve (Suplus on Amalgamation) .....	57,670.78	57,670.78
	<u>63,244.94</u>	<u>73,425.70</u>
<b>SCHEDULE 3</b>		
<b>Secured Loans</b>		
Term Loan from Banks .....	14,806.28	16,391.19
Term Loans from Financial Institutions .....	454.99	605.01
(amount repayable within one year Rs. 2831 Lakhs PY Rs. 1588 Lakhs)		
Working Capital Loan from Banks (Note B-2 of Sch 15 ) .....	2,641.91	1,993.92
	<u>17,903.18</u>	<u>18,990.12</u>
<b>SCHEDULE 4</b>		
<b>Unsecured Loans</b>		
Interest free sales tax loan .....	1,994.65	1,994.65
Inter Corporate Deposit from Holding Company .....	4,400.00	
	<u>6,394.65</u>	<u>1,994.65</u>



## Schedules Annexed to and forming part of financial statements as at 31st March, 2009

### SCHEDULE 5 Fixed Assets

(Rs. in lakhs)

Description	Gross Block				Depreciation				Net Block	
	As on 01/04/2008	Additions	Deductions and Adjustments	As on 31/03/2009	As on 01/04/2008	For the Year	Adjustments	As on 31/03/2009	As on 31/03/2009	As on 01/04/2008
Freehold Land	37.53	-	-	37.53	-	-	-	-	37.53	37.53
Building	2,678.06	994.83	139.43	3,533.46	295.96	96.60	29.00	363.57	3,169.90	2,382.10
Plant & Machinery	12,419.39	9,507.13	253.29	21,673.23	4,512.68	1,738.41	197.74	6,053.35	15,619.88	7,906.71
Furniture & Fittings	335.45	66.61	53.18	348.88	50.17	22.67	32.49	40.36	308.52	285.28
Vehicles	113.02	23.68	35.41	101.29	19.11	9.75	9.26	19.60	81.69	93.91
Sub Total (a)	15,583.44	10,592.25	481.31	25,694.39	4,877.92	1,867.43	268.48	6,476.88	19,217.51	10,705.52
<b>Intangible Assets</b>										
Goodwill	8,692.64	-	8,692.64	-	3,477.06	-	3,477.06	-	-	5,215.58
Non Compete fees	250.00	-	250.00	-	100.00	-	100.00	-	-	150.00
Software	250.71	7.53	-	258.24	98.91	86.08	-	184.99	73.26	151.80
Sub Total (b)	9,193.35	7.53	8,942.64	258.24	3,675.97	86.08	3,577.06	184.99	73.26	5,517.38
Grand Total (a + b)	24,776.79	10,599.78	9,423.94	25,952.63	8,553.89	1,953.51	3,845.54	6,661.87	19,290.77	16,222.90
Previous Year	19,919.56	4,867.51	10.28	24,776.79	5,656.92	2,897.92	0.95	8,553.89	16,222.90	14,262.44
<b>CAPITAL WORK-IN-PROGRESS</b>										
Plant & Machinery									3,868.74	9,095.89
Building									516.30	1,427.04
Capital Advance									212.36	1,376.70
Finance Cost									-	354.35
Other expenditure pending allocation									-	533.93
SAP implementation HR Module									17.14	-
Total CWIP									4,614.54	12,787.91
<b>Total Fixed Assets</b>									<b>23,905.30</b>	<b>29,010.81</b>

\* Refer Note A) iii) c) of Schedule 15

### SCHEDULE 6 Investments

2009  
(Rs. in lakhs)                      2008  
(Rs. in lakhs)

#### Long Term Investments

(Non Trade, unquoted, valued at cost )

50 fully paid up shares of Rs 10 each in The Saraswat Co-operative Bank Ltd .....	0.01	0.01
(Previous year 50 shares)		
Share Application Money in Wardha Power Co. Pvt. Ltd. ( Refer note B-25 of Sch 15)	200.33	-
(In Subsidiary Companies)		
Non trade, Unquoted, Fully paid		
5,465,310 equity shares of GBP 0.10 each		
in Stokes Group Ltd (Note B-28 of Sch 15)	5,285.59	5,285.59
33,849,836 equity shares of EURO 1 each in Mahindra Forgings Global Ltd .....	19,638.53	19,638.53
72,000,001 equity shares of EURO 1 each in Mahindra Forgings International Ltd ...	41,731.40	41,731.40

#### Current Investments

(Valued at lower cost or fair value)

Nil (Previous Year 1,684,876 units of face value Rs 10 each of Grindlays Floating Rate Fund)	-	168.58
	<b>66,855.86</b>	<b>66,824.11</b>

Mutual Funds	Acquired	RS LAKHS	Sold
	UNITS		UNITS
Grindlays Floating Rate Fund	-	-	1,684,876




**Schedules Annexed to and forming part of financial statements as at 31st March, 2009**

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>SCHEDULE 7</b>		
<b>Current Assets</b>		
(Valued at Cost or net realisable value whichever is lower)		
Raw Material & Components .....	279.97	461.69
Work-in-progress .....	567.45	1,109.42
Stores & Spares .....	275.78	385.24
Die steel blocks .....	274.60	329.68
Finished Goods .....	1,012.20	36.73
Dies .....	51.92	175.74
	<b>2,461.92</b>	<b>2,498.49</b>
<b>Sundry Debtors ( Unsecured )</b>		
Outstanding over six months		
Considered Good .....	305.04	140.36
Considered Doubtful .....	219.92	157.05
	<b>524.96</b>	<b>297.41</b>
Other Debts Considered Good .....	2,647.64	2,465.35
Less - Provision for doubtful debts .....	219.92	157.05
	<b>2,952.68</b>	<b>2,605.71</b>
<b>Cash &amp; Bank Balances</b>		
Cash on hand .....	1.88	2.60
Balances with Scheduled Banks :		
In Current account .....	188.14	59.87
In Margin money Deposit account .....	277.75	214.97
Balances with Other Banks		
In current account .....	0.04	0.34
	<b>0.04</b>	<b>0.34</b>
Balances with other Banks include balances lying with non-scheduled Banks		
HSBC Bank, Mauritius (Maximum Amount outstanding during the year Rs.0.28 lakhs)	-	0.28
Standard Chartered Bank Mauritius (Maximum Amount outstanding during the year Rs.0.06 lakhs) .....	0.04	0.06
	<b>467.81</b>	<b>277.78</b>
	<b>5,882.41</b>	<b>5,381.99</b>
<b>SCHEDULE 8</b>		
<b>Loans and Advances</b>		
(Unsecured, considered good )		
Advances recoverable in cash or kind or for value to be received.		
From Subsidiaries .....	-	4.47
From Others .....	206.26	344.39
Balance with Excise/Custom/Sales tax authorities .....	180.39	467.46
Deposits .....	190.57	206.37
Advance Income Tax ( Net of Provision) .....	72.50	138.59
	<b>649.72</b>	<b>1,161.27</b>



## Schedules Annexed to and forming part of financial statements as at 31st March, 2009

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>SCHEDULE 9</b>		
<b>Current Liabilities &amp; Provisions</b>		
<b>Current Liabilities</b>		
Sundry Creditors (Refer Note B-7 of Sch 15)		
a) Total outstanding dues of Micro and Small Enterprises .....	7.37	0.24
b) Total outstanding dues of Creditors other than Micro and Small Enterprises .....	4,100.82	4,039.33
Subsidiary Companies .....	0.08	100.18
Interest accrued but not due on loans .....	0.20	0.60
Other Liabilities .....	1,483.13	1,090.10
	<u>5,591.60</u>	<u>5,230.45</u>
<b>Provisions</b>		
Gratuity .....	124.58	82.73
Leave Encashment .....	35.28	30.36
Contingencies .....	139.79	139.79
	<u>299.65</u>	<u>252.88</u>
	<u>5,891.25</u>	<u>5,483.34</u>
<b>SCHEDULE 10</b>		
<b>Other Income</b>		
Interest on deposits .....	13.19	19.79
[ Tax Deducted at Source Rs.2.99 Lakhs (P Y Rs. 4.85 Lakhs) ]		
Interest Others-(Net) .....	20.97	71.35
Dividend on Mutual Funds .....	0.79	8.58
Profit on sale of Short Term Investments .....	-	22.64
Profit on sale of Fixed Assets (net) .....	1.82	-
Credit Balances Written Back .....	14.26	-
Exchange Rate Fluctuation-(Net) .....	390.89	397.56
Export Incentives .....	46.65	37.05
Miscellaneous Income .....	47.53	33.71
	<u>536.10</u>	<u>590.69</u>
<b>SCHEDULE 11</b>		
<b>Material Consumption</b>		
Raw Material and Components Consumed .....	15,469.96	13,035.18
(Increase)/ Decrease in Stocks		
Opening stock - Work in Progress .....	1,109.42	726.34
Scrap .....	-	-
Finished Goods .....	36.73	185.56
	<u>1,146.15</u>	<u>911.90</u>
Closing stock - Work in Progress .....	567.45	1,109.42
Scrap .....	-	-
Finished Goods .....	1,012.20	36.73
	<u>1,579.65</u>	<u>1,146.15</u>
(Increase)/ Decrease in Stocks .....	<u>(433.50)</u>	<u>(234.25)</u>
	<u>15,036.46</u>	<u>12,800.93</u>
<b>Schedule - 12</b>		
<b>Personnel Expenses</b>		
Salaries, Wages, Bonus etc .....	1,953.37	1,150.05
Contribution to Provident & other funds .....	98.87	74.65
Staff Welfare expenses .....	116.12	132.25
	<u>2,168.36</u>	<u>1,356.95</u>


**Schedules Annexed to and forming part of financial statements as at 31st March, 2009**

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>Schedule - 13</b>		
<b>Other Expenses</b>		
Manufacturing Expenses		
Power, Fuel.....	2,097.81	1,864.07
Dies Consumed / Amortised .....	539.76	970.78
Stores, Spares & Oil consumed .....	1,167.72	880.04
Other Manufacturing Expenses .....	113.25	108.80
Repairs & Maintenance		
- Plant & Machinery .....	630.75	581.54
- Buildings .....	4.35	31.01
- Others .....	133.75	85.87
Total Manufacturing Expenses .....	<u>4,687.39</u>	<u>4,522.10</u>
<u>Administrative &amp; Selling expenses</u>		
Rent .....	19.67	33.98
Rates & Taxes .....	56.30	11.85
Insurance .....	13.66	24.38
Freight & Packing .....	374.40	367.38
Printing & Stationery .....	30.60	30.28
Telephone Expenses .....	20.75	19.84
Travelling & Conveyance .....	57.05	73.53
Provision for Doubtful debts .....	62.87	50.01
Provision for Doubtful Advances .....	27.72	
Bad Debts Written Off .....	-	12.56
Old Balances Written Off .....	1.03	2.20
Loss on Sale of Assets .....	19.41	6.78
Asset written off .....	191.60	
Amalgamation expenses .....	-	151.45
Other Administrative & Selling Expenses .....	329.81	203.06
	<u>1,204.87</u>	<u>987.28</u>
Total Other Expenses .....	<u>5,892.26</u>	<u>5,509.38</u>
<b>Schedule - 14</b>		
<b>Interest &amp; Finance Cost</b>		
On Fixed period loans .....	1,771.40	731.41
On Others .....	609.95	402.16
Cash Discounts .....	157.81	155.00
	<u>2,539.16</u>	<u>1,288.57</u>


**SCHEDULE - 15**
**Notes forming part of the Accounts for the Year ended 31st March, 2009.**
**A. Significant Accounting Policies: -**
**i Method of Accounting**

The financial statements are prepared under the historical cost convention as a going concern and on accrual basis.

**ii Fixed Assets and Depreciation**

(a) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities are charged/credited to the Profit and Loss Account.

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

(c) Free hold land is stated at cost.

(d) Depreciation on assets is calculated on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

**iii Intangible Assets :**

(a) Intangible Assets except software are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed.

(b) Software expenditure incurred is amortised over three financial years, equally, commencing from the year in which the software is installed.

(c) Until last year, Goodwill and Non-Compete Fees were being amortised over five years. During the current year, Company has adjusted unamortised balance in these accounts against the Securities Premium account consequent to the permission of Honourable Bombay High Court.

**iv Investments**

Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any.

Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

**v Inventories**

Inventories are stated at cost or net realizable value, whichever is lower.

Stores & spares are valued on weighted average method.

In case of WIP & FG, cost includes material cost, labour, where appropriate, manufacturing overheads & excise duty.

**vi Foreign Currency Transactions**

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

(b) Forward exchange contracts are entered as hedge transactions. The premium or discount arising at the inception of forward exchange contract is amortized as income or expense over the life of the contract. Exchange differences are recognized as an income or expense in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or expiry of such forward exchange contract is recognized as income or expense for the period.

**vii Revenue recognition**

Sales of products and services are recognised when the products are despatched or services rendered. Sales are exclusive of sales tax and net of sales return and trade discounts.

**viii Export Benefits**

Export Incentives are recognised as and when accrued.



ix Retirement Benefits

Retirement Benefits in respect of gratuity and leave encashable at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

(a) Defined Contribution Plans-

Company's contribution paid/payable during the year to Provident Fund and Labour Welfare fund are Recognised in the Profit and loss Account

(b) Defined Benefit Plan –

Company's liabilities towards gratuity, leave encashment are determined using the projected unit credit method which consider each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on straight line basis over the average period until the amended benefits become vested. Actuarial gain 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 a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

x Taxation

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is 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 tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realized.

**B) Notes to Accounts**

1. The Company, at its Extra-Ordinary General Meeting held on 4th December 2008, had approved by a Special Resolution, utilisation of Securities Premium Account for

- adjustment of the balance in the Goodwill and Non Compete Fees as at March 31, 2008
- adjustment of the debit balance in the Profit & Loss account as at March 31, 2008 and accretion/ variations thereto during April 1, 2008 to September 30, 2008 (before providing for amortization of Goodwill and Non Compete Fees)
- allocating, earmarking and crediting to Non Compete Fees Provision Account an amount not exceeding Rs. 250 Lacs to be utilised to write off expenses that may be incurred in future towards Non Compete Fees

A petition was filed under Sections 78 and 100 to 103 of The Companies Act with the Honourable High Court of Judicature at Mumbai for seeking its permission for such utilisation of Securities Premium Account. High Court, vide its order dated January 16, 2009 has sanctioned the petition. Accordingly, a sum total of Rs. 10180.77 Lacs consisting of Goodwill of Rs 5,215.58 Lacs, Non-Compete fees of Rs 150 Lacs (Gross of Deferred Tax of Rs 50.98 Lacs), debit balance in Profit and Loss Account as on 31st March 2008 of Rs. 3,881.62 Lacs, accretion to the same during the period from April to September 2008 of Rs 819.53 Lacs and provision for Non Compete Fees of Rs. 250 Lacs (Gross of Deferred Tax of Rs. 84.98 Lacs) has been adjusted against the Securities Premium Account.

Had such adjustments not been made, the loss for the year would have been Rs. 5,928.62 Lakhs, higher by Rs. 1,788.53 Lakhs.

Resultantly Securities Premium Account of Rs. 15,754.92 Lacs has been reduced to Rs. 5,574.16 Lacs.

2. Borrowings and Securities

Name of the Lender	Type of Loan	Repayment Schedule
Industrial Investment Bank of India (IIBI)	Long Term Loan (LTL)	14 equal quarterly installments till September, 2009
Industrial Investment Bank of India (IIBI) (FITL) (0% coupon bonds)	Funded Interest Term Loan (0% Coupon bonds)	10 equal quarterly installments till March, 2010.
Life Insurance Corporation of India (LIC)	Long Term Loan (LTL)	14 equal quarterly installments till September, 2009
Life Insurance Corporation of India (LIC)	Funded Interest Term Loan (FITL)	14 equal quarterly installments till September, 2009



Name of the Lender	Type of Loan	Repayment Schedule
Life Insurance Corporation of India (LIC)	Funded Interest Term Loan (FITL)	Single bullet payment in December, 2010
State Bank of India	Corporate Loan	13 quarterly installments commencing from April, 2008 to April, 2011
State Bank of India	Term Loan	17 quarterly installments commencing from April, 2008 to April, 2012
Axis Bank Limited	Corporate Loan	16 equal quarterly installments commencing from April, 2008 to March, 2012
State Bank of India	Capex Term Loan	13 quarterly installments commencing from March, 2010 to March, 2013.
Axis Bank Limited	Capex Term Loan	13 quarterly installments commencing from March, 2010 to March, 2013.

- All the term lenders have 1<sup>st</sup> charge on immovable assets & 2<sup>nd</sup> charge on movable assets whereas Working Capital lenders have 1<sup>st</sup> charge on movable assets & 2<sup>nd</sup> charge on Immovable assets of the company.

### 3. Contingent Liabilities not provided for

(Rs. in lakhs)

Particulars	As at 31st March, 2009	As at 31st March, 2008
(i) Income Tax Claims against which Company has preferred an appeal		
(a) Non Deduction of TDS and interest thereon	29.89	-
(b) Disallowance of certain expenses	71.62	-

- In addition to the above, the Company has availed Bill Discounting Facilities under Bill Marketing Scheme, during the year from its customers for an amount of Rs 1,666.32 lakhs.(31st March, 2008 Rs. 2,132.31 lakhs)
- The company had imported capital goods under the Export Promotion Capital Goods (EPCG) scheme, of the Government of India, at concessional rates of duty on an understanding to fulfill quantified exports against which future obligation aggregates to USD 283.83 lakhs (31st March, 2008 USD 214.98 Lakhs).
  - Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 432.26 lakhs (31st March, 2008 Rs 4,324.35 lakhs.)
  - Employees' Stock Option Scheme (ESOS) was formulated by the Remuneration/Compensation committee of directors of the company and approved by it on 26th October, 2007. This was subject to the authority vested in it by the shareholders at the general meeting of the company held on 25th July, 2007 in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Under this scheme, each option entitled to one equity share of Rs.10/- each fully paid up were granted as follows :-
    - 2,96,000 options to the employees of the company at a fixed price of Rs.197 per share on 26<sup>th</sup> October, 2007.
    - 3,91,000 options to the employees of the holding company (M&M) at a fixed price of Rs. 83 per share on 26<sup>th</sup> February, 2008.
    - 88,000 and 12,000 options to the directors of the company at a fixed price of Rs197 per share on 26<sup>th</sup> October, 2007 and 26<sup>th</sup> February, 2008 respectively.
    - 2,50,000 options to the employees of Foreign subsidiaries at a fixed price of Rs.151.80 per share on 9<sup>th</sup> May, 2008.
    - 2,45,000 options to the employees of Foreign subsidiaries at a fixed price of Rs.102.00 per share on 29<sup>th</sup> July, 2008.
    - 5,00,000 options to the employee of the company at a fixed price of Rs.109.00 per share on 26<sup>th</sup> August, 2008.
      - The equity settled options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting. The number of options exercisable in each tranche is between the minimum of 100 options and maximum of the options vested, except in case of the last date of exercise, where the employee can exercise all the options vested but not exercised till that date.  
Options granted, vest in 4 equal instalments on the expiry of 12 months, 24 months, 36 months and 48 months respectively.



## b) Summary of Stock Options:-

	No. of Stock Options	Exercise price (Rs.)
Options Outstanding on 1st April, 2008	3,33,000	197.00
	3,91,000	83.00
Options granted during the year	2,50,000	151.80
	2,45,000	102.00
	5,00,000	109.00
Options Forfeited during the year	1,24,000	197.00
	2,000	197.00
	59,000	109.00
Options Exercised during the year	Nil	Nil
Options outstanding on 31st March, 2009	2,07,000	197.00
	3,91,000	83.00
	2,50,000	151.80
	2,45,000	102.00
	4,41,000	109.00
Options vested but not exercised on 31st March, 2009	51,750	197.00
	97,750	83.00

- c) The company has adopted the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. Consequently, salaries, wages, bonus, etc. includes Rs. 299.97 lakhs (Previous Year : Rs. 23.09 lakhs) being the amortisation of deferred employee compensation, after adjusting for reversals on account of options lapsed.

Had the company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by Rs. 173.26 Lakhs (Previous Year 10.32 lakhs), Profit after tax higher by Rs. 173.26 Lakhs (Previous Year Rs. 10.32 lakhs), and the basic and diluted earning per share would have been higher by Rs. 0.25 (Previous Year Rs.0.02).

- d) In respect of options granted during the period, accounting value of options (equal to intrinsic value) was treated as form of employee compensation, to be amortised on a straight line basis over the vesting period. Unamortised portion was disclosed under the head Employee Stock Options outstanding in Schedule 1A as deferred employee compensation expenses.
- e) The Finance Act, 2007 included Fringe Benefit Tax ("FBT") on Employees Stock Option's Plan (ESOPs). FBT Liability would crystallize on the date of exercise of stock options. Hence during the year, there was no liability to pay FBT.
- f) Information in respect of options granted during the year is as under:-

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

	Grant dated 9th May, 2008	Grant dated 29th July, 2008	Grant dated 26th August, 2008
Risk free interest rate	7.59%	9.35%	9.13%
Expected Life	3.5 Years	3.5 Years	3.5 Years
Expected volatility	44.84%	44.87%	44.87%
Expected dividend yield	NIL	NIL	NIL
Exercise price	Rs.151.80	Rs.102.00	Rs.109.00
Stock price	Rs.172.35	Rs.122.55	Rs.130.00
Fair Value of Options Granted	Rs.98.44	Rs.74.34	Rs.78.24



7. The identification of suppliers as Micro and Small Enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" was done on the basis of the information to the extent provided by the suppliers to the Company. Total Outstanding dues of Micro and Small Enterprises, which were outstanding for more than stipulated period are given below: -

Particulars	(Rs. in lakhs)
Dues remaining unpaid as at 31st March, 2009	
Principal	7.37
Interest	0.09
Interest paid in terms of Sec 16 of the Act.	NIL
Amount of Interest due and payable for the period of delay in payments made beyond the appointed day during the year.	0.51
Amount of interest accrued and remaining unpaid as at 31st March, 2009	1.10

8. Other Administrative and selling Expenses include Auditors' Remuneration (Net of Service Tax where applicable)

(Rs. in lakhs)

	Auditors Remuneration	31st March, 2009	31st March, 2008
(i)	Audit Fees	6.25	6.25
(ii)	Tax Audit Fees	1.00	1.00
(iii)	Other Services	4.00	3.50
	Total	11.25	10.75

9. Managerial remuneration for directors included in the Profit and Loss Account is Rs 72.71 Lakhs (31st March, 2008 Rs 68.85 Lakhs) which includes contribution to provident fund and other funds of Rs 1.27 lakhs (31st March, 2008 Rs 2.88 lakhs), perquisites Rs 9.07 Lakhs (31st March, 2008 Rs 17.52 lakhs), Variable performance pay Rs 12.19 lakhs (31st March, 2008 Rs 18.00 lakhs) and other allowances Rs. 39.58 lakhs (31st March, 2008 Rs 6.45 lakhs) excluding charge for provision for leave encashable on separation as it is accrued for the Company as a whole.

Managerial Remuneration payment is restricted to the limits of Schedule XIII of the Companies Act and amount payable as per the terms of employment reflected above is subject to approval of Central Government.

10. Capacities and Production of Forging:-

Forging	31st March, 2009	31st March, 2008
Unit	M.T	M.T
Installed Capacity(3 shifts basis)	85545	48072
Production	21868	23074

11. Turnover, Opening and Closing Stocks

(Value in Rs. lakhs)

Forging	Unit	31st March, 2009		31st March, 2008	
		Qty	Value	Qty	Value
Turnover	M.T.	20851	20,654.61	23247	24,520.82
Opening Stock	M.T.	54	36.73	227	191.51
Closing Stock	M.T.	1070.86	1,012.20	54	36.73





## 12. Raw Materials &amp; Components Consumed

(Value in Rs. lakhs)

Steel	31st March, 2009	31st March, 2008
M.T.	30766	34605
Value	15,469.96	13,035.18

## 13. Value of Raw Material and Components Consumed

(Value in Rs. lakhs)

	31st March, 2009		31st March, 2008	
	Rs. in lakhs	%	Rs. in lakhs	%
Indigenous	15,144.90	97.90	12,951.57	99.36
Imported	325.06	2.10	83.61	0.64
Total	15,469.96	100.00	13,035.18	100

## 14. Value of Stores &amp; Spares Consumed

(Value in Rs. lakhs)

	31st March, 2009		31st March, 2008	
	Rs. in lakhs	%	Rs. in lakhs	%
Indigenous	851.91	72.95	702.55	79.83
Imported	315.81	27.05	177.49	20.17
Total	1,167.72	100	880.04	100

## 15. Value of Imports (C.I.F.)

(Value in Rs. lakhs)

Sr	Particulars	31st March, 2009	31st March, 2008
i)	Stores and Spares	315.81	224.30
ii)	Capital Goods	1,647.52	3,133.92
iii)	Raw Material	325.06	83.61
	TOTAL	2,288.39	3,441.83

## 16. Earnings in Foreign Exchange

(Value in Rs. lakhs)

	31st March, 2009	31st March, 2008
Exports (F.O.B. Value)	841.98	607.38

## 17. Expenditure in Foreign Currency

(Value in Rs. lakhs)

Sr	Particulars	31st March, 2009	31st March, 2008
i)	Foreign Travel	4.32	6.79
ii)	Technical Consultancy	60.89	20.72
iii)	Installation, Erection and Commissioning charges	12.61	66.35
iv)	Stamp Duty on transfer of shares	26.52	
v)	Commission paid	18.82	13.88
vi)	Other Expenses	2.14	3.44
	TOTAL	125.30	111.18



## 18. Employee Benefits:

## Employee Benefits:

## (a) Defined Benefit Plan -

		Gratuity		Leave Encashment	
		March, 2009	March, 2008	March, 2009	March, 2008
		(Rs. in lakhs)		(Rs. in lakhs)	
	Expense recognized during the period ended March 31, 2009(Included in Schedule '12' Salary, Wages, Bonus of Personnel Expenses)				
1	Current Service cost	22.02	18.90	23.39	12.96
2	Interest Cost	5.79	5.58	2.13	1.85
3	Expected return on plan assets	-	-	-	-
4	Actuarial Losses/ (Gains)	18.67	1.55	1.52	4.89
5	Total expense	46.48	26.03	27.04	19.70

	Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended March 31, 2009				
1	Net Asset/(Liability) at beginning of period	(82.73)	(69.78)	(30.36)	(23.16)
2	Employee Expense	(46.48)	(26.03)	(27.04)	(19.70)
3	Employee Contributions	4.60	13.08	22.12	12.50
4	Net Asset/(Liability) at the end of the period	(124.61)	(82.73)	(35.28)	(30.36)
5	Actual Return on plan assets	Not Applicable			

	Actuarial Assumptions***	As at March 31, 2009
1	Discount Rate	7% per annum
2	Expect rate of return on plan assets	NA
3	Expect rate of salary increase	5% per annum
4	Mortality Table	LIC (1994-96) ULTIMATE

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

## (b) Defined Contribution Plans –

Amount recognized as an expense and included in the Schedule 12 “Contribution to Provident and other funds” of Personnel Expenses Rs 98.87 Lakhs.

## 19. The components Deferred Tax Assets / Liability

	(Rs in lakhs)	
	31st March, 2009	31st March, 2008
<b>Deferred Tax Liability</b>		
- On fiscal allowances of Fixed Assets	1143.49	666.84
- On Employees Stock Options	113.33	-
	1256.82	666.84



(Rs in lakhs)

	31st March, 2009	31st March, 2008
<b>Less: Deferred Tax Assets</b>		
- On unabsorbed fiscal losses and depreciation	2751.38	827.22
- On Amalgamation & demerger expenses	89.50	26.95
- On share issue expenses	154.42	255.08
- On other timing differences	242.38	71.45
	3237.68	1180.70
Net Asset/(Liability)	1980.86	513.86
Deferred Tax Assets not recognised	1467.00	-
Deferred Tax Assets of earlier years de-recognised	513.86	-
Net Asset / (Liability)	-	513.86

Note: Net Deferred Tax Asset of Rs. 1980.86 Lacs (including Rs. 513.86 Lacs derecognised) is not accounted for as a measure of prudence in view of losses incurred during the year and will be recognised on the company making profits.

20. In terms of Accounting Standard – 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India, the Company operates in only one segment i.e. Forgings.

21. Related parties during the year ending on 31.03.2009 are as follows:

Holding Company	1. Mahindra & Mahindra Limited
Subsidiary Companies	1. Stokes Group Limited 2. Stokes Forgings (Dudley) Limited 3. Jensand Limited 4. Stokes Forgings Limited 5. Mahindra Forgings International Limited 6. Mahindra Forgings Europe AG 7. Gesenkschmiede Schneider GmbH 8. JECO-Jellinghaus GmbH 9. Falkenroth Umformtechnik GmbH 10. Mahindra Forgings Global Limited 11. Schoneweiss & Co. GmbH
Fellow Subsidiaries	1. Mahindra First Choice Wheels Limited 2. Mahindra Gujarat Tractor Limited 3. Mahindra SAR Transmission Private Limited 4. Mahindra UGINE Steel Company Limited 5. Bristlecone India Limited 6. Mahindra Navistar Automotive Limited (formerly known as Mahindra International Limited) 7. Mahindra Logistics Limited
Key management personnel	1. Sankaran Ravindran (Upto 22.04.2008) 2. Deepak Dheer (with effect from 01.09.2008)



## Transactions with related parties

(Rs in lakhs)

Nature of Transactions	31st March, 2009				31st March, 2008			
	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt personal	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt personal
Sales								
- Goods	7818.87	19.05	-	-	6006.78	1.44	-	-
- Scrap	-	1906.02	-	-	-	1218.75	-	-
- Fixed Assets	-	2.61	-	-	-	-	-	-
Purchases								
- Raw material	-	8640.03	7.16	-	-	6198.28	-	-
- Capital goods	-	43.87	157.47	-	-	19.81	98.11	-
- Discounting Charges	41.39	-	-	-	-	-	-	-
- Services	11.47	487.24	-	-	548.54	40.57	48.90	-
Payment of Rent	-	-	-	-	-	12.48	-	-
Interest Income	-	-	-	-	-	-	521.65	-
Intercorporate								
Deposit Accepted	4400.00	-	-	-	10.00	-	-	-
Intercorporate								
Deposit Refunded	-	-	-	-	10.00	-	-	-
Loan Refunded	-	-	-	-	29036.91	-	-	-
Loan Received	-	-	-	-	-	-	29026.91	-
Professional Fees	-	-	60.89	-	-	-	-	-
Interest on ICD paid	170.61	-	-	-	0.09	-	-	-
Interest on Loan Paid	-	-	-	-	351.74	-	-	-
Outstandings	-	-	-	-	-	-	-	-
- Receivables	728.70	146.09	-	-	389.72	0.26	4.47	-
- Payables	4497.51	1478.03	-	-	132.97	1377.58	100.18	-
Reimbursement of								
Expense	-	-	1.45	-	9.92	0.91	9.98	-
Advance for expenses payable	-	-	-	-	-	8.00	-	-
Managerial remuneration	-	-	-	72.71	-	-	-	68.85
Investment in subsidiaries	-	-	-	-	-	-	66655.52	-
Finance (including loans and equity contributions in cash or in kind	-	-	-	-	4152.63	-	-	-

**22. Earnings per Share:**

(Rs in lakhs)

	31st March, 2009	31st March, 2008
Profit/(Loss) as per the P&L Account (Rs. in Lakhs)	(4140.09)	(1, 417.19)
Weighted Average Number of equity shares outstanding during the year	68,567,736	68,567,736
Basic Earnings per share (Rs.)	(6.04)	(2.07)
Diluted Earnings per share (Rs.)	(6.04)	(2.07)

23. Amount of borrowing cost capitalised during the period is Rs. 119.75 Lakhs (Previous. Year Rs. 522.00 Lakhs).
24. Prior Period Items include Stamp Duty related to Demerger of Chakan unit of Amforge Industries Ltd. with the Company of Rs. 132.79 Lakhs.
25. The Company has entered into a Share Subscription Agreement with Wardha Power Company Private Ltd. on 29th February, 2008 to invest Rs. 325 lakhs by way of subscription to 8,81,111 Class A Equity Shares of Rs. 10 each and 11,18,889 Class A 0.01% Redeemable Preference Shares of Rs. 10 each and 12,50,000 Class C 0.01% Redeemable Preference Shares of Rs. 10 each. The Company will be entitled to 5 MW of power generated from the Group Captive Power Plant as per the Power Delivery Agreement dated 29th February, 2008. The Company has paid share application money of Rs. 200 lakhs for Class A Equity and Redeemable Preference Shares.
26. The company has made an investment of Rs. 5285.59 Lacs in its subsidiary Stokes Group Limited, UK. Taking into account the restructuring implemented late in the fourth quarter, future business plan for this subsidiary and the consolidated business plan of the entire European business, the Company is of the opinion that there is no permanent diminution in value of investment.
27. Figures for the previous year have been regrouped and rearranged wherever necessary.

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 Signature to Schedule 1 to 15
 

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As per our Report of even date

 For **B K Khare & Company**  
 Chartered Accountants

**Padmini Khare Kaicker**  
 Partner  
 Membership No. 44784
Mumbai, 11<sup>th</sup> May, 2009

For &amp; on behalf of Board of Directors

**Deepak Dheer**  
 (Managing Director)

**Virendra Kumar Chanana**  
 (Director)

**Harald Korte**  
 (Director)

**Krishnan Shankar**  
 (Company Secretary & GM - Legal)

**Hemant Luthra**  
 (Director)

**Fali P. Mama**  
 (Director)

**Daljit Mirchandani**  
 (Director)

**Ajay Mantry**  
 (Chief Financial Officer)


**Balance Sheet Abstract & Company's General Business Profile :**  
**(Information pursuant to Part IV of Schedule VI to the Companies Act, 1956)**
**I. Registration Details :**

Registration No.   -       of 1999 State Code

Balance Sheet Date

Date                      Month                      Year

**II. Capital Raised during the Year (Amount in Rupees Lakhs) :**

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

**III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Lakhs) :**

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="3"/>

**Sources of Funds :**

Paid-up Capital	Reserves & Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="7"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="8"/>
Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="5"/>

**Application of Funds :**

Net Fixed Assets	Capital WIP
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="1"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="5"/>
Investments	Net Current Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="1"/>
Accumulated Losses	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="1"/>	

**IV. Performance of the Company (Amount in Rupees Lakhs) :**

Turnover	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="6"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="6"/>
Net Loss	Earning per Share in Rupees
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/>	
Dividend Rate %	Basic                      Diluted
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="Rs. (6.04)"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="Rs. (6.04)"/>

**V. Generic Name of Principal Products/Services of the Company (as per monetary terms) :**

Item Code No. (ITC Code)

Product Description

As per our Report of even date  
For **B K Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 11th May, 2009

For & on behalf of Board of Directors  
**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Harald Korte**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Ajay Mantry**  
(Chief Financial Officer)


**Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies**

Name of the Subsidiary Company	Number of Shares in the Subsidiary Company held by Mahindra Forgings Limited at the financial year ending date		The aggregate of profits / (losses) of the Subsidiary Companies so far as they concern the members of Mahindra Forgings Limited			
	Equity	Extend of Holding	For Current Financial Year		For Previous Financial Years	
			Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2009	Not dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2009	Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2008	Not dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2008
Nos.	%	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)	
<b>Stokes Group Limited</b>	5,465,310	99.78%	-	(4,046.99)	-	-
* Stokes Forgings Dudley Limited	-	99.78%	-	686.93	-	150.20
* Jensand Limited	-	99.78%	-	-	-	(8.63)
+ Stokes Forgings Limited	-	99.78%	-	-	-	(834.45)
<b>Mahindra Forgings International Limited</b>	72,000,001	100.00%	-	(238.85)	-	(1,896.93)
~ Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	-	100.00%	-	(1,339.87)	-	1,959.64
@ Gesenkschmine Schineider GmbH	-	100.00%	-	-	-	-
@ Jeco Jellinghaus GmbH	-	100.00%	-	-	-	-
@ Falkenroth Umfirntechnik GmbH	-	100.00%	-	-	-	-
<b>Mahindra Forgings Global Limited</b>	33,849,836	100.00%	-	(1.29)	-	(217.39)
# Schoneweiss & Co. GmbH	-	100.00%	-	(328.22)	-	3,187.37
* a subsidiary of Stokes Group Limited						
+ a subsidiary of Jensand Limited						
~ a subsidiary of Mahindra Forgings International Limited						
@ a subsidiary of Mahindra Forgings Europe AG (Formerly known as Jeco Holdings AG)						
# a subsidiary of Mahindra Forgings Global Limited						

Note: The financial year of all subsidiaries ended on 31st March, 2009.

For & on behalf of Board of Directors

**Deepak Dheer**  
(Managing Director)

**Hemant Luthra**  
(Director)

**Virendra Kumar Chanana**  
(Director)

**Fali P. Mama**  
(Director)

**Harald Korte**  
(Director)

**Daljit Mirchandani**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Ajay Mantry**  
(Chief Financial Officer)

Mumbai, 11th May, 2009



## REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF MAHINDRA FORGINGS LIMITED

1. We have audited the attached Consolidated Balance Sheet of Mahindra Forgings Limited and its subsidiaries (the Group) as at March 31, 2009 and also the Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Mahindra Forgings Limited's management and have been prepared by the management on the basis of 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect the Group's share of total assets of Rs. 137,117.83 lakhs as at March 31, 2009 and the Group's share of total revenues of Rs. 202,316.16 lakhs for the year ended on that date and Group's share of net cash outflow of Rs. 1075.08 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by the other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the management of Mahindra Forgings Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of the other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) In case of the Consolidated Balance Sheet, of the state of affairs of Mahindra Forgings Limited Group as at March 31, 2009,
  - ii) In case of the Consolidated Profit and Loss Account, of the loss for the year ended on that date, and
  - iii) In case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **B. K. Khare and Co.**  
Chartered Accountants

**Padmini Khare Kaicker**  
*Partner*  
Membership No. 44784

Mumbai Dated: 11th May, 2009





## Consolidated Balance Sheet as at 31st March, 2009

	Schedule	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>I SOURCES OF FUNDS :</b>			
SHAREHOLDERS' FUNDS			
Share Capital .....	1	6,856.77	6,856.77
Employee Stock Options outstanding .....	1A	323.06	23.09
Reserve and Surplus .....	2	75,139.54	85,836.75
		<u>82,319.37</u>	<u>92,716.61</u>
MINORITY INTEREST .....		(7.61)	6.14
LOAN FUNDS			
Secured Loans .....	3	77,416.23	79,141.47
Unsecured Loans .....	4	9,979.40	1,994.73
		<u>87,395.63</u>	<u>81,136.20</u>
		<u>169,707.39</u>	<u>173,858.95</u>
<b>II APPLICATION OF FUNDS :</b>			
FIXED ASSETS			
Gross Block .....		280,484.61	261,117.02
Less : Depreciation .....		145,798.21	134,346.54
Net Block .....		134,686.40	126,770.48
Capital Work in Progress .....		5,352.41	16,953.21
Total .....	5	140,038.81	143,723.69
INVESTMENTS .....	6	226.13	194.38
DEFERRED TAX ASSET .....		789.88	1,411.81
NET CURRENT ASSETS			
Current Assets, Loans and Advances .....	7, 8		
Inventories .....		32,745.41	40,080.81
Sundry Debtors .....		19,545.54	23,230.66
Cash and Bank Balances .....		3,480.08	4,365.11
Loans and Advances .....		11,706.32	14,118.72
		<u>67,477.35</u>	<u>81,795.30</u>
Less : Current Liabilities and Provisions .....	9		
Current Liabilities .....		35,563.03	38,594.78
Provisions .....		11,104.79	15,555.53
		<u>46,667.82</u>	<u>54,150.31</u>
Net Current Assets .....		20,809.53	27,644.99
Profit & Loss Account .....		7,843.04	884.08
		<u>169,707.39</u>	<u>173,858.95</u>
Notes to Accounts .....	15		

As per our Report of even date  
For **B K Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 11th May, 2009

For & on behalf of Board of Directors

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Harald Korte**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Ajay Mantry**  
(Chief Financial Officer)



## Consolidated Profit and Loss account for the year ended 31st March, 2009

	Schedule	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>I INCOME</b>			
Gross Sales .....		<b>227,200.12</b>	234,982.02
Less - Excise duty on Sales .....		<b>2,958.13</b>	3,107.50
Net Sales .....		<b>224,241.99</b>	231,874.52
Other Income .....	10	<b>2,319.81</b>	1,225.12
		<b>226,561.80</b>	233,099.64
<b>II EXPENDITURE</b>			
Material Consumption .....	11	<b>110,757.38</b>	111,927.24
Personnel Expenses .....	12	<b>54,976.87</b>	55,838.50
Other Expenses .....	13	<b>45,744.04</b>	44,587.29
Interest and Finance cost .....	14	<b>7,040.00</b>	4,652.46
Depreciation .....		<b>14,944.94</b>	10,487.25
		<b>233,463.23</b>	227,492.74
Profit Before Exceptional items and Tax .....		<b>(6,901.43)</b>	5,606.90
LESS : Exceptional items .....		<b>3,825.63</b>	2,397.32
Profit / ( Loss ) before tax .....		<b>(10,727.06)</b>	3,209.58
Less - Provision for tax			
Current Tax .....		<b>(1.96)</b>	2,829.78
Wealth Tax .....		<b>0.44</b>	1.00
Deferred Tax .....		<b>279.32</b>	(902.74)
Prior period adjustments for Deferred Tax (Net) .....		<b>513.87</b>	(381.22)
Fringe Benefit Tax .....		<b>12.92</b>	17.55
Profit / (Loss) after Tax .....		<b>(11,531.65)</b>	1,645.21
Less: Prior Period Expenses (net) .....		<b>142.21</b>	66.37
Profit / (Loss) for the year before Minority interest .....		<b>(11,673.86)</b>	1,578.84
Less: Minority Share in Profit .....		<b>(13.75)</b>	(1.51)
Net Profit/(Loss) for the year .....		<b>(11,660.11)</b>	1,580.35
Balance of Profit and Loss Account brought forward .....		<b>(884.08)</b>	(2,447.85)
Amount transferred on Amalgamation .....		-	(16.58)
Amount transferred from share premium account .....		<b>4,701.15</b>	-
Balance of Profit and Loss Account carried to Balance Sheet		<b>(7,843.04)</b>	(884.08)
Earning per Share ( Face value of Rs. 10 Per Share)			
Basic .....		<b>(17.01)</b>	2.30
Diluted .....		<b>(17.01)</b>	2.30
Notes to Accounts .....	15		

As per our Report of even date  
For **B K Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 11th May, 2009

For & on behalf of Board of Directors  
**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Harald Korte**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Ajay Mantry**  
(Chief Financial Officer)



## Consolidated Cash Flow Statement for the year ended 31st March, 2009

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>Profit/(Loss) before tax after prior period adjustments</b> .....	<b>(10,869.27)</b>	3,143.21
Add : Adjustment for		
Depreciation, Amortisation and expenditure on ESOS .....	<b>15,244.91</b>	12,248.87
Provision for doubtful debts/ Write off's .....	-	68.73
Interest (Expenses) .....	<b>7,009.71</b>	4,864.91
Loss on sale of Fixed Assets .....	<b>486.65</b>	44.70
Sundry balances written off .....	-	2.20
Prior Period Others (Stamp duty on demerger) .....	<b>132.79</b>	-
Sub-Total .....	<b>12,004.79</b>	20,372.62
Less : Adjustments for		
Interest / Dividend Income .....	<b>47.36</b>	221.61
Profit on sale of Investments .....	-	22.64
Credit Balances Written Back .....	-	71.72
Unrealised Foreign Exchange gain .....	<b>551.74</b>	99.19
Sub-Total .....	<b>599.10</b>	415.16
<b>Operating Profit before Working Capital changes</b> .....	<b>11,405.69</b>	19,957.46
Adjustments for		
Trade & Other receivables .....	<b>3,685.12</b>	44,946.33
Inventories .....	<b>7,335.40</b>	(6,190.52)
Trade Payables .....	<b>(7,496.58)</b>	(8,411.52)
<b>Cash generated from Operations</b> .....	<b>3,523.94</b>	30,344.29
Direct Taxes Paid .....	<b>(712.06)</b>	(2,568.31)
<b>Net cash from Operating Activities</b> .....	<b>14,217.57</b>	47,733.44
<b>Cash flow from Investing Activities</b>		
Purchase of Fixed Assets .....	<b>(25,313.32)</b>	(35,115.62)
Sale of Fixed Assets .....	<b>8,532.98</b>	172.40
Sale / (Purchase) of Investment - Net .....	<b>(31.75)</b>	418.24
Interest & Dividend received .....	<b>47.36</b>	202.00
<b>Net Cash from / (used in) investing Activities</b> .....	<b>(16,764.73)</b>	(34,322.98)
<b>Cash flow from Financing Activities</b>		
Term Loans .....	<b>8,671.83</b>	(14,334.17)
Issue of Share Capital .....	-	5,577.54
Interest Paid .....	<b>(7,009.71)</b>	(5,386.91)
<b>Net Cash from / (used in) Financing Activities</b> .....	<b>1,662.12</b>	(14,143.54)
<b>Net Increase / (Decrease) in Cash &amp; Cash equivalents</b> .....	<b>(885.04)</b>	(733.08)
<b>Opening Cash / Bank Balances</b> .....	<b>4,365.11</b>	406.89
Add: Cash & Bank balances taken over from Amalgamated Companies .....	-	4,691.30
<b>Closing Cash / Bank Balances</b> .....	<b>3,480.07</b>	4,365.11

### Notes :

- The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Flow statement issued by Institute of Chartered Accountants of India.
- Cash and cash equivalents represent cash and bank balances only.

As per our Report of even date  
For **B K Khare & Company**  
Chartered Accountants

**Padmini Khare Kaicker**  
Partner  
Membership No. 44784

Mumbai, 11th May, 2009

For & on behalf of Board of Directors

**Deepak Dheer**  
(Managing Director)

**Virendra Kumar Chanana**  
(Director)

**Harald Korte**  
(Director)

**Krishnan Shankar**  
(Company Secretary & GM - Legal)

**Hemant Luthra**  
(Director)

**Fali P. Mama**  
(Director)

**Daljit Mirchandani**  
(Director)

**Ajay Mantry**  
(Chief Financial Officer)



## Schedules Annexed to and forming part of financial statements as at 31st March, 2009

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>SCHEDULE - 1</b>		
<b>Share Capital</b>		
Authorised Capital		
7,20,00,000 (PY 7,20,00,000) Equity shares of Rs 10/- each .....	7,200.00	7,200.00
1,48,20,206 (PY 1,48,20,206) - 4% Non Cumulative Redeemable .....	4,594.26	4,594.26
convertible Preference shares of Rs. 31/- each	<u>11,794.26</u>	<u>11,794.26</u>
<b>Issued, Subscribed and Paid-up</b>		
6,85,67,736 Equity shares (PY 6,85,67,736) of Rs 10/-each fully paid up.....	6,856.77	6,856.77
(Of the above shares, 5,53,67,356 are allotted as fully paid up pursuant to a contract without payments being received in cash)	<u>6,856.77</u>	<u>6,856.77</u>
<b>SCHEDULE - 1A</b>		
<b>Employee Stock Options outstanding</b>		
Stock Options Outstanding .....	656.39	462.26
Less - Deferred Employee Compensation Expenses	<u>(333.33)</u>	<u>(439.17)</u>
	<u>323.06</u>	<u>23.09</u>
<b>SCHEDULE - 2</b>		
<b>Reserve and Surplus</b>		
1 Capital Reserve on consolidation		
Opening Balance .....	12,366.90	-
Add: Additions During the year	-	12,366.90
	<u>12,366.90</u>	<u>12,366.90</u>
2 Securities Premium Account		
Opening Balance .....	15,754.92	11,480.99
Add : Additions During the year .....	-	1,538.10
Add : Transfer on Amalgamation .....	-	3,268.44
Less : Utilised for writing off - Share Issue Expenses .....	-	(532.61)
Less : Utilised for writing off goodwill balance as on 31.03.2008 .....	(5,215.58)	-
Less : Utilised for writing off non-compete fees balance as on 31.03.2008 .....	(99.01)	-
Less : Utilised for writing off accumulated Profit and Loss debit balance as on 31.03.2008	(3,881.62)	-
Less : Utilised for writing off accretion / variation of Profit and Loss debit balance from 1st April, 2008 to 30th September, 2008 .....	(819.53)	-
Less :Utilised for providing for non compete fees payable in future (Refer note 3 of Sch 15)	(165.02)	-
	<u>5,574.16</u>	<u>15,754.92</u>
3 General Reserve		
Opening Balance .....	57,670.77	-
Add: Additions During the year .....	-	-
Add: Surplus on Amalgamation .....	-	57,670.78
	<u>57,670.77</u>	<u>57,670.78</u>
4 Foreign Exchange Fluctuation Reserve		
Opening Balance .....	44.15	-
Add: Adjustment During the year .....	(516.44)	44.15
	<u>(472.29)</u>	<u>44.15</u>
	<u>75,139.54</u>	<u>85,836.75</u>
5 Profit & Loss account		
Opening Balance .....	(884.08)	(884.08)
Loss in Current Year .....	(11,660.11)	-
Add: Adjustment against Securities Premium Account	4,701.15	-
	<u>(7,843.04)</u>	<u>(884.08)</u>



## Schedules annexed to and forming part of financial statements as at 31st March, 2009

<b>SCHEDULE - 3</b>	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>Secured Loans</b> (Ref Note 5 of Sch 15)		
Financial Institution .....	<b>454.99</b>	605.01
Foreign Currency Loan from Banks .....	<b>55,385.78</b>	54,068.00
Rupee Loans from Banks .....	<b>14,806.28</b>	16,391.79
Working Capital Loan from Banks .....	<b>6,769.18</b>	8,076.67
	<b>77,416.23</b>	79,141.47

### Schedule - 4

#### Unsecured Loans

##### Other Loans

From Others .....	<b>9,979.40</b>	1,994.73
	<b>9,979.40</b>	1,994.73

### Schedule - 5

#### Fixed Assets

(Rs. in lakhs)

Description	Gross Block				Depreciation					Net Block		
	As on 01/04/2008	Assets of subsidiaries acquired during the year	Additions and Adjust- ments	Deductions and Adjust- ments	As on 31/03/2009	As on 01/04/2008	Accumu- lated Deprecia- tion of subsidiaries acquired during the year	For the Year	Deductions and Adjust- ments	As on 31/03/2009	As on 31/03/2009	As on 01/04/2008
<b>Tangible Assets</b>												
Freehold Land	2,467.75	-	180.01	-	2,647.76	-	-	-	-	-	2,647.76	2,133.07
Building - Freehold	25,152.25	-	2,826.43	140.79	27,837.89	14,159.32	-	573.85	(980.06)	15,713.23	12,124.66	11,327.62
Building - Leasehold	459.90	-	8.02	37.69	430.23	18.27	-	36.46	1.50	53.23	377.00	441.63
Plant and Machinery	133,204.38	-	30,218.08	7,676.68	155,745.78	98,915.08	-	10,371.03	1,288.26	107,997.85	47,747.93	32,774.43
Furniture and Fittings	23,967.59	-	3,482.06	755.91	26,693.74	13,979.07	-	3,617.40	(347.92)	17,944.39	8,749.35	11,503.39
Vehicles	2,098.60	-	163.56	128.66	2,133.50	1,678.19	-	113.72	24.77	1,767.14	366.36	420.41
Sub Total (a)	187,350.47	-	36,878.16	8,739.73	215,488.90	128,749.93	-	14,712.46	(13.45)	143,475.84	72,013.06	58,600.55
<b>Intangible Assets</b>												
Goodwill	8,692.64	-	-	8,692.64	-	3,477.06	-	-	3,477.06	-	-	5,215.58
Goodwill on Consolidation	62,453.76	-	-	125.17	62,328.59	-	-	-	-	-	62,328.59	62,453.76
Non Compete fees	250.00	-	-	250.00	-	100.00	-	-	100.00	-	-	150.00
Trademarks	832.30	-	63.68	-	895.98	748.00	-	31.08	(55.41)	834.49	61.49	84.30
Software	1,537.85	-	304.24	70.95	1,771.14	1,271.56	-	201.40	(14.92)	1,487.88	283.26	266.29
Sub Total (b)	73,766.55	-	367.92	9,138.76	64,995.71	5,596.62	-	232.48	3,506.73	2,322.37	62,673.34	68,169.93
Grand Total (a + b)	261,117.02	-	37,246.08	17,878.49	280,484.61	134,346.55	-	14,944.94	3,493.28	145,798.21	134,686.40	126,770.48
Previous Year	19,919.36	170,240.50	84,883.93	13,926.77	261,117.02	5,656.91	130,173.52	12,225.78	13,709.67	134,346.54	126,770.48	14,262.45

Note: Adjustments are on account of effect of translation of assets held by foreign subsidiaries which are considered as non-integral in terms of AS 11 (revised 2003)



## Schedules annexed to and forming part of financial statements as at 31st March, 2009

<b>SCHEDULE - 6</b>	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>Investments (At Cost unless otherwise specified)</b>		
<u>Long Term Investments</u>		
(Non Trade, unquoted)		
Equity Shares .....	226.13	25.80
<u>Current Investments</u>		
Units - Unquoted .....	-	168.58
	<b>226.13</b>	<b>194.38</b>
<b>SCHEDULE - 7</b>		
<b>Current Assets</b>		
<u>Inventories</u>		
(Valued at cost or net realisable value whichever is lower)		
Raw Material and Components .....	6,077.80	11,674.39
Work-in-progress .....	16,626.19	21,099.31
Stores and Spares .....	470.48	599.70
Finished Goods .....	8,711.80	5,686.53
Dies and Tools .....	859.14	1,020.88
	<b>32,745.41</b>	<b>40,080.81</b>
<u>Sundry Debtors (Unsecured)</u>		
Outstanding over six months		
Considered Good .....	8,126.13	9,124.50
Considered Doubtful .....	219.92	157.05
	<b>8,346.05</b>	<b>9,281.55</b>
Other Debts Considered Good .....		
Less - Provision for doubtful debts .....	11419.41	14,106.16
	<b>219.92</b>	<b>157.05</b>
	<b>19,545.54</b>	<b>23,230.66</b>
<u>Cash and Bank Balances</u>		
Cash on Hand .....	10.88	24.96
Balances with Scheduled Banks :		
On Current account .....	360.23	67.04
On Margin money Deposit account .....	277.75	214.97
Balances with Other Banks:		
On Current account and Fixed Deposit Account .....	2,831.22	4,058.14
	<b>3,480.08</b>	<b>4,365.11</b>
	<b>55,771.03</b>	<b>67,676.58</b>
<b>SCHEDULE - 8</b>		
<b>Loans and Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Bills of Exchange .....	-	1006.56
Advances recoverable in cash or kind or for value to be received .....	11,525.93	12,670.34
Balance with Excise/Custom/Sales tax authorities .....	180.39	441.82
	<b>11,706.32</b>	<b>14,118.72</b>



## Schedules annexed to and forming part of financial statements as at 31st March, 2009

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>SCHEDULE - 9</b>		
<b>Current Liabilities and Provisions</b>		
<u>Current Liabilities</u>		
Acceptances.....	413.67	836.41
Sundry Creditors		
a) Total outstanding dues of Micro and Small Enterprises .....	51.85	0.24
b) Total outstanding dues of Creditors other than Micro and Small Enterprises .....	14,637.64	23,147.06
Other Liabilities .....	20,459.87	14,611.07
	<u>35,563.03</u>	<u>38,594.78</u>
<u>Provisions</u>		
Provisions for Income Tax (Net of Advance Tax) .....	446.63	1147.29
Provision for Leave Encashment .....	4,648.28	6,267.25
Provision for Contingencies .....	139.79	139.79
Provision for Others .....	5,870.09	8,001.20
	<u>11,104.79</u>	<u>15,555.53</u>
	<u>46,667.82</u>	<u>54,150.31</u>
 <b>SCHEDULE - 10</b>		
<b>Other Income</b>		
Dividend on other investments .....	0.79	9.16
Profit on sale of Investments .....	-	22.64
Commission .....	69.92	103.52
Rent received .....	116.98	108.12
Sale of Raw Material .....	-	91.68
Exchange Rate Fluctuation-(Net) .....	387.26	190.90
Export Incentives .....	46.65	37.05
Miscellaneous Income .....	1,698.21	662.05
	<u>2,319.81</u>	<u>1,225.12</u>
 <b>SCHEDULE - 11</b>		
<b>Material Consumption</b>		
Raw Material and Components Consumed .....	109,309.52	115,694.08
<u>(Increase)/ Decrease in Stocks</u>		
Opening stock - Work in Progress .....	21,099.32	726.34
Finished Goods .....	5,686.53	185.56
Add: Stock taken over on acquisition of subsidiaries		
Work in Progress .....	-	16,789.94
Finished Goods .....	-	5,174.54
	<u>26,785.85</u>	<u>22,876.38</u>
Closing stock - Work in Progress .....	16,626.19	21,099.31
Finished Goods .....	8,711.80	5,686.53
	<u>25,337.99</u>	<u>26,785.84</u>
(Increase)/ Decrease in Stocks .....	<u>1,447.86</u>	<u>(3,909.46)</u>
Purchases of Traded goods .....	-	142.62
	<u>110,757.38</u>	<u>111,927.24</u>



## Schedules annexed to and forming part of financial statements as at 31st March, 2009

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
<b>SCHEDULE - 12</b>		
<b>Personnel Expenses</b>		
Salaries, Wages, Bonus etc .....	48,168.56	49,039.13
Contribution to Provident and other funds .....	689.49	1,404.59
Staff Welfare expenses .....	6,118.82	5,394.78
	<u>54,976.87</u>	<u>55,838.50</u>
 <b>SCHEDULE - 13</b>		
<b>Other Expenses</b>		
<u>Manufacturing Expenses</u>		
Power and Fuel .....	13,916.28	12,811.51
Dies and Tools Consumed .....	3,095.13	1,796.00
Stores, Spares and Oil consumed .....	3,299.56	1,794.28
<u>Repairs and Maintenance</u>		
Plant and Machinery .....	8,383.49	9,213.84
Buildings .....	260.41	314.36
Others .....	636.92	501.67
Total Manufacturing Expenses .....	<u>29,591.79</u>	<u>26,431.66</u>
<u>Administrative and Selling expenses</u>		
Rent .....	3,324.01	2,622.71
Rates and Taxes .....	251.44	358.76
Insurance .....	725.89	688.63
Discount allowed .....	340.47	1,033.73
Freight and Packing .....	2,531.85	2,531.43
Travelling and Conveyance .....	381.99	427.95
Loss on Sale of Assets .....	486.65	44.70
Advertisement & Sales Promotion Expenses .....	245.15	107.85
Commission .....	217.48	191.59
Professional Fees .....	800.23	895.48
Sub contracting charges .....	4,667.82	4,833.41
Administrative Expenses .....	1,225.33	1,554.20
Amalgamation & Restructuring Expenses .....	-	330.03
Miscellaneous Expenses .....	818.49	2,535.16
Exchange rate fluctuation .....	135.45	-
	<u>16,152.25</u>	<u>18,155.63</u>
Total Other Expenses .....	<u>45,744.04</u>	<u>44,587.29</u>
 <b>SCHEDULE - 14</b>		
<b>Interest and Finance Cost</b>		
On Fixed period loans .....	2,993.20	283.52
On Others .....	4,016.51	3,283.88
Cash Discounts .....	76.86	1,297.51
	<u>7,086.57</u>	<u>4,864.91</u>
Less: Interest income .....	46.57	212.45
	<u>7,040.00</u>	<u>4,652.46</u>





## SCHEDULE 15

### Notes on the Consolidated Accounts for the year ended 31st March, 2009

1. The Consolidated Financial Statements relate to Mahindra Forgings Limited and its subsidiary companies. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements have been prepared on the following basis:

#### (a) Investments in Subsidiaries :

- i) The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealised profits or losses have been fully eliminated.
- ii) The difference between the costs of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.
- iii) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of date of disposal is recognised in the Profit and Loss Account as profit or loss on disposal of investment in subsidiary.
- iv) Minority Interest in the net assets of consolidated subsidiaries consist of :
  - a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and
  - b) the minorities' share of movements in equity since the date the parent subsidiary relationship comes into existence.
- v) The Financial Statements of the subsidiaries are drawn upto 31st March, 2009.

The subsidiaries (which along with Mahindra Forgings Limited, the parent, constitute the group) considered in the presentation of these consolidated financial statements are:

Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest	Proportion of Voting Power where different
		as at 31.03.2009	as at 31.03.2009
Stokes Group Limited	U.K.	99.78%	-
Stokes Forgings Dudley Limited	U.K.	99.78%	100.00%
Jensand Limited	U.K.	99.78%	100.00%
Stokes Forgings Limited	U.K.	99.78%	100.00%
Mahindra Forgings International Limited	Mauritius	100.00%	-
Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	Germany	100.00%	-
Gesenkschmiede Schneider GmbH	Germany	100.00%	-
Jeco Jellinghaus GmbH	Germany	100.00%	-
Falkenroth Umfirntechnik GmbH	Germany	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-
Schoneweiss & Co. GmbH **	Germany	100.00%	97.28%

\*\* includes fundamental economic rights and administrative rights (including but not limited to voting rights, information rights and right to participate in shareholders meetings) in respect of 2.72% shares.

## 2. Accounting Policies

### (A) Fixed Assets

- (a) (i) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities are charged /credited to the Profit and Loss Account, consequent to the applicability of the Companies (Accounting Standards) Rules, 2006.



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

- (b) (i) Free hold land is stated at cost.
- (ii) Leasehold land is amortised over the period of lease.
- (iii) Depreciation on assets is calculated on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except:

For the following class of assets where depreciation is calculated at rates, based on useful life of the assets, which are in no case lower than the rates specified in Schedule XIV to the Companies Act, 1956 :

Computers	: at 16.21 % to 33.33 %
Plant & Machinery	: at 10.34 % to 50.00 %
Furniture & Fixture	: at 6.33 % to 33.33 %
Vehicles	: at 9.50 % to 25.00 %
Dies	: One to five years depending upon useful life

#### **(B) Intangible Assets :**

All Intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed:

- (a) Software Expenditure :

The expenditure incurred is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

- (b) Goodwill and Non Compete Fees:

Until last year, Goodwill and Non-Compete Fees were being amortised over five years. During the current year, Company has adjusted unamortised balance in these accounts against the Securities Premium account consequent to the permission of Honourable Bombay High Court.

#### **(C) Investments :**

All long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary, in the value of investments. Current investments are valued at the lower of cost and fair value whichever is less.

#### **(D) Inventories :**

Inventories are stated at cost or net realisable value, whichever is lower. Stores & spares are valued on a weighted average method. In case of WIP & Finished Goods, cost includes material cost, labour, where appropriate, manufacturing overheads & excise duty.

#### **(E) Foreign Exchange Transactions :**

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

Forward exchange contracts are entered into to hedge foreign exchange exposure. The premium or discount arising at the inception of forward exchange contract is amortised as income or expense over the life of the contract.

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

In respect of non-integral foreign operations, the assets and liabilities, both monetary and non-monetary are translated at the closing rates and income and expenses are translated at average exchange rates and all the resulting exchange differences are accumulated in foreign exchange fluctuation reserve until the disposal of the net investment.

**(F) Revenue Recognition :**

- (a) Sale of products and services are recognised when the products are shipped or services rendered. Sales are exclusive of sales tax and net of sales return and trade discounts.
- (b) Dividends from investments are recognised in the Profit and Loss Account when the right to receive dividend is established.

**(G) Export Benefits :**

The company recognises the Export Incentives as and when accrued.

**(H) Employee Benefits :**

Employee Benefits in respect of gratuity and leave encashable at retirement/cessation are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries.

**(a) Defined Contribution Plan**

Group's contributions paid/payable during the year to Provident Fund, ESIC and Labour Welfare Fund are recognised in the Profit and Loss Account.

**(b) Defined Benefit Plan/ Long term compensated absences**

Group's liability towards gratuity, compensated absences and post retirement medical benefit schemes are determined by independent actuaries, using the projected unit credit method. Past services are recognised on a 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 Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

**(I) Product Warranty :**

In respect of warranties on sale of certain products, the estimated costs of these warranties are accrued at the time of sale. The estimates for accounting of warranties are reviewed and revisions are made as required.

**(J) Segment Reporting :**

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

Revenues and expenses have been identified to the segments based on their geographical location of assets. Income/ Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to geographical segments are reflected as unallocated corporate income / expenses. Inter-segment transfers are at prices which are generally market led.

**(K) Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is 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 tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

**(L) Government Grants:**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual installments over the expected useful lives of the relevant assets.

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

**(M) Hire purchase and leasing commitments:**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

**3. Securities Premium Account**

The Company, at its Extraordinary General Meeting held on 4th December, 2008, had approved by a Special Resolution, utilisation of Securities Premium Account for

- adjustment of the balance in the Goodwill and Non Compete Fees as at March 31, 2008



- adjustment of the debit balance in the Profit & Loss account as at March 31, 2008 and accretion/ variations thereto during April 1, 2008 to September 30, 2008 (before providing for amortization of Goodwill and Non Compete Fees)
- allocating, earmarking and crediting to Non Compete Fees Provision Account an amount not exceeding Rs. 250 Lacs to be utilised to write off expenses that may be incurred in future towards Non Compete Fees

A petition was filed under Sections 78 and 100 to 103 of The Companies Act with the Honourable High Court of Judicature at Mumbai for seeking its permission for such utilisation of Securities Premium Account. High Court, vide its order dated January 16, 2009 has sanctioned the petition. Accordingly, a sum total of Rs. 10,180.77 Lacs consisting of Goodwill of Rs 5,215.58 Lacs, Non Compete fees of Rs 150 Lacs (Gross of Deferred Tax of Rs 50.98 Lacs), debit balance in Profit and Loss Account as on 31st March 2008 of Rs. 3,881.62 Lacs, accretion to the same during the period from April to September 2008 of Rs 819.53 Lacs and provision for Non Compete Fees of Rs. 250 Lacs (Gross of Deferred Tax of Rs. 84.98 Lacs) has been adjusted against the Securities Premium Account.

Had such adjustments not been made, the loss for the year would have been Rs. 5,928.62 Lakhs, higher by Rs. 1,788.53 Lakhs.

Resultantly Securities Premium Account of Rs. 15,754.92 Lacs has been reduced to Rs. 5,574.16 Lacs.

#### 4. Employees' Stock Option Scheme (ESOS)

Under ESOS Scheme, The equity settled options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting.

#### 5. Loans :

Secured borrowings are secured by a pari-passu charge on tangible & intangible properties of the entities both present and future, and in some cases are also against the investments.

#### 6. Employee Defined Benefits:

Defined benefit plans – as per Actuarial valuation on 31<sup>st</sup> March, 2009

(Rs. in lakhs)

Particulars	Gratuity (Unfunded)	Gratuity (Unfunded)	Pension (Unfunded)	Pension (Unfunded)
<b>I. Expense recognised in the Statement of Profit &amp; Loss Account for the year ended 31st March, 2009</b>				
1. Current service cost	22.02	18.90	154.72	1,479.02
2. Interest cost	5.79	5.58	692.54	1,176.42
3. Actuarial (Gains)/Losses	18.67	1.55	441.20	(391.93)
4. Total expense	46.48	26.03	1,288.46	2,263.51
<b>II. Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2009</b>				
1. Present Value of Defined Benefit obligation as at 31st March, 2009	124.61	82.73	13,039.37	11,971.77
2. Fair value of plan assets as at 31st March, 2009	-	-		
3. Amount not recognised as an asset	-	-		
4. Funded status (surplus/(deficit))	(124.61)	(82.73)	(13,039.37)	(11,971.77)
5. Net asset/(liability) as at 31st March, 2009	(124.61)	(82.73)	(13,039.37)	(11,971.77)
<b>III. Change in the obligations during the year ended 31st March, 2009</b>				
1. Present Value of Defined Benefit obligation at the beginning of the year	82.73	69.78	12,862.35	10,326.68
2. Current service cost	22.02	18.90	154.72	1,479.02
3. Interest cost	5.79	5.58	692.54	1,176.42
4. Actuarial (Gains)/Losses	18.67	1.55	441.20	(391.93)
5. Benefits paid	(4.60)	(13.08)	(1,111.44)	(618.41)
6. Present Value of Defined Benefit obligation at the end of the year	124.61	82.73	13,039.37	11,971.77
<b>IV. Actuarial Assumptions</b>				
<b>As at 31<sup>st</sup> March, 2009</b>				
1. Discount Rate	7.00%	8.00%	5.50% to 7.00%	5.50% to 8.00%
2. In-service Mortality	LIC (1994-96) Ultimate, 2005 G			


**7. Contingent Liability:**

(a) Guarantees given:

(Rs. in lakhs)

Particulars	2009	2008
For other companies .....	-	498.25
Others .....	483.21	167.13

(b) Claims against the Companies not acknowledged as debts comprise of :

(i) Excise Duty, Sales tax and Service tax claims disputed by the Company relating to issues of applicability and classification aggregating to **Rs. 101.51 Lakhs** (Previous Year Rs. Nil)(c) Bills discounted not matured **Rs. 1666.32 Lakhs** (Previous Year Rs. 2,132.31 Lakhs)
**8. (a) Provisions includes provision for Warranty Rs. 942.37 Lakhs** (Previous Year Rs. 915.34 Lakhs) This relates to warranty provision made in respect of sale of certain products, the estimated costs of which is accrued at the time of sale.

The movement in above provisions is as follows :

(Rs. in lakhs)

Provisions	Warranty	
	2009	2008
Balance as at 1 <sup>st</sup> April, 2008 .....	915.34	697.04
Add : Provision made during the year .....	905.37	772.53
Less : Utilisation/ Reversal during the year .....	878.35	554.24
<b>Balance as at 31<sup>st</sup> March, 2009 .....</b>	<b>942.37</b>	<b>915.34</b>

**9. The estimated amount of contracts remaining to be executed on capital account and not provided for as at 31<sup>st</sup> March, 2009 is Rs. 859.27 Lakhs** (Previous Year Rs. 7289.45 Lakhs).

**10. Research and Development expenditure debited to the Profit and Loss Account, including certain expenditure based on allocations made aggregate Rs. 87.83 Lakhs** (Previous Year Rs. 71.09 Lakhs).

**11. The components of Deferred tax liability and assets as at 31<sup>st</sup> March, 2009 are as under:**

	(Rs. in lakhs) 2009	(Rs. in lakhs) 2008
Deferred tax liability :		
(i) On fiscal allowances on fixed assets .....	666.84	810.89
(ii) Others .....	50.00	48.44
	<u>716.84</u>	<u>859.33</u>
Deferred tax assets :		
(i) Provision for Doubtful debts /Advances .....	-	53.38
(ii) Unabsorbed depreciation carried forward .....	666.84	898.70
(iii) Provision for Pension Accrual .....	-	472.47
(iv) Share issue expenses .....	-	212.81
(v) Unabsorbed fiscal losses .....	-	546.48
(vi) Others .....	839.88	87.30
	<u>1,506.72</u>	<u>2,271.14</u>
Net Deferred tax liability/(assets)	<u>(789.88)</u>	<u>(1,411.81)</u>

Note: Net Deferred Tax Asset of Rs. 1,980.86 Lacs (including Rs. 513.86 Lacs derecognised) is not accounted for as a measure of prudence in view of losses incurred during the year and will be recognised on the company making profits.



12. Exceptional items of **Rs. 3825.63** (Previous Year Rs. 2397.32 Lakhs) is related to comprise of the following:

	(Rs. in lakhs) 2009	(Rs. in lakhs) 2008
1. Amortisation of Goodwill .....	-	1,738.53
2. Loss of Nimonic Material .....	-	604.43
3. Amount paid as redundancy to workmen .....	3,825.63	54.36
Total .....	<u>3,825.63</u>	<u>2,397.32</u>

13. (a) **Dividends** on other investments **Rs. 0.79 Lakhs** (Previous Year Rs. 9.16 lakhs) is in respect of current investments.

(b) Profit on sale of investments (net) includes profit on disposal of current investments (net) Nil (Previous Year Rs. 22.64 Lakhs).

#### 14. Related Party Transactions :

(a) Names of related parties where transactions have taken place during the year :

##### Holding :

Sl. No.	
	1. Mahindra & Mahindra Limited

##### Fellow Subsidiaries :

Sl. No.	Name of the Company	Sl. No.	Name of the Company
1.	Mahindra Ugine Steel Company Limited	5.	Mahindra Navistar Automotive Limited (formerly known as Mahindra International Limited)
2.	Bristlecone India Limited	6.	Mahindra First Choice Wheels Limited
3.	Mahindra Gujarat Tractor Limited	7.	Mahindra SAR Transmission Private Limited
4.	Mahindra Logistics Limited		

##### Key Management Personnel :

Sl. No.	Name of the Person
1.	Mr. Deepak Dheer (with effect from 01.09.2008)
2.	Mr. Sankaran Ravindran (Upto 22.04.2008)

b) The related party transactions are as under:

(Rs. in Lakhs)

Sl. No.	Nature of Transactions	31st March, 2009			31st March, 2008		
		Holding Company	Fellow Subsidiaries	Key Management Personnel	Holding Company	Fellow Subsidiaries	Key Management Personnel
1.	Purchases						
	Raw Material .....	-	8,640.03	-	-	6,198.28	-
	Capital Goods .....	-	43.87	-	-	19.81	-
	Discounting Charges .....	41.39	-	-	-	-	-
	Services .....	11.47	487.24	-	548.54	40.57	-
2.	Sales						
	Goods .....	7,818.87	19.05	-	6,006.78	1.44	-
	Scrap .....	-	1,906.02	-	-	1,218.75	-
	Fixed Assets .....	-	2.61	-	-	-	-
3.	Payment of Rent .....	-	-	-	-	12.48	-
4.	Intercorporate Deposit Accepted .....	4,400.00	-	-	10.00	-	-
5.	Intercorporate Deposit Refunded .....	-	-	-	10.00	-	-
6.	Loan Refunded .....	-	-	-	29,036.91	-	-
7.	Interest on ICD Paid .....	170.61	-	-	0.09	-	-
8.	Interest on Loan Paid .....	-	-	-	351.74	-	-
9.	Outstandings						
	Receivables .....	728.70	146.09	-	389.72	0.26	-
	Payables .....	4,497.51	1,478.03	-	132.97	1,377.58	-
10.	Reimbursement of Expense .....	-	-	-	9.92	0.91	-
11.	Advances for expenses payable .....	-	-	-	-	8.00	-
12.	Managerial Remuneration .....	-	-	72.71	-	-	68.85
13.	Finance (including loans and equity contributions in cash or kind) .....	-	-	-	4,152.63	-	-



### 15. Earnings per Share:

	(Rs. in lakhs) 2009	(Rs. in lakhs) 2008
Amount used as the numerator – Net Profit (Rupees Lakhs) .....	(11,660.11)	1,580.35
Weighted average number of equity shares used in computing basic earnings per share	6,85,67,736	6,85,67,736
Effect of potential ordinary (equity) shares on conversion of stock options .....	Nil	47,625
Weighted average number of equity shares used in computing diluted earnings per share	6,85,67,736	6,86,15,361
Basic Earnings per share (Rs.) (Face value of Rs. 10 per share) .....	(17.01)	2.30
Diluted Earnings per share (Rs.) .....	(17.01)	2.30

In computing the diluted EPS, only potential equity shares that are dilutive and reduce earning per equity share are included.

16. In accordance with an Asset Purchase Agreement entered into by Stokes Forgings Limited (SFL), Stokes Forgings Dudley Limited (SFDL) and Jensand Limited (Jensand) with Stokes Group Limited (SGL), the assets and liabilities of SFL, SFDL and Jensand were transferred at their respective book values to SGL with effect from 1st April, 2008.

### 17. Segment Information:

#### Segment Report for the year ended 31st March, 2009.

#### Primary Segment Disclosure - Geographical Segment

	Indian	Overseas	Eliminations	(Rs. in lakhs) Consolidated Total
<b>REVENUE</b>				
Gross External Revenue	<b>27,168.81</b>	<b>202,350.33</b>	-	<b>229,519.14</b>
	25,080.82	211,094.52		236,175.34
Less Excise Duty on Sales	<b>2,958.12</b>	-		2,958.12
	3,107.50			3,107.50
Net External Revenue	<b>24,210.69</b>	<b>202,350.33</b>	-	<b>226,561.02</b>
	21,973.32	211,094.52		233,067.84
Inter Segment Revenue	-	<b>226.97</b>	<b>(226.97)</b>	-
	-	143.89	(143.89)	
Total Revenue	<b>24,210.69</b>	<b>202,577.30</b>	<b>(226.97)</b>	<b>226,561.02</b>
	21,973.32	211,238.41	143.89	233,067.84
<b>RESULT</b>				
Segment Result before exceptional item	<b>(839.90)</b>	<b>977.68</b>	-	<b>137.78</b>
	1,055.02	9,172.54		10,227.56
Exceptional. Item allocated to Segments	-	<b>3,825.63</b>	-	<b>3,825.63</b>
	1,738.53	658.79		2,397.32
Segment Result after exceptional items	<b>(839.90)</b>	<b>(2,847.95)</b>	-	<b>(3,687.85)</b>
	(683.51)	8,513.75		7,830.24
Unallocable wrponte Expenses / (Income)				<b>(0.79)</b>
				(31.80)
<b>Operating Profit</b>				<b>(3,687.06)</b>
				7,862.04
Less: Interest Expense not allocable to segments				<b>7,086.57</b>
				4,864.91
Add: Interest Income Dot allocable to segments				<b>(46.57)</b>
				(212.45)



	(Rs. in lakhs)			
	Indian	Overseas	Eliminations	Consolidated Total
Add: Exceptional Item unallocable to segments				-
<b>Profit before tax</b>				<b>(10,727.06)</b>
				3,209.58
Less: Income Taxes. - Current Tax & FBT				<b>11.40</b>
				2,848.33
- Deferred Tax				<b>279.32</b>
				(902.74)
- Prior Period Adjustment of Deferred Tax				<b>513.87</b>
				(381.22)
<b>Profit for the year before prior year adjustments</b>				<b>(11,531.65)</b>
				1,645.21
Less : Adjustments pertaining to previous years				<b>142.21</b>
				66.37
Profit for the years before Minority Interest				<b>(11,673.86)</b>
				1,578.84
<b>OTHER INFORMATION</b>				
Segment Assets	<b>30,364.93</b>	<b>177,151.23</b>	-	<b>207,516.16</b>
	35,415.48	190,103.51		225,518.99
Segment Liabilities	<b>5,877.89</b>	<b>40,343.30</b>	-	<b>46,221.19</b>
	5,483.34	47,519.68		53,003.02
Capital Expenditure	<b>2,426.41</b>	<b>29,425.21</b>	-	<b>31,851.62</b>
	13,528.40	25,854.98		39,383.38
Depreciation & Amortisation	<b>1,953.51</b>	<b>12,991.43</b>	-	<b>14,944.94</b>
	2,897.93	9,327.85		12,225.78
Non Cash Expenditure other than depreciation	<b>572.03</b>	<b>(337.15)</b>	-	<b>234.88</b>
	71.55	44.08		115.63

## Notes :

## 1. Geographical Segments

The Group has considered geographical segments as the primary segment for disclosure.

The segments have been identified taking into account the organisational structure as well as the differing risks and returns of these segments.

Indian Segment comprises sales of forging by operation situated in India.

Overseas Segment comprises sales of outside India operations.

## 2. Secondary Segments

There is only one business segment i.e, Forging.

Segment Revenue comprises of :

	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
Sales .....	227,200.12	234,982.02
Other allocable income .....	2,319.02	1,193.32
<b>Total .....</b>	<b>2,29,519.14</b>	<b>2,36,175.34</b>




**18. Obligations under Hire Purchase Contracts & Operating Leases:**

Hire Purchase Contracts	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
Net obligations repayable		
Within one year	593.47	674.90
Between one and five years	1,761.19	2,298.47
Total	2,354.66	2,973.37

Operating Leases	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)	2009 (Rs. in lakhs)	2008 (Rs. in lakhs)
	Land & Building		Others	
Expiring				
Within one year		5.71	2.30	8.50
Between one and five years	63.40	66.47	13.93	8.51
Total	63.40	72.18	16.23	17.01

As per our Report of even date

**For B. K. Khare & Company**  
*Chartered Accountants*
**Padmini Khare Kaicker**  
*(Partner)*  
 Membership No. 44784
Mumbai, 11<sup>th</sup> May, 2009

For &amp; on behalf of Board of Directors

**Deepk Dheer**  
 Manging Director

**Virendra Kumar Chanana**  
 Director

**Harald Korte**  
 Director

**Krishnan Shankar**  
 Company Secretary &  
 GM - Legal

**Hemant Luthra**  
 Director

**Fali P. Mama**  
 Director

**Daljit Mirchandani**  
 Director

**Ajay Mantry**  
 CFO

**Details of Subsidiary Companies**

(Rs in lakhs)

Name of Subsidiary Company	Capital (including preference capital )	Reserves and surplus	Total assets	Total liabilities	Details of investments (excluding investments in subsidiaries)	Gross Turnover	Profit before Tax	Provisions for tax	Profit after Tax	Dividend and tax thereon
Stokes Group Limited	399.60	(2,374.28)	10,414.43	10,414.43	-	18,993.47	(4,623.86)	467.42	(5,091.27)	-
Stokes Forgings Dudley Limited	-	-	-	-	-	345.64	-	-	-	86.77
Jensand Limited	43.75	-	43.75	43.75	-	-	-	-	-	1,752.27
Stokes Forgings Limited	43.75	(43.75)	-	-	-	741.60	686.91	-	678.16	-
Mahindra Forgings International Limited	48,646.80	(2,714.76)	68,019.04	68,019.04	-	-	(91.21)	162.16	(253.37)	-
Mahindra Forgings Europe AG (formerly known as Jeco Holding AG)	3,378.25	1,147.25	34,423.02	34,423.02	-	-	179.72	(74.32)	254.04	4,050.52
Gesensschmiede Schneider GmbH	8,290.90	4,265.38	37,962.07	37,962.07	23.65	84,190.72	(965.50)	(102.70)	(862.81)	(862.81)
JECO-Jellinghaus GmbH	3,466.08	837.13	9,501.67	9,501.67	4.05	29,698.87	(684.43)	7.43	(691.87)	(691.87)
Falkenroth Umformtechnik GmbH	692.54	893.88	10,275.96	10,275.96	-	25,350.39	(868.21)	6.08	(874.29)	(874.29)
Mahindra Forgings Global Limited	22,870.75	(431.74)	22,443.07	22,443.07	-	-	(12.84)	-	(12.84)	-
Schoneweiss & Co. GmbH	3,378.25	13,687.99	36,834.41	36,834.41	-	54,193.21	(652.68)	(372.96)	(279.72)	-

# The financial statements of the Foreign Subsidiaries have been converted into Indian Rupees at the 31st March, 2009 exchange rate.







# MAHINDRA FORGINGS LIMITED

Registered Office: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.

## Attendance Slip

I hereby record my presence at the 10<sup>th</sup> Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Memorial Trust, Lala Lajpat Rai Marg, Haji Ali, Mumbai – 400 034 on Wednesday, the 29<sup>th</sup> July, 2009 at 2.30 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 10<sup>th</sup> Annual General Meeting is requested to bring this slip duly filled in and present the same at the entrance to the Meeting.



# MAHINDRA FORGINGS LIMITED

Registered Office: Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018.

## 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 10<sup>th</sup> Annual General Meeting of the Company to be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Memorial Trust, Lala Lajpat Rai Marg, Haji Ali, Mumbai – 400 034 on Wednesday, the 29<sup>th</sup> July, 2009 at 2.30 p.m. and at any adjournment thereof.

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

Registered Folio No. ....

Client ID No. ....

DP ID No. ....

No. of Shares .....

Affix a 15 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.

Mahindra Forgings Europe is a leading forging brand in Europe. A highly technologically advanced global, innovative and full line Forging service supplier to the commercial vehicle segment in Europe.



