GREAVES
SINCE 1859

Engineering Transformation

ANNUAL REPORT 2011-12

Contents

Engineering Transformation

Our rich heritage of over 150 years stands as a testimony to the transformations India has witnessed, over the decades. These transformations, cultural, political and economic have catalysed our growth into a leading engineering Company with a strong corporate entity and a global business outlook. From transportation of passengers and goods to modern farm mechanisation to efficient execution of infrastructure projects to strengthening of industrial capabilities to bridging of power deficits – we endevour to enhance the economic productivity across many key sectors of the Indian economy.

The dynamic business environment of today presents a labyrinth of challenges and opportunities that demand focus, efficiency and speed. India today, has emerged as one of the key drivers of global economic growth. Beyond doubt, technology and its engineering applications is a clear differentiator that will play a major role in the Indian growth story.

A diverse engineering Company, like ours, has to live up to greater expectations of its stakeholders. With our proven engineering capabilities, presence across key growth sectors, ever expanding manufacturing capabilities, well established distribution network and a global footprint, we have greater opportunities to explore.

Agility & Technology - a potent combination

Agility is one's ability to anticipate and respond promptly. Technology is an enabler that improves productivity and efficiency.

Greaves 6-cylinder diesel engine for industrial application

At Greaves Cotton, we see both of these at work. As a technology driven Company, we continue to deliver value-engineered products at competitive price, Today, as we expand our product portfolio and market penetration, we remain as nimble footed, as ever.

Technology must set the agenda for future and not otherwise. We successfully meet this objective by continuously investing in Research & Development and seeking newer ways of improving productivity and quality of life. State-of-art Research & Development centres, housing best of facilities and human intellect, help us sharpen our agility. We are further investing in a new technology center for development of next generation farm equipment. This sharp focus on Research & Development will not only strengthen our current product portfolio but will ensure that technically advanced products are delivered to the customer.

Technology transfers, joint ventures and product alliances form part of our strategy to access world class technologies. With world renowned Bomag of Germany already our technology partner for Road Equipment, the Construction Equipment Business has recently entered into a strategic tie-up with Samil Heavy Industries, Korea for manufacturing concreting products in the infrastructure space during the year.

Evolution & Relevance - a winning synergy

Need is the mother of invention. Over the decades, Greaves Cotton has worked on meeting customer demands. Our products have gained considerable market recognition, making Greaves a preferred choice among customers. This simple philosophy exists across the organisation which reflects the way we do our business.

India, in particular, offers tremendous headroom for future growth. Our business spectrum spans across Construction, Agriculture, Transportation, Power and Industrial applications. Considering the critical role they have to play in enhancing long term growth prospects of the Country, we believe that each of them has potential of enormous growth over coming years.

Greaves Twin shaft Batching Plant

It is this vast experience of conducting business that makes us evolve and stay relevant. Mining the best of today's opportunities, we continue to seek newer avenues of growth and improvements. During fiscal year 2011-12, we made significant expansion in distribution and service network of our Auxiliary Power Business. The Construction Equipment

Business added 60 cubic meter Batching Plant; Industrial Engine Business added 6-cylinder 196HP BS III Diesel Engine and Farm Equipment Business launched an economy model of 4HP Diesel Pumpset. Our Automotive Engine Business made significant strides in 4 wheeled Small Commercial Vehicle segment and increased its market share to 9% from less than 3% in the previous year. It is our constant endevour to provide customers contemporary offerings that deliver value for money and infuse greater customer delight.

Trust & Competence - ever strengthening enablers

With India poised to power global economic growth, we are empowering the Indian masses by ushering productivity, efficiency and reliability to millions in urban as well as rural India. The business conglomerate that we have built stands on two critical pillars – Trust & Competence. It is this pair of virtues that make us what we are and indeed empowers us to serve the interest of all our stakeholders, better.

Our long-term supply Agreements with leading OEMs for 3-4 wheeled SCVs mirror our commitment to deliver on-time and offer solutions for today as well as tomorrow.

Earning trust of the end user remains equally critical for us. Reliable and dependable Aftermarket presence reinforces customer confidence in the brand. We believe that our high customer retention and loyalty are the fruits of this efforts and it is our endevour to create a brand experience conducive to achieve this. We have been deploying trained service personnel equipped to service our products and solve customer grievances with speed and accuracy. We are consciously educating the market and promoting the usage of original spares from Greaves in order to deliver improved and consistent performance of the products from our stable.

In today's volatile business environment, financial stability assumes paramount importance for corporates and fuels Investor confidence. Being a near zero debt Company with healthy cash accruals enables us to invest in creating future growth foundations. Our return ratios have been amongst the best in Industry and we have a history of paying quarterly dividends consistently year after year. Not surprising then, our long term rating was upgraded by M/s. Fitch Ratings from FITCH AA (- IND) to FITCH AA (IND) during the year. This reflects our commitment to Investors and Shareholders in growing existing business, seizing new opportunities and engineering further growth through transformation in the years ahead.

Greaves fostering trust over generations

Chairman's Letter

Dear Shareholders,

Economies worldwide are going through testing times. Global GDP growth has slowed down to 3.9% in 2011. Indian economy braced the challenge of high interest rates and high rates of inflation that marked slowdown in investments and economic growth. India's GDP touched 6.5% in financial year 2011-12, the lowest in last nine years.

In spite of this, the fact that India continues to be amongst the fastest growing large economies is heartening. I believe that timely policy interventions and reforms from Central Government and fiscal Regulators will usher a positive business outlook.

While all our businesses weathered the prevailing volatility and sentiments in their respective segments, our growth momentum was led by Automotive Engine Business and Industrial Engine Business. Your Company achieved revenues (excluding exceptional items) of ₹1759 Crores during the financial year 2011-12 consisting of 12 months period, up from ₹1265 Crores recorded in the previous period of nine months. The Profit After Tax of ₹185 Crores during the year, which had an advantage of exceptional items of ₹43 Crores, was up from ₹127 Crores recorded in the previous period of nine months.

Creating greater shareholder value through improved operational efficiencies continues to be an important business driver. A strong need to achieve sustained and profitable growth has led us to augment our technological capabilities and manufacturing prowess. The landmark 3 millionth engine roll out by our Automotive Engine Business marks the fastest millionth engine manufactured and comes in less than three years. The increased focus on quality and service has infused greater brand connect with customers with Greaves Cotton emerging a well accepted and recognised brand.

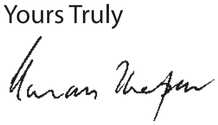
Sustaining a healthy balance sheet calls for leveraging our inherent strengths and capabilities. The fact that we have distributed dividends for 15 quarters in a row, challenging business environment notwithstanding, distinguishes us from most of our peers in the Industry. Businesses in strategic verticals spread across the economy gives us a wider playing field and a bigger landmine of opportunities to explore. In our journey to accelerated growth and progress, we are now beginning to strengthen our organisational capabilities across key functional areas of research and development, human resources, manufacturing and aftermarket. I am confident that the time is right for Greaves to take the next big leap to transform into a versatile, high-growth, corporate entity.

Though FY 12-13 has begun on a slow note, I am hopeful that business will stabilise as the year progresses. The increased involvement of industry bodies in key sectors like infrastructure, power and agriculture is encouraging and is expected to lead to quicker implementation of policies ultimately benefiting businesses at large. At this juncture, I do believe that Greaves Cotton with its strong heritage, contemporary business acumen and deep rooted desire of innovation has the potential to deliver. I am sure that the new Management Team will do its best – which is to deliver *Happy Engineering* to our stakeholders!

I take this opportunity to thank our customers, investors and partners for their continued trust and patronage. On behalf of the entire Greaves Cotton family, I invite each one of you to accompany us in our march forward and propel us to engineer transformation for a successful future.

Warm regards,

Yours Truly



Corporate Information

BOARD OF DIRECTORS

Karan Thapar
Chairman

Sunil Pahilajani
Managing Director & CEO
(Effective November 5, 2011)

Vijay Rai

Suresh N. Talwar

Vikram Tandon

Sukh Dev Nayyar

Clive Hickman
(Effective March 1, 2012)

Prabhakar Dev
Managing Director & CEO
(Upto November 4, 2011)

EXECUTIVE VICE PRESIDENT & COMPANY SECRETARY

K.K. Saraf

AUDITORS

Walker, Chandiok & Co.

BANKERS

State Bank of India
Bank of India
ICICI Bank
HDFC Bank
Royal Bank of Scotland N.V.

REGISTERED OFFICE

Industry Manor
Appasaheb Marathe Marg
Prabhadevi
Mumbai – 400 025.

www.greavescotton.com

EXECUTIVE BOARD

Sunil Pahilajani
Managing Director & CEO

Ashok Kumar Sonthalia
Chief Financial Officer

Anil Gole
Chief Human Resources Officer

Sanjiv Kumar
Chief Executive Officer
Automotive Engine Business

Ramachandran Nandagopal
Chief Executive Officer
Construction Equipment Business

Vinay Khanolkar
Chief Executive Officer
Aftermarket

C.M. Ashok Muni
Chief Executive Officer
Farm Equipment Business

Prakash Bhalekar
Chief Executive Officer
Engine Component Technologies,
Industrial Engine Business & Auxiliary Power Business

WORKS

Maharashtra

Chakan, Pune
Chinchwad, Pune
Chikalthana, Aurangabad
Shendra, Aurangabad
Waluj, Aurangabad

Tamil Nadu

Gummidipoondi
Ranipet

Board of Directors

(L-R) Mr. Vikram Tandon, Mr. Vijay Rai, Mr. Sukh Dev Nayyar, Mr. Karan Thapar (Chairman), Dr. Clive Hickman, Mr. Suresh N. Talwar, Mr. Sunil Pahilajani (Managing Director & C.E.O)

Financial Snapshot

(₹in crore)

Particulars	02-03 Jul-Jun 12 mths	03-04 Jul-Jun 12 mths	04-05 Jul-Jun 12 mths	05-06 Jul-Jun 12 mths	06-07 Jul-Jun 12 mths	07-08 Jul-Jun 12 mths	08-09 Jul-Jun 12 mths	09-10 Jul-Jun 12 mths	10-11 Jul-Mar 9 mths	11-12 Apr-Mar 12 mths
Net Revenue	530	637	652	834	1063	1150	1041	1347	1252	1753
EBIDTA	74	87	102	141	175	168	126	213	206	243
EBIDTA (%)	14%	14%	16%	17%	16%	15%	12%	16%	16%	14%
Profit before Tax	2	33	102	132	144	138	80	173	184	251
Profit after Tax	2	22	62	85	122	110	56	118	127	185
ROCE (%)	15%	26%	40%	52%	53%	39%	22%	39%	49%	34%
Equity	44.64	44.64	45.64	48.84	48.83	48.84	48.84	48.84	48.84	48.84
Earnings Per Share (₹)	(0.24)	0.97	2.74	3.63	5.01	4.51	2.29	4.83	5.21	7.60
Net Worth	80	106	143	211	295	371	404	437	522	645
Debt	239	127	79	54	39	49	44	5	6	20
Capital Employed	326	240	226	271	340	434	478	471	558	700
Debt : Equity	2.98	1.19	0.55	0.26	0.13	0.13	0.11	0.01	0.01	0.03
No. of Shareholders	55,065	50,834	43,569	42,459	41,781	44,239	44,565	42,663	42,946	38,235
Dividend (%)	-	-	70	70	70	60	40	150 #	75	110 #

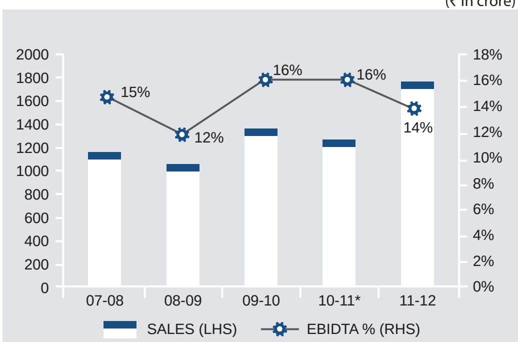
Includes Special Dividend of 75% (FY 09-10) & 40% (FY 11-12)

₹1 crore = 10 million

Key Performance Indicators

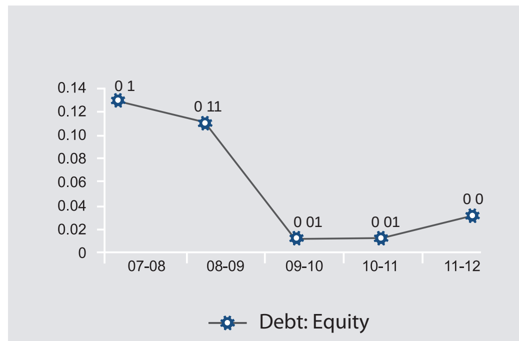
Sales & EBIDTA %

(₹ in crore)



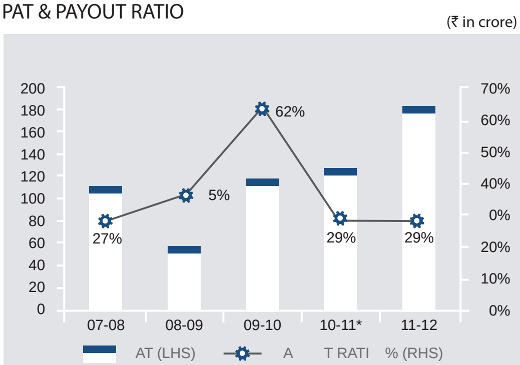
* FY 10-11 Nine Months peroid

Debt: Equity



PAT & PAYOUT RATIO

(₹ in crore)

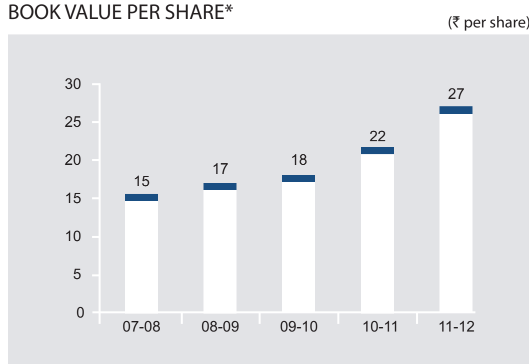


Note: Payout Ratio of FY 09-10 & FY 11-12 includes special Dividend of 75% & 40 % respectively

* FY 10-11 : Nine Months period

BOOK VALUE PER SHARE*

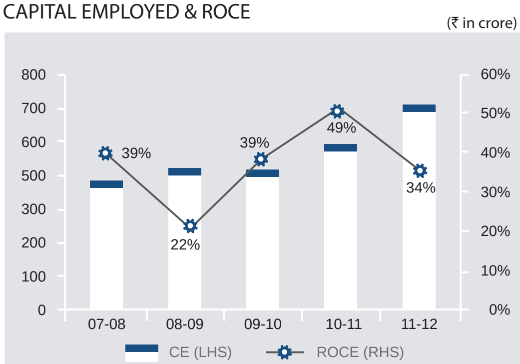
(₹ per share)



* On face value of ₹ 2 per share

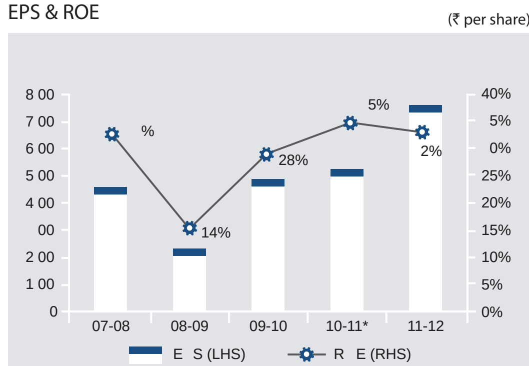
CAPITAL EMPLOYED & ROCE

(₹ in crore)



EPS & ROE

(₹ per share)



* EPS for FY 10-11: Nine Months period

Executive Board

(L-R) Mr. Prakash Bhalekar, Mr. Ashok Kumar Sonthalia, Mr. Sanjiv Kumar, Mr. Ramachandran Nandagopal, Mr. Sunil Pahilajani (MD & CEO), Mr. C.M. Ashok Muni, Mr. Vinay Khanolkar , Mr. Anil Gole

Directors' Report

The Members,

The Directors present the Ninety-Third Annual Report for the financial year ended March 31, 2012.

Financial Highlights

(₹in crore)

	Year ended March 31, 2012	Nine month period ended March 31, 2011
Revenue (Net of Excise Duty)	**1759.42**	1264.55
Profit Before Tax and Exceptional items	**207.29**	183.68
Less: Provision for Tax	**62.89**	56.40
Profit After Tax before Exceptional items	**144.40**	127.28
Gains on Exceptional items (Net of Tax)	**41.09**	-
Profit after Tax including Exceptional items	**185.49**	127.28
Dividends (including proposed Final Dividend) and Dividend Distribution Tax	**62.10**	42.44
Transfer to General Reserve	**25.00**	25.00
Balance of the profit carried forward	**292.48**	194.09

Performance Overview

The financial year under review began on a positive note. However, the economy started witnessing a rise in inflationary trend during the second half of the year which together with tightening of the monetary policy and a widening trade deficit resulted in a slow-down in the overall demand scenario. This affected the performance of almost all business segments in which Greaves operates.

The Company achieved gross revenue of ₹1759.42 crores and Profit after Tax (excluding exceptional items) of ₹144.40 crores for the financial year ended March 31, 2012 as against ₹1264.55 crores and ₹127.28 crores respectively, for the previous financial period (nine months). On a comparative basis (April to March period) the Revenue and the Profit after Tax before exceptional items registered a growth of 8.7% and drop of 6.9% respectively. The profits were lower due to higher material costs and certain one-off items of expenditures/write-offs. The Company commissioned in October 2011, its new unit at Shendra (Aurangabad) for manufacture of Light Diesel Engines. This together with the ongoing expansion at the Ranipet Unit, will enhance the production capacity of Light Diesel Engines for automotive applications to 5,25,000 nos. per annum.

During the year under review, the Company sold its land at Thoraipakkam, Chennai, for a consideration of ₹80 crores thus making a gain amounting to ₹69.4 crores, net of tax.

The performance highlights and business outlook of different businesses of Greaves, are discussed in detail in the "Management Discussion & Analysis" annexed to this Report.

Dividend

The Directors have recommended a Final Dividend of ₹0.20 per share for the year ended March 31, 2012. Thus, the total dividend for the year (including three interim dividends) works out to ₹1.40 per share. In addition, a Special Interim Dividend of ₹0.80 per share has been paid, with a view to distribute to the Shareholders, part of one time gain arising from the sale of Thoraipakkam land. The total cash outgo on account of dividends for the year 2011-12 works out to ₹62.10 crores, including the Dividend Distribution Tax.

The Final Dividend, upon approval by the Members at the Annual General Meeting to be held on July 30, 2012 will be paid to the Members whose names appear in the Register of Members as on July 30, 2012.

Subsidiaries

1. **Greaves Farymann Diesel GmbH, Lampertheim, Germany (GFD)**

   The entire share capital of GFD is held by the Company's wholly owned subsidiary viz. Greaves Cotton Netherlands B.V.

   GFD reported improved performance for the financial year ended March 31, 2012 with a total income of Euro 5.541 million and loss of Euro 0.033 million. The Company has taken certain strategic moves in order to improve the performance of GFD.

2. **Greaves Cotton Netherlands B.V. (GCN)**

   The entire equity capital of GCN is held by Greaves Cotton Limited. GCN acts as an investment Company in Netherlands B.V. During the financial year under review, the Company invested a further sum of Euro 35,000 in the ordinary shares of GCN. GCN reported a Loss of Euro 35,410 for the year ended March 31, 2012.

3. **Ascot International FZC (Ascot), Sharjah**

   The entire share capital of Ascot is held jointly by Greaves Cotton Netherlands B.V. (90%) and Greaves Cotton Limited (10%). Ascot is engaged in the distribution of Greaves products, largely DG sets. Ascot earned total revenue of AED 2.926 million and incurred a loss of AED 0.367 million for the year ended March 31, 2012. The Company has initiated various steps to improve the business of Ascot on the back of extensive service network for the products sold by Ascot. These measures are expected to improve Ascot's performance substantially in the coming years.

4. **Greaves Leasing Finance Limited (GLFL)**

   GLFL is a wholly- owned subsidiary of the Company. GLFL is engaged in leasing and finance activities confined only to Greaves Group. It reported total revenue of ₹4.47 crores and Profit after Tax of ₹2.72 crores for the financial year 2011-12.

5. **Dee Greaves Limited (DGL)**

   DGL is a wholly owned subsidiary of GLFL. During the financial year 2011-12, it did not do any business. It earned a marginal profit representing interest income, net of expenses.

6. **Greaves Auto Limited (GAL)**

   GAL is a wholly owned subsidiary of Greaves Cotton Limited. GAL is yet to commence any business activity. GAL earned marginal profit on account of interest income net of administrative expenses.

In terms of general exemption given by Central Government under Section 212 of the Companies Act, 1956, copies of the Balance Sheet and Profit & Loss Account, Reports of the Directors and Auditors of the Subsidiaries, have not been attached to the Annual Accounts of the Company. These documents, will however, be made available upon request by any Member of the Company. The financial data of the Subsidiaries in the format prescribed by the Central Government are provided in the Annexure and forms part of this Annual Report.

Promoter Group

The Promoter Group holding in the Company currently is 51.58% of the Company's Equity Capital. The Members may note that the Promoter Group companies, are controlled by Mr. Karan Thapar, comprising of the following Companies (1) English Indian Clays Limited (2) Premium Transmission Limited (3) Pembril Industrial & Engineering Company Private Limited (4) DBH International Private Limited (5) Karun Carpets Private Limited (6) Greaves Leasing Finance Limited (7) Dee Greaves Limited (8) Bharat Starch Products Limited (9) DBH Global Holdings Limited (10) DBH Investments Private Limited (11) Greaves Farymann Diesel GmbH (12) DBH Consulting Limited (13) Greaves Auto Limited (14) Greaves Cotton Netherlands B.V. (15) Ascot International FZC (16) Premium Transmission Cooperatie UA (17) DBH Stephan Ltd. and (18) Premium Stephan B.V., Netherlands.

Directors

Mr. Prabhakar Dev, Managing Director & CEO, retired on November 4, 2011.

Mr. Karan Thapar and Mr. S.D. Nayyar retire by rotation and are eligible for re-appointment.

Mr. Sunil Pahilajani was inducted on the Board as an Additional Director and appointed as Managing Director & CEO of the Company effective November 5, 2011. Mr. Pahilajani, aged 49 years, is a Mechanical Engineer from the Indian Institute of Technology - Roorkee and has multi-disciplinary experience of over 27 years in various companies such as Maruti Udyog Ltd., Hongo India, Mahindra Navistar Engines and Caparo India wherein he held the positions of MD, CEO and Board Member.

Dr. Clive Hickman joined the Board as an Additional Director effective March 1, 2012. Dr. Hickman, aged 57 years, a technology expert in the field of mechanical engineering from the UK, was the Managing Director of M/s. Ricardo, UK, several years ago. He is currently employed as the Managing Director of M/s. Manufacturing Technology Centre in UK, a UK Government initiative to encourage investment into engineering manufacturing in the UK.

The Directors are confident that the appointments of Mr. Pahilajani and Dr. Hickman would be beneficial to the Company.

The profiles of the new and retiring Directors seeking appointments/re-appointments, form part of the Notice convening the Annual General Meeting. The Board recommends appointments/re-appointments of these Directors.

Directors' Responsibility Statement

Pursuant to the provisions under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

1. In the preparation of the Accounts, the applicable accounting standards have been followed.
2. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and profits for the financial year ended March 31, 2012.
3. 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.
4. The Annual Accounts have been prepared on a going concern basis.

Consolidated Financial Statements

The Consolidated Financial Statements, prepared by the Company in accordance with the applicable Accounting Standards (AS-21, AS-23 and AS-27) issued by the Institute of Chartered Accountants of India, together with the Auditors' Report, form part of this Annual Report.

Code of Conduct

Pursuant to Clause 49 of the Listing Agreement, a Declaration signed by the Managing Director & CEO regarding compliance of Code of Conduct for the year ended March 31, 2012, is annexed and forms part of this Report.

Fitch Ratings

The Directors are pleased to report that M/s. Fitch Ratings have upgraded the long term rating of the Company from FITCH AA (- IND) to FITCH AA (IND). The Rating FITCH AA (IND) reflects High Credit Quality and indicates a low expectation of credit risk. This rating reflects sound financial health of the Company.

Corporate Governance

The Company has fully complied with the Corporate Governance Code, as prescribed under Clause 49 of the Listing Agreement. A Report on Corporate Governance, along with a Certificate from Auditors, confirming the compliance, is annexed and forms part of this Report.

Auditors

The Company's Auditors viz. Messrs. Walker, Chandiok & Co., Chartered Accountants, Mumbai and Branch Auditors viz. Messrs. Wrigley Partington, U.K., in respect of Company's Branch in Cheshire, London (U.K.), will retire at the ensuing Annual General Meeting and are eligible for re-appointment. Both these Auditors have sought their re-appointments.

The Directors recommend re-appointment of the Auditors.

Cost Auditors

Pursuant to the provisions of Section 233-B of the Companies Act, 1956, audit of cost accounts in respect of the Company's products, as applicable, is being regularly carried out by the Cost Auditors. The Directors have re-appointed Dhananjay V. Joshi & Associates, Cost Accountants, as Cost Auditors of the Company for the financial year 2012-13.

Unclaimed Shares Suspense Account

In July 2011, the Company opened an Unclaimed Shares Suspense Account on behalf of the holders whose shares of the Company have remained unclaimed for quite some time. The status of the shares held in the above suspense account as on March 31, 2012, is as follows:

Aggregate Number of shareholders and shares transferred to Unclaimed Shares Suspense Account on July 28, 2011	6,97,835 shares held by 5,184 shareholders
Number of shareholders who approached the Company for transfer of shares from Unclaimed Shares Suspense Account to their respective accounts	27,100 shares held by 49 shareholders.
Aggregate number of shareholders and the shares lying in the Unclaimed Shares Suspense Account as on March 31, 2012	6,70,735 shares held by 5,135 shareholders

Public Deposits

As on March 31, 2012, the unclaimed Public Deposits stood at ₹0.07 crores. Pursuant to the provisions of Section 205C of the Companies Act, 1956, all unpaid Public Deposits and interest due thereon, have been transferred to the Investor Education and Protection Fund, on the respective due dates.

Human Resources

During the year under review, the Company signed a long term wage settlement Agreement with the workers' union at Ranipet Unit of Automotive Engine Business. The Company's industrial relations by and large remained cordial.

During the year under review, Greaves continue to focus on talent acquisition and talent development. Its HR Department has introduced performance management system which will help in making Greaves a performance driven organization.

Particulars pursuant to the provisions of Section 217 of the Companies Act, 1956

Information on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, stipulated under Section 217(1)(e) of the Companies Act, 1956 is set out in the Annexure to this Report.

Pursuant to the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the Directors' Report, as an addendum thereto. However, in tandem with the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts as set out therein, are being sent to all the Members of the Company excluding the aforesaid information about the employees. Any Member interested in obtaining these particulars, may write to the Company Secretary at the Registered Office of the Company.

Acknowledgement

The Board places on record its appreciation for the support and co-operation your Company has been receiving from its all stakeholders. The Company looks upon them as partners in its progress. It will always be the Company's endeavour to build and nurture strong relationship for mutual benefits.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 11, 2012

Karan Thapar
Chairman

Annexure To Directors' Report

Annexure B

INFORMATION RELATING TO THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO, PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

1) Measures taken

i) Energy Audit carried out at Diesel Engine Unit (DEU) and Light Engine Unit (LEU) and consequently several measures taken to reduce power losses

ii) Installed CNC Machines with higher productivity & reduction in power consumption at DEU

iii) Installed Tum-blast machine to clean foundry return scrap thus reducing furnace power consumption at DEU

iv) Electrical circuit modified at LEU

2)	Additional investment proposals, if any, for reduction in consumption of energy	i) Procurement & installation of intensive green moulding sand mixer at DEU ii) Introduction of Solar LED at Petrol Engine Unit (PEU) iii) Installation of new transformers to reduce energy losses at LEU
3)	Impact of (1) & (2)	The above measures will lead to energy saving and cost reduction

FORM-B

B. RESEARCH & DEVELOPMENT

1)	Specific areas	i)	Design & development of New D series engines at DEU
		ii)	Upgradation of existing engines at DEU
		iii)	Development of new engines for automotive applications
2)	Benefits derived	i)	Expanding the range of different products
		ii)	Upgradation/development of engines to comply with the emission norms
3)	Future plan of action	i)	Development of new cost effective engines & compliant of emission norms
		ii)	Development of new product range under construction equipment

4) Expenditure on R&D

i)	Capital	₹2.03 crores
ii)	Recurring	₹ 15.40 crores
iii)	Total	₹17.43 crores
iv)	Total R&D expenditure as a percentage of turnover	1%

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1)	Efforts made	The Company continuously invests in in-house research & development activities and implement design improvements through value engineering of the products to meet the customer requirement and regulatory norms
2)	Benefits derived	i) Development of Fuel efficient and low emission engines ii) Enhancing the product range with the contemporary technology
3)	In case of Imported Technology	

Technology	Year of Import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action
19 Ton Vibratory Soil Compactor	2008	No	Currently, not pursued in view of market situation. This will be taken up at an appropriate time, upon improvement of market for the product.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

1.	Efforts	The Company continues its efforts to find new markets overseas and develop existing ones.
2.	Earnings and Outgo	i. Foreign Exchange Earnings : ₹52.67 crores ii. Foreign Exchange Outgo : ₹102.49 crores

Management Discussion & Analysis

Global Economy

The global economy faced another challenging year in 2011. International Monetary Fund (IMF) estimated the global output to have grown at a modest 3.9%, much lower than 5.3% growth achieved in the previous year. US showed signs of recovery, but that was not good enough to offset the contraction witnessed in some parts of the Euro-zone post sovereign debt crisis. IMF anticipates the global economy to face another testing year in 2012 and projects global growth to marginally slip to 3.5%. It projects the growth rate of emerging economies to shrink to 5.7% in absence of any uptrend in demand from advanced economies. At the moment, even as emerging economies are showing Gross Domestic Product (GDP) growth rates ranging from 6% to 9%, they may not be able to sustain it, due to heavy dependence on exports. China and India, which have noticed domestic demand driven growth, are also struggling to strike a balance between high inflation and steady GDP growth.

Indian Economy

The Indian economy continued to drive ahead the demographics led growth story in financial year 2011-12 (FY12), even though the high inflationary pressure and rising interest rate regime tested growth to some extent. Aiming to check high inflation, Reserve Bank of India continued with its higher interest regime started in the previous year, raising repo-rates 13 times in a row till the same peaked out at 8.5%. The resultant increased cost of funding and tightened liquidity did stall the GDP growth, which came down to 6.9% in the first three quarters of FY12 from 8.1% recorded in the first three quarters of FY11.

Another key factor which made a material difference to the Indian economy in FY12 was the high volatility of Indian rupee against the US dollar. The Indian rupee swung between ₹45-54 a dollar, all within second half of FY12. The rates appear to have finally settled around levels of ₹52-52.5 per US dollar, which is 16% higher against earlier levels, of around ₹45. In the wake of the unforeseen fall in the rupee against US dollar, India's fiscal deficit is projected at 5.9% for financial year 2011-12, higher than the 4.6% target. India is now targeting a fiscal deficit of 5.1% of GDP for this fiscal year.

Company Overview

During the year under review, the Company's performance mirrored the apparent decelerated growth across vital sectors of the Indian economy. However, demand from Small Commercial Vehicle (SCV) segment facilitated the Company to achieve net sales at ₹1759.42 crores, a growth of 8.7 % on a comparative basis (April to March period). The PAT (before exceptional items) stood at ₹144.40 crores, down by 6.9 % compared to previous 12 months period. Many economic indicators affected businesses at large, with high interest rates in particular impacting the construction equipment business.

The interest rates seem to be peaking-out and this augurs well for industrial growth. The outlook for financial year 2012-13 remains cautious and it may take a few quarters before the economic environment turns conducive to attaining high growth rates.

ENGINE SEGMENT

AUTOMOTIVE ENGINE BUSINESS

Industry Overview

Despite near flat growth of Indian Automobile Sector during financial year 2011-12 (FY12), Small Commercial Vehicle (SCV) segment grew at a robust rate of 27 %, albeit on a small base. Connecting nooks and corners of Indian hinterland through last mile transportation SCVs recorded impressive growth. Sales of three-wheeled diesel vehicles recorded a modest growth of 5% as compared to 18% in the previous year, while four wheeled vehicles maintained a growth of 32%. Courtesy the competitive advantages that SCV's bring, the demand from the cargo segment picked up demonstrating an increasing adoption of the hub and spoke model.

Business Overview

Greaves Cotton's Automotive Engine Business manufactures a wide range of single-cylinder and twin-cylinder diesel and gasoline engines. These highly fuel efficient, lightweight and compact engines cater to the Original Equipment Manufacturers (OEMs) of three-wheeled and small four-wheeled (sub one tonne category) commercial vehicles.

One of the world's largest manufacturers of single-cylinder diesel engines, Greaves Cotton continues to be a preferred engine manufacturer to leading automobile companies in India including Piaggio, Tata Motors and Mahindra & Mahindra (M&M), amongst others. Greaves Cotton's engines command leadership with over 80% market share in the three-wheeled segment and are gradually penetrating into the four wheeled segment. Though still at a nascent stage, the Small Commercial Vehicle (SCV) holds tremendous potential of accelarated growth considering the growing adoption of hub-and-spoke model in logistics sector coupled with rapid urbanization of semi urban geographies. Greaves engines' market share in the four wheeled SCV segment rose to around 9% in FY12, from less than 3% in FY11. The Business aims to emerge as the second

Greaves newly inaugurated Light Engine Unit – V at Shendra, Aurangabad largest supplier of engines to this segment in coming three to five years.

During the year under consideration, Greaves commenced supplies of its new G600 WIII single cylinder engines to Tata Motors for their sub one tonne SCVs, Ace Zip and Magic Iris which have gained market acceptance. It also commissioned its 5th Light Engines Plant at Shendra, Aurangabad, during the year. With an initial investment of ₹50 crores, this plant has an installed capacity of 87,000 engines annually and will manufacture single-cylinder engines for supply to SCV manufacturers. This facility is environment friendly with keen focus on, energy efficiency and conservation, rain water harvesting etc.

To address the growing demands of the Industry, the Company has taken up a brownfield expansion at the Ranipet unit to double its installed capacity to 300,000 engines annually. The expansion will be completed in the first quarter of FY13. Upon its completion, the total annual installed capacity of engines for the Automotive Engine Business will go up to 525,000.

Automotive Engine Business recorded a 14% growth over the number of engines produced in the last fiscal on an annualised basis. The growth compares very well with the Industry growth of just 6% achieved in FY12. It achieved the highest ever monthly production and despatch of about 41,000 engines in the month of November 2011. It is actively pursuing newmarket development and has initiated various steps to strengthen its competitive position in the four-wheeled SCV segment besides exploring applications beyond the auto segment. It is also identifying opportunities in export markets.

Through a dedicated Research & Development (R&D) team at its Technology Centre, the Automotive Engine Business is also proactively working on achieving BS-IV emission compliance for its engines well ahead of April 2015, the stipulated implementation schedule as of date. In view of the Government mandating the use of alternate fuels in major metro cities, Greaves Cotton initiated steps to design/manufacture Air–cooled petrol engine for alternate fuel i.e. CNG/LPG on three/four wheeled SCVs.

Risks & Concerns

- While the Automotive Engine Business has been consistently diversifying its product and client base, its dependence on larger customers is still high. It is fully focused on exploring opportunities and expand its customer base by widening product offerings and ensuring best-in-class products and after sales service through its well established distribution network.

- Any further deepening of cyclical slowdown in OEM sales and sharp increase in commodity prices can impact its revenue and margins

Outlook

While the market for three wheeled SCVs is expected to grow at a slower rate, the market for four wheeled sub one tonne SCVs seem to be moving to a high growth trajectory. These segments require engines with proven capability and performance. Customised engines, technology transfers and contract manufacturing could well become catalysts in growing this business.

The increasing cost of finance to buy vehicles impacted the demand, especially during the last two quarters of FY12. With peaking of interest rate and early signs of rate reversal witnessed recently, Automotive Engine Business expects demand growth to pick up in the months to follow. Growing urbanisation, improving spending power & consumption pattern, faster adoption of hub & spoke model – all augur well for continued growth of SCV segment.

Greaves Genset

AUXILIARY POWER BUSINESS

Industry Overview

Uninterrupted and reliable power supply is of paramount importance to all the key constituents of economy. India, with a considerable power deficit, in peak as well as off-peak periods, leaves much to be addressed impacting businesses at large. Gensets are stable and reliable alternative to unreliable grid power and also as a back-up to it.

The financial year 2011-12 saw sluggish demand scenario caused by macro economic factors, higher cost of borrowing, tightened liquidity, macroeconomic headwinds and slowing down of the decision making process across private and public sectors which decelerated the growth momentum for the sector as a whole and the Company in particular. The Diesel Generating (DG) set Industry witnessed a drop of around 10% during financial year 2011-12. The Industry consolidated the move towards Single Window Concept for sales and Aftermarket support to the customers.

Business Overview

Auxiliary Power Business manufactures a range between 25-500 KVA Silent Diesel Gensets and control panels, provides Installation & Commissioning services and Aftermarket support to its customers through its nationwide presence of distributors. It caters to demand from customers across the segments such as retail, hospitality, healthcare, real estate, infrastructure, manufacturing, pharma, etc. The Business relocated its manufacturing unit to Chakan, near Pune, from the existing location at Chinchwad in Pune as a cost saving measure, aiming to become a low cost manufacturer supplying best-in-class Diesel Gensets.

The slowdown in markets due to macro economic factors led to low demand which triggered price wars in the markets putting pricing pressure on Business. Company's LHP range (25 to 125 KVA) of Gensets performed well, achieving a growth of 18% over the previous year.

Greaves Cotton decided to approach this slowdown as an opportunity to get back to the drawing board and revisit its business strategy for a better future. It has taken various initiatives which include strengthening distribution network by roping in large distributors with Pan India presence, launching of new compact design sub-15 KVA DG sets, developing new DC DG sets, having tremendous energy saving potential for Telecom Towers and Initiating a slew of customer engagement programmes like Customer Bridge, Key Account Management, and Voice of Customer to ensure that customers are serviced better.

Greaves Cotton also plans to expand its footprints into higher KVA segment and emerge as a one stop-shop for varying customer needs.

Aiming to produce best-in-class cost effective products, Auxiliary Power Business is leveraging the power of Information Technology (IT) in overall supply chain management from demand forecast to complete order management. It is planning to initiate a focused leadership development program and aims to tap the underlying growth potential in Aftermarket segment including those in Spares, Annual Maintenance Contracts, and lubricants / Coolant business.

Risks & Concerns

- The presence of large number of unorganised players in this segment may lead to unhealthy competition for DG sets
- Emerging new power generation sources like solar energy, large format nuclear power plants may reduce the demand - supply gap in the medium-term

Outlook

The growth of Auxiliary Power Business is linked with the economy in general and telecom, real estate and infrastructure sectors in particular. Likely softening of interest rate, pickup in infrastructural investment and faster implementation of Government plans, should help in reviving the sector. Given the backdrop of chronic power shortages, growing industrialisation, revival of investment cycle and improved lifestyle, the Company expects demand for lower HP Gensets i.e. less than 15KVA and the range above 750 KVA to grow much faster.

Aided by multiple initiatives taken during financial year 2011-12, the Auxiliary Power Business is poised to grow its revenues at a healthy rate during financial year 2012-13 and expects the growth momentum to continue in years to come.

FARM EQUIPMENT BUSINESS

Industry Overview

Over the last several years, the agricultural topography has undergone several changes. In its endevour to empower farmers and transform rural productivity, the Government awarded subsidies, improved power availability and facilitated easy financing under priority sector lending by banks. Added to this, better crop realisations, and good monsoon increased productivity and yield. All these factors gave fillip to the agriculture sector and thereby the resultant demand for Farm Equipment in India However, FY12 turned out to be a testing year. The year saw bumper kharif and rabi crop leading to lower realisations, which unexpectedly slowed agricultural growth and in turn the Farm Equipment Industry.

Greaves Electric Pumpset

Business Overview

Greaves Cotton's Farm Equipment Business deals in a wide range of agricultural equipment like Power Tillers, Paddy Reapers, Brush Cutters, Sprayers, Weeders and Transplanters etc. These equipment help small and marginal farmers to increase productivity by mechanising various farming processes like soil preparation, seeding & transplanting, irrigation, plant protection & harvesting.

It also manufactures lightweight, portable pumpsets in the range of 1.5-10 HP and portable eco-friendly silent Gensets in its ISO 9001 certified manufacturing unit located at Gummudipoondi, Chennai. The Business leverages on Greaves Cotton's strong brand equity that has been built over decades. It continues to offer value-for-money products backed by a well established pan-India service network and a huge base of satisfied customers.

In order to usher in techno-farm productivity, the Business launched new products that have gained market acceptance. Weeder, being the case in point.

In order to maximise benefits from the growing demand in the years ahead and to address increasing competition, the Company has undertaken a few initiatives which include setting up a dedicated R&D centre for widening product portfolio through product indigenization as well as product upgrade. It plans to leverage its vast dealer network by adding aftermarket services through authorized service centres. It aims to seek sustained growth on the principle of 4 A's – Awareness, Acceptance, Availability and Affordability.

Risks

- Subsidy allocation by the Government is a key growth driver for the agriculture sector and any change in subsidy policy can impact demand.
- In order to meet priority sector target, the banks have increased lending to the agriculture sector. Growing NPA from the sector may turn out to be the dampener and thereby adversely impact the growth, as majority of the equipment are purchased with bank loans
- Poor monsoon or lower realisation in situations of bumper crop, as witnessed in FY12, can impact the demand growth for agriculture equipment
- The portable oil pumpset industry growth faces threat from depleting water table, growing rural electrification and poor supply of kerosene.
- Increase in input prices and/or weakening of Rupee could impact sales and profitability.

Outlook

Mechanisation in India is still at a nascent stage and farmers continue to rely on primitive tools and methods of farming. In the 12th five year plan, the Government has set a high growth target of 4% for agriculture which would be tough to achieve without further mechanization of the sector.

Both structural and cyclical factors should continue to support the sector. Increasing farm wages, labour shortages, central and state subsidies, higher food prices, changing dietary habits and increasing per capita income should keep the demand for Farm Equipment high. An 18% increase for financial year 2012-13 in Central Government's outlay, shall provide desired boost in farm credits and interest subvention should provide additional fillip to the demand of farm equipment.

Demand for Farm Equipment is also likely to increase on back of demand from additional avenues like custom hiring/providing machines on rental basis which is being promoted by the Government to increase mechanisation. With this industry outlook coupled with various strategic initiatives undertaken, Greaves Cotton is cautiously optimistic of the performance of the Business in FY13 and years ahead.

INDUSTRIAL ENGINE BUSINESS

Greaves G-Series engine assembly at Chinchwad

Industry Overview

Industrial engines are used for a wide range of stationary as well as mobile applications. The industrial engines market is very diverse & well spread out. The market for these engines comprises of construction equipment for concrete & road making applications, earthmoving, mining equipment, agriculture equipment, marine, fire fighting pumps & other pumps, compressors, railway applications, Defence & power generation.

In financial year 2011-12, the Industrial engine market witnessed modest growth. Deceleration in India's growth, high cost of capital, delays in land acquisition and environmental clearances coupled with overall depressionary sentiments impacted the pace of execution and appetite for expansion. As a result, the industrial sector also did not perform in line with expectation. Slowdown was witnessed in most of the user industries of Industrial Engines including Mining, Marine, Construction and Oil & Gas.

Business Overview

Greaves Cotton's Industrial Engine Business (IEB) thrives on development of specific applications of its engines and offers customised products for various industries like Construction, Marine, Fire Control, Mining, Material Handling, Rail Cars, Defence and Power. It manufactures high-horsepower engines at its unit located at Pune and sources low-horsepower engines from the Company's Agriculture Equipment and Automotive Engine Business. Greaves engines have been well accepted for firefighting pumps and marine applications.

Since the creation of this Business in 2009, Greaves has adopted a much focused approach to develop markets for these engines. With less than two percent share of the estimated market size of ₹4,000 crore, it has potential to grow manifold over the next few years.

With a strong market share of 25%, Greaves Cotton has established itself as a recognised player in fire fighting pumps segment. With fire safety guidelines becoming more stringent, this segment is expected to grow annually in the range of 12-15 % over coming years. The Business has also made significant inroads in Marine, Small Construction Equipment and Offshore Cranes segment.

Despite the Industrial slowdown and tough economic environment, Industrial Engine Business grew at a healthy rate during the year under review, albeit from a small base. Industrial Engine Business also made inroads into new applications for its engines, selling its products to manufacturers of Transit Mixers, Harvesters, Soil Compactors, Pavers, Road Sweepers, Concrete Pumps, Fishing trawlers & Marine Gensets. Industrial Engine Business also initiated many cost reduction and efficiency improvement measures by adding processes like heat treatment and induction hardening and commissioned a high-pressure moulding line during the year.

Industrial Engine Business came out with a contemporary product in the range of 15 HP to 200 HP that has applications across most of the markets. The Business plans to further enhance its technological prowess in high-horsepower (>200hp) segment and has begun work for launching a technologically advanced new series of engines in this range. IEB increased resources in R&D and application engineering marketing to garner a higher share of market. The engines are designed and tested at its state-of-the-art technology centre at Chinchwad, Pune. This testing facility is among the best in the Industry and is equipped with emission measurement capabilities, integrated digital controls, conditioned air, fuel conditioning and water temperature control for testing engines up to 2MW. It is also capable of testing gas engines.

Its product portfolio includes:

- "G series" engines in the range 25-125KVA with one of lowest exhaust emissions and complies with the next generation CPCB & US Tier-2 norms.
- "D series" engines in the range 160-500KVA and complies with CPCB norms for mass emission.
- Its products, especially from the G series, are technically rated amongst the best-in-class and have high level of acceptance across industries. IEB has good presence in power generation segment.

Risks

Expanding competitive landscape may affect the revenues and also exert pressure on the margins. Low economic growth over a longer period may also impact business adversely.

Outlook

With interest rates already peaking and early signs of reversal, business sentiments are slated to improve, going forward. This will also help improve the investment appetite of Industrial segments. With fire safety measures and its implementation getting stringent, demand for firefighting pumps shall continue to grow at a healthy rate. The Government's thrust on infrastructure development; project execution will accelerate the demand for the Industrial Engine Business products. Riding on these factors, Industrial Engine Business is likely to continue its fast paced growth and has a promising outlook.

INFRASTRUCTURE EQUIPMENT SEGMENT

CONSTRUCTION EQUIPMENT BUSINESS

Industry Overview

India is one of the fastest growing markets for construction equipment and also the second largest in Asia after China. Confederation of Indian Industries (CII) estimates the Indian Construction Equipment sector to grow from USD 3.3 billon in 2010 to USD 20-25 billion by 2020 at a CAGR of 19-22%.

The growth of Construction Equipment sector is intrinsically linked to the growth in infrastructure development. Owing to a slowdown in key sectors like infrastructure, mining, real estate, etc. coupled with higher interest rates, Construction Equipment industry countered a difficult year in financial year 2011-12.

Business Overview

Greaves Cotton is one of the few Indian Companies to offer products across core Construction Equipment segment of compaction, concreting and earthmoving. It manufactures a wide range of equipment at its plants in Gummidipoondi, near Chennai. Greaves Cotton's products are rated amongst the best in the Industry and are marketed through its wide distribution network across the Country. Its products in Road segment are supported by the world class technology from BOMAG, a prominent global player.

Compaction Equipment

Greaves manufactures a range of compaction equipment like single-drum vibratory rollers, tandem vibratory rollers and pneumatic tyred rollers. These equipment are used for compaction of soil and asphalt and primarily used in development of new roads.

Well below forecasts and targets, road construction in India is lagging behind; with the total road addition of 1591 kms against the target of 4582 kms. Despite the adverse impact of the slowdown on the Company's business in this segment, the Construction Equipment Business went ahead with its plans to expand the road equipment portfolio by adding Milling Machines and Pavers in its product portfolio and strengthened its positioning as an integrated player offering complete solutions to the road construction Industry.

With the order backlog with the Government of 2991 kms and a proposed target of awarding contracts for another 8000 kms of roads to be built in the fiscal year 2012-13, the outlook for this segment appears quite positive.

Concreting Equipment

Greaves Cotton manufactures various concreting equipment like Batching Plants, Transit Mixers, Concrete Pumps and truck mounted Metro Pumps. Besides the slowdown in real estate sector, the concrete equipment Industry did not perform to expectations given the background of less than expected industrial development across India, specially roads.

During the year under review, the Company added 60 cubic meter Batching Plant to its portfolio. Having launched new products, Construction Equipment Business plans to grow and strengthen its product portfolio to emerge as a leading infrastructure player. It also plans to augment its revenues through additional streams like rental and trading services. Going forward the aim is to enhance share of wallet in the concreting industry by offering integrated solutions including power solutions with its batching plants.

Greaves 65 XL-2 Concrete Mixer

Risk and concerns

Driving a major part of its revenues from companies in real estate and infrastructure development, prospects of Construction Equipment Business are closely linked with the Government Policy and overall health of infrastructure in the Country. Its growth prospects are also dependent on accessibility and cost of capital and speed of execution of construction projects. High interest rates in the short-term may make good infrastructure projects unviable. Growth in infrastructure spend may also get impacted with moderation in the GDP growth of the Country.

Indian Construction Equipment segment has witnessed increased interest and participation from leading global players on the back of high growth expectations. A slower than expected growth can affect the Construction Equipment Business and may impact the profitability. Cheaper Chinese equipment could also pose a challenge to this cost sensitive segment. Availability of cheap second hand equipment is another risk from such market players.

Outlook

Increasing cost as well as an absolute shortage of labour will encourage faster mechanisation and the same augurs well for the growth of the Construction Equipment segment. As per CII study, the volume of construction equipment sales is expected to increase from over 60,000 units in 2010 to 330,000 units in 2020. The huge infrastructure deficit juxtaposed with high growth aspirations provides an optimistic outlook for the construction sector, and the Construction Equipment segment in particular appears promising in medium-to-long-term. Government's plan of doubling the infrastructure expenditure outlay to USD 1 trillion for the 12th five year plan (2012-2017) shall provide further fillip to the demand in this segment. Government's thrust on road projects, cooling down of interest rates and improved availability of long-term credit bode well for the road-making sector.

INTERNATIONAL BUSINESS

Greaves Cotton's International Business is currently focused on fast growing geographies of Middle East, Africa, South Asia and Southeast Asia. It is also focusing on growing sales of Greaves Gensets in the Middle East and construction equipment in the South Asian region. Despite political uncertainties holding back growth in first half of the year, FY12 proved to be a good year for International Business with its revenues growing by 172 %.

Following a region-specific approach, it has identified & developed products relevant for each of these regions and is accordingly developing its network and sales strategy. Last year, the Company acquired one of its distributor firms, M/s. Ascot International FZC (Ascot) in Sharjah with the prime objective of serving its network in the Middle East. Despite strong macroeconomic headwinds, International Business is confident of strong growth in these markets.

Risks & Concerns

- International Business faces a risk of intensified competition from low-cost players which can limit its pricing power.
- Geo-political changes in the regions of operations may result in demand slow down.
- Increase in input prices and/or volatility in the value of Indian rupee may have adverse impact on profit margins.

Outlook

With improving global sentiments and growth in the Middle East & North Africa (MENA) region, Greaves International Business expects a further improved performance in FY13. With gradual political stabilization in most of the areas of its operations, backed by increase in income from high crude oil and mineral prices, IOD expects substantially improved performance in coming years.

HUMAN RESOURCES

As a leading engineering Company, Greaves Cotton's business is greatly dependent on innovation and value-engineering. Both of these, in order to bring significant impact, need good quality of human capital to collaborate with technology and machineries. Talent management, thus, gains significant importance at Greaves Cotton.

Human Resources Department (HRD) continues to maintain its focus on Talent Acquisition, Talent Development and Talent Retention. During FY12, HR conducted Relationship Management and Effective Personal Productivity programmes for Senior Executives as a part of the leadership development and for Junior and Middle level Executives, Group Essential Managers (GeMs), as a part of management development programme.

The Human Resource team has initiated focused efforts to tap human potential and develop them to make leaders for tomorrow.

HR is also playing a major role in transforming Greaves Cotton into a performance driven organization. It has created a robust performance management system besides taking a slew of initiatives to improve and enhance employee productivity.

INFORMATION TECHNOLOGY

Information Technology (IT) is a vital element of Greaves Cotton's business strategy and is being used across Businesses to automate processes, share information and minimise redundancies. Greaves has been consistently investing in IT to leverage its potential and to address the fast changing needs of its stakeholders.

With passage of time, the boundaries have blurred, mobility has increased and the employees have got location independent. For the very same reasons, Greaves Cotton moved its enterprise email application to Cloud.

During the year, the Company upgraded its SAP application that is used across Businesses for material requirement planning & procurement application (MRP). It automated certain processes to facilitate a better control over movement and accounting of materials. In order to share best practices across Businesses, IT also launched a comprehensive knowledge management portal for manufacturing services and added several employee engagement applications to HR processes in its Intranet.

CORPORATE SOCIAL RESPONSIBILITY

Greaves Cotton believes that one of the critical areas, where opportunity for development is abundant, is education, and is concerned as to how it can reach those who are under-privileged/deprived.

In its noble pursuit of students' aid/support/upliftment, Light Engines Unit at Aurangabad decided to become a benefactor of a batch of 20 underprivileged students from a NGO in Aurangabad, whereby their expenses of books, tuition and uniform were met. They would further be sponsored for ITI and absorbed thereafter for 6 months on-the-job training programme in order to make them employable. Similarly, Light Engines Unit at Ranipet, aimed at upliftment of the 120 underprivileged students by issuing them Notebooks, Bags and Stationery Items, among other resources.

The Company will continue its efforts with an aim to identify other areas which require support and be an active contributor to the welfare of the society.

Disclaimer

Some of the statements in this Management Discussion & 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 from those expressed or implied. Important developments that could affect the Company's operations include changes in the industry structure, significant changes in political and economic environment in India, tax laws, Government levies, litigation and labour relations.

Declaration Of The Managing Director On Compliance With The Code Of Conduct

This is to certify that all the Members of the Board of Directors and Senior Management personnel (i.e. upto the level of General Manager) of the Company have confirmed compliance with the Company's Code of Conduct for the financial year ended March 31, 2012.

Sunil Pahilajani
Managing Director & CEO

Mumbai,
Dated: May 11, 2012

Certificate of Managing Director and Chief Financial Officer on Corporate Governance

To ,

The Board of Directors

Greaves Cotton Limited

Mumbai.

We have reviewed financial statements and the cash flow statement of Greaves Cotton Limited for the financial year ended March 31, 2012 and certify that:

(a) These statements to the best of our knowledge and belief:

   (i) do not contain any materially untrue statements or omit any material facts or contain statements that might be misleading;

   (ii) present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) to the best of our knowledge and belief, there are no transactions entered into by the Directors and Senior Management during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of the internal control systems of the Company for such reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies, if any, in the design or operation of such internal controls, of which we are aware, and the steps taken and/or proposed to be taken to rectify these deficiencies.

(d) We have also indicated to the Auditors and the Audit Committee:

   (i) Significant changes in the internal controls with respect to financial reporting during the year;

   (ii) Significant changes in accounting policies during the year and these have been disclosed in the notes to the financial statements.

(e) That to the best of our knowledge and belief, there are no instances of significant fraud involving either the management or employees having a significant role in the Company's internal control systems with respect to financial reporting.

Sunil Pahilajani
Managing Director & CEO

A.K. Sonthalia
Chief Financial Officer

Place : Mumbai
Dated : May 11, 2012

Auditor's Certificate on Compliance of the Conditions of Corporate Governance

To

The Members of Greaves Cotton Limited

We have examined the compliance of the conditions of Corporate Governance by Greaves Cotton Limited (the 'Company') for the year ended 31 March 2012, as stipulated in clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (As stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the 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 an opinion on the financial statements of the Company.

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

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

For Walker, Chandiok and Co
Chartered Accountants
Firm Registration No: 001076 N

Khushroo B. Panthaky
Partner
Membership No. F-42423

Place: Mumbai
Date: May 11, 2012

Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes that a meaningful policy on Corporate Governance creates a mechanism of checks and balances to ensure that the decision making powers vested in the executive management are used with care and responsibility. Greaves is committed to the adoption of best governance practices and their adherence in true spirit at all times. Its approach, always aims towards building trust and enhancing its stakeholders' values on sustainable basis.

2. BOARD OF DIRECTORS

The Board of Directors ("Board") of the Company oversees the Management functions with a view to ensure its effectiveness. The Board, apart from reviewing business performance periodically, also reviews and approves Management's strategic plan & business objectives and obtains updates to monitor the Company's strategic direction.

2.1 Composition of Board

The Board consists of seven Directors comprising five independent Non Executive Directors and an Executive Director. The Chairman of the Board is the Promoter & Non Executive Director. The Board is represented by senior professionals with diverse background. Day-to-day management of the Company, under superintendence and control of the Board, is vested with the Managing Director & CEO, who is supported by a Management Team.

2.2. Attendance at the Board Meetings/Annual General Meeting

During the financial year 2011-12, the Board met five times on April 29, 2011, July 27, 2011, October 21, 2011, January 24, 2012 and March 30, 2012. Mr. Vikram Tandon and Mr. S. N. Talwar could not attend the Board Meetings held on July 27, 2011 and January 24, 2012 respectively.

Annual General Meeting (AGM) for the period ended March 31, 2011 was held on July 27, 2011. All Directors, except Mr. Vikram Tandon, were present at the AGM.

2.3. Other Directorships/Committee Memberships and shareholding

Name of Director	Managing/ Non-Executive/ Independent Director	No. of other Directorship(s)	Committee Membership#		No. of shares held
			Member	Chairman	
Mr. Karan Thapar	Non-Executive	3	2	0	1,000
Mr. Sunil Pahilajani+	Managing Director & CEO	1	1	0	500
Mr. Vijay Rai	Independent	5	2	2	17,650
Mr. S N Talwar	Independent	13	5	3	64,980
Mr. Vikram Tandon	Independent	1	1	1	500
Mr. S. D. Nayyar	Independent	1	1	1	500
Dr. Clive Hickman^	Independent	0	0	0	500
Mr. Prabhakar Dev*	Managing Director & CEO	1	1	0	500

For the purpose of reckoning the limit of Chairmanships/Membership of Committees., the Audit Committee and the Shareholders' / Investors' Greivences Committee alone are considered.

* retired on November 4, 2011

+ appointed with effect from November 5, 2011

^ appointed as Additional Director with effect from March 1, 2012

2.4 Conduct of Board and Committee Meetings

The Board meets at least once in a calendar quarter inter alia, to review quarterly financial results, strategic business plan and annual budgets. The Code of Conduct for Board Members and Senior Management Personnel of the Company, is posted on the Company's website.

The Directors and Senior Management personnel of the Company have affirmed their adherence to the Code. A Declaration by the Managing Director on compliance of the Code of Conduct forms part of the Annual Report.

3. AUDIT COMMITTEE

The Audit Committee consists of three independent Directors. Mr. K K Saraf, Company Secretary of the Company is a Secretary to the Committee. The Managing Director and the Chief Financial Officer of the Company are permanent invitee at the Audit Committee meetings. Composition of Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Audit Committee is, inter alia, responsible for recommending the appointment and re-appointment of Statutory and Internal Auditors, fixation of Audit Fees, over view of financial reporting process, review of quarterly and annual financial results and internal controls to ensure that the financial accounts of the Company are maintained in accordance with the prevailing laws.

The Committee also acts as a link between Statutory and Internal Auditors and Board of Directors of the Company.

3.1 **Meetings**

During the financial year 2011-12, the Committee met four times on April 29, 2011, July 26, 2011, October 21, 2011 and January 23, 2012.

3.2 **Composition, Name of the Committee Members and attendance at the meetings**

Name of the Members	No. of Meetings attended
Mr. S. D. Nayyar (Chairman)	4
Mr. Vijay Rai	4
Mr. S.N. Talwar	2

The Statutory and Internal Auditors of the Company attended all the above Meetings.

4. REMUNERATION COMMITTEE

The role of the Remuneration Committee is to review remuneration of Managing Director and give its recommendations to the Board of Directors. The Committee determines the remuneration of the Managing Director considering his credentials, track record and prevailing industry standards. Remuneration, as determined by the Committee, is subject to approval of Board of Directors and the Members of the Company.

4.1 **Composition**

The Remuneration Committee comprises of Mr. S.N. Talwar (Chairman), Mr. Vijay Rai (both Independent Directors) and Mr. Karan Thapar.

4.2 **Meetings and attendance**

During the financial year 2011-12, the Remuneration Committee met five times on April 29, 2011, July 27, 2011, October 21, 2011, January 23, 2012 and March 29, 2012 where all the Members of the Committee were present.

4.3 Details of the remuneration paid to the Directors for the year 2011-12

4.3.1 Managing Director & CEO:

(₹in lacs)

Name	Salary and Perquisites	Performance Incentive	Retirement Benefits	Total
Mr. Prabhakar Dev*	42.77	7.80	149.36	199.93
Mr. Sunil Pahilajani+	73.90	19.02	3.50	96.42

* up to November 4, 2011

\+ Effective November 5, 2011

4.3.2. Non-Executive Directors

(₹in lacs)

Name	Sitting fees	Commission
Mr. Karan Thapar	2.45	161.50
Mr. Vijay Rai	3.15	4.75
Mr. S.N. Talwar	2.05	4.75
Mr. Vikram Tandon	1.20	9.50
Mr. S.D. Nayyar	1.80	9.50
Dr. Clive Hickman	0.20	-

5. RISK REVIEW & STRATEGY COMMITTEE

The Risk Review & Strategy Committee periodically reviews the Company's risk profile and management plans to mitigate potential risks.

Composition, Name of the Committee Member and attendance at the meetings

The Committee currently comprises of Mr. Vikram Tandon as its Chairman, Mr. Karan Thapar, Mr. S.N. Talwar and Mr. Sunil Pahilajani. During the year, the Committee met twice on April 28, 2011 and January 23, 2012. The Members' attendance at the Meeting is as follows:

Name of the Members	No. of Meetings attended
Mr. Vikram Tandon (Chairman)	2
Mr. Karan Thapar	2
Mr. S.N. Talwar	-
Mr. Prabhakar Dev*	1
Mr. Sunil Pahilajani+	1

* up to November 4, 2011

+ effective November 5, 2011

6. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Committee reviews Shareholders' complaints and redressal process periodically. The Committee also periodically evaluates the performance and service standards of the Registrar and Share Transfer Agents of the Company to ensure that the Shareholders' grievances are resolved in time and to the satisfaction of the Investors.

During the year, the Board has set up a Share Transfer Committee to expedite the process of transfer and transmission of shares. The Share Transfer Committee meets generally once in a fortnight. This Committee comprises of Mr. Sunil Pahilajani, Managing Director and Mr. K.K.Saraf, Executive Vice President & Company Secretary.

6.1 Composition

The Shareholders'/Investors' Grievance Committee currently comprises of Mr. Vijay Rai (Chairman), Mr. Karan Thapar and Mr. Sunil Pahilajani. Mr. K K Saraf, Executive Vice President & Company Secretary is designated as Compliance Officer of the Company.

6.2 Investor complaints

The Company received 29 complaints during the year under review. All the Complaints were addressed to the satisfaction of the Shareholders.

7. MANAGEMENT

The Management Discussion & Analysis Report is given separately in this Annual Report.

Senior Management of the Company has not entered into any material financial and/or commercial transaction where their personal interest will have potential conflict with the interest of the Company.

The Company has issued comprehensive guidelines in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 1992, advising the Directors and the designated Executives of the Company about the procedures to be followed while dealing in the shares of the Company.

8. SHAREHOLDERS

Pursuant to Clause 49 of the Listing Agreement, the details of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting (AGM) are provided in the Notice convening AGM.

The Company ensures that the quarterly and annual financial results are announced immediately upon the approval of the Board of Directors. The Financial Results are usually published in Mumbai in Maharashtra Times and Economic Times.

Investors' information, Financial Reports, Shareholding pattern is uploaded on the website of the Company www.greavescotton.com

Members can access, free of cost, web based Investor Assist service to view the information relating to their shareholding, dividend entitlements, current status of their complaints, if any, requests made for transfer/transmission of shares, change of address, etc.

9. SUBSIDIARY COMPANIES

The Company does not have material non-listed Indian subsidiary Company. However, the Company has unlisted subsidiary companies in India and abroad, financial statements of which are reviewed by the Audit Committee. The Minutes of the Board Meetings of the subsidiary Companies are placed at the Board Meetings of the Company.

10. GENERAL BODY MEETINGS

Information about the last three Annual General Meetings (AGM) are as under:

Date of AGM	Time	Venue	Special Resolution, if any
July 27, 2011	3.30 p.m.	Hall of Culture, Nehru Centre, Worli, Mumbai 400 018	None
October 19, 2010	3.30 p.m.	Amar Gian Grover Auditorium, Lala Lajpatrai Marg, Haji Ali, Mumbai 400 034	Alteration of Articles of Association of the Company
October 23, 2009	4.00 p.m	Amar Gian Grover Auditorium, Lala Lajpatrai Marg, Haji Ali, Mumbai 400 034	Shifting of Statutory Records to new premises of Registrar & Transfer Agents

During the year, the Company has not passed any Special Resolution by postal ballot.

11. DISCLOSURES

Basis of Related Party Transactions

The related party transactions entered by the Company were in the normal course of business, the details of which are placed before the Audit Committee.

Disclosure of Accounting treatment

The Company has, in preparation of financial statements, followed the applicable Accounting Standards.

Compliance by the Company

There were no instances of non-compliance of any requirement of the Stock Exchanges, SEBI and other Statutory Authorities on any matters relating to capital market during the last three years.

Relationships between Directors inter se

There is no relationship between the Directors inter se.

CEO/CFO Certification

The Managing Director & CEO and the Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required by Clause 49 of the Listing Agreement. The Certificate is contained in this Annual Report.

Auditors' Certificate on Corporate Governance

Auditors' Certificate on compliance with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement, is annexed herewith.

GREAVES
SINCE 1859

12. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

Day & Date	July 30, 2012
Time	3.30 pm
Venue	Hall of Culture, Ground floor, Nehru Centre, Worli, Mumbai 400 018
Book Closure	July 23, 2012 to July 30, 2012 (both days inclusive)
Dividend payment date	August 9, 2012

Stock Exchange

Listing	Stock Code
Bombay Stock Exchange	501455
National Stock Exchange of India	GREAVESCOT EQ

Market Price Data

	BSE				NSE			
Month	Prices in ₹		Sensex		Prices in ₹		S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
April,2011	100.85	90.50	19,811.14	18,976.19	100.40	90.40	5944.45	5693.25
May,2011	93.90	79.90	19,253.87	17,786.13	94.25	81.55	5775.25	5328.70
June,2011	91.40	80.55	18,873.39	17,314.38	91.00	80.30	5657.90	5195.90
July, 2011	95.60	80.50	19,131.70	18,131.86	95.50	85.50	5740.40	5453.95
August,2011	94.90	82.00	18,440.07	15,765.53	94.90	80.25	5551.90	4720.00
September,2011	93.95	84.00	17,211.80	15,801.01	94.00	84.00	5169.25	4758.85
October, 2011	92.50	84.30	17,908.13	15,745.43	93.50	85.00	5399.70	4728.30
November,2011	89.70	69.50	17,702.26	15,478.69	89.85	69.00	5326.45	4639.10
December,2011	82.70	72.00	17,003.71	15,135.86	82.90	71.80	5099.25	4531.15
January,2012	90.80	76.05	17,258.97	15,358.02	91.00	76.35	5217.00	4588.05
February,2012	99.50	80.35	18,523.78	17,061.55	94.50	79.95	5629.95	5159.00
March, 2012	88.50	78.00	18,040.69	16,920.61	89.80	75.20	5499.40	5135.90

Share Transfer Information

Registrar and Transfer Agents

Sharepro Services (India) Private Limited
13 AB Samhita Warehousing Complex, 2nd floor, Off. Andheri Kurla Road,
Sakinaka Telephone Exchange Lane, Sakinaka, Andheri (East), Mumbai 400 072
Phone Nos.022 67720344/67720300/67720400; Fax No. 022 28591568
Email: gcl@shareproservices.com

Share Transfer System

Share transfer requests with complete documents are usually approved within 15 days from the date of receipt. Requests for dematerialization of shares are normally confirmed by the Registrars & Transfer Agents within 21 days to the Depositories.

Shareholding Pattern as on March 31, 2012

Category		No. of Shares held	Percentage of Share holding
Promoters		12,59,72,266	51.58
Mutual Funds and UTI		3,68,68,137	15.10
Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non Government Institutions)		3,04,07,655	12.45
Corporate Bodies		84,29,633	3.45
NRIs/ OCBs/ FIIs		2,15,87,208	8.84
Resident Individuals & Others		2,09,41,896	8.58
	Total	**24,42,06,795**	**100.00**

Distribution of Shareholding as on March 31, 2012

No. of shares	No. of Shareholders	Percentage	No. of Shares	Percentage
Upto 5,000	37,415	97.86	1,27,55,674	5.23
5,001 to 10,000	455	1.19	31,70,176	1.30
10,001 to 20,000	169	0.44	23,35,884	0.96
20,001 to 30,000	51	0.13	12,42,501	0.51
30,001 to 40,000	20	0.05	6,72,289	0.27
40,001 to 50,000	17	0.04	7,93,924	0.32
50,001 to 1,00,000	37	0.10	27,91,931	1.14
1,00,001 & above	71	0.19	22,04,44,416	90.27
Totals	**38,235**	**100.00**	**24,42,06,795**	**100.00**

Dematerialization of Shares and Liquidity

The Equity Shares of the Company can be traded on the Stock Exchanges, only in dematerialized form. 98.18 % of the total Equity Share Capital was held in dematerialized form as on March 31, 2012.

The ISIN number allotted to Equity Shares is INE 224A01026.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity

There were no outstanding GDRs/ADRs or any Convertible Instruments as at March 31, 2012.

Unit Locations

Unit	Address	Unit	Address
Diesel Engines Unit	Bombay Poona Road, Chinchwad, Pune 411 019.	Light Engines Unit-V	A -1/3, Shendra Five Star Industrial Area, Shendra, Aurangabad
Light Engines Unit–I	J-2, MIDC Industrial Area, Chikalthana, Aurangabad 431 210.	Petrol Engines Unit	F62 & 63, Sipcot Industrial Complex, Gummidipoondi, Chennai 601 201, Tamil Nadu
Light Engines Unit –II	Plot No.72, Sipcot Industrial Complex Ranipet 632 403	Heavy Engineering Unit I & II	D- 18, Sipcot Industrial Complex, Gummidipoondi, Chennai 601 201, Tamil Nadu
Light Engines Unit–III	K-135, MIDC Area, Waluj Aurangabad 431 136.	Heavy Engineering Unit IV	A-12 (a), Sipcot Industrial Complex, Gummidipoondi, Chennai 601 201, Tamil Nadu
Light Engines Unit –IV	J-2A, MIDC Industrial Area, Chikalthana, Aurangabad 431 210	Genset Unit	Gat No 357/17/1, 357/16/2 and 357/16/3, Kharabwadi, Chakan Dist., Khed, Pune

Address for Correspondence

Greaves Cotton Limited
Industry Manor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.
Phone: 022 24397575 / 24365510; Fax: 022 24377730 / 24379555
E-mail: investorservices@greavescotton.com
Website: www.greavescotton.com

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Happy ENGINEERING

Auditor's Report

To,

The Members of Greaves Cotton Limited

1. We have audited the attached Balance Sheet of Greaves Cotton Limited (the 'Company'), as at 31 March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'financial statements'). 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branch not visited by us;

   c. The financial statements dealt with by this report are in agreement with the books of account and with the returns received from the branch not visited by us;

   d. On the basis of written representations received from the directors, as at 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

      i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

      ii) the Statement of Profit and Loss, of the profit for the year ended on that date; and

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

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No: 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place: Mumbai
Date: May 11, 2012

Annexure to the Auditor's Report

of even date to the members of Greaves Cotton Limited, on the financial statements for the year ended 31 March 2012

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.

(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) In our opinion, the Company has complied with {the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975, as applicable} with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, in this regard.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products/ services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) (a) The Company is regular in depositing the 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, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) The dues outstanding in respect of sales-tax, income-tax, customs duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ crore)	Period to which the amount relates (financial year)	Forum where dispute is pending
Central Sales Tax Act, 1956 and Local Sales Tax Acts	Non submission of forms, interest and other matters	0.02	1992-93	Additional Commissioner
		0.34	1996-97 2002-03 2004-05 2005-06 2007-08	Additional Commissioner (Appeals)
		0.62	2001-02 2003-04 2004-05	Revision Board
		1.12	1999-00 1994-95 2000-01 2001-02 2002-03 2004-05	Appellate Tribunal
		0.05	2002-03	High Court
		0.44	1991-92 1999-00 2000-01 2001-02	Assessing Officer
		1.49	2000-01 2003-04	Joint Commissioner of Sales Tax (Appeals)
		0.54	2008-09 to 2011-12	Supreme Court
		0.08	1998-99	Appeal Board
Octroi Rules, 2001	Demand based on rate difference	0.12	1999-00	Civil Judge – Senior Division – Pune (District Court)
Central Excise Act, 1944	Penalty for incorrect valuation	0.62	1993-94 to 1996-97	Appellate Tribunal
Central Excise Act, 1944	Disallowance of input credit	0.27	2006-07 2007-08 2008-09 2009-10	Appellate Tribunal
Central Excise Act, 1944	Disallowance of input credit	0.73	2004-05 2005-06 2006-07 2007-08 2008-09 2009-10 2010-11 2011-12	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Disallowance of input credit	0.41	2009-10 2010-11 2011-12	Additional Commissioner
Central Excise Act, 1944	Disallowance of input credit and penalty	0.25	1991-92 1996-97	High Court
Income Tax Act, 1961	Minimum Alternate Tax	2.84	2003-04	Commissioner (Appeals)

(x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

(xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) In our opinion, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No: 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place: Mumbai
Date: May 11, 2012

Balance Sheet

	Note No.	As at 31.03.2012 ₹ Crore	₹ Crore	As at 31.03.2011 ₹ Crore
I. EQUITY AND LIABILITIES:				
1. SHAREHOLDERS' FUNDS:				
(a) Share Capital	**3**	**48.84**		48.84
(b) Reserves & Surplus	**4**	**600.53**		477.21
			649.37	526.05
2. NON CURRENT LIABILITIES:				
(a) Long-Term Borrowings	**5**	**0.17**		0.36
(b) Deferred Tax Liabilities (Net)	**6**	**29.96**		26.36
(c) Other Long-Term Liabilities	**7**	**3.15**		3.24
(d) Long-Term Provisions	**8**	**20.47**		24.65
			53.75	54.61
3. CURRENT LIABILITIES:				
(a) Short-Term Borrowings	**9**	**20.00**		2.29
(b) Trade Payables	**10**	**193.55**		214.10
(c) Other Current Liabilities	**11**	**79.11**		104.96
(d) Short-Term Provisions	**12**	**95.86**		78.81
			388.52	400.16
TOTAL			**1,091.64**	980.82
II. ASSETS:				
1. NON-CURRENT ASSETS:				
(a) Fixed Assets:	**13**			
(i) Tangible Assets		**320.94**		258.15
(ii) Intangible Assets		**5.01**		5.98
(iii) Capital Work-in-progress		**16.78**		9.29
(iv) Intangible assets under development		**3.56**		-
		346.29		273.42
(b) Non-Current Investments	**14**	**52.88**		66.84
(c) Long-Term Loans and Advances	**15**	**21.48**		22.22
(d) Other Non-Current Assets	**16**	**1.37**		1.37
			422.02	363.85
2. CURRENT ASSETS :				
(a) Current Investments	**17**	**58.54**		17.00
(b) Inventories	**18**	**169.97**		186.84
(c) Trade Receivables	**19**	**255.92**		258.09
(d) Cash and Cash Equivalents	**20**	**70.25**		60.18
(e) Short -Term Loans and Advances	**21**	**114.45**		93.54
(f) Other Current Assets	**22**	**0.49**		1.32
			669.62	616.97
TOTAL			**1,091.64**	980.82
The Notes are an integral part of these financial statements.	**1 to 50**			

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Statement of Profit and Loss

	Note No.	Year Ended 31.03.2012 ₹ Crore	₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
INCOME				
Revenue from Operations (Gross)	**26**		**1,926.32**	1,369.94
Less:Excise duty			**172.88**	117.77
Revenue from Operations (Net)			**1,753.44**	1,252.17
Other Income	**27**		**5.98**	12.38
TOTAL REVENUE			**1,759.42**	1,264.55
EXPENDITURE				
Cost of Materials Consumed	**28**		**1,205.45**	816.74
Purchase of Stock-in-Trade	**29**		**42.40**	58.09
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	**30**		**(15.17)**	(6.28)
Employee Benefits Expense	**31**		**127.51**	83.15
Finance Costs	**32**		**3.48**	1.05
Depreciation and Amortisation Expense	**33**	**31.80**		21.03
Less : Transferred from Revaluation Reserve		**0.07**		0.05
			31.73	20.98
Other Expenses	**34**		**156.73**	107.14
			1,552.13	1,080.87
Profit Before Exceptional and Extraordinary Items and Tax			**207.29**	183.68
Exceptional Items	**35**		**43.29**	-
Profit Before Tax			**250.58**	183.68
TAX EXPENSE				
Current Tax		**61.49**		54.54
Deferred Tax		**3.60**		1.86
			65.09	56.40
Profit for the Period			**185.49**	127.28
Earnings per share (Face Value of ₹ 2/- per share)	**48**			
(i) Basic			**7.60**	5.21
(ii)Diluted			**7.60**	5.21
The Notes are an integral part of these financial statements	**1 to 50**			

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Cash Flow Statement

		Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax	**250.58**	183.68
	Adjustment for:		
	Depreciation / Amortisation	**31.73**	20.98
	(Profit)/ loss on sale of land and building	**(77.77)**	-
	(Profit)/ loss on sale of investments	**(0.76)**	(1.83)
	Provision for diminution in value of investment	**14.18**	-
	Interest income	**(0.30)**	(0.40)
	Finance costs	**3.48**	1.05
	(Profit)/ loss on sale of fixed assets (net)	**(0.55)**	(7.59)
	Dividend from investments	**(3.11)**	(1.25)
	Unrealised (gain)/ loss on exchange fluctuation	**(0.32)**	0.10
	Operating profit before working capital changes	**217.16**	194.74
	Adjustment for:		
	(Increase) / decrease in inventory	**16.87**	(33.55)
	(Increase) / decrease in trade receivables	**2.49**	(84.71)
	(Increase) / decrease in other receivables	**(11.69)**	0.04
	Increase / (decrease) in trade payables / provisions	**(46.24)**	91.29
	Cash from operating activities	**178.59**	167.81
	Direct taxes refunded / (paid) (net)	**(64.94)**	(57.38)
	Net cash from operating activities	**113.65**	110.43
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	**(105.10)**	(42.71)
	Sale of fixed assets	**80.95**	7.82
	Investment in subsidiaries	**(0.22)**	(0.43)
	Purchase of other investments	**(41.54)**	-
	Sale of investments	**0.76**	48.55
	Dividend received from subsidiary	**2.51**	-
	Dividend received from others	**1.02**	-
	Interest received	**0.45**	0.06
	Net cash from / (used in) investment activities	**(61.17)**	13.29
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Increase / (decrease) in long term borrowings	**(2.84)**	(1.58)
	Increase / (decrease) in short term borrowings	**17.69**	1.93
	Interest paid	**(3.76)**	(2.36)
	Dividend (including dividend tax) paid	**(53.50)**	(82.01)
	Net cash (used in) financing activities	**(42.41)**	(84.02)
	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10.07**	39.70
	Cash and Cash equivalents as at the beginning of the year / period	**60.18**	20.48
	Cash and Cash equivalents as at the end of the year / period	**70.25**	60.18

Cash Flow Statement

Notes on cash flow statement

1. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3: Cash Flow Statements
2. Purchase of fixed assets includes movement of capital work-in-progress during the year / period.
3. Cash and Cash equivalents represent cash and bank balances as per Note 20.
4. Previous period's figures have been regrouped / reclassified wherever applicable.

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Notes To The Financial Statements 31st March 2012

1 **General Information:** Greaves Cotton Limited (the 'Company') is engaged in manufacturing of engines and construction equipment and trading of power tillers, motor graders etc. The Company has manufacturing facilities in the states of Maharashtra and Tamil Nadu. The products are mainly sold in India with some export to Middle East, Africa & South East Asia Region. The Company has four direct and two indirect subsidiaries having operations in India, Netherlands, Germany and Sharjah.

2 **Summary of Significant Accounting Policies:**

2.1 Basis of accounting and preparation of financial statements

The Company maintains its accounts on accrual basis following the historical cost convention, in accordance with generally accepted accounting principles [GAAP] except for the revaluation of certain fixed assets, in compliance with the provisions of the Companies Act, 1956 including the Accounting Standards specified in the Companies (Accounting Standards) Rules, 2006. However, certain escalation and other claims, which are not ascertainable /acknowledged by customers, are accounted on receipt basis.

The preparation of financial statements in conformity with GAAP requires that the management of the Company make estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, provision for inventory obsolescence, impairment of investments, etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

All assets and liabilities have been classified as current and non-current as per normal operating cycle of the Company and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on nature of products / services, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.2 Inventories

Inventories are valued, after providing for obsolescence, as under:

a) Raw materials, stores, spares, packing materials, loose tools and traded goods at weighted average cost or net realisable value, whichever is lower.

b) Work-in-progress at lower of weighted average cost including conversion cost or net realisable value.

c) Finished goods at lower of weighted average cost including conversion cost and excise duty paid / payable on such goods or net realisable value.

2.3 Depreciation and Amortisation

a) Tangible assets:

i) Depreciation on re-valued fixed assets is provided on the re-valued amount derived based on valuation carried out by independent valuers. The depreciation on re-valued portion of the fixed assets is transferred from revaluation reserve to the statement of profit and loss.

ii) Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed under schedule XIV to the Companies Act, 1956.

iii) In the case of fixed assets where the technological progress and upgradation is faster, the Company has provided accelerated depreciation at rates higher than the rates specified in schedule XIV to the Companies Act, 1956. Accordingly, the useful life of such assets has been recomputed and depreciation has been provided at the following rates with effect from 1st July 2003:

	(Rate of depreciation)
Computers and related equipment	23.75%
Air-conditioning system	11.87%
Furniture	9.50%
Fixtures	13.50%
Office equipment	19.00%
Vehicles	19.00%

iv) Extra shift depreciation is provided on location basis.

v) Leasehold land is amortised over the primary period of the lease.

Notes To The Financial Statements 31st March 2012

vi) Leasehold Building is depreciated at rates prescribed for buildings under schedule XIV of the Companies Act, 1956 or rates derived based on lease term for the leasehold building, whichever is higher. Leasehold building improvements are written off over the period of lease or their estimated useful life, whichever is earlier, on a straight line basis.

b) Intangible assets:

i) a) Technical know-how acquired prior to the year 2001 is amortised as per the rates applicable to plant and machinery prescribed under schedule XIV to the Companies Act, 1956.

b) Technical know-how acquired during and after the year 2001 is amortised over a period of five years.

ii) Computer software is amortised over a period of four years.

2.4 Research and Development

Revenue expenditure on research and development is charged under respective heads of expenditure in the statement of profit and loss. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

2.5 Revenue Recognition

a) i) Revenue from sale of products is recognised when all the significant risks and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods.

b) ii) Revenue in respect of services is recognised when services are performed in accordance with the terms of contract with customers.

c) Sales include excise duty but exclude Value Added Tax (VAT) and Service Tax.

d) Revenue from royalty is accrued and recognised, when the specified goods of the supplier are sold by the Company's dealers in accordance with the terms of agreement.

2.6 Fixed assets (including capital work in progress)

a) Tangible assets:

Tangible fixed assets are stated at original cost net of Cenvat availed less accumulated depreciation except in case of certain freehold land and buildings which are stated at revalued amounts as at 31st May 1987, based on valuation carried out by independent valuers, less accumulated depreciation. Own manufactured assets are capitalised at factory cost. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use. Certain project related direct expenses, incurred at site for the period upto the date of commencement of commercial production are capitalised. (Also refer to accounting policy on borrowing costs infra).

b) Intangible assets**:**

Intangible assets are stated at cost of acquisition less amortisation.

c) Capital work in progress**:**

Capital work in progress includes cost of equipments and other expenses incidental to its acquisition which are not yet ready for use.

2.7 Foreign currency transactions

a) The reporting currency of the Company is Indian Rupee.

b) Foreign currency transactions are recorded on initial recognition in the reporting currency using the exchange rates prevailing at the date of the transaction.

c) Monetary assets and Monetary liabilities denominated in foreign currencies (other than those relating to foreign branch) are converted at rate of exchange prevailing on the date of the balance sheet.

d) Exchange differences on settlement/conversion are included in the statement of profit and loss in the period in which they arise.

e) Foreign exchange differences arising on marking forward contracts to market rates are recognised in the statement of profit and loss in the period in which they arise and the premium paid/received is accounted as expense/income over the period of the contract.

Notes To The Financial Statements 31st March 2012

f) Translations relating to foreign branch are recorded as under:

i) Monetary assets and Monetary liabilities are converted at period-end rates as applicable.

ii) Revenue items are translated at the average rate for the period.

iii) All differences arising on translation of foreign currency balances are included in the statement of profit and loss.

2.8 Investments

Long term investments are carried at cost after providing for any diminution in value, if such diminution is of a permanent nature.

Current Investments are carried at lower of cost or market value.

2.9 Employee benefits

a) Short Term Employee Benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences, expected cost of bonus, ex-gratia etc. are recognised on undiscounted basis in the period in which the employee renders the related service.

b) Post-employment benefits:

i) Defined contribution plans: The Company's contribution to the state-administered provident fund and employees' pension scheme and the employees' superannuation scheme are defined contribution plans. The contribution paid/ payable under the schemes based on a fixed percentage of the eligible employees' salary is recognised during the period in which the employee renders the related service. The Company has no further obligation beyond these contributions.

ii) Defined benefit plans: The employees' gratuity fund schemes managed by Trusts are the Company's defined benefit plans. The present value of the obligation is determined based on actuarial valuation using the projected unit credit method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognised immediately in the statement of profit and loss. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation, to recognise the obligation on a net basis.

iii) Long-term employee benefits: The obligation for long term compensated absences is recognised in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

2.10 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.11 Segment accounting and reporting

a) Segment accounting and reporting which is done in accordance with the accounting policies of the Company and the guidelines prescribed by Accounting Standard 17, Segment Reporting, as specified in the Companies (Accounting Standards) Rules, 2006 is as follows:

i) Segment revenue includes sales and other income directly identifiable with/ allocable to the segment including inter-segment revenue.

ii) Expenses that are directly identifiable with/ allocable to segments are considered for determining the segment result. The expenses, which relate to the Company as a whole and not allocable to segments, are included under "unallocable expenditure".

iii) Income which relates to the Company as a whole and not allocable to segments is included in "unallocable income".

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

Notes To The Financial Statements 31st March 2012

b) Inter-segment transfer pricing

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments.

2.12 Leases

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the statement of profit and loss on a straight line basis.

2.13 Taxes on income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments / appeals. The provision for tax is adjusted for Minimum Alternate Tax (MAT) paid in earlier years.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the period and quantified using the tax rates and laws enacted or substantively enacted on the balance sheet date. Deferred tax assets which arise on account of unabsorbed business losses and unabsorbed depreciation are recognised and carried forward only to the extent that management is virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date to reassess realisation.

2.14 Impairment of assets

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use determined based on the present value of estimated future cash flows. All impairment losses are recognised in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

2.15 Provisions, contingent liabilities and contingent assets

a) Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

   i) the Company has a present obligation as a result of a past event,

   ii) a probable outflow of resources is expected to settle the obligation and

   iii) the amount of the obligation can be reliably estimated.

b) Reimbursement expected in respect of expenditure required to settle a liability is recognised only when it is virtually certain that the reimbursement will be received.

c) Contingent liability is disclosed in the case of

   i) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation

   ii) a present obligation when no reliable estimate is possible, and

   iii) a possible obligation, arising from past events where the probability of outflow of resources is remote.

d) Contingent assets are neither recognised nor disclosed.

e) Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and updated / recognised as appropriate.

Notes To The Financial Statements 31st March 2012

	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
3. Share Capital:		
a) Authorised Share Capital:		
25,00,00,000 Equity Shares of ₹ 2/- each (Previous Period 25,00,00,000 Equity Shares of ₹ 2/- each)	**50.00**	50.00
25,00,000 Redeemable Preference Shares of ₹ 100/- each (Previous Period 25,00,000 of ₹ 100/- each)	**25.00**	25.00
	75.00	75.00
b) Issued, Subscribed and Paid up:		
24,42,06,795 Equity Shares of ₹ 2/- each (Previous Period 24,42,06,795 Equity Shares of ₹ 2/- each) fully paid	**48.84**	48.84
	48.84	48.84

c) Shares in the Company held by each shareholder holding more than 5% shares

Name of the shareholder	As at 31.03.2012		As at 31.03.2011	
	Number of shares held in the Company	**Percentage of shares held (%)**	Number of shares held in the Company	Percentage of shares held (%)
DBH International Private Limited	**9,85,37,502**	**40.35**	9,24,04,833	37.84
Reliance Capital Trustee Company Limited	**1,48,15,042**	**6.07**	1,48,67,960	6.09
Bharat Starch Products Limited	**1,37,75,865**	**5.64**	1,37,75,865	5.64
Karun Carpets Private Limited	**1,36,57,899**	**5.59**	1,35,97,840	5.57

	As at 31.03.2012 ₹ Crore	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
4. Reserves & Surplus :			
Capital Reserve:			
As per last Balance Sheet		**1.34**	1.34
Securities Premium Account:			
As per last Balance Sheet		**34.59**	34.59
Revaluation Reserve:			
As per last Balance Sheet	**4.16**		4.21
Less: Transferred to Statement of Profit and Loss	**0.07**		0.05
		4.09	4.16
General Reserve:			
As per last Balance Sheet	**243.03**		218.03
Add: Transferred from Surplus in Statement of Profit and Loss	**25.00**		25.00
		268.03	243.03

Notes To The Financial Statements 31st March 2012

	As at 31.03.2012		As at 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
Surplus in Statement of Profit and Loss			
As per last Balance Sheet	**194.09**		134.25
Profit for the period	**185.49**		127.28
Less: Appropriations			
Interim Dividend	**48.84**		19.54
Proposed Final Dividend	**4.88**		17.09
Tax on Dividend	**8.38**		5.81
Transfer to General Reserve	**25.00**		25.00
		292.48	194.09
		600.53	477.21

5. Long-Term Borrowings:

Unsecured:		
Interest-free Sales Tax Loan and Special Incentive Loan	**0.17**	0.36
	0.17	0.36

Unsecured Borrowings	Terms of Repayment
Interest-free Sales Tax Loan, Maharashtra- Deferrment of five years sales tax liability from May 1995 to May 2000.	Repayable after ten years in five yearly installments, starting from 2005-06 with last installment in May 2014

6. Deferred Tax Liabilities (Net):

Deferred Tax Liabilities :		
Depreciation	**35.09**	31.13
Deferred Tax Assets :		
Provision for Doubtful Debts	**2.28**	1.95
Provision for Leave Encashment	**2.24**	2.10
Others	**0.61**	0.72
	5.13	4.77
	29.96	26.36

7. Other Long-Term Liabilities:

Deposits received from Dealers	**3.15**	3.24
	3.15	3.24

8. Long-Term Provisions:

Leave Encashment	**6.15**	5.70
Gratuity	**4.33**	3.94
Warranty	**9.99**	15.01
	20.47	24.65

Disclosure as required by Accounting Standard (AS)-29 'Provisions, Contingent Liabilities and Contingent Assets'

Movement of Provisions: Warranty		
Balance as at the beginning of the year / period	**15.01**	9.92
Additional provision made during the year / period	**3.35**	9.43
Amount used during the year / period	**8.37**	4.34
Balance at the end of the year / period	**9.99**	15.01

The Company gives warranties for its products undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provisions made at the year / period end represent the amount of expected cost of meeting such obligations of rectification / replacement. The timing of the outflows is expected to be within a period of eighteen months.

Notes To The Financial Statements 31st March 2012

		As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
9.	**Short-Term Borrowings:**		
	Secured:		
	Cash Credit / Short Term Finance from Banks *	**-**	2.29
	Unsecured:		
	Short Term Loan from Others	**20.00**	-
	(Representing Commercial Papers)		
		20.00	2.29

* Cash Credit and Short Term Finance from Banks are secured by hypothecation of all stock-in-trade, spares, tools and book debts, present and future, of the Company. The charges on these assets also extend to letters of credit and bank guarantees upto ₹ 27.85 crore (Previous Period ₹ 80.77 crore) and ₹ 4.21 crore (Previous Period ₹ 6.29 crore) respectively.

		As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
10.	**Trade Payable:**		
	Sundry Creditors (Refer Note No. 46)	**193.55**	214.10
		193.55	214.10
11.	**Other Current Liabilities:**		
	Current Maturities of Long Term Debts	**0.20**	2.85
	Unpaid Dividends *	**1.56**	1.53
	Unclaimed Matured Fixed Deposits *	**0.07**	0.08
	Interest Accrued on Matured Fixed Deposits *	**0.01**	0.01
	Advance from Customers	**13.74**	22.22
	Employee Benefits Payable	**4.35**	3.00
	Statutory Dues Including Provident Fund and Tax Deducted at Source	**16.93**	16.38
	Capital Creditors	**10.53**	7.01
	Others		
	Provision for Expenses	**31.13**	49.42
	Forward Contract Liabilities etc	**0.59**	2.46
		79.11	104.96

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2012 under section 205C of the Companies Act, 1956.

		As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
12.	**Short-Term Provisions :**		
	Provision for Employee Benefits:		
	Leave Encashment	**0.76**	0.77
	Others - Provision for Bonus, Commission etc.	**5.36**	3.84
	Other Provisions :		
	Provision for Tax	**61.49**	54.54
	Provision for Proposed Dividend	**4.88**	17.09
	Provision for Special Interim Dividend	**19.54**	-
	Provision for Tax on Dividend	**3.83**	2.57
		95.86	78.81

13. Fixed Assets :

₹ Crore

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
		1st April 2011	Additions	Disposals	**31st March 2012**	1st April 2011	For the year	Disposals / Adjustments	**31st March 2012**	**31st March 2012**	31st March 2011
TANGIBLE ASSETS											
Freehold Land		4.12	-	0.68	**3.44**	-	-	-	**-**	**3.44**	4.12
Leasehold Land		21.78	-	-	**21.78**	0.45	0.24	-	**0.69**	**21.09**	21.33
Freehold Building		83.53	27.83	2.84	**108.52**	15.90	3.10	1.31	**17.69**	**90.83**	67.63
Leasehold Building		0.29	-	-	**0.29**	0.28	-	-	**0.28**	**0.01**	0.01
Plant and Machinery		289.06	62.60	4.49	**347.17**	131.50	24.35	4.22	**151.63**	**195.54**	157.56
Office Equipments		3.51	1.56	1.43	**3.64**	2.38	0.58	1.37	**1.59**	**2.05**	1.13
Furniture and Fixtures		13.94	2.99	0.45	**16.48**	7.74	1.30	0.37	**8.67**	**7.81**	6.20
Vehicles		1.13	0.09	0.04	**1.18**	0.96	0.09	0.04	**1.01**	**0.17**	0.17
Total	**A**	**417.36**	**95.07**	**9.93**	**502.50**	**159.21**	**29.66**	**7.31**	**181.56**	**320.94**	-
31st March 2011		376.85	47.26	6.75	417.36	146.36	19.37	6.52	159.21	-	258.15
Capital work-in-progress										**16.78**	9.29
INTANGIBLE ASSETS											
Technical Know-how		4.97	-	-	**4.97**	4.74	0.01	-	**4.75**	**0.22**	0.23
Computer software		13.18	1.17	-	**14.35**	7.43	2.13	-	**9.56**	**4.79**	5.75
Total	**B**	**18.15**	**1.17**	**-**	**19.32**	**12.17**	**2.14**	**-**	**14.31**	**5.01**	-
31st March 2011		17.82	0.33	-	18.15	10.51	1.66	-	12.17	-	5.98
Intangible Asset Under Development										**3.56**	
TOTAL(A+B)	**C**	**435.51**	**96.24**	**9.93**	**521.82**	**171.38**	**31.80**	**7.31**	**195.87**	**346.29**	-
31st March 2011		394.67	47.59	6.75	435.51	156.87	21.03	6.52	171.38	**-**	273.42

NOTES :
(I) Net block of Freehold Land and Building includes ₹ 4.09 crore (Previous Period ₹ 4.16 crore) added on revaluation as on 31st May 1987
(II) Freehold Building includes ₹ 6.54 crore (Previous Period ₹ 6.54 crore) cost of ownership flats in Co-operative Housing Societies and cost of 26 shares (Previous Period 26 shares) of ₹ 50/- each.

Notes To The Financial Statements 31st March 2012

	As at 31.03.2012 ₹ Crore	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
14. Non-Current Investments: (Long Term)			
Trade Investments (unquoted) : (at Cost)			
1) Fully Paid Equity Shares in Subsidiaries			
17,85,545 Shares (Previous Period 17,85,545) of ₹ 10/- each of Greaves Leasing Finance Limited		**8.62**	8.62
50,000 Shares (Previous Period 50,000) of ₹ 10/- each of Greaves Auto Limited		**0.05**	0.05
48,83,000 Shares (Previous Period 48,48,000) of Euro 1/- each of Greaves Cotton Netherland B.V.	**29.79**		29.57
Less : Provision for diminution in value of investment	**(14.18)**		-
		15.61	29.57
10 Shares (Previous Period 10) of AED 1,500/- each of Ascot International FZC		**0.02**	0.02
2) Fully Paid Preference Shares (Unquoted) in Subsidiary			
2,08,92,350- 6% Cumulative Redeemable Preference Shares (Previous Period 2,08,92,350) of ₹ 10/- each of Greaves Leasing Finance Limited		**20.89**	20.89
7,69,034- 2% Non Cumulative Redeemable Preference Shares (Previous Period 7,69,034) of ₹ 100/- each of Greaves Leasing Finance Limited		**7.69**	7.69
Other Investment (unquoted) : at Cost			
Fully Paid Preference Shares (Unquoted)			
1,058- 14.5% Cumulative Redeemable Preference Shares (Previous Period 1,058) of ₹100/- each of Swadeshi Cotton Mills Company Limited		**-**	-
(Net of Permanent Diminution ₹ Nil (Previous Period ₹ Nil)			
		52.88	66.84
Aggregate amount of unquoted investments		**52.88**	66.84
Aggregate provision for diminution in value of unquoted investments		**14.18**	₹ 40,000
15. Long-Term Loans and Advances:			
Unsecured, considered good (unless otherwise stated):			
Capital Advances		**11.82**	14.00
Security Deposits		**5.81**	4.48
Advances recoverable in cash or in kind or for value to be received			
Considered good		**3.85**	3.74
Considered doubtful	**3.19**		3.00
Less: Provision for doubtful advances	**3.19**		3.00
		-	-
		21.48	22.22
16. Other Non-Current Assets :			
Margin Money Deposit with banks		**1.37**	1.37
		1.37	1.37

Notes To The Financial Statements 31st March 2012

	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
17. Current Investments:		
Mutual Funds (unquoted): At cost or market value, whichever is less		
Nil Units (Previous Period 27,09,977) of ₹ 10/- each of Reliance Liquidity Fund-Growth	-	4.00
Nil Units (Previous Period 2,75,955) of ₹ 100/- each of ICICI Prudential Liquid Super Institutional Plan-Growth	-	4.00
Nil Units (Previous Period 19,12,387) of ₹ 10/- each of BIRLA Sunlife Cash Plus -IPP Growth	-	3.00
Nil Units (Previous Period 14,64,765) of ₹ 10/- each of HDFC Cash Management Fund-Saving Plan-Growth	-	3.00
Nil Units (Previous Period 19,25,484) of ₹ 10/- each of SBI Premier Liquid Fund-Institutional Growth	-	3.00
12,00,083 Units (Previous Period Nil) of ₹100/- ICICI Prudential Liquid Super Institutional Plan - Dividend - Daily Reinvestment	**12.00**	-
12,11,835 Units (Previous Period Nil) of ₹ 100/- BIRLA Sunlife Cash Plus - Instl. Prem. - Daily Dividend - Reinvestment	**12.14**	-
1,14,23,444 Units (Previous Period Nil) of ₹ 10/- HDFC Cash Management Fund Saving Plan - Daily Dividend Reinvestment	**12.15**	-
1,11,184 Units (Previous Period Nil) of ₹ 1,000/- Axis Liquid Fund - Institutional - Daily Dividend Reinvestment	**11.12**	-
1,11,150 Units (Previous Period Nil) of ₹ 1,000/- Templeton India Management - Super Institutional Plan - Daily Dividend	**11.13**	-
	58.54	17.00
Aggregate amount of unquoted Investments	**58.54**	17.00
18. Inventories:		
Stores and Spares	**3.51**	3.67
Loose Tools	**3.75**	4.26
Raw & Packing Materials {Including In-Transit ₹ 1.16 crore, (Previous Period ₹ 0.32 crore)}	**80.18**	111.55
Work-in-progress	**18.37**	16.93
Finished Goods	**48.46**	29.98
Traded Goods {Including In-Transit ₹ 1.12 crore, (Previous Period ₹ 13.04 crore)}	**15.70**	20.45
	169.97	186.84
Details of Inventory :		
a) Details of Work In Progress:		
Engines and Gensets, Spares	**6.03**	9.55
Vibratory Compactors, Rollers, High Pressure Pumps,Transit Mixers and Spares	**12.27**	7.34
Power Tillers	**0.07**	0.04
	18.37	16.93
b) Goods Manufactured:		
Engines and Gensets, Spares	**26.26**	22.40
Vibratory Compactors, Rollers, High Pressure Pumps, Transit Mixers and Spares	**14.15**	2.87
Power Tillers	**1.12**	0.44
Others	**6.93**	4.27
	48.46	29.98

Notes To The Financial Statements 31st March 2012

	As at 31.03.2012		As at 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
c) Details of Traded Goods:			
Power Tillers		**4.31**	1.70
Motor Grader		**11.28**	18.61
Lub Oil		**0.11**	0.14
		15.70	20.45
19. Trade Receivables (unsecured):			
Outstanding for a period exceeding six months from the date they became due		**5.61**	3.14
Considered good			
Considered doubtful	**4.02**		3.01
Less: Provision for Doubtful Debts	**4.02**		3.01
		-	-
Others		**250.31**	254.95
		255.92	258.09
20. Cash and Cash Equivalents:			
Cash on hand		**0.05**	0.09
Cheques on hand		**23.10**	20.29
Bank balance :			
In Current Accounts		**22.49**	7.94
In Fixed Deposit		**23.05**	30.33
In Unpaid Dividend Accounts		**1.56**	1.53
		70.25	60.18
21. Short Term Loans and Advances: (Unsecured, Considered good)			
Loans and Advances to Related Parties		**21.89**	1.36
Other Loans and Advances			
Advance Income Tax {Net of Provisions of ₹ 176.81 crore (Previous Period ₹ 122.27 crore)}		**66.33**	55.93
Prepaid Expenses		**1.09**	0.70
Others		**12.92**	24.76
Balances with Customs, Port Trust, Central Excise etc.		**12.22**	10.79
		114.45	93.54
22. Other Current Assets:			
Unsecured Considered Good:			
Interest Accrued on Deposits		**0.25**	0.40
Unamortised Expense:			
Unamortised Premium on Forward Contract		**0.24**	0.92
		0.49	1.32

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Notes To The Financial Statements 31st March 2012

		As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
23.	**Contingent Liabilities:**		
	a) Sales Tax liability that may arise in respect of matters in appeal	**6.41**	7.44
	b) Excise Duty liability that may arise in respect of matters in appeal	**2.31**	2.21
	c) Income Tax liability that may arise in respect of matters in appeal	**2.84**	2.84
	d) Claims made against the Company, not acknowledged as debts	**14.80**	13.98
	e) Wage demand not acknowledged by the Company in respect of matter in appeal	**-**	3.37
	f) Bonds executed in favour of Collector of Customs/Central Excise	**8.89**	8.88
	g) Guarantees given on behalf of a subsidiary company	**13.91**	13.01

Notes:

1. The Company does not expect any reimbursement in respect of the above contingent liabilities.
2. It is not practical to estimate the timing of cash outflows, if any, in respect of matters (a) to (e) above, pending resolution of the appellate proceedings.

		As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
24.	**Capital Commitments:**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	**40.26**	37.21
25.	**Proposed Dividend:**		
	The Proposed Final Dividend for the year 10% (Previous Period 35%) on Equity Shares of ₹ 2 each		
	Amount of Dividend Proposed	**4.88**	17.09
	Dividend Per Equity Share	**₹ 0.20**	₹ 0.70

Note: The total dividend for the year ended 31st March 2012 amounts to ₹ 2.20 per share, including three interim dividends each of ₹ 0.40 per share, and a special interim dividend of ₹ 0.80 per share. (Previous Period total dividend ₹ 1.50 per share).

		Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
26.	**Revenue from Operations:**		
	Sale of Products		
	Finished Goods	**1,844.96**	1,289.46
	Service Income	**1.07**	1.07
	Traded Goods	**76.83**	77.00
	Other Operating Income		
	Direct Sales Compensation	**0.43**	0.71
	Royalty	**2.12**	1.33
	Duty Drawback	**0.91**	0.37
		1,926.32	1,369.94
	Details of Sales: (Finished Goods)		
	Engines and Gensets, Spares	**1,667.25**	1,134.63
	Vibratory Compactors, Rollers, High Pressure Pumps,Transit Mixers and Spares	**162.12**	151.59
	Power Tillers	**15.59**	3.24
		1,844.96	1,289.46
	Details of Sales: (Traded Goods)		
	Power Tillers	**47.59**	50.11
	Motor Grader	**8.65**	17.53
	Pneumatic Tyre Rollers	**-**	0.46
	Lub Oil	**8.40**	8.43
	Others	**12.19**	0.47
		76.83	77.00

Notes To The Financial Statements 31st March 2012

		Year Ended 31.03.2012		Nine Months Period Ended 31.03.2011
		₹ Crore	₹ Crore	₹ Crore
27.	**Other Income:**			
	Dividends from Long -Term Investments - Subsidiary Company		**2.09**	1.25
	Dividend- Current Investments		**1.02**	-
	Interest -Others		**0.30**	0.40
	Profit on sale of Fixed Assets (net)		**0.55**	7.59
	Profit on sale of Current Investments		**0.76**	1.83
	Scrap Sales		**1.05**	0.83
	Miscellaneous Income		**0.21**	0.48
			5.98	12.38
28.	**Cost of Materials Consumed:**			
	Raw & Packing Materials and Components Consumed :			
	Opening Inventory	**111.55**		86.03
	Add : Purchases	**1,174.08**		842.26
		1,285.63		928.29
	Less : Closing Inventory	**80.18**		111.55
			1,205.45	816.74
29.	**Purchase of Stock - in - Trade:**			
	Power Tillers		**32.20**	23.34
	Motor Grader		**-**	28.48
	Pneumatic Tyre Rollers		**-**	0.33
	Milling Machine		**(0.06)**	5.57
	Others		**10.26**	0.37
			42.40	58.09
30.	**Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade:**			
	(Increase) / Decrease in Inventory			
	Closing Inventory			
	Finished Goods	**48.46**		29.98
	Work-In-Progress	**18.37**		16.93
	Traded Goods	**15.70**		20.45
		82.53		67.36
	Opening Inventory			
	Finished Goods	**29.98**		44.19
	Work-In-Progress	**16.93**		13.87
	Traded Goods	**20.45**		3.02
		67.36		61.08
			(15.17)	(6.28)

Notes To The Financial Statements 31st March 2012

	Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
31. Employee Benefits Expense:		
Salaries, Wages and Bonus	**103.67**	66.62
Contribution to Provident, Gratuity, Superannuation and other Funds	**13.73**	10.39
Staff Welfare	**10.11**	6.14
	127.51	83.15

Disclosure as required by Accounting Standard (AS)-15 (Revised) 'Employee Benefits' :

1. Defined Contribution Plans:

The amount recognised as an expense during the year ended 31st March 2012 towards Provident Fund (including admin charges) ESIC contribution and Superannuation is ₹ 6.11 crore (Previous Period ₹ 4.30 crore) and ₹ 0.82 crore (Previous Period ₹ 0.53 crore) and ₹ 2.42 crore (Previous Period ₹ 1.45 crore) respectively.

2. Defined Benefit Plans:

A) Gratuity :

The Company has a defined benefit plan (the Gratuity Plan), managed by trusts.The Gratuity Plan provides for a lump sum payment to vested employees at retirement or termination of employment, whichever is earlier, based on the respective employee's last drawn salary and years of employment with the Company. The benefit vests after five years of continued service.

	Wholly Funded	Wholly Funded
a) Amounts recognised in Balance Sheet:		
i) Present Value of Defined Benefits obligations	**27.81**	24.15
Less: Fair value of Plan Assets	**23.48**	20.21
Amount to be recognised as Liability or (Assets)	**4.33**	3.94
ii) Amounts reflected in the Balance Sheet		
Liabilities	**4.33**	3.94
Net Liabilities/(Assets)	**4.33**	3.94
b) Amounts recognised in Statement of Profit and Loss		
i) Current Service Cost	**1.21**	0.77
ii) Past service cost	**1.64**	-
iii) Interest Cost	**1.89**	1.26
iv) Expected (Return) on Plan Assets	**(1.67)**	(1.15)
v) Actuarial losses/(gains)	**1.31**	3.17
Total Expense	**4.38**	4.05
c) Actual Return on Plan Assets	**1.99**	1.01

Notes To The Financial Statements 31st March 2012

		Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
		₹ Crore	₹ Crore
		Wholly Funded	Wholly Funded
d)	The changes in the present value of Defined Benefits Obligations representing reconciliation of opening and closing balances thereof are as follows:		
	i) Opening balance of the present value of Defined Benefits Obligations	**24.15**	20.49
	ii) Add: Current Service Cost	**1.21**	0.77
	iii) Add: Past Service Cost	**1.64**	-
	iv) Add: Interest Cost	**1.89**	1.26
	v) Add: Actuarial (Gain)/Losses	**1.61**	3.07
	vi) (Less): Benefits paid during the year / period	**(2.69)**	(1.44)
	vii) Closing balance of the present value of Defined Benefits Obligations	**27.81**	24.15
e)	Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:		
	i) Opening balance of the fair value of Plan Assets	**20.21**	19.19
	ii) Add: Expected Return on Plan Assets	**1.67**	1.15
	iii) Add: Actuarial Gain/(Losses)	**0.30**	(0.10)
	iv) Add: Contribution by the employer	**3.99**	1.41
	v) (Less): Benefits paid during the year / period	**(2.69)**	(1.44)
	vi) Closing balance of Plan Assets	**23.48**	20.21
f)	The major categories of plan assets as a percentage of total plan assets are as follows:		
	i) Bank Deposits	**0.15%**	0.64%
	ii) Government Securities	**0.87%**	1.01%
	iii) Group Gratuity Scheme of Insurance Companies	**98.91%**	98.24%
	iv) Others	**0.07%**	0.11%
g)	Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
	i) Discount rate per annum	**8.60%**	8.30%
	ii) Expected rate of Return on Plan Assets	**8.50%**	8.00%
	iii) Expected salary increase per annum	**4%to 6%**	4% to 6%
	iv) Average past service of employees	**15 Years**	14 Years
	v) Mortality rate	**LIC(1994-96) Published table of Mortality rate**	LIC (1994-96) Published table of Mortality rate

B. Compensated Absences:

The obligation for compensated absences is recognised in the same manner as gratuity and net charge to the statement of profit and loss for the period is ₹ 0.45 crore (Previous Period ₹ 0.28 crore).

C. Retirement Pension Scheme :

For UK branch employees, based on actuarial valuation , the Company had recognised liability of ₹ 4.36 crore (equivalent GBP 5,92,000) in the year 2009-2010, towards present value of post retirement pension and the same is now funded appropriately.

Note:

The estimates of future increase in salary, considered in the actuarial valuation, have been derived based on expected inflation, seniority changes, promotion and other relevant factors such as demand in the employment market.

Notes To The Financial Statements 31st March 2012

			Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
		₹ Crore	₹ Crore	₹ Crore
32.	**Finance Cost:**			
	Interest		**2.31**	0.35
	Other Borrowing Cost		**1.17**	0.70
			3.48	1.05
33.	**Depreciation and Amortisation Expense:**			
	Depreciation on Tangible Assets		**29.66**	19.37
	Amortisation on Intangible Assets		**2.14**	1.66
			31.80	21.03
34.	**Other Expenses:**			
	Stores and Spares Consumed		**11.19**	8.33
	Excise Duty		**(1.77)**	(0.32)
	Power, Fuel and Electricity		**17.49**	11.31
	Repairs and Maintenance			
	Building		**1.47**	1.22
	Plant & Equipment		**5.51**	4.13
	Others		**2.00**	1.27
	Brokerage and Commission		**7.57**	4.96
	Rent		**8.51**	5.07
	Insurance		**0.89**	0.49
	Bad Debts	**-**		1.65
	Less:Provision for Doubtful Debts	**-**		1.65
			-	-
	Provision for Doubtful Debts/Advances		**1.20**	0.73
	Rates and Taxes		**1.12**	0.82
	Advertising and Sales Promotion		**9.51**	4.58
	Travelling		**11.76**	7.64
	Carriage and Freight		**17.45**	12.98
	Directors' Sitting Fees		**0.11**	0.08
	Printing and Stationery		**1.24**	1.01
	Postage,Telephone and Fax		**3.40**	2.37
	Legal, Professional and Consultancy Charges		**12.07**	5.81
	Miscellaneous Expenses		**46.01**	34.66
			156.73	107.14
35.	**Exceptional Items:**			
	a) Profit on Sale of Land and Building		**77.77**	-
	b) Devaluation of Inventories		**(20.30)**	-
	c) Provision for diminution in value of investment		**(14.18)**	-
			43.29	-

Notes To The Financial Statements 31st March 2012

a) During the year, the Company sold land and building situated at Thoraipakkam, Tamil Nadu. Till 2008-09, the Company had its Farm Equipment Business's manufacturing facility situated there at. In 2008-09, the same was relocated to Gummidipoondi, Tamil Nadu.

b) During the year, the Company carried out an extensive exercise to identify obsolete inventory arising out of design, model and technological changes. This charge represents the consequent devaluation arising out of the said exercise.

c) The Company's subsidiary, Greaves Cotton Netherlands B.V. (GCN), holds 100% stake in Greaves Farymann Diesel GmbH (GFD).Due to losses incurred in the past, the net worth of GFD has been fully eroded. The management has detailed plans in place to increase market share of GFD using the international network of the Company and through aggressive marketing efforts. GFD expects to generate earnings, which would contribute to the net worth and the management of GFD and the Company do not expect further impairment in the investments of GCN in GFD. Accordingly, the management of the Company has decided to impair the Company's investment in GCN to the extent of 50% of GCN's corresponding investment in GFD.

	Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore
36. Auditors' Remuneration (excluding service tax):		
a) Payment to Statutory Auditors:		
i) Statutory audit	**0.20**	0.20
ii) Tax audit	**0.06**	0.06
iii) Certification work	**0.07**	0.03
iv) Other services	**0.19**	0.15
v) Reimbursement of out-of-pocket expenses	**0.03**	0.07
b) Foreign branch audit fees	**0.04**	0.03
c) Payments to Cost auditor:		
(i) Cost audit	**0.07**	0.04
(ii) Reimbursement of out-of-pocket expenses	**0.01**	0.01
37. Expenditure in Foreign Currency during the year / period:		
Foreign Branch Expenses	**0.68**	0.51
Legal and Professional Expenses	**4.74**	0.31
Representative Office Expenses (China)	**0.62**	0.47
Other matters	**2.88**	0.73
38. Value of Imports (on C.I.F. basis) :		
Raw Materials	**20.20**	11.68
Components and Spare Parts	**67.92**	100.51
Capital Goods	**14.37**	9.04
39. Earnings in Foreign Currency :		
a) Export of goods on F.O.B. basis (including foreign branch)	**52.25**	19.21
b) Direct Sales Compensation (including foreign branch)	**0.43**	0.64

Notes To The Financial Statements 31st March 2012

	Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
40. Details of Raw & Packing Materials and Components Consumed:		
Steel Forgings	**1.79**	1.24
Steel Castings	**22.28**	10.93
Alloy Steel / Aluminium bronze bars	**1.64**	0.36
Steel	**3.18**	1.77
Engines	**16.82**	13.26
Bearings	**2.31**	2.20
Seamless Tubes	**2.97**	2.62
Electric Motors and Starters	**49.11**	28.25
Cylinder Heads, Cam Shafts, Crank Shafts and Connecting rods	**113.55**	70.51
Pistons, Flywheels, Fuel Pumps, Injectors, CSR pumps, gensets and marine gear boxes	**121.54**	79.97
Crank Cases	**87.94**	49.08
Structural steel	**1.79**	1.49
Steel Plates	**14.02**	14.98
Castings	**1.41**	1.22
Shafts and Forgings	**0.18**	0.42
Motors	**6.69**	3.53
Panels	**0.40**	0.47
Fuel Tanks	**0.93**	0.65
Hydraulic Pumps	**8.43**	5.14
Others	**748.47**	528.65
Total	**1,205.45**	816.74

	% to Total Consumption	**31.03.2012 ₹ Crore**	% to Total Consumption	31.03.2011 ₹ Crore
Imported	**5%**	**55.51**	6.65%	54.32
Indigenous	**95%**	**1,149.94**	93.35%	762.42
	100%	**1,205.45**	100.00%	816.74

Notes To The Financial Statements 31st March 2012

41. Details of Related party transactions

Disclosures as required by Accounting Standard (AS)-18 'Related Party Disclosures'

I Relationships with Related Party:

A) List of related parties:

Name of the Related Party	Relationship	Transactions during the year
Over which control exists		
Ascot International FZC	Subsidiary of Greaves Cotton Netherlands B.V.	Yes
Dee Greaves Limited	Wholly Owned Subsidiary of Greaves Leasing Finance Limited	No
Greaves Auto Limited	Wholly Owned Subsidiary	No
Greaves Cotton Netherlands B.V.	Wholly Owned Subsidiary	Yes
Greaves Farymann Diesel GmbH	Wholly Owned Subsidiary of Greaves Cotton Netherlands B.V.	Yes
Greaves Leasing Finance Limited	Wholly Owned Subsidiary	Yes
Other		
Bharat Starch Products Limited	Associate Company	No
DBH Consulting Limited	Associate Company	No
DBH Global Holdings Limited	Associate Company	No
DBH International Private Limited	Associate Company	Yes
DBH Investments Private Limited	Associate Company	No
DBH Stephan Limited	Associate Company	No
English Indian Clays Limited	Associate Company	Yes
Karun Carpets Private Limited	Associate Company	Yes
Pembril Industrial & Engineering Company Private Limited	Associate Company	No
Premium Stephan B.V.,Netherlands	Associate Company	No
Premium Transmission Cooperatie UA	Associate Company	No
Premium Transmission Limited	Associate Company	Yes

B) Key Management Personnel :

Mr. Sunil Pahilajani - Managing Director and CEO from 5th November 2011.

Mr. Prabhakar Dev - Managing Director and CEO upto 4th November 2011.

C) Mr. Karan Thapar, Chairman

II. Disclosure of related party transactions

The following transactions were carried out with the related parties in the ordinary course of business: (₹ Crore)

Sr No.	Transactions	2011-2012			2010-2011		
		Subsidiaries	Other Related Parties	Total	Subsidiaries	Other Related Parties	Total
1	Purchase of goods						
	Premium Transmission Limited	-	0.06	0.06	-	-	-
2	Sale of goods and contract revenue						
	Ascot International FZC	2.58	-	2.58	0.18	-	0.18
	Greaves Farymann Diesel GmbH	1.10	-	1.10	0.92	-	0.92
	Premium Transmission Limited	-	1.41	1.41	-	0.60	0.60
3	Rendering of Services/ Reimbursement of expenses						
	DBH Consulting Limited	-	-	-	-	0.16	0.16
	DBH International Private Limited	-	0.20	0.20	-	₹ 40,800/-	₹ 40,800/-
	English Indian Clays Limited	-	0.09	0.09	-	-	-
	Karun Carpets Private Limited	-	0.01	0.01	-	-	-
	Premium Transmission Limited	-	1.12	1.12	-	0.92	0.92

Notes To The Financial Statements 31st March 2012

(₹ Crore)

Sr No.	Transactions	2011-2012 Subsidiaries	2011-2012 Other Related Parties	2011-2012 Total	2010-2011 Subsidiaries	2010-2011 Other Related Parties	2010-2011 Total
4	Receipt of Services						
	Ascot International FZC	0.72	-	0.72	-	-	-
	Greaves Farymann Diesel GmbH	0.67	-	0.67	0.64	-	0.64
5	Commission and Sitting Fees						
	Mr. Karan Thapar	-	1.51	1.51	-	1.50	1.50
6	Deposits Given						
	Premium Transmission Limited	-	20.00	20.00	-	-	-
7	Deposits Received and Repaid						
	Greaves Leasing Finance Limited	13.40	-	13.40	-	-	-
8	Interest Paid						
	Greaves Leasing Finance Limited	0.20	-	0.20	-	-	-
9	Lease Rent expense						
	Greaves Leasing Finance Limited	2.42	-	2.42	1.58	-	1.58
10	Charges for deputation of employees to related parties						
	Greaves Leasing Finance Limited	0.01	-	0.01	₹ 42,993/-	-	₹ 42,993/-
11	Rent received and overheads recovered						
	Greaves Leasing Finance Limited	₹ 25,000/-	-	₹ 25,000/-	₹ 18,750/-	-	₹ 18,750/-
12	Dividend received/accrued						
	Greaves Leasing Finance Limited	2.09	-	2.09	1.25	-	1.25
13	Purchase of Investments						
	Greaves Cotton Netherlands B.V.	0.22	-	0.22	0.41	-	0.41
	Ascot International FZC	-	-	-	0.02	-	0.02
III	Amount Due to / from related parties						
1	Loans and advances						
	Greaves Farymann Diesel GmbH	1.05	-	1.05	0.11	-	0.11
	Greaves Leasing Finance Limited	0.84	-	0.84	1.26	-	1.26
	Premium Transmission Limited.	-	20.00	20.00	-	-	-
2	Trade Receivables						
	Ascot International FZC	4.34	-	4.34	3.10	-	3.10
	Greaves Farymann Diesel GmbH	2.07	-	2.07	1.52	-	1.52
	Premium Transmission Limited.	-	0.85	0.85	-	0.32	0.32
3	Trade Payables						
	Ascot International FZC	0.72	-	0.72	-	-	-
	Greaves Farymann Diesel GmbH	0.01	-	0.01	0.01	-	0.01
	Greaves Leasing Finance Limited	0.61	-	0.61	-	-	-
	Premium Transmission Limited.	-	0.08	0.08	-	0.08	0.08

No amounts are written off / written back during the year.

IV Key Management Personnel (KMP):

Remuneration to Managing Director ₹ 2.96 crore (includes ₹ 2.00 crore paid to former Managing Director upto 4th November 2011) (Previous period ₹ 0.81 crore paid to former Managing Director).

Notes To The Financial Statements 31st March 2012

42. Segment Reporting

Disclosure as required by Accounting Standard (AS)-17 'Segment Reporting'

PRIMARY SEGMENTS (Business segments):

₹ **Crore**

	Engines		Infrastructure Equipment		Others		Total	
Particulars	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011
Segment revenue (excluding excise duty)	**1,529.91**	1,045.09	**157.15**	156.39	**67.80**	50.69	**1,754.86**	1,252.17
Inter-segment revenue	**1.42**	-	**-**	-	**-**	-	**1.42**	-
Total revenue	**1,528.49**	1,045.09	**157.15**	156.39	**67.80**	50.69	**1,753.44**	1,252.17
Result:								
Segment Result	**260.94**	194.66	**(8.20)**	0.21	**7.77**	13.46	**260.51**	208.33
Add / Less : Unallocable								
Income /(Expenditure) (Net)							**(49.74)**	(23.60)
Operating Profit							**210.77**	184.73
Less: Interest expense							**(3.48)**	(1.05)
Profit before exceptional items							**207.29**	183.68
Exceptional items :								
Profit on Sale of Land and Building							**77.77**	-
Devaluation of Inventories	**(13.80)**	-	**(6.50)**	-	**-**	-	**(20.30)**	-
Provision for diminution in value of investment							**(14.18)**	-
Profit before Tax							**250.58**	183.68
Less: Provision for tax (Net)							**(61.49)**	(54.54)
Add: Deferred tax (charge)/ credit							**(3.60)**	(1.86)
Profit / (Loss) after tax							**185.49**	127.28
Other Information:								
Segment assets	**621.53**	589.55	**143.14**	159.70	**22.03**	15.00	**786.70**	764.25
Unallocable corporate assets							**304.94**	216.57
Total assets							**1,091.64**	980.82
Segment liabilities	**240.80**	266.40	**27.78**	72.52	**21.66**	19.75	**290.24**	358.67
Unallocable corporate liabilities							**152.03**	96.10
Total liabilities							**442.27**	454.77
Capital expenditure	**97.43**	34.62	**6.65**	1.31	**-**	-		
Depreciation and amortisation	**25.62**	16.91	**1.99**	1.44	**-**	-		
Non-cash expenses other than depreciation and amortisation	**13.80**	-	**6.50**	-	**-**	-		

Notes To The Financial Statements 31st March 2012

SECONDARY SEGMENTS (Geographical segments)

Particulars	Domestic		Overseas		Total	
	2011-2012	2010-2011	**2011-2012**	2010-2011	**2011-2012**	2010-2011
External revenue by location of customers	**1,696.86**	1,219.81	**56.58**	30.66	**1,753.44**	1,252.17
Carrying amount of segment assets by location of assets	**784.05**	761.46	**2.65**	2.79	**786.70**	764.25
Cost incurred on acquisition of tangible and intangible fixed assets	**104.08**	35.93	**-**	-	**104.08**	35.93

Segment Identification, Reportable Segments and Segment Composition :

Segment Identification:

Business segments have been identified on the basis of the nature of products/services, the risk-return profile of individual divisions, the organisational structure and the internal reporting system of the Company.

Reportable Segments:

Reportable segments have been identified as per the quantitative criteria specified in Accounting Standard (AS)-17:'Segment Reporting'

Segment Composition:

1. Engines comprises of single and multi cylinder engines.
2. Infrastructure Equipment comprises of equipment used in road construction, bridges, dams, mining, etc.
3. Others includes Power Tillers and other products traded by International Business.

Primary / secondary Segment:

1. The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.
2. In respect of secondary segment information, the Company has identified its geographical segments as (i) Domestic and (ii) Overseas.

The expenses and incomes which are not directly attributable to the business segments are shown as unallocable income/ expenditure. Unallocable assets mainly comprise of investments, cash and bank balances, advance tax and unallocable liabilities mainly include loan funds, tax provisions and provisions for employee retirement benefits.

43. Details of Lease Transactions:

a) Certain plant and machinery, computers and vehicles are taken on non-cancellable operating lease. These lease agreements are normally renewed on expiry.

The future minimum lease payments in respect of the above are as follows:	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore
Payable not later than one year	**2.55**	1.60
Payable later than one year and not later than five years	**1.44**	1.52

b) Rent expense in respect of operating lease, for year ended, 31st March 2012, was ₹ 8.51 crore (Previous Period ₹ 5.07 crore). Contingent rent recognised in statement of profit and loss is ₹ Nil (Previous Period ₹ Nil).

c) The lease agreements provide for an option to the Company to renew the lease at the end of the non-cancellable period. There are no exceptional / restrictive covenants in the lease agreements.

Notes To The Financial Statements 31st March 2012

44. Details of Derivative Instruments & Unhedged Foreign Currency Exposures:

a) The year / period end foreign currency exposures that were not hedged by a derivative instrument or otherwise are given below:

		Year Ended 31.03.2012		Nine Months Period Ended 31.03.2011	
		Fx	**₹ Crore**	Fx	₹ Crore
i)	Amount receivable in foreign currency on account of the following:				
	Export of goods and services	**$22,57,228**	**11.39**	$17,20,908	7.81
		€ 3,29,423	**2.23**	€ 2,42,773	1.50
ii)	Amounts payable in foreign currency on account of the following:				
	Import of goods and services	**$49,59,728**	**25.56**	$26,62,367	11.97

b) Derivative Instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy, approved by the Board of Directors, which provides principles on the use of such forward contracts consistent with the Company's Risk Management Policy.The Company does not use forward contracts for speculative purposes.

Outstanding Forward Exchange Contracts entered into by the Company as at year / period end.

Year Ended 31.03.2012			Nine Months Period Ended 31.03.2011		
No. of Contracts	**Fx**	**₹ Crore Equivalent**	No. of Contracts	Fx	₹ Crore Equivalent
1	**$94,047**	**0.48**	7	$32,18,324	14.99
3	**€ 2,95,200**	**2.00**	14	€ 16,95,313	10.61
2	**¥ 9,50,00,000**	**5.98**	7	¥ 48,89,73,369	28.15

45. Exchange difference arising on Foreign currency transactions has been accounted under respective accounts:

	Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore
Revenue (Note No 26)	**0.93**	(0.26)
Consumption (Note No 28)	**3.44**	(0.75)
Others (Note No. 34)	**(3.35)**	(0.03)

46. Dues to Micro and Small Enterprises:

The information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) has been determined to the extent such parties have been identified on the basis of information available with the Company.

a)	Principal amount and Interest Due		
	Principal amount	**30.92**	29.64
	Interest Due	**0.69**	0.57
b)	Interest paid by Buyer in terms of Section 16 of MSMED Act	**-**	-
c)	Amount paid beyond the appointed day	**13.09**	5.60
d)	Interest due and payable to supplier, for payment already made under MSMED Act	**0.37**	0.12
e)	Amount of Interest accrued and remaining unpaid at the end of accounting year / period.	**1.06**	0.69
f)	Amount of further interest remaining due and payable even in suceeding years	**-**	-

Notes To The Financial Statements 31st March 2012

		Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
47. Details on Borrowing costs:			
Disclosure as required by Accounting Standard (AS)-16 'Borrowing Costs'			
No borrowing costs have been capitalised during the year / period.			
48. Earnings per share:			
Disclosure as required by Accounting Standard (AS)-20 'Earnings per share' (EPS)			
Basic EPS			
Weighted average number of shares issued of ₹ 2/- each	(A)	**24,42,06,795**	24,42,06,795
Profit for the year / period after tax (₹)	(B)	**185.49**	127.28
Basic EPS (₹)	(B / A)	**7.60**	5.21
Diluted EPS			
Weighted average number of shares issued of ₹ 2/- each	(C)	**24,42,06,795**	24,42,06,795
Diluted EPS (₹)	(B / C)	**7.60**	5.21

49. Management has evaluated the need for impairment of assets as required by Accounting Standard (AS)-28 ' Impairment of Assets' and on the basis of such evaluation, management has provided for neccessary impairment as at 31st March 2012. (Refer Note 35)

50. Figures for the corresponding period are for a period of nine months due to change in financial year end to 31st March during the previous period and hence are not comparable with the figures of the current year. Figures for the previous period have been regrouped / reclassified, wherever necessary.

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Information on Subsidiary Companies

Statement in accordance with the provisions of sub-section (3), (4) and (5) of section 212 of the companies act, 1956

1 Shares held by the Company in its subsidiaries at the end of the terminious or preceding financial year of each :

Name of the company	Face Value (Per Share)	No.of Shares	Percentage	₹ Crore
Greaves Leasing Finance Limited	₹ 10/-	17,85,545	100	1.79
Dee Greaves Limited (wholly owned subsidiary of Greaves Leasing Finance Limited)	₹ 10/-	1,33,851	100	0.13
Greaves Cotton Netherlands B.V.	Euro 1/-	48,83,000	100	29.79
Greaves Farymann Diesel GmbH (wholly owned subsidiary of Greaves Cotton Netherlands B.V.)	Euro 1/-	23,60,000	100	15.47
Greaves Auto Limited	₹ 10/-	50,000	100	0.05
Ascot International FZC (90% of the share capital is held by Greaves Cotton Netherlands B.V.)	AED 1,500/-	10	10	0.02

2 (A) The net aggregate amount of profits less losses so far as it concerns members of the Company not dealt with in the Company's accounts :

		₹ Crore	₹ Crore Previous Period
(i)	(a) For the financial year ended 31st March 2012 of Greaves Leasing Finance Limited	**0.62**	0.66
	(b) For the financial year ended 31st March 2012 of Dee Greaves Limited	**0.01**	₹ 38,239
	(c) For the financial year ended 31st March 2012 of Greaves Cotton Netherlands B.V.	**(0.24)**	(0.29)
	(d) For the financial year ended 31st March 2012 of Greaves Farymann Diesel GmbH	**(2.34)**	(0.25)
	(e) For the financial year ended 31st March 2012 of Greaves Auto Limited	**₹ 5,848**	(₹ 14,184)
	(f) For the financial year ended 31st March 2012 of Ascot International (FZC)	**(0.48)**	0.05
(ii)	For previous financial years since they became subsidiaries :		
	(a) Greaves Leasing Finance Limited	**7.24**	6.87
	(b) Dee Greaves Limited	**0.06**	0.42
	(c)Greaves Cotton Netherlands B.V	**(0.65)**	(0.36)
	(d)Greaves Farymann Diesel GmbH	**(15.73)**	(15.48)
	(e) Greaves Auto Limited	**(0.01)**	(0.01)
	(f) Ascot International (FZC)	**0.05**	-

(B) The net aggregate amount of profits less losses so far as it concerns members of the Company and dealt with in the Company's accounts :

		₹ Crore	₹ Crore Previous Period
(i)	(a) For the financial year ended 31st March 2012 of Greaves Leasing Finance Limited	**2.09**	1.25
	(b) For the financial year ended 31st March 2012 of Dee Greaves Limited	**0.31**	NIL
	(c) For the financial year ended 31st March 2012 of Greaves Cotton Netherlands B.V.	**NIL**	NIL
	(d) For the financial year ended 31st March 2012 of Greaves Farymann Diesel GmbH	**NIL**	NIL
	(e) For the financial year ended 31st March 2012 of Greaves Auto Limited	**NIL**	NIL
	(f) For the financial year ended 31st March 2012 of Ascot International (FZC)	**NIL**	NIL

		₹ **Crore**	₹ Crore Previous Period
(ii)	For previous financial years since they became subsidiaries :		
	(a) Greaves Leasing Finance Limited	**8.57**	7.31
	(b) Dee Greaves Limited	**0.10**	0.10
	(c) Greaves Cotton Netherlands B.V.	**NIL**	NIL
	(d)G reaves Farymann Diesel GmbH	**NIL**	NIL
	(e) Greaves Auto Limited	**NIL**	NIL
	(f) Ascot International (FZC)	**NIL**	NIL

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Date: 11th May 2012
Mumbai

Information on Subsidiary Companies

Statement in accordance with the Government of India, Ministry of Company Affairs circular no 5/12/2007-CL-III dt. 8/02/2011 for disclosure under Section 212(8) of the Companies Act,1956

(₹ Crore)

		Greaves Leasing Finanace Ltd.	Dee Greaves Ltd.	Greaves Auto Ltd.	Greaves Cotton Netherlands B.V.	Greaves Farymann Diesel GmbH	Ascot International (FZC)
		Financial Year ended 31st March 2012					
					*	*	**
A)	Capital	30.37	0.13	0.05	29.79	15.47	0.19
B)	Reserves/Profit & Loss Account	7.86	0.07	(0.01)	(1.23)	(18.41)	(0.80)
C)	Total Assets	5.47	0.03	0.04	0.10	17.98	4.61
D)	Total Liabilities (includes deferred tax liabilty(net) in Greaves Leasing Finance Limited of ₹ 17,81,833/-)	1.81	0.37	₹ 16,200	0.08	21.05	5.22
E)	Investments (as per details attached)	34.56	0.55	-	-	-	-
F)	Turnover(including other income)	4.47	0.04	-	-	35.92	4.62
G)	Profit/ (Loss) before taxation	3.46	0.03	₹ 17,048	(0.24)	(2.21)	(0.48)
H)	Provision for taxation (Note 2)	0.75	0.02	₹ 11,200	-	0.12	-
I)	Profit/ (Loss) after taxation	2.71	0.01	₹ 5,848	(0.24)	(2.34)	(0.48)
j)	Proposed Dividend	0.84	0.31	-	-	-	-

Notes:

1. Exchange Rate: *Balance Sheet at Closing rate @ 1 Euro= ₹ 67.80

   ** Balance Sheet at Closing rate @ 1 AED= ₹ 13.85

   * Profit and Loss Account at average rate @ 1 Euro= ₹ 66.37

   ** Profit and Loss Account at average rate @ 1 AED= ₹ 13.05

2. Provision for Taxation includes :

   - Deferred tax liability of ₹ 12,69,849/- in Greaves Leasing Finance Limited and deferred tax asset written off of ₹ 1,61,856/- in Dee Greaves Limited .

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Date: 11th May 2012
Mumbai

GREAVES
SINCE 1859

Information on Subsidiary Companies

Details of Investment of Subsidiaries as at 31st March 2012

	As at 31.03.2012		As at 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
Non-Current Investments:(at cost)			
Greaves Leasing Finance Limited			
Trade Investments: (Unquoted):			
Fully Paid Preference Shares:			
20,75,000 - 5% non cumulative redeemable preference shares of ₹100 each (Previous year 20,75,000) of Premium Transmission Limited	**20.75**		20.75
Nil - 3.5% non cumulative redeemable preference shares of ₹100/- each (Previous Year 13,33,034) of Premium Transmission Limited(Redeemed During the year)	-		13.33
		20.75	34.08
Others: (Quoted)			
Fully paid equity shares			
1 Share (Previous Year 1) of ₹ 2/- of ABB Limited	-		-
1 Share (Previous Year 1) of ₹ 2/- of Alfa Laval India Limited	-		-
20 Shares (Previous Year 10) of ₹ 1/- of Ashok Leyland Limited	-		-
20 Shares (Previous Year 20) of ₹ 10/- of Bajaj Auto Limited	-		-
10 Shares (Previous Year 10) of ₹ 10/- of Bajaj Finance Services Limited	-		-
10 Shares (Previous Year 10) of ₹10/- of Bajaj Holdings and Investment Limited	-		-
5 Shares (Previous Year 1) of ₹ 2/- of Bharat Heavy Electricals Limited	-		-
120 Shares (Previous Year 120) of ₹ 1/- of Birla Power Solutions Limited	-		-
1 Share (Previous Year 1) of ₹ 10/- of Bosch Limited	-		-
14 Shares (Previous Year 10) of ₹ 2/- of Cummins India Limited	-		-
150 Shares (Previous Year 150) of ₹ 2/- of Elecon Engineering Limited	-		-
10 Shares (Previous Year 10) of ₹ 10/- of Force Motors Limited	-		-
1 Share (Previous Year 1) of ₹ 1/- of Hindustan Unilever Limited	-		-
10 Shares (Previous Year 10) of ₹ 10/- of Honda Siel Power Products Limited	-		-
10 Shares (Previous Year 10) of ₹ 10/- of Ingersoll Rand (India) Limited	-		-
10 Shares (Previous Year 10) of ₹ 10/- of Kennametal Widia Limited	-		-
5 Shares (Previous Year 5) of ₹ 10/- of Kirloskar Industries Limited	-		-
75 Shares (Previous Year 75) of ₹ 2/- of Kirloskar Oil Engines Limited	-		-
20 Shares (Previous Year 20) of ₹ 2/- of Larsen & Toubro Limited	-		-
66 Shares (Previous Year 66) of ₹ 5/- of Mahindra & Mahindra Limited	-		-
1 Share (Previous Year 1) of ₹ 5/- of Maruti Suzuki India Limited	-		-
200 Shares (Previous Year 200) of ₹ 1/- of Shanthi Gears Limited	-		-
1 Share (Previous Year 1) of ₹ 2/- of Siemens Limited	-		-
1 Share (Previous Year 1) of ₹ 10/- of Steel Authority of India Limited	-		-
30 Shares (Previous Year 30) of ₹ 10/- of Swaraj Engines Limited	-		-
25 Shares (Previous Year 5) of ₹ 2/- of Tata Motors Limited	-		-
4 Shares (Previous Year 4) of ₹ 10/- of UltraTech Cement Limited	-		-

Information on Subsidiary Companies

Details of Investment of Subsidiaries as at 31st March 2012 (Contd.)

	As at 31.03.2012		As at 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
10 Shares (Previous Year 10) of ₹ 10/- of Vesuvias Limited	**-**		-
15 Shares (Previous Year 15) of ₹ 10/- of VST Tillers Tractors Limited	**-**		-
10 Shares (Previous Year 10) of ₹ 10/- of Wartsila India Limited	**-**		-
100 Shares (Previous Year 100) of ₹ 10/- of Wellwind Industry Limited	**-**		-
		0.01	0.01
		20.76	34.09
Quoted investments			
- Book value		**0.01**	0.01
- Market value		**0.02**	0.02
Unquoted investments			
- Book value		**20.76**	34.09
Current Investments : (at lower of Cost or market value, whichever is lower)			
Greaves Leasing Finance Limited			
Mutual Funds(Unquoted):			
Nil (Previous Year 21,039 Units) of ₹ 1000/- of Reliance Money Manager Fund		**-**	2.11
69,24,924.106 Units(Previous Year Nil) of ₹ 10/- Kotak Floater Short Term-daily Dividend	**7.01**		-
39,29,186.632 Units(Previous Year Nil) of ₹ 10/- Reliance Liquid Fund-Treasury Plan	**6.01**		-
7,865.927 Units(Previous Year Nil) of ₹ 1,000/- SBI Magnum Insta Cash Fund Liquid Floater Plan	**0.78**		-
		13.80	
Dee Greaves Limited			
54,561.917 Units (Previous Year Nil) of ₹ 100/- ICICI Prudential Sweep Plan-Cash Option-Daily Dividend		**0.55**	-
		14.35	2.11
Current Investments			
- Book value		**14.35**	2.11

GREAVES
SINCE 1859

Auditor's Report

To the Board of Directors of Greaves Cotton Limited

1. We have audited the attached Consolidated Balance Sheet of Greaves Cotton Limited and its subsidiaries (hereinafter collectively referred to as the 'Group'),as at 31 March 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto(collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's 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 whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated 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 report that:
   (a) The Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on'Consolidated Financial Statements' notified pursuant to the Companies(Accounting Standards) Rules, 2006.
   (b) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 21.54 crores as at 31 March 2012; total revenues (after eliminating intra-group transactions) of ₹ 40.06 crores and net cash flows aggregating ₹ 0.10 crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the reports of the other auditors.
4. Based on our audit and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the subsidiaries, and to the best of our information and according to the explanations given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of:
   (a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;
   (b) the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
   (c) the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No: 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. F-42423

Place: Mumbai
Date: May 11, 2012

Consolidated Balance Sheet

	Note No.	As at 31.03.2012 ₹ Crore	₹ Crore	As at 31.03.2011 ₹ Crore
I. EQUITY AND LIABILITIES:				
1. SHAREHOLDERS' FUNDS:				
(a) Share Capital	3	48.84		48.84
(b) Reserves & Surplus	4	582.18		455.89
			631.02	504.73
2. NON CURRENT LIABILITIES:				
(a) Long-Term Borrowings	5	0.17		0.39
(b) Deferred Tax Liabilities (Net)	6	30.14		26.40
(c) Other Long-Term Liabilities	7	3.15		3.24
(d) Long-Term Provisions	8	20.73		24.78
			54.19	54.81
3. CURRENT LIABILITIES:				
(a) Short-Term Borrowings	9	32.80		12.97
(b) Trade Payables	10	196.21		218.64
(c) Other Current Liabilities	11	80.92		107.32
(d) Short-Term Provisions	12	96.74		79.41
			406.67	418.34
TOTAL			1,091.88	977.88
II. ASSETS:				
1. NON-CURRENT ASSETS:				
(a) Fixed Assets:	13			
(i) Tangible Assets		325.14		262.58
(ii) Intangible Assets		5.52		14.86
(iii) Capital Work-in-progress		16.78		9.29
(iv) Intangible assets under development		3.56		-
		351.00		286.73
(b) Non-Current Investments	14	20.76		34.09
(c) Long-Term Loans and Advances	15	21.54		22.23
(d) Other Non-Current Assets	16	1.37		1.37
			394.67	344.42
2. CURRENT ASSETS :				
(a) Current Investments	17	72.89		19.11
(b) Inventories	18	182.14		197.05
(c) Trade Receivables	19	256.70		261.90
(d) Cash and Cash Equivalents	20	71.45		61.23
(e) Short -Term Loans and Advances	21	113.54		92.85
(f) Other Current Assets	22	0.49		1.32
			697.21	633.46
TOTAL			1,091.88	977.88
The Notes are an integral part of these financial statements	1 to 42			

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Consolidated Statement of Profit and Loss

	Note No.	₹ Crore	Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
INCOME				
Revenue from Operations (Gross)	**25**		**1,962.20**	1,398.33
Less:Excise duty			**172.88**	117.77
Revenue from Operations (Net)			**1,789.32**	1,280.56
Lease rentals (₹ 50,000/-)			**-**	-
Other Income	**26**		**6.07**	13.30
TOTAL REVENUE			**1,795.39**	1,293.86
EXPENDITURE				
Cost of Materials Consumed	**27**		**1,223.33**	833.54
Purchase of Stock-in-Trade	**28**		**43.02**	60.05
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	**29**		**(16.77)**	(10.51)
Employee Benefits Expense	**30**		**142.53**	92.62
Finance Costs	**31**		**3.74**	1.34
Depreciation and Amortisation Expense	**32**	**41.67**		23.60
Less : Transferred from Revaluation Reserve		**0.07**		0.05
			41.60	23.55
Other Expenses	**33**		**160.49**	110.19
			1,597.94	1,110.78
Profit Before Exceptional and Extraordinary Items and Tax			**197.45**	183.08
Exceptional Items	**34**		**57.47**	-
Profit Before Tax			**254.92**	183.08
TAX EXPENSE				
Current Tax		**62.25**		54.94
(Excess) / Short Provision for Taxation in prior period (net)		**-**		0.02
Deferred Tax		**3.74**		1.80
			65.99	56.76
Profit for the Period			**188.93**	126.32
Earnings per share (Face Value of ₹ 2/- per share)	**40**			
(i) Basic			**7.74**	5.17
(ii)Diluted			**7.74**	5.17
The Notes are an integral part of these financial statements	**1 to 42**			

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
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Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Consolidated Cash Flow Statement

		Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax	**254.92**	183.08
	Adjustment for:		
	Depreciation / Amortisation	**41.60**	23.55
	Foreign currency translation difference	**(0.13)**	(0.02)
	(Profit)/ loss on sale of land and building	**(77.77)**	-
	(Profit)/ loss on sale of investments	**(0.76)**	(1.83)
	Interest income	**(0.34)**	(0.44)
	Finance costs	**3.74**	1.34
	(Profit)/ loss on sale of fixed assets (net)	**(0.55)**	(7.56)
	Dividend from investments	**(2.67)**	(1.56)
	Unrealised (gain)/ loss on exchange fluctuation	**(0.32)**	0.10
	Operating profit before working capital changes	**217.72**	196.66
	Adjustment for:		
	(Increase) / decrease in inventory	**14.91**	(37.61)
	(Increase) / decrease in trade receivables	**5.51**	(81.80)
	(Increase) / decrease in other receivables	**(10.89)**	(2.25)
	Increase / (decrease) in trade payables / provisions	**(48.54)**	92.49
	Cash from operating activities	**178.71**	167.49
	Direct taxes refunded / (paid) (net)	**(65.56)**	(57.76)
	Net cash from operating activities	**113.15**	109.73
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	**(106.50)**	(44.22)
	Sale of fixed assets	**81.07**	7.92
	Redemption of Preference Shares	**13.33**	-
	Purchase of other investments	**(53.78)**	-
	Sale of investments	**0.76**	46.93
	Dividend received	**2.67**	1.56
	Interest received	**0.49**	0.10
	Net cash from / (used in) investment activities	**(61.96)**	12.29
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Increase / (decrease) in long term borrowings	**(2.86)**	1.95
	Increase / (decrease) in short term borrowings	**19.81**	(0.35)
	Interest paid	**(4.02)**	(2.70)
	Dividend (including dividend tax) paid	**(53.90)**	(82.22)
	Net cash (used in) financing activities	**(40.97)**	(83.32)
	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10.22**	38.70
	Cash and Cash equivalents as at the beginning of the year / period	**61.23**	22.53
	Cash and Cash equivalents as at the end of the year / period	**71.45**	61.23

Consolidated Cash Flow Statement

Notes on cash flow statement

1 Cash flow statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3: Cash Flow Statements
2 Purchase of fixed assets includes movement of capital work-in-progress during the year /period.
3 Cash and Cash equivalents represent cash and bank balances as per Note 20.
4 Previous period's figures have been regrouped / reclassified wherever applicable.

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President &
Company Secretary

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Notes to the Consolidated Financial Statements 31st March 2012

1 **General Information:** Greaves Cotton Limited (the 'Company') is engaged in manufacturing of engines and construction equipment and trading of power tillers, motor graders etc. The Company has manufacturing facilities in the states of Maharashtra and Tamil Nadu. The products are mainly sold in India with some export to Middle East, Africa & South East Asia Region. The Company has four direct and two indirect subsidiaries having operations in India, Netherlands, Germany and Sharjah.

2 **Summary of Significant Accounting Policies:**

2.1 Basis of accounting and preparation of financial statements

The Company maintains its accounts on accrual basis following the historical cost convention, in accordance with generally accepted accounting principles [GAAP] except for the revaluation of certain fixed assets, in compliance with the provisions of the Companies Act, 1956 including the Accounting Standards specified in the Companies (Accounting Standards) Rules, 2006. However, certain escalation and other claims, which are not ascertainable /acknowledged by customers, are accounted on receipt basis.

The preparation of financial statements in conformity with GAAP requires that the management of the Company make estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, provision for inventory obsolescence, etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

All assets and liabilities have been classified as current and non-current as per normal operating cycle of the Company and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on nature of products / services, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

The accounts of the subsidiaries have been prepared in compliance with Accounting Standards specified in the Companies (Accounting Standard) Rules, 2006 notified by the Central Government and other requirements of the Companies Act, 1956.

The Consolidated Financial Statements (CFS) are prepared in accordance with Accounting Standard (AS)-21 Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The CFS comprises the financial statements of Greaves Cotton Limited and its subsidiaries.

2.2 Principles of consolidation

The financial statements have been consolidated on a line-by-line basis by adding together the book value of all like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealised gains/ losses on intra-group transactions.

2.3 Inventories

Inventories are valued, after providing for obsolescence, as under:

a) Raw materials, stores, spares, packing materials, loose tools and traded goods at weighted average cost or net realisable value, whichever is lower.

b) Work-in-progress at lower of weighted average cost including conversion cost or net realisable value.

c) Finished goods at lower of weighted average cost including conversion cost and excise duty paid / payable on such goods or net realisable value.

2.4 Depreciation and Amortisation

a) Tangible assets:

i) Depreciation on re-valued fixed assets is provided on the re-valued amount derived based on valuation carried out by independent valuers. The depreciation on re-valued portion of the fixed assets is transferred from re-valuation reserve to the statement of profit and loss.

ii) Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed under schedule XIV to the Companies Act, 1956, in respect of Company and its Indian subsidiaries.

iii) In the case of fixed assets where the technological progress and upgradation is faster, the Company has provided accelerated depreciation at rates higher than the rates specified in schedule XIV to the Companies Act, 1956. Accordingly, the useful life of such assets has been recomputed and depreciation has been provided at the following rates with effect from 1st July 2003:

	(Rate of depreciation)
Computers and related equipment	23.75%
Air-conditioning system	11.87%
Furniture	9.50%
Fixtures	13.50%
Office equipment	19.00%
Vehicles	19.00%

Notes to the Consolidated Financial Statements 31st March 2012

iv) Extra shift depreciation is provided on location basis.

v) Leasehold land is amortised over the primary period of the lease.

vi) Leasehold Building is depreciated at rates prescribed for buildings under schedule XIV of the Companies Act, 1956 or rates derived based on lease term for the leasehold building, whichever is higher. Leasehold building improvements are written off over the period of lease or their estimated useful life, whichever is earlier, on a straight line basis.

b) Intangible assets:

i) a) Technical know-how acquired prior to the year 2001 is amortised as per the rates applicable to plant and machinery prescribed under schedule XIV to the Companies Act, 1956.

b) Technical know-how acquired during and after the year 2001 is amortised over a period of five years.

ii) Computer software is amortised over a period of four years.

iii) Goodwill acquired/arising on consolidation is amortised over a period of seven / ten years respectively.

2.5 Research and Development

Revenue expenditure on research and development is charged under respective heads of expenditure in the statement of profit and loss. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

2.6 Revenue Recognition

a) i) Revenue from sale of products is recognised when all the significant risks and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods.

ii) Revenue in respect of services is recognised when services are performed in accordance with the terms of contract with customers.

b) Sales include excise duty but exclude Value Added Tax (VAT) and Service Tax.

c) Revenue from royalty is accrued and recognised, when the specified goods of the supplier are sold by the Company's dealers in accordance with the terms of agreement.

2.7 Fixed assets (including capital work in progress)

a) Tangible assets:

Tangible fixed assets are stated at original cost net of Cenvat availed less accumulated depreciation except in case of certain freehold land and buildings which are stated at revalued amounts as at 31st May 1987, based on valuation carried out by independent valuers, less accumulated depreciation. Own manufactured assets are capitalised at factory cost. Cost includes inward freight, taxes and expenses incidental to acquisition and installation, up to the point the asset is ready for its intended use. Certain project related direct expenses, incurred at site for the period upto the date of commencement of commercial production are capitalised. (Also refer to accounting policy on borrowing costs infra).

b) Intangible assets**:**

Intangible assets are stated at cost of acquisition less amortisation.

c) Capital work in progress**:**

Capital work in progress includes cost of equipments and other expenses incidental to its acquisition which are not yet ready for use.

2.8 Foreign currency transactions

a) The reporting currency of the Company is Indian Rupee.

b) Foreign currency transactions are recorded on initial recognition in the reporting currency of the Company and its subsidiaries, using the exchange rates prevailing at the date of the transaction.

c) Monetary assets and Monetary liabilities denominated in foreign currencies (other than those relating to foreign branch) are converted at rate of exchange prevailing on the date of the balance sheet.

d) Exchange differences on settlement/conversion are included in the statement of profit and loss in the period in which they arise.

e) Foreign exchange differences arising on marking forward contracts to market rates are recognised in the statement of profit and loss in the period in which they arise and the premium paid/received is accounted as expense/income over the period of the contract.

Notes to the Consolidated Financial Statements 31st March 2012

f) Translations relating to foreign branch are recorded as under:

i) Monetary assets and Monetary liabilities are converted at period-end rates as applicable.

ii) Revenue items are translated at the average rate for the period.

iii) All differences arising on translation of foreign currency balances are included in the statement of profit and loss.

g) In respect of subsidiaries, which are consolidated as integral operations, monetary assets and liabilities are converted at the rate of exchange prevailing on the date of the balance sheet. Revenue items are converted at the average of the exchange rates prevailing during the period. Fixed Assets and Investments are converted at the exchange rate on the date of the transaction. The exchange differences arising on consolidation of integral operations is recognised in the statement of profit and loss.

h) In respect of subsidiaries, which are consolidated as non integral operations, assets and liabilities, both monetary and non monetary are converted at the rate of exchange prevailing on the date of the balance sheet. Revenue items are converted at the average of the exchange rates prevailing during the period. The exchange differences arising on consolidation of non integral operations is accumulated in a foreign currency translation reserve until the disposal of the net investment.

2.9 Investments

Long term investments are carried at cost after providing for any diminution in value, if such diminution is of a permanent nature.

Current Investments are carried at lower of cost or market value.

2.10 Employee benefits

a) Short Term Employee Benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences, expected cost of bonus, ex-gratia etc. are recognised on undiscounted basis in the period in which the employee renders the related service.

b) Post-employment benefits:

i) Defined contribution plans: The Company's contribution to the state-administered provident fund and employees' pension scheme and the employees' superannuation scheme are defined contribution plans. The contribution paid/ payable under the schemes based on a fixed percentage of the eligible employees' salary is recognised during the period in which the employee renders the related service. The Company has no further obligation beyond these contributions.

ii) Defined benefit plans: The employees' gratuity fund schemes managed by Trusts are the Company's defined benefit plans. The present value of the obligation is determined based on actuarial valuation using the projected unit credit method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognised immediately in the statement of profit and loss. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation, to recognise the obligation on a net basis.

iii) Long-term employee benefits: The obligation for long term compensated absences is recognised in the same manner as in the case of defined benefit plans as mentioned in (b) (ii) above.

2.11 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.12 Segment accounting and reporting

a) Segment accounting and reporting which is done in accordance with the accounting policies of the Company and the guidelines prescribed by Accounting Standard 17, Segment Reporting, as specified in the Companies (Accounting Standards) Rules, 2006 is as follows:

i) Segment revenue includes sales and other income directly identifiable with/ allocable to the segment including inter-segment revenue.

ii) Expenses that are directly identifiable with/ allocable to segments are considered for determining the segment result. The expenses, which relate to the Company as a whole and not allocable to segments, are included under "unallocable expenditure".

Notes to the Consolidated Financial Statements 31st March 2012

iii) Income which relates to the Company as a whole and not allocable to segments is included in "unallocable income".

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

b) Inter-segment transfer pricing

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments.

2.13 Leases

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the statement of profit and loss on a straight line basis.

2.14 Taxes on income

Tax on income for the current period in respect of the Company is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 of India and based on the expected outcome of assessments / appeals. The provision for tax is adjusted for Minimum Alternate Tax (MAT) paid in earlier years. Tax on income is respect of subsidiaries is determined on the basis of provisions of tax regulations applicable in the respective jurisdictions.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the period and quantified using the tax rates and laws enacted or substantively enacted on the balance sheet date. Deferred tax assets which arise on account of unabsorbed business losses and unabsorbed depreciation are recognised and carried forward only to the extent that management is virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date to reassess realisation.

2.15 Impairment of assets

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use determined based on the present value of estimated future cash flows. All impairment losses are recognised in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

2.16 Provisions, contingent liabilities and contingent assets

a) Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

i) the Company has a present obligation as a result of a past event,

ii) a probable outflow of resources is expected to settle the obligation and

iii) the amount of the obligation can be reliably estimated.

b) Reimbursement expected in respect of expenditure required to settle a liability is recognised only when it is virtually certain that the reimbursement will be received.

c) Contingent liability is disclosed in the case of

i) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation

ii) a present obligation when no reliable estimate is possible, and

iii) a possible obligation, arising from past events where the probability of outflow of resources is remote.

d) Contingent assets are neither recognised nor disclosed.

e) Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date and updated / recognised as appropriate.

Notes to the Consolidated Financial Statements 31st March 2012

3. Share Capital:	**As at 31.03.2012**	As at 31.03.2011
	₹ Crore	₹ Crore
a) Authorised Share Capital:		
25,00,00,000 Equity Shares of ₹ 2/- each (Previous Period 25,00,00,000 Equity Shares of ₹ 2/- each)	**50.00**	50.00
25,00,000 Redeemable Preference Shares of ₹ 100/- each (Previous Period 25,00,000 of ₹ 100/- each)	**25.00**	25.00
	75.00	75.00
b) Issued, Subscribed and Paid up:		
24,42,06,795 Equity Shares of ₹ 2/- each (Previous Period 24,42,06,795 Equity Shares of ₹ 2/- each) fully paid	**48.84**	48.84
	48.84	48.84

c) Shares in the Company held by each shareholder holding more than 5% shares

Name of the shareholder	**As at 31.03.2012**		As at 31.03.2011	
	Number of shares held in the Company	**Percentage of shares held (%)**	Number of shares held in the Company	Percentage of shares held (%)
DBH International Private Limited	**9,85,37,502**	**40.35**	9,24,04,833	37.84
Reliance Capital Trustee Company Limited	**1,48,15,042**	**6.07**	1,48,67,960	6.09
Bharat Starch Products Limited	**1,37,75,865**	**5.64**	1,37,75,865	5.64
Karun Carpets Private Limited	**1,36,57,899**	**5.59**	1,35,97,840	5.57

4. Reserves & Surplus :	**As at 31.03.2012**		As at 31.03.2011
	₹ Crore	**₹ Crore**	₹ Crore
Capital Reserve:			
As per last Balance Sheet		**1.34**	1.34
Securities Premium Account:			
As per last Balance Sheet		**34.59**	34.59
Capital Reserve on consolidation:			
As per last Balance Sheet		**0.14**	0.14
Revaluation Reserve:			
As per last Balance Sheet	**4.16**		4.21
Less: Transferred to Statement of Profit and Loss	**0.07**		0.05
		4.09	4.16
Statutory Reserve:			
As per last Balance Sheet	**3.37**		3.01
Add: Transferred from Surplus in Statement of Profit and Loss	**0.54**		0.36
		3.91	3.37
General Reserve:			
As per last Balance Sheet	**241.97**		216.97
Add: Transferred from Surplus in Statement of Profit and Loss	**25.04**		25.00
		267.01	241.97

Notes to the Consolidated Financial Statements 31st March 2012

	As at 31.03.2012		As at 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
Foreign Currency Translation Reserve:			
As per last Balance Sheet	**0.01**		0.03
Add: Addition / (Deduction) during the year / period	**(0.13)**		(0.02)
		(0.12)	0.01
Surplus in Statement of Profit and Loss			
As per last Balance Sheet	**170.31**		111.99
Profit for the period	**188.93**		126.32
Less: Appropriations			
Statutory Reserve	**0.54**		0.36
Interim Dividend	**48.84**		19.54
Proposed Final Dividend	**4.88**		17.09
Tax on Dividend	**8.72**		6.01
Transfer to General Reserve	**25.04**		25.00
		271.22	170.31
		582.18	455.89

5. Long-Term Borrowings:

Secured:		
Term Loans from :		
Bank	-	0.03
Unsecured:		
Interest-free Sales Tax Loan and Special Incentive Loan	**0.17**	0.36
	0.17	0.39

6. Deferred Tax Liabilities (Net):

Deferred Tax Liabilities		
Depreciation	**35.27**	31.17
Deferred Tax Assets		
Provision for Doubtful Debts	**2.28**	1.95
Provision for Leave Encashment	**2.24**	2.10
Others	**0.61**	0.72
	5.13	4.77
	30.14	26.40

7. Other Long-Term Liabilities:

Deposits received from Dealers	**3.15**	3.24
	3.15	3.24

8. Long-Term Provisions:

Leave Encashment	**6.15**	5.70
Gratuity	**4.47**	4.00
Warranty	**10.11**	15.08
	20.73	24.78

Disclosure as required by Accounting Standard (AS)-29 'Provisions, Contingent Liabilities and Contingent Assets'

Notes to the Consolidated Financial Statements 31st March 2012

	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
Movement of Provisions: Warranties		
Balance as at the beginning of the year / period	**15.08**	10.06
Additional provision made during the year / period	**3.40**	9.43
Amount used during the year / period	**8.37**	4.41
Balance as and at the end of the year / period	**10.11**	15.08

The Company gives warranties for its products undertaking to repair or replace the items that fail to perform satisfactorily during the warranty period. Provisions made at the year / period end represent the amount of expected cost of meeting such obligations of rectification / replacement. The timing of the outflows is expected to be within a period of eighteen months.

9. Short-Term Borrowings:

Secured:		
Cash Credit / Short Term Finance from Banks	**-**	2.29
Unsecured:		
Bank Overdrafts	**12.80**	10.68
Short Term Loan from Others (Representing Commercial Papers)	**20.00**	-
	32.80	12.97

10. Trade Payable:

Sundry Creditors:		
Due to Micro, Small & Medium Enterprises	**30.92**	29.64
Others	**165.29**	189.00
	196.21	218.64

11. Other Current Liabilities:

Current Maturities of Long Term Debts	**0.21**	2.85
Unpaid Dividends *	**1.56**	1.53
Unclaimed Matured Fixed Deposits *	**0.07**	0.08
Interest Accrued on Matured Fixed Deposits *	**0.01**	0.01
Advance from Customers	**13.74**	22.22
Employee Benefits Payable	**4.35**	3.00
Statutory Dues Including Provident Fund and Tax Deducted at Source	**16.98**	16.38
Capital Creditors	**10.53**	7.01
Others		
Provision for expenses	**32.43**	51.63
Forward Contract Liabilities etc	**1.04**	2.61
	80.92	107.32

* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund as at 31st March 2012 under section 205C of the Companies Act, 1956.

12. Short-Term Provisions :

Provision for Employee Benefits:		
Leave Encashment	**0.76**	0.77
Others - Provision for Bonus, Commission etc.	**5.35**	3.84
Other Provisions		
Provision for Tax	**62.25**	54.94
Provision for Proposed Dividend	**4.88**	17.09
Provision for Special Interim Dividend	**19.54**	-
Provision for Tax on Dividend	**3.96**	2.77
	96.74	79.41

13 Fixed Assets :

₹ Crore

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
		1st April 2011	Additions	Disposals	31st March 2012	1st April 2011	For the year	Disposals/ Adjustments	31st March 2012	31st March 2012	31st March 2011
TANGIBLE ASSETS											
Freehold Land		4.12	-	0.68	**3.44**	-	-	-	**-**	**3.44**	4.12
Leasehold Land		21.79	-	-	**21.79**	0.45	0.24	-	**0.69**	**21.10**	21.34
Freehold Building		83.53	27.83	2.84	**108.52**	15.90	3.10	1.31	**17.69**	**90.83**	67.63
Leasehold Building		0.29	-	-	**0.29**	0.28	-	-	**0.28**	**0.01**	0.01
Plant and Machinery		295.42	62.61	4.66	**353.37**	137.38	24.62	4.39	**157.61**	**195.76**	158.04
Office Equipments		3.61	1.56	1.43	**3.74**	2.48	0.58	1.37	**1.69**	**2.05**	1.13
Furniture and Fixtures		17.62	3.11	0.45	**20.28**	10.03	1.74	0.37	**11.40**	**8.88**	7.59
Vehicles		4.75	1.33	0.31	**5.77**	2.03	0.84	0.17	**2.70**	**3.07**	2.72
Total	**A**	**431.13**	**96.44**	**10.37**	**517.20**	**168.55**	**31.12**	**7.61**	**192.06**	**325.14**	-
31st March 2011		389.96	48.33	7.16	431.13	154.70	20.65	6.80	168.55	-	262.58
Capital work-in-progress										**16.78**	9.29
INTANGIBLE ASSETS											
Goodwill		14.51	0.01	-	**14.52**	6.12	8.10	-	**14.22**	**0.30**	8.39
Technical Know-how		4.97	-	-	**4.97**	4.73	0.01	-	**4.74**	**0.23**	0.24
Computer software		14.59	1.20	-	**15.79**	8.36	2.44	-	**10.80**	**4.99**	6.23
Total	**B**	**34.07**	**1.21**	**-**	**35.28**	**19.21**	**10.55**	**-**	**29.76**	**5.52**	-
31st March 2011		33.30	0.77	-	34.07	16.26	2.95	-	19.21	-	14.86
Intangible Asset Under Development										**3.56**	
TOTAL(A+B)	**C**	**465.20**	**97.65**	**10.37**	**552.48**	**187.76**	**41.67**	**7.61**	**221.82**	**351.00**	-
31st March 2011		423.26	49.10	7.16	465.20	170.96	23.60	6.80	187.76	-	286.73

NOTES :

(I) Net block of Freehold Land and Building includes ₹ 4.09 crore (Previous Period ₹ 4.16 crore) added on revaluation as on 31st May 1987

(II) Freehold Building includes ₹ 6.54 crore (Previous Period ₹ 6.54 crore) cost of ownership flats in Co-operative Housing Societies and cost of 26 shares (Previous Period 26 shares) of ₹ 50/- each.

(III) Translation gain of ₹ 0.15 crore (Previous Period ₹ 0.25 crore) arising on translation of value of Fixed assets of foreign non-integral operations has been adjusted in additions/adjustments.

Notes to the Consolidated Financial Statements 31st March 2012

	As at 31.03.2012		As at 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
14. Non-Current Investments: (Long Term)			
Trade Investments (unquoted) : (at Cost)			
Fully Paid Preference Shares (Unquoted)			
20,75,000 - 5% Non Cumulative Redeemable Preference Shares (Previous Period 20,75,000) of ₹ 100/- each of Premium Transmission Limited		**20.75**	20.75
13,33,034 - 3.5% Non Cumulative Redeemable Preference Shares (Previous Period 13,33,034) of ₹ 100/- each of Premium Transmission Limited (Redeemed During the year)		**-**	13.33
Other Investments (quoted) : (at Cost)			
Fully Paid Equity Shares		**0.01**	0.01
		20.76	34.09
Market Value of quoted investments		**0.02**	0.02
15. Long-Term Loans and Advances:			
Unsecured, considered good (unless otherwise stated):			
Capital Advances		**11.82**	14.02
Security Deposits		**5.81**	4.47
Advances recoverable in cash or in kind or for value to be received:			
Considered good		**3.91**	3.74
Considered doubtful	**3.19**		3.00
Less: Provision for doubtful advances	**3.19**		3.00
		-	-
		21.54	22.23
16. Other Non-Current Assets :			
Margin Money Deposit		**1.37**	1.37
		1.37	1.37
17. Current Investments:			
Mutual Funds (unquoted) : at cost or market value, whichever is less		**72.89**	19.11
		72.89	19.11
Aggregate amount of unquoted Investments		**72.89**	19.11
18. Inventories:			
Stores and Spares		**3.51**	3.67
Loose Tools		**3.75**	4.26
Raw & Packing Materials (Including In-Transit ₹ 1.16 crore, (Previous Period ₹ 0.32 crore)		**82.99**	114.00
Work-in-progress		**24.68**	21.69
Finished Goods		**49.25**	31.18
Traded Goods (Including In-Transit ₹ 1.12 crore, (Previous Period ₹ 13.04 crore)		**17.96**	22.25
		182.14	197.05

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Notes to the Consolidated Financial Statements 31st March 2012

		As at 31.03.2012		As at 31.03.2011
		₹ Crore	₹ Crore	₹ Crore
	Details of Inventory :			
	a) Details of Work In Progress:			
	Engines and Gensets, Spares		**12.34**	14.31
	Vibratory Compactors, Rollers, High Pressure Pumps, Transit Mixers and Spares		**12.27**	7.34
	Power Tillers		**0.07**	0.04
			24.68	**21.69**
	b) Goods Manufactured:			
	Engines and Gensets, Spares		**29.41**	23.60
	Vibratory Compactors, Rollers, High Pressure Pumps, Transit Mixers and Spares		**14.15**	2.87
	Power Tillers		**1.12**	0.44
	Others		**4.57**	4.27
			49.25	31.18
	c) Details of Traded Goods:			
	Power Tillers		**4.31**	1.70
	Motor Grader		**11.28**	18.61
	Lub Oil		**0.11**	0.14
	Others		**2.26**	1.80
			17.96	**22.25**
19.	**Trade Receivables (unsecured):**			
	Outstanding for a period exceeding six months from the date they became due		**5.61**	3.14
	Considered good			
	Considered doubtful	**4.55**		3.42
	Less: Provision for Doubtful Debts	**4.55**		3.42
			-	-
	Others		**251.09**	258.76
			256.70	261.90
20.	**Cash and Cash Equivalents:**			
	Cash on hand		**0.07**	0.10
	Cheques on hand		**23.10**	20.29
	Bank balance :			
	In Current Accounts		**23.63**	8.42
	In Fixed Deposit		**23.09**	30.89
	In Unpaid Dividend Accounts		**1.56**	1.53
			71.45	61.23
21.	**Short Term Loans and Advances: (Unsecured, Considered good):**			
	Loans and Advances to Related Parties		**20.00**	-
	Other Loans and Advances			
	Advance Income Tax {Net of Provisions of ₹ 179.55 crore (Previous Period ₹ 124.55 crore)}		**67.18**	56.47
	Prepaid Expenses		**1.19**	0.80
	Others		**12.95**	24.79
	Balances with Customs, Port Trust, Central Excise etc.		**12.22**	10.79
			113.54	92.85

Notes to the Consolidated Financial Statements 31st March 2012

	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
22. Other Current Assets:		
Unsecured, Considered Good:		
Interest Accrued on Deposits	**0.25**	0.40
Unamortised Expense:		
Unamortised Premium on Forward Contract	**0.24**	0.92
	0.49	1.32
23. Contingent Liabilities:		
a) Sales Tax liability that may arise in respect of matters in appeal	**6.41**	7.44
b) Excise Duty liability that may arise in respect of matters in appeal	**2.31**	2.21
c) Income Tax liability that may arise in respect of matters in appeal	**2.84**	2.84
d) Claims made against the group, not acknowledged as debts	**14.80**	13.98
e) Wage demand not acknowledged by the Company in respect of matter in appeal	**-**	3.37
f) Bonds executed in favour of Collector of Customs/Central Excise	**8.89**	8.88

Notes:
1) The Group does not expect any reimbursement in respect of the above contingent liabilities.
2) It is not practical to estimate the timing of cash outflows, if any, in respect of matters at (a) to (e) above, pending resolution of the appellate proceedings.

	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
24. Capital Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	**40.26**	37.21
25. Revenue from Operations:		
Sale of Products		
Finished Goods	**1,879.53**	1,317.57
Service Income	**1.07**	1.07
Traded Goods	**78.14**	77.29
Lease rentals (₹ 50,000/-, Previous Period ₹ 50,000/-)		
Other Operating Income		
Direct Sales Compensation	**0.43**	0.70
Royalty	**2.12**	1.33
Duty Drawback	**0.91**	0.37
	1,962.20	1,398.33
Details of Sales: (Finished Goods)		
Engines and Gensets, Spares	**1,701.82**	1,162.74
Vibratory Compactors, Rollers, High Pressure Pumps,Transit Mixers and Spares	**162.12**	151.59
Power Tillers	**15.59**	3.24
	1,879.53	1,317.57

Notes to the Consolidated Financial Statements 31st March 2012

	As at 31.03.2012 ₹ Crore	As at 31.03.2012 ₹ Crore	As at 31.03.2011 ₹ Crore
Details of Sales: (Traded Goods)			
Power Tillers		**47.59**	50.11
Motor Grader		**8.65**	17.53
Pneumatic Tyre Rollers		**-**	0.46
Lub Oil		**8.40**	8.43
Others		**13.50**	0.76
		78.14	77.29
26. Other Income:			
Dividends from Long -Term Investments		**1.48**	1.50
Dividend- Current Investments		**1.19**	0.06
Interest -Others		**0.34**	0.44
Profit on sale of Fixed Assets (net)		**0.55**	7.56
Profit on sale of Current Investments		**0.76**	1.83
Scrap Sales		**1.05**	0.83
Miscellaneous Income		**0.70**	1.08
		6.07	13.30
27. Cost of Materials Consumed:			
Raw & Packing Materials and Components Consumed :			
Opening Inventory	**114.00**		88.65
Add : Purchases	**1,192.32**		858.89
	1,306.32		947.54
Less : Closing Inventory	**82.99**		114.00
		1,223.33	833.54
28. Purchase of Stock-in-Trade:			
Power Tillers		**32.20**	23.34
Motor Grader		**-**	28.48
Pneumatic Tyre Rollers		**-**	0.33
Lub Oil		**(0.06)**	5.57
Others		**10.88**	2.33
		43.02	60.05
29. Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade:			
(Increase) / Decrease in Inventory			
Closing Inventory			
Finished Goods	**49.25**		31.18
Work-In-Progress	**24.68**		21.69
Traded Goods	**17.96**		22.25
	91.89		75.12
Opening Inventory			
Finished Goods	**31.18**		44.40
Work-In-Progress	**21.69**		17.19
Traded Goods	**22.25**		3.02
	75.12		64.61
		(16.77)	(10.51)

Notes to the Consolidated Financial Statements 31st March 2012

		Year Ended 31.03.2012 ₹ Crore	Nine Months Period Ended 31.03.2011 ₹ Crore
30.	**Employee Benefits Expense:**		
	Salaries, Wages and Bonus	**118.32**	75.80
	Contribution to Provident, Gratuity, Superannuation and other Funds	**13.73**	10.39
	Staff Welfare	**10.48**	6.43
		142.53	92.62

Disclosure as required by Accounting Standard (AS)-15 (Revised) 'Employee Benefits'

1. Defined Contribution Plans:

The amount recognised as an expense during the year ended 31st March 2012 towards Provident Fund (includes admin charges) ESIC contribution and Superannuation is ₹ 6.11 crore (Previous Period ₹ 4.30 crore) and ₹ 0.82 crore (Previous Period ₹ 0.53 crore) and ₹ 2.42 crore (Previous Period ₹ 1.45 crore) respectively.

2.Defined Benefit Plans:

A) Gratuity :

The Company has a defined benefit plan (the Gratuity Plan), managed by trusts.The Gratuity Plan provides for a lump sum payment to vested employees at retirement or termination of employment, whichever is earlier, based on the respective employee's last drawn salary and years of employment with the Company. The benefit vests after five years of continued service.

			Wholly Funded	Wholly Funded
a)	Amounts recognised in Balance Sheet:			
	i)	Present Value of Defined Benefits obligations	**27.81**	24.15
		Less: Fair value of Plan Assets	**23.48**	20.21
		Amount to be recognised as Liability or (Assets)	**4.33**	3.94
	ii)	Amounts reflected in the Balance Sheet		
		Liabilities	**4.33**	3.94
		Net Liabilities/(Assets)	**4.33**	3.94
b)	Amounts recognised in Statement of Profit and Loss			
	i)	Current Service Cost	**1.21**	0.77
	ii)	Past service cost	**1.64**	-
	iii)	Interest Cost	**1.89**	1.26
	iv)	Expected (Return) on Plan Assets	**(1.67)**	(1.15)
	v)	Actuarial losses/(gains)	**1.31**	3.17
	Total Expense		**4.38**	4.05
c)	Actual Return on Plan Assets		**1.99**	1.01

Notes to the Consolidated Financial Statements 31st March 2012

		Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
		₹ Crore	₹ Crore
		Wholly Funded	Wholly Funded
d)	The changes in the present value of Defined Benefits Obligations representing reconciliation of opening and closing balances thereof are as follows:		
	i) Opening balance of the present value of Defined Benefits Obligations	**24.15**	20.49
	ii) Add: Current Service Cost	**1.21**	0.77
	iii) Add: Past Service Cost	**1.64**	-
	iv) Add: Interest Cost	**1.89**	1.26
	v) Add: Actuarial (Gain)/Losses	**1.61**	3.07
	vi) (Less) : Benefits paid during the year / period	**(2.69)**	(1.44)
	vii) Closing balance of the present value of Defined Benefits Obligations	**27.81**	24.15
e)	Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:		
	i) Opening balance of the fair value of Plan Assets	**20.21**	19.19
	ii) Add: Expected Return on Plan Assets	**1.67**	1.15
	iii) Add: Actuarial Gain/(Losses)	**0.30**	(0.10)
	iv) Add: Contribution by the employer	**3.99**	1.41
	v) (Less) : Benefits paid during the year / period	**(2.69)**	(1.44)
	vi) Closing balance of Plan Assets	**23.48**	20.21
f)	The major categories of plan assets as a percentage of total plan assets are as follows:		
	i) Bank Deposits	**0.15%**	0.64%
	ii) Government Securities	**0.87%**	1.01%
	iii) Group Gratuity Scheme of Insurance Companies	**98.91%**	98.24%
	iv) Others	**0.07%**	0.11%
g)	Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
	i) Discount rate per annum	**8.60%**	8.30%
	ii) Expected rate of Return on Plan Assets	**8.50%**	8.00%
	iii) Expected salary increase per annum	**4%to 6%**	4% to 6%
	iv) Average past service of employees	**15 Years**	14 Years
	v) Mortality rate	**LIC (1994-96) Published table of Mortality rate**	LIC (1994-96) Published table of Mortality rate

B. Compensated Absences:

The obligation for compensated absences is recognised in the same manner as gratuity and net charge to the statement of profit and loss for the period is ₹ 0.45 crore (Previous Period ₹ 0.28 crore).

C. Retirement Pension Scheme :

For UK branch employees, based on actuarial valuation , the Company had recognised liability of ₹ 4.36 crore (equivalent GBP 5,92,000) in the year 2009-2010, towards present value of post retirement pension and the same is now funded appropriately.

Note:

The estimates of future increase in salary, considered in the actuarial valuation, have been derived based on expected inflation, seniority changes, promotion and other relevant factors such as demand in the employment market.

Notes to the Consolidated Financial Statements 31st March 2012

	Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore
	Wholly Funded	Wholly Funded
31. Finance Cost:		
Interest	**2.56**	0.64
Other Borrowing Cost	**1.18**	0.70
	3.74	1.34
32. Depreciation and Amortisation Expense:		
Depreciation on Tangible Assets	**31.12**	20.65
Amortisation on Intangible Assets (Including impairment of Goodwill ₹ 6.62 crores, Previous Period Nil)	**10.55**	2.95
	41.67	23.60

	Year Ended 31.03.2012		Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore	₹ Crore
33. Other Expenses:			
Stores and Spares Consumed		**11.35**	8.43
Excise Duty		**(1.77)**	(0.32)
Power, Fuel and Electricity		**18.56**	12.15
Repairs and Maintenance			
Building		**1.69**	1.44
Plant & Equipment		**5.53**	4.16
Others		**2.44**	1.40
Brokerage and Commission		**7.14**	5.12
Rent		**7.17**	4.20
Insurance		**1.21**	0.78
Bad Debts	**0.08**		1.65
Less:Provision for Doubtful Debts	**0.08**		1.65
		-	-
Provision for Doubtful Debts/Advances		**1.32**	0.73
Rates and Taxes		**1.12**	0.82
Advertising and Sales Promotion		**9.65**	4.64
Travelling		**11.92**	7.81
Carriage and Freight		**17.92**	13.47
Directors' Sitting Fees		**0.11**	0.08
Printing and Stationery		**1.30**	1.03
Postage,Telephone and Fax		**3.52**	2.47
Legal, Professional and Consultancy Charges		**12.34**	6.00
Miscellaneous Expenses		**47.97**	35.78
		160.49	110.19

Notes to the Consolidated Financial Statements 31st March 2012

	Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore
34. Exceptional Items:		
a) Profit on Sale of Land and Building	**77.77**	-
b) Devaluation of Inventories	**(20.30)**	-
	57.47	-

a) During the year, the Company sold land and building situated at Thoraipakkam, Tamil Nadu. Till 2008-09, the Company had its Farm Equipment Business's manufacturing facility situated there at. In 2008-09, the same was relocated to Gummidipoondi, Tamil Nadu.

b) During the year, the Company carried out an extensive exercise to identify obsolete inventory arising out of design, model and technological changes. This charge represents the consequent devaluation arising out of the said exercise.

35. The notes and significant policies to the CFS are intended to serve as a guide for better understanding of the Group's financial position and results of operations for the period. In this respect, the Company's management has disclosed such notes and policies, which represent the relevant disclosure. Reference in these notes to "the Company" shall mean Greaves Cotton Limited and the Company and its subsidiaries are referred to as "the Group".

36. a) The list of subsidiaries included in the consolidated financial statements are as under:

Name of the subsidiary	Country of incorporation	Proportion of ownership interest as at 31st March 2012
Greaves Leasing Finance Limited	India	100%
Dee Greaves Limited	India	100%
(wholly owned subsidiary of Greaves Leasing Finance Limited)		
Greaves Cotton Netherlands B.V.	Netherlands	100%
Greaves Farymann Diesel GmbH	Germany	100%
(wholly owned subsidiary of Greaves Cotton Netherlands B.V.)		
Greaves Auto Limited	India	100%
Ascot International (FZC)	UAE	100% *

(*10% held by Greaves Cotton Limited and 90% held by Greaves Cotton Netherlands B.V.)

b) Goodwill and Capital reserve on consolidation represent the difference between the net worth and the cost of acquisition of subsidiary. Amortisation of Goodwill arising on acquisition of subsidiary amounted to ₹ 7.83 crore (including impairment of ₹ 6.47 crores) (Previous Period ₹ 1.03 crore).

37. Foreign Currency Transactions :

I Details of Derivative Instruments & Unhedged Foreign Currency Exposures:

a) The year / period end foreign currency exposures that were not hedged by a derivative instrument or otherwise are given below:

i) Amount receivable in foreign currency on account of the following:

	Year Ended 31.03.2012		Nine Months Period Ended 31.03.2011	
	Fx	₹ Crore	Fx	₹ Crore
Export of goods and services	**$22,57,228**	**11.39**	$17,20,908	7.81
	€ 3,29,423	**2.23**	€ 2,42,773	1.50
ii) Amounts payable in foreign currency on account of the following:				
Import of goods and services	**$49,59,728**	**25.56**	$26,62,367	11.97

Notes to the Consolidated Financial Statements 31st March 2012

b) Derivative Instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy, approved by the Board of Directors, which provides principles on the use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

Outstanding Forward Exchange Contracts entered into by the Company as at year / period end.

Year Ended 31.03.2012			Nine Months Period Ended 31.03.2011		
No. of Contracts	Fx	₹ Crore Equivalent	No. of Contracts	Fx	₹ Crore Equivalent
1	**$94,047**	**0.48**	7	$32,18,324	14.99
3	**€ 2,95,200**	**2.00**	14	€ 16,95,313	10.61
2	**¥ 9,50,00,000**	**5.98**	7	¥ 48,89,73,369	28.15

II Exchange difference arising on Foreign currency transactions has been accounted under respective accounts:

	Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
	₹ Crore	₹ Crore
Revenue (Note No 25)	**0.93**	(0.26)
Consumption (Note No 27)	**3.44**	(0.75)
Others (Note No. 33)	**(3.35)**	(0.03)

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Notes to the Consolidated Financial Statements 31st March 2012

38. Segment Reporting

Disclosure as required by Accounting Standard (AS)-17 'Segment Reporting'

PRIMARY SEGMENTS (Business segments):

₹ Crore

	Engines		Infrastructure Equipment		Others		Total	
Particulars	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011	**Year Ended 31.03.2012**	Nine Months Period Ended 31.03.2011
Segment revenue (excluding excise duty)	**1,564.48**	1,073.20	**157.15**	156.39	**69.11**	50.97	**1,790.74**	1,280.56
Inter-segment revenue	**1.42**	-	**-**	-	**-**	-	**1.42**	-
Total revenue	**1,563.06**	1,073.20	**157.15**	156.39	**69.11**	50.97	**1,789.32**	1,280.56
Result:								
Segment Result	**278.05**	206.41	**(8.20)**	0.21	**9.44**	13.74	**279.29**	220.36
Add / Less : Unallocable								
Income /(Expenditure) (Net)							**(78.10)**	(35.94)
Operating Profit							**201.19**	184.42
Less: Interest expense							**(3.74)**	(1.34)
Profit before exceptional items							**197.45**	183.08
Exceptional items								
Profit on Sale of Land and Building							**77.77**	-
Devaluation of Inventories	**(13.80)**	-	**(6.50)**	-	**-**	-	**(20.30)**	-
Profit before Tax							**254.92**	183.08
Less: Provision for tax (Net)							**(62.25)**	(54.96)
Add: Deferred tax (charge)/credit							**(3.74)**	(1.80)
Profit / (Loss) after tax							**188.93**	126.32
Other Information:								
Segment assets	**639.51**	608.10	**143.14**	159.70	**26.64**	18.19	**809.29**	785.99
Unallocable corporate assets							**282.59**	191.89
Total assets							**1,091.88**	977.88
Segment liabilities	**258.74**	273.29	**27.78**	72.52	**22.54**	19.93	**309.06**	365.74
Unallocable corporate liabilities							**151.80**	107.41
Total liabilities							**460.86**	473.15
Capital expenditure	**97.44**	34.63	**6.65**	1.31	**0.02**	0.06		
Depreciation and amortisation	**26.48**	17.56	**1.99**	1.44	**0.03**	₹ 40,190/-		
Non-cash expenses other than depreciation and amortisation	**13.80**	-	**6.50**	-	**-**	-		

Notes to the Consolidated Financial Statements 31st March 2012

SECONDARY SEGMENTS (Geographical segments)

Particulars	Domestic		Overseas		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
External revenue by location of customers	**1,696.86**	1,219.81	**92.46**	59.05	**1,789.32**	1,280.56
Carrying amount of segment assets by location of assets	**784.05**	761.37	**25.24**	24.62	**809.29**	785.99
Cost incurred on acquisition of tangible and intangible fixed assets	**104.08**	35.93	**0.03**	0.07	**104.11**	36.00

Segment Identification, Reportable Segments and Segment Composition :

Segment Identification:

Business segments have been identified on the basis of the nature of products/services, the risk-return profile of individual divisions, the organisational structure and the internal reporting system of the Company.

Reportable Segments:

Reportable segments have been identified as per the quantitative criteria specified in Accounting Standard (AS)-17:'Segment Reporting'

Segment Composition:

1. Engines comprises of single and multi cylinder engines.
2. Infrastructure Equipment comprises of equipment used in road construction, bridges, dams, mining, etc.
3. Others includes Power Tillers and its spares & other products traded by International Business.

Primary / secondary segment reporting format:

1. The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.
2. In respect of secondary segment information, the Company has identified its geographical segments as (i) Domestic and (ii) Overseas.

The expenses and incomes which are not directly attributable to the business segments are shown as unallocable income/ expenditure. Unallocable assets mainly comprise of investments, cash and bank balances, advance tax and unallocable liabilities mainly include loan funds, tax provisions and provisions for employee retirement benefits.

39. Details of Related party transactions:

Disclosures as required by Accounting Standard (AS)-18 'Related Party Disclosures'

I Relationships with Related Party:

A) List of related parties : Associate Companies

Name of the Related Party	Relationship	Transaction during the year
Bharat Starch Products Limited	Associate Company	No
DBH Consulting Limited	Associate Company	No
DBH Global Holdings Limited	Associate Company	No
DBH Internatioinal Private Limited	Associate Company	Yes
DBH Investments Private Limited	Associate Company	No
DBH Stephan Limited	Associate Company	No
English Indian Clays Limited	Associate Company	Yes
Karun Carpets Private Limited	Associate Company	Yes
Pembril Industrial & Engineering Company Private Limited	Associate Company	No
Premium Stephan B.V., Netharlands	Associate Company	No
Premium Transmission Cooperatie UA	Associate Company	No
Premium Transmission Limited	Associate Company	Yes

Notes to the Consolidated Financial Statements 31st March 2012

B) Key Management Personnel :

Mr. Sunil Pahilajani - Managing Director and CEO from 5th November 2011.

Mr. Prabhakar Dev - Managing Director and CEO upto 4th November 2011.

C) Mr. Karan Thapar, Chairman

II. Disclosure of related party transactions

The following transactions were carried out with the related parties in the ordinary course of business: **₹ Crore**

Sl No.	Transactions	2011-12	2010-11
1	Purchase of goods		
	Premium Transmission Limited.	**0.06**	-
2	Sale of goods and contract revenue		
	Premium Transmission Limited.	**1.41**	0.60
3	Rendering of Services/ Reimbursement of expenses		
	DBH Consulting Limited	**-**	0.16
	DBH International Private Limited	**0.20**	₹ 40,800/-
	English Indian Clays Limited	**0.09**	-
	Karun Carpets Private Limited	**0.01**	-
	Premium Transmission Limited.	**1.12**	0.92
4	Commission and Sitting Fees		
	Mr. Karan Thapar	**1.51**	1.50
5	Deposits Given		
	Premium Transmission Limited	**20.00**	-
6	Dividend Received		
	Premium Transmission Limited	**1.48**	1.50
III	Amount Due to / from related parties		
1	Loans and advances		
	Premium Transmission Limited	**20.00**	-
2	Trade Receivables		
	Premium Transmission Limited	**0.85**	0.32
3	Trade Payables		
	Premium Transmission Limited	**0.08**	0.08

No amounts are written off / written back during the year.

IV Key Management Personnel (KMP):

Remuneration to Managing Director ₹ 2.96 crore (includes ₹ 2.00 crore paid to former Managing Director upto 4th November 2011) (Previous period ₹ 0.81 crore paid to former Managing Director).

Notes to the Consolidated Financial Statements 31st March 2012

40. Disclosure as required by Accounting Standard (AS) - 20 ' Earnings per share' (EPS)

Particulars		Year Ended 31.03.2012	Nine Months Period Ended 31.03.2011
Basic EPS			
Weighted average number of shares issued of ₹ 2/- each	(A)	**24,42,06,795**	24,42,06,795
Profit / (Loss) for the year / period after tax (₹)	(B)	**188.93**	126.32
Basic EPS (₹)	(B / A)	**7.74**	5.17
Diluted EPS			
Weighted average number of shares issued of ₹ 2/- each	(C)	**24,42,06,795**	24,42,06,795
Diluted EPS (₹)	(B / C)	**7.74**	5.17

41. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.

42. Figures for the corresponding period are for a period of nine months due to change in financial year end to 31st March during the previous period and hence are not comparable with the figures of the current year. Figures for the previous period have been regrouped / reclassified, wherever necessary.

As per our report of even date attached

For **Walker, Chandiok & Co**
Chartered Accountants

Khushroo B. Panthaky
Partner

Date: 11th May 2012
Mumbai

A. K. Sonthalia
Chief Financial Officer

K. K. Saraf
Executive Vice President & Company Secretary

For and on behalf of the Board

Karan Thapar
Chairman

S. D. Nayyar
Director

Sunil Pahilajani
Managing Director & CEO

Date: 11th May 2012
Mumbai

Notes

GREAVES
SINCE 1859

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