Rise to challenges

12th Annual Report 2010-11

One Systech

Mahindra Forgings

Mahindra
Rise.

Today is another perfect day, to defy the
world's naysayers.

Today, we will think bigger than our size.
Today, we will refuse to accept limitations.
Today, we will not be held back by the past.

Today, we will focus on the future —
and never, ever blink.

Today, we will break down another barrier.
Scoff at another convention.
And use alternative thinking.
To solve another previously unsolvable problem.

Today, we will accomplish something
astounding. And in the process,
change someone's life for the better.

Today, we will set an example for the world.

With boldness.
With confidence.
With relentless optimism.

GOOD MORNING.

TODAY IS ANOTHER PERFECT DAY...

TO *Rise.*

In January 2011, we launched a new brand positioning spanning all industries, companies, and geographies. The new brand positioning, expressed by the word "Rise", is amplified by a simple group core purpose: ***"We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives' of our stakeholders and communities across the world, to enable them to Rise."***

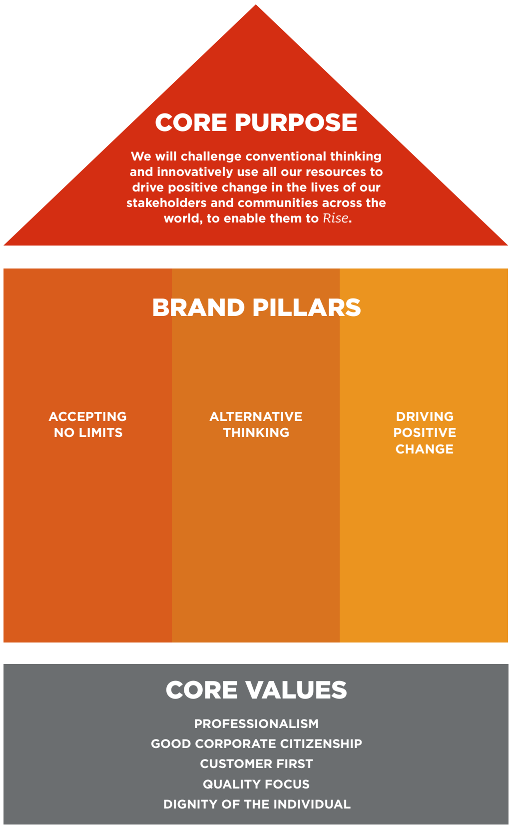
Rise captures a sense of optimism about the future and a determination to shape one's own destiny. It means that our products and services empower our customers to achieve their aspirations. From providing farmers in rural India with equipment and agri-services that help them raise farm productivity to building reliable pickups for businessmen, from creating IT solutions for some of the world's leading companies to pioneering green real estate in India, we enable our customers to achieve a better future.

Building a strong, universally relevant brand is a key driver of business success. Rise is expected to play a major role in our plans to build a strong global presence and market leadership to become a truly global multinational. Rise unifies the varied perceptions of brand Mahindra across our existing companies, from automotive to retail. It also provides a clear guiding principle for all Group companies to follow.

The idea of "Rise" arose from 18 months of in-depth conversations with employees and customers. It is an articulation of values the Group has always held. The idea of Rise rests on three brand pillars: ***accepting no limits, alternative thinking,*** and ***driving positive change.*** Accepting no limits means taking on big challenges - like building the Scorpio, our groundbreaking indigenous SUV, at a fraction of the cost of developing it abroad. Alternative thinking means fostering innovation and looking for creative solutions - like using solar power to bring electricity to rural India. Driving positive change means positively impacting all the lives we touch, from employees to customers to the communities we operate in - like offering loans to entrepreneurs in rural India.

In addition to guiding our product and service development, Rise has important implications for the internal working of the group. It is currently driving internal business transformation to help all of us to live our core purpose and enable the group to achieve its goal of becoming a leading global player. We are reevaluating processes from HR policies to brand and digital architecture to drive positive change in our employees' work experience, our business success, and our relationships with all our stakeholders.

In the coming years, we expect Rise to yield strong business results by creating strong relationships with customers and all stakeholders, providing a clear guide for business decisions across the Group, and catalyzing ambitious and innovative growth.



Mahindra Systech

Was created in 2004 to capitalise on the opportunities presented by the growth of the Indian automobile component industry as a result of increasing domestic vehicle production as well as growing emphasis on Low Cost Country (LCC) sourcing for Global Automotive OEMs.

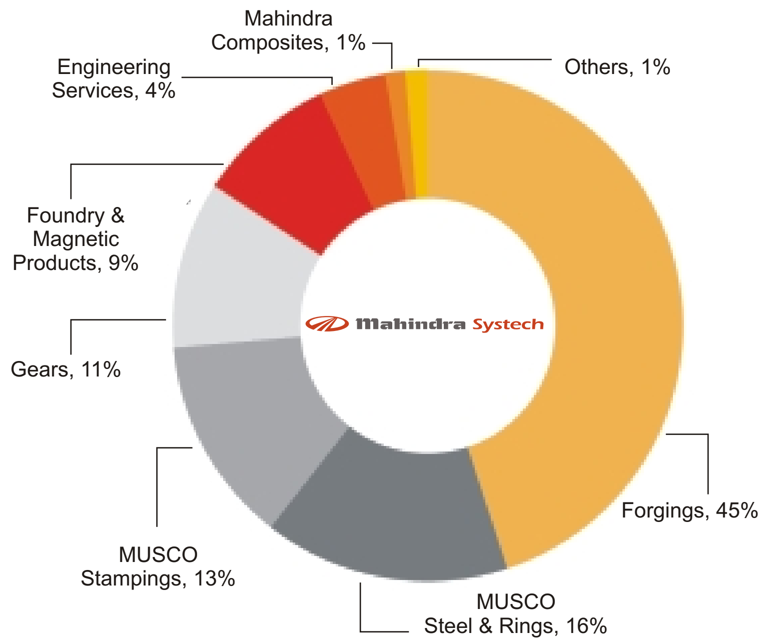
With the promise of creating an automotive supplier that could lead in "Systems and Technologies", Systech was formed by combining a few Mahindra group companies with a series of acquisitions in India and around the world.

As part of the Mahindra Group, Systech not only benefits from the automotive heritage of its parent and access to world-class resources, but also inherits Mahindra's principled approach to corporate governance and management processes.

Today, Systech offers a variety of components and services to the automotive and other ground-based mobility industries around the world. Our portfolio includes Castings, Forgings, Stampings, Gears, Rings, Magnetic products, Steel, Composites, Engineering and Contract Sourcing services. Our network of plants and offices around the world service customers located in North America, Europe and Asia.

With INR 4232 Crores (USD 929 M / EUR 701 M) in 2010-2011 Sales, we are one of India's largest automotive component groups and a global leader in automotive forgings.

As the world tackles the challenge of creating affordable yet cleaner mobility for a growing population, Systech businesses are working with customers to design parts and systems that are lighter yet stronger and developing new processes to optimise the use of available resources.



Products

MATERIALS	Alloy Steel, Composites
PRODUCTS	Forgings, Castings, Gears, Rings, Stampings, Magnetic Products, Composites
SERVICES	Engineering, Contract Sourcing

Vision

"To create the world's most valuable, innovative 'Art to Part' auto component entity that partners with its global customers to meet and surpass their business needs."

Our Brands

SCHÖNEWEISS & CO GmbH

Jeco

Falkenroth Umformtechnik

stokesforgings

MUSCO

GSA

MC Metalcastello

Engines Engineering

FACTS

15 Patents in FY11

21 Manufacturing Plants in India and Europe

6 countries of presence

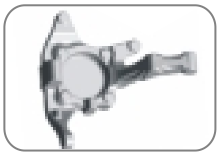
INR 4232 Cr sales

12000+ employees globally

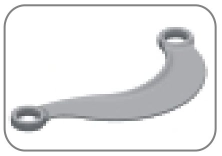
Products - India

- Crankshaft

- Stub Axles

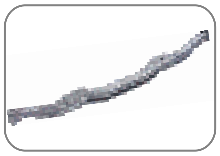


- Steering knuckles

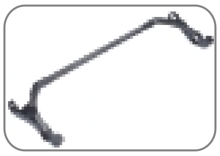


- Suspension / Chassis Parts

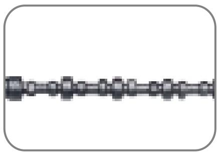
Products - Europe



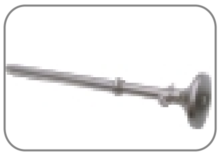
- Front Axle Beams



- Stabiliser Bars

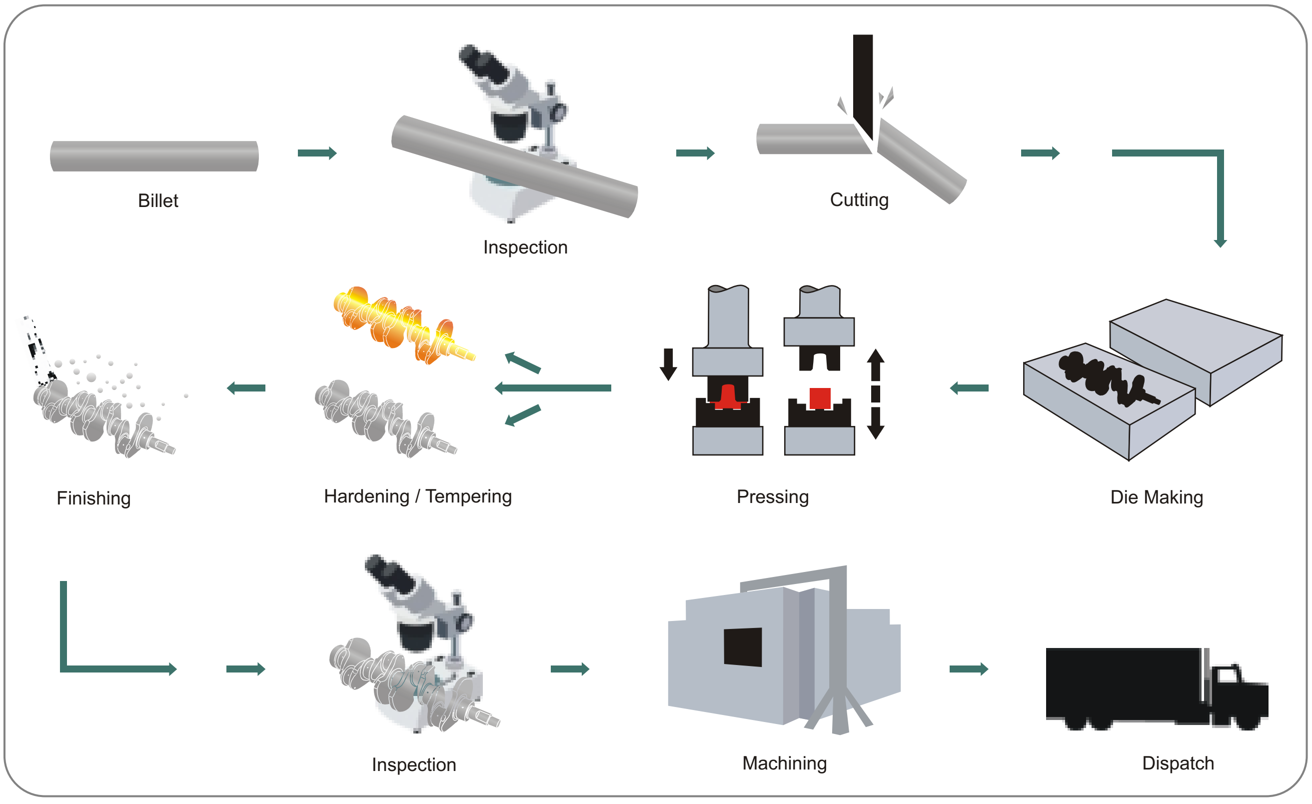


- Camshafts



- Valves

Processes



Board of Directors

Hemant Luthra	Chairman
Deepak Dheer	Managing Director
Zhooben Bhiwandiwala	
V. K. Chanana	
Mohit Burman	
Fali P. Mama	
Nikhilesh Panchal	
Harald Korte	
Oliver Scholz	
Daljit Mirchandani	
Piyush Mankad	

Ajay Mantry	Chief Financial Officer
Krishnan Shankar	Company Secretary & Head - Legal

Committees of the Board

Audit Committee

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

Remuneration / Compensation Committee

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

Share Transfer and Shareholder's / Investor's Grievance Committee

Daljit Mirchandani
V. K. Chanana
Fali P. Mama

Registered Office

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

Factory

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

Auditors

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

Registrar and Share Transfer Agents

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street 1
Banjara Hills, Hyderebad - 500 034.

Bankers

State Bank of India
Axis Bank Limited
HDFC Bank Limited

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DIRECTORS' REPORT TO THE SHAREHOLDERS

To The Members,

Mahindra Forgings Limited

Your Directors present the 12th Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31st March, 2011.

Financial Highlights

₹ in Lakhs

	2010-11	2009-10
Total Income	**35,844**	30,206
Profit before Interest, Depreciation, Exceptional Items and tax	**3,314**	4,757
Less : Depreciation	**2,210**	2,151
Profit/(Loss) before Interest, Exceptional Items and tax	**1,104**	2,606
Less : Interest and Finance cost	**1,422**	2,987
Profit/(Loss) before Exceptional Items and tax and prior period expenses	**(318)**	(382)
Less: Exceptional items	**-**	9,019
(Loss) before tax & before prior period expenses	**(318)**	(9,401)
Less: Prior period expenses	**-**	71
Profit /(Loss) before tax	**(318)**	(9,472)
Less : Provision for tax		
Current Tax	**-**	-
Deferred Tax	**-**	-
Fringe Benefit Tax(including prior period)	**-**	1
(Loss) for the year	**(318)**	(9,473)
Balance of Profit & Loss Account brought forward losses from earlier years	**(12,794)**	(3,321)
(Loss) carried to Balance Sheet	**(13,112)**	(12,794)

Financials

During the year under review, your Company registered a Total income of ₹35,844 Lakhs as against ₹30,206 Lakhs in the previous year and Profit before Interest, Depreciation, Exceptional Items and tax of ₹3,314 Lakhs as against ₹4,757 Lakhs in the previous year. The net Loss before Exceptional Items, Taxes and prior period expenses stood at ₹318 Lakhs. The Total Income of the Company has grown by 19 % over the previous year.

Operations

During the year under review, your Company focused on enhancing operational efficiencies - improving yields, lowering rejections and enhancing capacity utilisation and are implementing projects to reduce machine downtime and improve die management. In implementing some of the above projects, there was an initial increase in costs which was compounded by operational problems in heat treatment during Financial Year 2010-11. This has led to inconsistencies in operational performance reflected in quarterly margins for the Indian operations. In order to give a fillip to these efforts, the 'mentorship' program, which endeavours to improve the Indian operations to European operational standards, has been strengthened. Joint teams across India and Europe have been formed to improve specific operational areas in India under the guidance of the global Chief Technology Officer (CTO) based out of Europe.

Your Company's European operations have substantially optimised costs and considerable success has been achieved in reducing the breakeven.

Changes in Share Capital and Issue of Shares

Pursuant to exercise of options under the Company's Employees' Stock Option Scheme your Company has allotted 14,750 equity shares of face value of ₹10 each at an exercise price of ₹102 per equity share. The aforesaid exercise of option has resulted in the issued and subscribed equity share capital increasing from ₹87,85,50,360/- to ₹87,86,97,860/-.

As a result of the above the shareholding of Promoters stands at 50.67%.

Management Discussion and Analysis

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

Corporate Governance

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. Your Company has been following good Corporate Governance procedures. A report on Corporate Governance along with a Certificate from the

Auditors of the Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

Dividend

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

Stock Options

The Remuneration/Compensation Committee of your Company has granted 93,000 Stock Options to eligible employees of the Company during the year under review.

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

Industrial Relations

Industrial Relations generally remained cordial and harmonious throughout the year.

Safety, Health and Environment Performance

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

Health and Safety

The Safety Committee of the Company has members comprising representatives from workers and executives from various departments who meet periodically to review the situation. Safety training and reporting of accidents are reviewed to resolve the safety issues and various initiatives such as emergency mock drills and advanced fire protection system for improving the Safety Performance have been taken. The Company has been imparting training to employees besides carrying out safety audits of various facilities of the Company.

The Company has achieved significant reduction in accidents/ injuries by ensuring a safety culture throughout all levels of organization.

The Company continues its commitment to improve the well being of the employees and medical checkups are regularly conducted for its employees.

New Certification

Your Company's Plants have been certified with amended standard for ISO 14001:2004 & OHSAS 18001. Implementation of Occupational Health & Safety Management Standard has re-enforced the Company's commitment of Safety and Occupational Health to high levels. OHSAS 18001:2007 is the best existing safety practice which is implemented through the amended management system and your plants have been certified during the year 2010-11. Your Company has completed one year cycle of continual improvement in EHS Management certification and now consolidated its system robustness.

Environmental Initiatives

With a clear focus on the need for clean environment, the Company is now in the process of calculating carbon foot print and take adequate measures to mitigate the causes. Your Company is also reporting its performance on Sustainable Development as a part of Global Reporting Initiative (GRI).

Waste and Waste Water Management

The Company has taken various initiatives to dispose its waste in environmentally sound manner and to achieve waste reduction. The water conservation awareness programmes are planned through observing World Water Day. The Company is committed towards resource conservation through water management methods such as recycling or re-use of treated waste water for gardening etc.

The Company attaches greater importance to environment monitoring by implementing various initiatives such as effluent treatment, increased Green Zones thereby complying and going beyond applicable environment legislations and regulations in a phased manner.

Corporate Social Responsibility

As part of Corporate Social Responsibility (CSR) initiatives, the employees of your Company participated in upgrading the skills by involving them in education, environmental and health related programs. The Company had also organized Blood Donation drives and participated in Nanhi Kali activities of Mahindra Group. Your Company encourages its employees in participating in local community development schemes such as Health checkup camp, AIDS awareness and tree plantation etc. The Company is planning a sustainable tree plantation and nurturing programme under Mahindra Hariyali by involving employees and local stake holders in large numbers. The overall focus of CSR would continue to be in the areas of health, education, environment and improving employability of youth.

'Sustainability' Initiatives

Your Company embarked on the sustainability journey in November 2007 as a part of Mahindra Group's Sustainability Reporting, and over the last four years has laid a foundation for developing a sustainable enterprise. Conscious efforts have been made to understand the challenges of business growth from a multi dimensional perspective i.e. consider the impact of business on the environment, responsibility towards the communities in which we operate besides looking at economic progress. During the year the triple bottom line performance for 2009-10 was published as a part of the Mahindra Group's Sustainability Report, in accordance with the latest guidelines of the internationally accepted Global Reporting Initiative or the GRI standards and like the previous 2 reports, this report was externally assured by E&Y with an A+ rating and GRI checked.

In order to ensure that the progress on your triple bottom line performance is focused, various sustainability project were identified, planned & executed for reducing energy consumption, resource consumption and GHG emissions, and commitments for making business processes more conducive to sustainable development were taken.

During the year 2009-10, a Carbon foot-printing exercise was undertaken to inventorize GHG emissions from your business operations, under scope I, II & III emissions as per internationally accepted standards. This has enabled development of baseline data on emissions and undertake initiatives towards improving carbon intensive processes that offer reduction potential. This will be an ongoing exercise and reducing GHG intensity of our products on an ongoing basis.

Directors

Mr. Nikhilesh Panchal and Mr. Zhooben Bhiwandiwala retire by rotation and, being eligible, offer themselves, for re-appointment as Directors.

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

During the year under review, Mr. Anand G. Mahindra resigned as Chairman and Director of the Company and Mr. Hemant Luthra was appointed as the Chairman of the Company. The Board has placed on record its appreciation of the service rendered by Mr. Mahindra during his tenure as the Chairman and Director of the Company.

Directors' Responsibility Statement

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

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the loss of the Company for the year ended on that date;

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

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

Subsidiary Companies

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

The Consolidated Financial Statements of the Company and its subsidiaries prepared in accordance with Accounting Standard AS 21 forms a part of the Annual Report.

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

Auditors

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

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

Public Deposits and Loans/Advances

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

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement are furnished separately.

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

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

Particulars of Employees

As required under Section 217 (2A) of the Companies Act, 1956 and Rules thereunder a statement containing particulars of Company's employees who were employed throughout the financial year and who were in receipt of remuneration of not less than ₹ 60,00,000/- per annum during the year ended 31st March, 2011 or employee who were employed for a part of financial year and were in receipt of remuneration not less than ₹ 5,00,000/- per month during any part of the said year is given in Annexure III to this report.

Acknowledgement

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

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

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai, 20th May, 2011.

ANNEXURE I TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011

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

(a)	Options granted	18,75,000						
(b)	The pricing formula	1st Tranche	2nd Tranche		3rd Tranche	4th Tranche	5th Tranche	6th Tranche
		3,84,000 Options granted at a fixed price of ₹ 197/- per share.	3,91,000 Options granted at a fixed price of ₹ 83/- per share.	12,000 Options granted at a fixed price of ₹ 197/- per share.	2,50,000 Options granted at a Discount of 15% on the average price preceding the specified date – 9th May, 2008	2,45,000 Options granted at a Discount of 15% on the average price preceding the specified date – 29th July, 2008	5,00,000 Options granted at a Discount of 15% on the average price preceding the specified date – 26th August, 2008	93,000 Options granted at a Discount of 15% on the average price preceding the specified date – 12th May, 2010
		Average price – Average of the daily high and low of the prices for the Company's Equity Shares quoted on Bombay Stock Exchange Limited during the 15 days preceding the specified date.						
		Specified date - Date on which the Remuneration/Compensation Committee granted the Options.						
(c)	Options vested	4,82,080 options stand vested on 31st March, 2011						
(d)	Options exercised	60,750						
(e)	The total number of shares arising as a result of exercise of option	60,750 Equity Shares of ₹ 10/- each.						
(f)	Options lapsed	5,37,170						
(g)	Variation of terms of options	Nil						
(h)	Money realised by exercise of options	₹ 53,22,500/-						
(i)	Total number of options in force	12,77,080						
(j)	Employee-wise details of options granted to:							
	i) Senior managerial personnel	As per statement attached						
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None						
	iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None						
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of share on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings per Share'	₹ (0.36)						

(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company has adopted the intrinsic value method of accounting for determining compensation cost for its stock based on compensation plan. Had the Company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by ₹ 49.40 Lakhs , Profit after tax higher by ₹ 49.40 Lakhs, and the basic and diluted earning per share would have been higher by ₹ 0.06 .		
(m)	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Options Grant Date	Exercise Price (₹)	Fair Value (₹)
		12th May, 2010	97/-	60.41/-
(n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The fair value of Stock Options granted on 12th May, 2010 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows :		
	(i) risk-free interest rate,	6.75%		
	(ii) expected life	3.50 years		
	(iii) expected volatility	44.87%		
	(iv) expected dividends, and	Nil		
	(v) The price of the underlying share in market at the time of option grant.	₹ 107.95		

STATEMENT ATTACHED TO ANNEXURE I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011

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

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

ANNEXURE II TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011.

A. CONSERVATION OF ENERGY

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

Electrical Energy

1. Increasing usage of micro alloyed steel to save on energy cost required for heat treatment.
2. Unity Power Factor has been achieved leading to saving on energy cost.
3. Nitrogen purging installed on Induction Heaters on 3 press lines to reduce scaling & dropouts.
4. Detailed Electrical and Thermal Audit carried out.

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

1. Discussions with various customers to increase usage of control cool process.
2. Installation of special control cooled conveyor for Suzuki YE3 crankshaft.
3. Modification of Induction heaters.
4. Thermal combustion efficiencies of existing heat treatment furnaces are being improved. A new energy efficient heat treatment furnace has been planned.

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

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

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

A	Power & Fuel consumption	2010-11	2009-10
1	a. Electricity Purchased		
	Quantity (KWH in Lakhs)	**462.02**	421.99
	Total Amount (₹ in Lakhs)	**2,777.78**	2,268.21
	Average Rate Per Unit (₹)	**6.01**	5.38
	b. Own Generation		
	(i) Through diesel generator	**Nil**	Nil
	(ii) Through steam turbine/generator	**Nil**	Nil
2	Coal	**Nil**	Nil
3	Furnace Oil		
	Quantity (Lakhs of Kilo Litres)	**Nil**	10.00
	Total Amount (₹ in Lakhs)	**Nil**	1.95
	Average Rate per Kilo Litres (₹)	**Nil**	19,514.26

			2010-11	2009-10
4	**Light Diesel Oil**			
	Quantity (Kilo Litres)		**701.00**	658.70
	Total Amount (₹ in Lakhs)		**298.52**	246.06
	Average Rate per Kilo Litres (₹)		**42,584.62**	37,355.33
5	**Liquefied Petroleum Gas**			
	Quantity (Tons)		**1,224.98**	1,033.44
	Total Amount (₹ in Lakhs)		**557.16**	364.21
	Average Rate per Ton (₹)		**45,483.06**	35,242.34
B.	**Consumption per unit of Production**			
	Production (Tons)		**33,837**	32,234
	Fuel Used	**Units**		
	Electricity	KWH/Ton	**1,343.19**	1,330.07
	Furnace Oil	Lit/Ton	**Nil**	0.31
	Light Diesel Oil	Lit/Ton	**20.72**	20.43
	Liquefied Petroleum Gas	Kg/Ton	**36.20**	32.06

B. TECHNOLOGY ABSORPTION

Research & Development :

1. **Specific areas in which Research & Development is carried out :**
   - Installation of Hi-tech facilities for Die welding.
   - Standardisation of Die and tools.
   - Usage of different softwares.
   - Metal flow simulation and design optimization to improve yield.
2. **Benefits derived as a result of the above efforts :**
   - Enhancement of Die life and production of better quality Forgings.
   - Reduction of variables and inventory and interchangeability.
   - Reduce die designing time.
3. **Future plan of action :**
   - Training and adopting best practices from OEMs and our subsidiary companies abroad through integration.
   - Provide training and coaching in Lean manufacturing.
   - Automation of 6300 T Press.
   - Enhancement of tool making facility with high speed machine such as Makino.

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

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

Technology absorption, adaptation and innovation :

1. Efforts in brief made towards technology absorption, adaptation and innovation :

   Different Die holding systems to produce quality components with reduced set-up time.

2. Benefits derived as result of the above efforts:

   Leads towards reduced set-up time.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of financial year), following information may be furnished:

   (a) Technology imported – Nil

   (b) Year of import – NA

   (c) Has the technology been fully absorbed? – NA

   (d) If not fully absorbed, areas where this has not taken place, reasons therefore and further plans of action. – NA

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Lakhs)

	2010 – 11	2009 – 10
Total Foreign Exchange earned	**924.81**	659.46
Total Foreign Exchange used	**35.10**	158.39

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

ANNEXURE III TO DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2011

Name	Designation	Qualification	Date of Commencement of Employment	Age/ (Experience) in years	Remuneration (Subject to tax)	Last Employment held (Designation/ Organisation)
Mr. Deepak Dheer	Managing Director	B.Tech & PGDBM	1st September, 2008	59(37)	₹ 95.72 Lakhs	Executive Director/ Mahindra Ugine Steel Company Ltd.

Notes:

1. Nature of employment is contractual, subject to termination on one month's notice on either side.
2. The above employee is not related to any Director of the Company.
3. Gross remuneration received as shown in the statement includes salary, house rent allowance or value of perquisites for accommodation, car perquisite value/allowance, as applicable, employers' contribution to Provident Fund, Leave Travel facility, reimbursement of medical expenses, performance pay and all other allowances/perquisites and terminal benefits.
4. No employee holds by himself or alongwith his spouse and dependent children 2% or more of the equity shares of the Company.
5. Terms and conditions of employment are as per Company's rules.
6. There was no employee who was employed for a part of the year and received remuneration of not less than ₹ 5,00,000 p.m.

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai, 20th May, 2011

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

Loans and advances in nature of loans to subsidiaries:

(₹ in Lakhs)

Name of the Company	Balances as on 31st March, 2011	Maximum outstanding during the year
Mahindra Forgings International Limited, Mauritius	570.61	3012.84

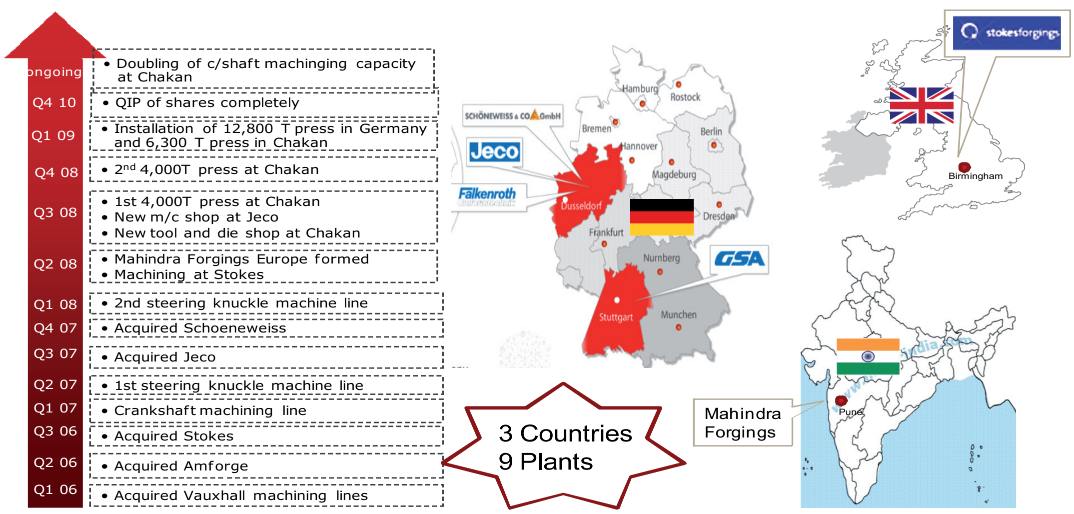
MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

Mahindra Forgings Limited ('Mahindra Forgings' or 'MFL' or 'the Company') is a global forging company with plants in Germany, UK and India. The Company has grown by a combination of organic and inorganic growth designed to achieve scale, technology and customer reach (Figure 1). Between all its plants, the Company is capable of producing most of the forging components in a car or a truck. The German operations are a **full range provider of forging parts** while being one of the **top axle beam manufacturers** in the world. The German operations are the largest and account for more than two thirds of the production of the Company's revenue. The Indian operations focus on design, development & machining of **crankshafts.**

Diversified & Complementary product portfolio across plants

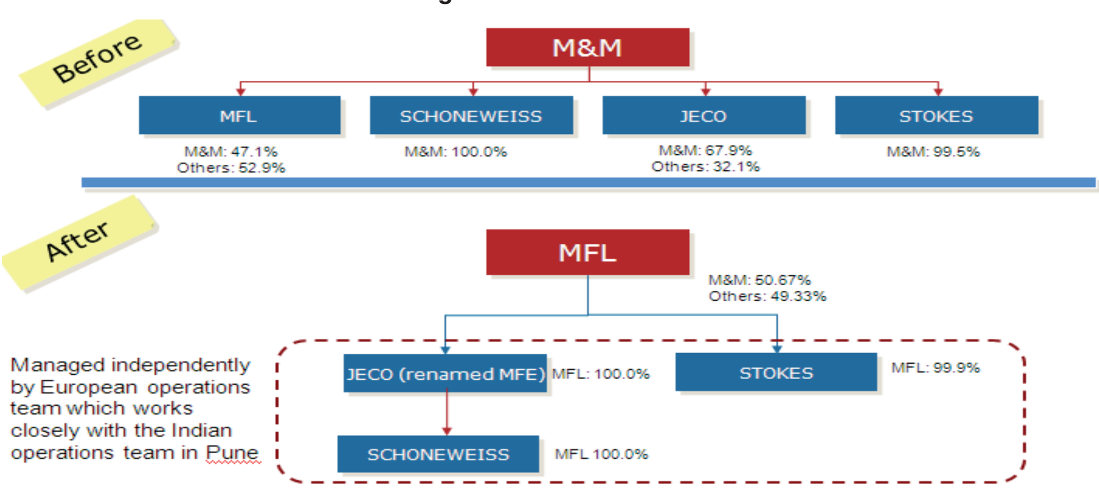
Figure 1: MFL - Overview



The Company has created a listed entity that aligns all shareholder interests and makes the structure friendlier to minority shareholders, allowing them to participate in a global business. The consolidated entity is well positioned to make decisions on efficient utilization of resources without any conflict of interests. The present MFL structure is shown in Figure 2 from which it can be observed that the Promoter shareholding stands at 50.67 %.

Integrated Management Structure

Figure 2: MFL - Structure



Note: Investments in JECO & Schöneweiss are held through investment companies in Mauritius

Leading player in Europe, Crankshaft Leader in India

A large part of the revenues of MFL, Europe ('MFE') comes from customers in the truck (CV) segment. MFL India is the largest manufacturer of crankshaft and stub axles for cars/MUVs and tractors in the Indian domestic market. The product portfolios of our Indian and European operations don't overlap and are complementary in nature.

In Europe, a significant portion of the product portfolio consists of value added products like complex and machined forgings. The Company is sufficiently de-risked through a **diversified customer base** with the top 5 customers accounting for <50% of the business. Some of the marquee names in the auto industry are its customers with Daimler AG being the largest.

In India, more than two thirds of the Company's revenue comes from the leading car, UV and tractor OEMs of the country. The Company has won the confidence of India's leading OEMs including M&M and its competition.

Industry Outlook & Structure: Optimism Ahead

The global economic downturn seems to be behind us with growth returning to all major economies of the world. The developed economies are recovering gradually but the emerging economies are accelerating ahead. The auto industry is also following a similar pattern - the triad markets of North America, Western Europe and Japan are expected to slowly recover back to pre-crisis levels in the next 3-5 years while the emerging markets like India and China are expected to experience double digit growth.

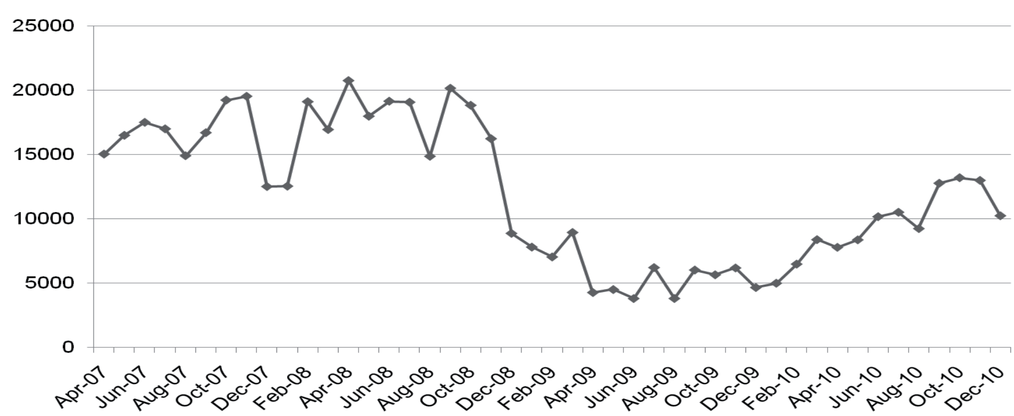
Europe

Europe is the largest producer of forgings in the world accounting for roughly a third of the world production. Germany accounts for roughly half of Europe's production. The auto industry is the prime driver of demand for forgings.

German CV market experiencing growth again

Production of heavy trucks (relevant segment for MFL Europe) recovered in FY11 to ~60-65% of the pre-crisis levels (Figure 3). Both exports and the domestic market contributed to the recovery of German heavy truck production. Exports accounted for ~60% of the 115,954 heavy trucks produced in Germany in the calendar year 2010 increasing by 68% over calendar year 2009. In contrast, new registrations grew at a slower rate of ~20% in 2010. Data on heavy truck production for Jan-Mar'11 is yet not available but figures of new registrations suggest that the growth trajectory will be maintained in calendar year 2011 - heavy truck registrations in the first three months of 2011 increased by ~57% over the corresponding period in 2010.

Figure 3: Truck Production (>6T) in Germany



German manufacturing a safe bet

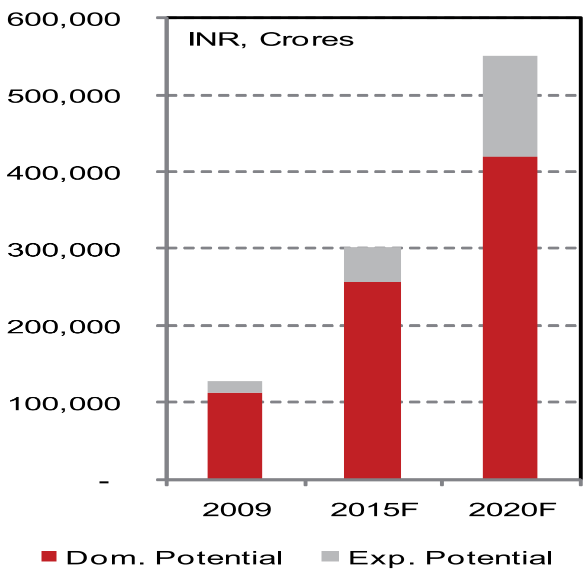
With several countries in the European Union facing fiscal crisis, questions are raised about the sustainability of German manufacturing revival. We are optimistic about the industrial economy in Germany which is the most competitive in the developed world and has a long history of sound technology and disciplined engineering.

In Europe, the increasing popularity of diesel-powered cars and four-wheel driven sport utility vehicles is increasing the demand for forgings, while that of lightweight vehicles with lower energy consumption is increasing the demand for lightweight components and non-ferrous forgings. Increasing demand for such components may also require development of different technological capabilities.

India

The growth trajectory in the Indian auto industry continued to follow an upward trend in FY11. Compared to FY10, passenger cars & UV production grew by 27%, LCVs by 29% and M/HCVs by 38%. This comes on top of similar growth rates seen last year. There was a slight decrease in growth rates in Q411 with q-o-q growth rates of cars & UVs being 27%, LCVs 17% and M/HCVs 15%. The hike in fuel prices announced recently is also expected to contribute to the slowing down of the growth rates. But all segments are still expected to grow further in FY12 by 10-15%.

Figure 4: Indian Component Industry



Source: ACMA - Ernst & Young Vision 2020 Report

Indian auto component industry to experience exponential growth

The growing domestic auto market is expected to spur the auto components industry in India to a period of intense growth. The Indian auto components industry is expected to grow from INR 130,000 cr (USD 28B) in 2009 to an estimated INR 550000 cr (USD 123B) in 2020 at a compounded annual growth rate (CAGR) of 14% (Figure 4). Exports, while remaining much smaller than domestic demand, are expected to accelerate at a CAGR of 22% in the same period.

As the Indian auto component industry grows, there is an increasing interest in sourcing components from India based suppliers. At the same time, the Company is aware that it will be able to exploit these opportunities only if it meets the exacting quality, cost and delivery standards of global OEMs.

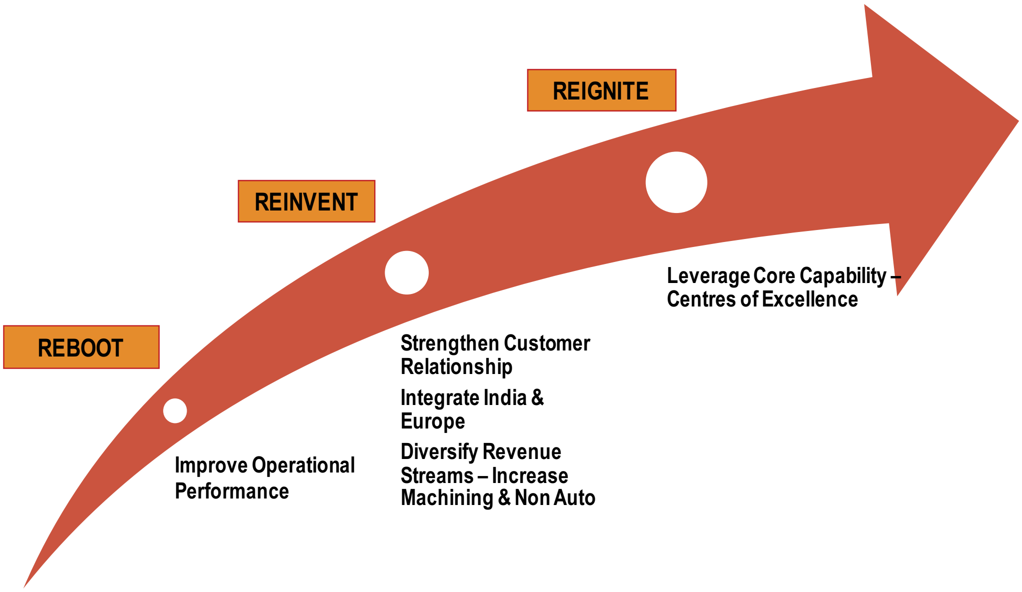
Value Proposition – ART to PART

Our Strategy

Our vision is to be one of the world's leading forging companies with an 'art to part', or design to delivery competence that leverages the strong engineering DNA of its parent Mahindra & Mahindra (M&M), benefits from the latter as an anchor customer while being free to offer products to M&M and its competitors. The key elements of our strategy remain unchanged to what we reported last year - "reboot" (reduce costs), "reinvent" (move up the value chain), and "reignite" (pursue growth) (Figure 5). The Company has made considerable progress towards implementation of the strategy.

Figure 5: Overview of Strategy

Our Strategy: REBOOT REINVENT REIGNITE



Short Term Focus: Europe – Fixed costs India – Operating Parameters

<u>"REBOOT" :</u> *Improve Operational Performance*

Our European operations have substantially optimised costs during the downturn through a series of measures reported in last year's annual report. These measures included a substantial reduction of manpower, closure of two plants – one in UK and the other in Germany and an optimisation of support functions like HR and Finance. EBITDA margins have increased very close to pre-crisis levels but the need to maintain constant vigilance on costs remains. In this regard, MFE carries out periodic evaluation of its product portfolio targeted at weeding out low margin parts as well as a monthly tracking of manpower numbers. The optimal utilisation of the land and assets of the plant - at Walsall, UK - closed last year is being planned.

At our Indian operations, the team has focused on enhancing operational efficiencies - improving yields, lowering rejections and enhancing capacity utilisation. These efforts have led to a partial success only with inconsistent quarterly results discussed in detail later. In order to give a fillip to these efforts, we have strengthened the 'mentorship' program which endeavours to improve the Indian operations to European operational standards. Joint teams across India and Europe have been formed to improve specific operational areas in India under the guidance of the global Chief Technology Officer (CTO) based out of Europe.

"REINVENT": *Move Up the Value Chain*

We intend to position ourselves as preferred product development partner with our customer's thereby increasing business with them. Our European operations have been doing so for several years and MFE continues to collaborate with key customers especially for new engine programs. Its research focuses on developing lighter weight forgings, experimenting with new microalloys and designing new welding and simulation processes required to meet the stringent emission and light-weighting norms being adopted by the European OEMs. MFE has obtained many patents in some of these areas. To bolster our product development, we are working closely with leading German engineering institutes and plan to access the engineering skills of Mahindra Engineering Services in India to reduce costs.

Medium Term Strategy: Move up the Value Chain

In India we are diversifying our revenue stream further by increasing the proportion of machined products in our product portfolio. In addition to the two machining lines which are in operation since September 2007, we are in the process of doubling our machining capacity in India. In the next few years, we also plan to install at least one large press in India to complement the one already in operation in Europe, thereby strengthening our competitive capability in heavy forgings. The undertaking of this project is subject to improvement in the overall financial performance of the Company.

The non-automotive industries are expected to experience increased demand and growth, especially In India. A significant portion of our European revenues already come from non automotive forgings. In India, we have significant revenues coming from the tractors market but we plan to increase our presence in other sectors like railways, power, oil & gas etc.

"REIGNITE": *Leverage our Core Capabilities*

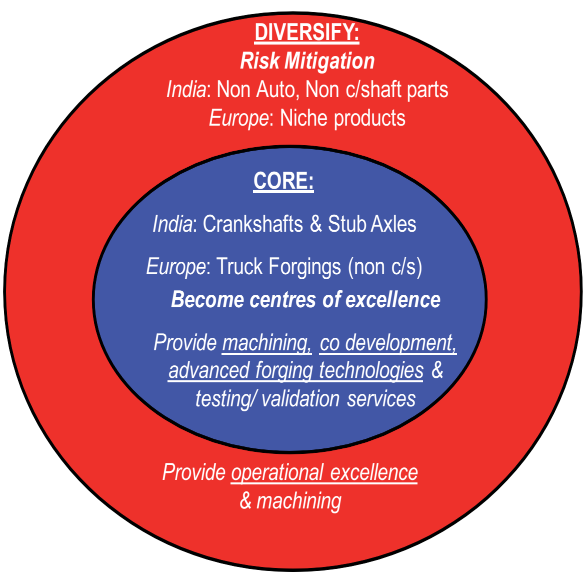
Our European operations have established leadership position in forged components for commercial vehicles. Our Indian operation is one of the domestic market leaders in crankshafts and steering knuckles. We intend to leverage and strengthen these core capabilities further to increase our businesses in these products. In these product areas we aim to provide the full range of services from machining to testing and validation. Co development and designing with customers will be our value proposition for these products.

Long Term Strategy: Be a centre of Excellence

To mitigate risks, we will diversify into auto forgings other than crankshafts & knuckles as well as non auto products and into niche forgings in Europe. In these non core product areas, operational excellence in terms of cost and quality will be our value proposition and not co-development as in the case of core products (Figure 6).

To summarise, the Company has adopted a strong and proactive strategy that is focused on exploiting the growth opportunity in India, consolidating profitability in Europe and exploiting synergies between India and Europe. Furthermore, MFL continually seeks synergies with other companies in the M&M Systech sector fold as well as M&M itself. Such an integrated approach gives your Company a unique edge in the market place.

Figure 6: Long Term Strategy



Centre for Excellence: Europe – Truck Forgings India - Crankshafts

Operations

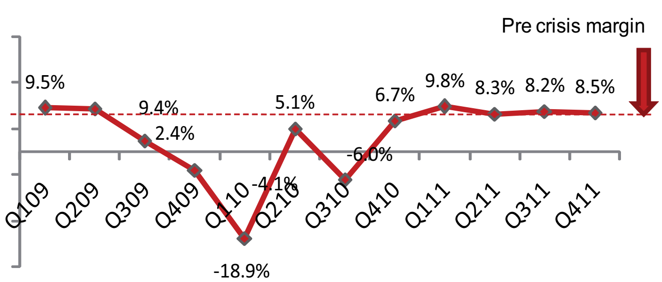
We have diverse and complementary manufacturing facilities at ten locations across three countries, with seven plants in Germany, two plants in the UK and one plant in India.

Europe

Our facilities include a range of press and hammer lines, hot extrusion presses, upsetters, rotary swaging and friction welding machines. We have presses ranging from 630MT to 12800MT, hammers ranging from 31.5 to 250KJ, extrusion machines ranging from 630 to 1000MT and horizontal upsetters ranging from 900 to 1600MT. The machine shop set up supports customer specific requirements and more than a third of the forged parts are supplied in machined conditions.

Europe Operations: Reduced Breakeven

Figure 7: Quarterly EBITDA Margins at MFE



The Company's plants in Europe operate at world class levels. The yield % (output to input ratio in terms of tons) at all our plants in Europe exceeded 75% while rejections are less than 3%. The key focus area has been to optimize costs and considerable success has been achieved in reducing the breakeven – pre-crisis EBITDA margins have been achieved at 60% of pre-crisis volumes (Figure 7). In fact, the margins in Q411 would have further improved but for the delay in price increase from key customers to offset the increase in input costs.

India

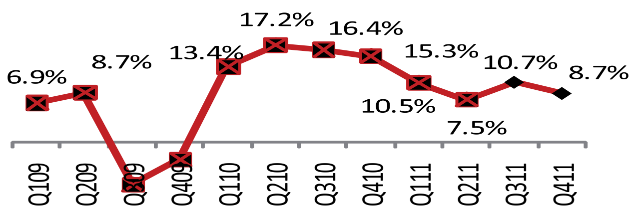
The Indian operations have presses ranging from 1000 to 6300MT which can forge parts in the weight range of 0.5 to 50kg. The wide range of forging presses helps us to provide complementary backup to our customers many of whom depend on us as a single source supplier. We have capability to provide crankshafts and steering knuckles in machined condition to our customers and are in the process of increasing our machining capacity.

The Indian operations continue on their journey to become world class. The die-shop consisting of CNC, EDM, hydraulic and electric discharge die shrinking capacities and the design centre equipped with CAD/CAM facilities have been developed over the years to improve operational capabilities.

The Indian operations aim to improve rejection levels, yield and productivity and are implementing projects to reduce machine downtime and improve die management. Die setup time is sought to be reduced by standardizing tooling, dies and packing plates, rationalizing components and redesigning dies and cassettes. Die welding technology has been introduced with help of our German colleagues. This will help in reducing die cost, increasing die life and improving die block machining. We also plan to increasingly use hard dies as against soft dies to increase die life and reduce rejections.

In implementing some of the above projects, there was an initial increase in costs which was compounded by operational problems in heat treatment during FY11. This has led to inconsistencies in operational performance reflected in quarterly margins for the Indian operations (Figure 8). These problems have been corrected.

Figure 8: Quarterly EBITDA AT MFL, INDIA



In order to have a more structured approach towards operational excellence, the Indian plant has adopted a program called the Mahindra Quality Way. It is being helped in its implementation by the Mahindra Institute of Quality which helps Mahindra Group companies achieve world class operational standards.

As reported last year, the Company has a strong focus on new product development. It developed new crankshafts and knuckles both for existing and new auto customers as well as components for the railway, defence and construction equipment industry. The Company won new product development awards from some of its key customers during the year.

Sales and Marketing

Most of our customers are OEMs or Tier 1 suppliers. We are setting up a business development structure that covers all Mahindra Systech companies and that will facilitate service to our key customers. Under this structure, key customers dealing with more than one Systech company will have a Systech-wide key account manager. This will enable Systech to take advantage of cross-selling opportunities and establish a stronger relationship with the customers. We also plan to harmonise the efforts of all Systech companies around web presence, collaterals, event planning etc. There are specific initiatives to enhance the capabilities and knowledge of business development associates within Systech. In this regard, a new program management process is being defined which seeks to integrate good project management practices with Advanced Product Quality Planning (APQP) requirements.

We believe that our sales and marketing capacity enables us to enhance our customer relationships by leveraging our global strengths in the areas of technology, cost and manufacturing capabilities.

Material Development in Human Resources / Industrial Relations

HR Challenge: Attract & Retain Talent

The Company faces a challenge to attract and retain talent especially in India where the growth in the overall economy is leading to a ‘war for talent’. In this scenario, the Company has evolved a strategy to leverage human capital for superior performance. This involves a multi-pronged approach as follows:

- **Train & Upskill:** The Company is developing a skill matrix and creating dexterity centres for ensuring continuous on the job training.
- **Enhance employee engagement:** Gallup conducts an employee engagement survey every two years. Action points to improve employee engagement have thus been identified – the key being the need for two way communication. MFL has a programme called “BINDAAS BOL” (Speak your mind”) aimed at encouraging all the employees to contribute their knowledge and experience in areas outside their own immediate duties by making suggestions for improvements.
- **Reward, Recognize & Retain:** The Company is strengthening its performance management systems. We also have implemented an employee stock option scheme for certain of our eligible employees as well as for certain designated employees of M&M.
- **Leadership Development:** Emerging leaders have been identified and they are continuously assessed against the leadership competencies defined by the Mahindra Group. This not only will help to plan individual career paths for promising individuals but also allow the company to periodically assess the leadership pipeline.

  The permanent employees of the Company as on 31st March, 2011 were 589.

Financial performance with respect to operational performance:

Figure 9 gives the standalone (MFL, India) & consolidated profit and loss account for Mahindra Forgings for 2009-10 (FY10) and 2010-11 (FY11).

Figure 9: MFL's abridged P&L Statement for 2010-11

(₹ in million)

Sr. No.	Particulars	Standalone		Consolidated	
		Financial Year Ended		Financial Year Ended	
		31.03.2011 (Audited)	31.03.2010 (Audited)	31.03.2011 (Audited)	31.03.2010 (Audited)
1	Gross Sales/Income from Operations	3,930.29	3,254.80	19,542.59	13,526.20
	Less: Excise Duty	363.60	251.99	363.60	251.99
	Net Sales / Income from Operations	**3,566.69**	**3,002.82**	**19,178.99**	**13,274.22**
2	Other Operating Income	5.82	9.01	78.61	7.13
3.	Total Income (1+2)	**3,572.51**	**3,011.83**	**19,257.60**	**13,281.34**
4.	Expenditure				
	a. (Increase) / decrease in stock in trade and work in progress	(43.15)	(97.52)	(351.60)	764.89
	b. Consumption of raw materials	2,089.41	1,697.09	9,198.38	5,625.95
	c. Purchase of traded goods	-	-	-	-
	d. Employee cost	250.76	219.80	4,243.30	3,629.39
	e. Depreciation	220.99	215.08	1,199.60	1,371.11
	f. Power & Fuel	365.63	290.42	1,340.45	1,065.14
	g. Other expenditure	590.32	431.97	3,063.02	2,283.84
	Total Expenditure	**3,473.96**	**2,756.84**	**18,693.13**	**14,740.31**
5.	Profit from Operations before Other Income, Interest and Exceptional Items (3-4)	98.55	255.00	564.47	(1,458.97)
6.	Other Income	11.87	5.52	50.11	70.20
7.	Profit before Interest and Exceptional Items (5+6)	**110.41**	**260.51**	**614.57**	**(1,388.77)**
8.	Interest	142.17	298.72	487.97	614.81
9.	Profit(+)/Loss(-) after Interest but before Exceptional Items (7-8)	**(31.76)**	**(38.21)**	**126.60**	**(2,003.58)**
10.	Exceptional items	-	908.96	80.41	45.69
11.	Profit before Depreciation, Interest and Exceptional Items and Tax (3)-(4)+(4e)	**319.54**	**470.08**	**1,764.06**	**(87.86)**
12.	Profit (+)/ Loss(-) from ordinary activities before tax (3+6)-(4+8+10)	**(31.76)**	**(947.17)**	**46.19**	**(2,349.26)**
13.	Tax expenses				
	- Current Tax	-	-	15.39	-
	- Deferred Tax	-	-	12.67	**(518.56)**
	- Prior period adjustments for Deferred Tax (Net)	-	-	(19.49)	14.17
	-Fringe Benefit Tax	-	0.18	-	-
14.	Profit (+)/ Loss(-) from ordinary activities after tax (12-13)	**(31.76)**	**(947.35)**	**37.62**	**(1,844.87)**
15.	Net Profit (+)/ Loss(-)	**(31.76)**	**(947.35)**	**37.62**	**(1,844.87)**
16.	Minority Interest	**-**	**-**	**-**	**-**
17.	Net Profit after Minority Interest	**(31.76)**	**(947.35)**	**37.62**	**(1,844.87)**

On a standalone basis, the total income of the Company increased by 19% while profits before interest, depreciation, exceptional items & tax (EBITDA) decreased to 9%. This was on account of the operational issues described earlier in the report.

But on a consolidated basis, the total income of the Company increased by 45% in FY11. The EBITDA% on a consolidated basis was at 9%, a big positive swing from negative EBITDA in the previous year mainly on account of sharp economic recovery in Europe and sustained cost reduction measures in European plants.

Information for our Indian and overseas operations are summarized in Figure 10. Revenue generated in India increased by 19% in FY11 while revenue generated overseas increased by 45%.

Figure 10: Segment wise results

(₹ in million)

Sr. No	Particulars	Year Ended	
		31.03. 2011 (Audited)	31.03 2010 (Audited)
1	**Segment Revenue**		
	a) Indian	3,584.37	3020.63
	b) Overseas	15,723.33	10572.82
	Total	19,307.70	13,593.45
	Less: Inter Segment Revenue	-	-
	Net Sales / Income from Operations	**19,307.70**	**13,593.45**
2	**Segment Profit/(Loss) before tax and interest from**		
	a) Indian	110.41	(352.85)
	b) Overseas	423.75	(1391.68)
	Total	**534.16**	**(1744.53)**
	Less:		
	(i) Un-allocable expenditure	487.97	606.13
	(i) Un-allocable income	-	(1.40)
	Total Profit Before Tax	**46.19**	**(2349.26)**
3	**Capital Employed**		
	(Segment Assets- Segment Liabilities)		
	a) Indian	2,682.67	2,508.24
	b) Overseas	11,626.48	11,215.84
	Total	**14,309.15**	**13,724.08**
Note: Indian and Overseas comprise sales of Forgings in India and Overseas respectively.			

Internal Control Systems and their Adequacy

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

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

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

Opportunities and Threats :

Mahindra Forgings has established firm and persistent relationships with leading Indian passenger's car manufacturers, and is the single source supplier for some of them. The Company enjoys largest market share for passenger crankshafts in India. The increased exposure and global brand presence, it is expected to open up opportunities to provide cost effective forging solutions in the domestic as well as international market.

While focusing on developing these opportunities, we are conscious of the threats facing the Company. First, is a threat on overdependence on a particular customer, product group or geography. Consequently, we are consciously working on de-risked business model that stresses on diversification. With regard to our dealings with Mahindra & Mahindra we expect this dependence to reduce even less than the current level of 20% of total sales in the coming years. Mahindra Forgings is also focusing on the non auto sector – Earth Moving Equipments, Railway, Oil and Gas Industry etc.

Mahindra Forgings has been stressing on enhancing on customer care, meeting deliveries schedules, continuous commitment to quality and constant endeavour to reducing cost in order to meet the competition.

Risks and Concerns

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

Economic Risks

Impact of fiscal crisis in some European countries: The auto market in Europe has been improving continuously but this recovery could be spiked by the fiscal crisis looming over a few countries of the European Union.

Increased growth in European auto market: Our European operations have budgeted a 8-10% in demand from its customers. If the rate of growth is higher than anticipated, we may need to add manpower or use overtime to meet customer demands. This will add to costs in Europe.

Dependence on automotive industry: Majority of the consolidated revenues comes from the automotive market and the Company is exposed to the risk of an economic slowdown in the automotive industry. To mitigate the risk, we are focusing on the non auto sector - Railway, Oil and gas Industry, Aerospace, Defence, Marine etc. and other avenues.

Technological changes: The move towards stricter emission norms is expected to lead to lighter weight auto components, smaller engines and greater usage of Aluminium and Plastics. The Company is conscious of this fact and many of our innovations are focused around lighter weight components and newer materials.

Risks: Speed of recovery in Europe, Technological changes, Euro fluctuation

Operating Risks

Delay in price increase from customers: Both our Indian and European operations are facing increasing input prices especially for steel and power. Normally, these costs are a pass through but any delay in price increase may temporarily depress margins.

Unscheduled maintenance required for equipment: The Company in the past had instances of losses being incurred due to breakdown of its presses or due to unscheduled maintenance requirement for key equipment. A detailed preventive maintenance plan has been drawn up both in India and Europe to mitigate this possibility.

Delay in completing project to increase machining capacity in India: The aggressive timeline and project plan implementation is being monitored closely.

Financial Risks

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

Exposure to foreign exchange fluctuations: The Company actively monitors its Foreign Exchange exposure and forward covers are used to manage any exposures where considered appropriate in consultation with the holding Company i.e. M & M.

Synergies with Parent

Synergies within Mahindra Systech

We are part of the Mahindra Systech sector in the Mahindra group, which aims to leverage the global competitiveness of Indian companies in the automobile component market. Companies within Mahindra Systech are present across three groups: (a) components – forgings, castings, stampings, ferrites, composites and gear manufacturing (b) alloy steel and rings manufacturing (c) services - engineering and design services and contract sourcing. We believe that we derive significant advantages of synergies and cross selling because of presence of the Mahindra group in these businesses. We are able to provide a basket of products and services to our customers, which we believe gives us an edge over our competitors. Systech also regularly explores synergies in areas of procurement, sourcing and product development. For example, Mahindra Engineering Services deputes its engineers to assist us in the product development process. There is a regular exchange of best practices across Systech companies in areas like Finance, HR and Administration.

Relationship with Mahindra Group

Mahindra group is one of the leading industrial houses in India. It is a widely recognised brand name in India and has operations in the several key sectors of the Indian economy. M&M, our parent company and the flagship company of the Mahindra group is one of the leading automotive manufacturers in India. M&M is an anchor customer but there is an arms-length relationship between M&M and the Systech companies. We believe that our association with the Mahindra group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We also believe that our association with the Mahindra Group aids us in winning new businesses and obtaining financial assistance.

Synergies
=
"One Systech"

Our Endeavour – Help our stakeholders 'RISE'

In January 2011, the Mahindra Group launched a new brand identity spanning all industries, companies, and geographies. The new brand positioning, expressed by the word "Rise", expresses a simple group core purpose: **"We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives' of our stakeholders and communities across the world, to enable them to Rise."** The idea of Rise rests on three brand pillars: **accepting no limits, alternative thinking, and driving positive change**.

Mahindra Forgings is using the idea of 'RISE' to invigorate its employees and achieve its long term goals. The Company aims to improve its returns on capital employed to higher than its cost of capital within three years – this goal is challenging in the least but 'RISE' teaches us **'not to accept limits'** . Through **'alternative thinking',** we aim to develop new forging materials and processes that will help our customers meet future emission and light-weighting requirements. The mentorship program aimed to bring European standards to our Indian operations through joint Indo-European teams is our attempt to **'drive positive change'**.

In the coming years, we expect Rise to yield strong business results by creating strong relationships and loyalty with customers, providing a clear guide for business decisions across the Group, and catalysing ambitious and innovative internal growth.

Looking Ahead

As we begin FY12, we are buoyed by the turnaround in our European operations and challenged by inconsistency in our Indian plant. We will continue the good work in Europe and ensure that we improve upon the profitability that we have already achieved. In India, we aim to correct our problems so that we can utilize the explosive growth the Indian auto industry is experiencing.

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

Cautionary Statement

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

CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders Information, reports the Company's compliance with the Clause 49 during the year ended 31st March, 2011.

BOARD OF DIRECTORS

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

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

Mr. Deepak Dheer, Managing Director of the Company is a Wholetime Director of the Company. Mr. Hemant Luthra, Chairman of the Company and Mr. Zhooben Bhiwandiwala, Non-Executive Director of the Company, are in whole time employment of the Holding Company, Mahindra & Mahindra Limited (M&M) and draw remuneration from it. Mr. Harald Korte and Mr. Oliver Scholz are Non-Independent Non-Executive Directors.

The remaining six Non-Executive Directors are Independent Directors and professionals, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as Independent Directors.

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

Messrs. Khaitan & Co., Advocates & Solicitors, in which Mr. Nikhilesh Panchal, Non-Executive Director is a partner, received professional fees of ₹ 7.35 Lakhs.

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

COMPOSITION OF THE BOARD

Currently, the Company's Board comprises of eleven Directors including the Managing Director. The Chairman is a Non-Executive Director and is a professional Director in his individual capacity.

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

Table 1: Composition of the Board of Directors

Directors	Category	Total number of Committee memberships + of public companies as on 31st March, 2011	Total number of Chairmanships of Committees + of public companies as on 31st March, 2011	Total number of Directorships* of public companies as on 31st March, 2011
NON – EXECUTIVE				
Mr. Anand G. Mahindra #	Non - Independent	1	Nil	10
Mr. Hemant Luthra	Non-Independent	2	Nil	7
Mr. Zhooben Bhiwandiwala	Non-Independent	6	1	10
Mr. Mohit Burman	Independent	3	Nil	9
Mr. V. K. Chanana	Independent	2	1	3
Mr. Nikhilesh Panchal	Independent	2	Nil	2
Mr. Fali P. Mama	Independent	4	1	2
Mr. Daljit Mirchandani	Independent	3	1	2
Mr. Piyush Mankad	Independent	10	2	13
Mr. Harald Korte	Non- Independent	Nil	Nil	1
Mr. Oliver Scholz	Non- Independent	Nil	Nil	1
EXECUTIVE				
Mr. Deepak Dheer	Managing Director	Nil	Nil	1

Resigned as Chairman and also Director of the Company with effect from 22nd July, 2010.

* Excludes Directorships in private limited companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956, government bodies and alternate Directorships but includes Additional Directorship and Directorships in Mahindra Forgings Limited.

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

BOARD PROCEDURE

A detailed Agenda folder is sent to each Director in advance of Board and Committee Meetings. To enable the Board to discharge its responsibilities effectively, the Managing Director apprises the Board at every meeting of the overall performance of the Company, followed by presentations by other senior executives of the Company. The Board also inter alia reviews strategy and business plans, annual operating and capital expenditure budgets, investment and exposure limits, compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, review of major legal issues, minutes of the Board Meetings of your Company's unlisted subsidiary companies, significant transactions and arrangements entered into by the unlisted subsidiary companies, adoption of quarterly/half-yearly/annual results, significant labour issues, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, corporate restructuring, Minutes of Meetings of the Audit and other Committees of the Board and information on recruitment of officers just below the Board level, including the Company Secretary and Compliance Officer.

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

The Board of Directors met five times during the year on the following dates – 12th May, 2010, 22nd July, 2010, 21st October, 2010, 21st January, 2011 and 10th March, 2011. The gap between two meetings was not more than four months.

The Eleventh Annual General Meeting (AGM) was held on 22nd July, 2010.

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

Table 2: Number of Meetings and Attendance

Directors	No. of Board Meetings Attended	Attendance at the AGM
Mr. Anand Mahindra *	1	N.A.
Mr. Hemant Luthra	5	Yes
Mr. Zhooben Bhiwandiwala	4	Yes
Mr. Mohit Burman	4	Yes
Mr. V. K. Chanana	5	Yes
Mr. Nikhilesh Panchal	3	No
Mr. Fali P. Mama	5	Yes
Mr. Harald Korte	3	Yes
Mr. Oliver Scholz	Nil	No
Mr. Piyush Mankad	3	No
Mr Daljit Mirchandani	5	Yes
Mr. Deepak Dheer	5	Yes

* Resigned as Chairman & also as Director of the Company w.e.f. 22nd July, 2010.

DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

Mr. Nikhilesh Panchal and Mr Zhooben Bhiwandiwala retire by rotation and, being eligible, have offered themselves for re-appointment.

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

A brief resume of these Directors is presented below:

(1) Mr. Nikhilesh Panchal

Mr. Nikhilesh Panchal has Master's Degree in Law and is a Solicitor and Advocate by profession. He is a partner of Messrs Khaitan & Co., Advocates & Solicitors. He has been practicing as a Solicitor and Advocate in India for over 15 years. Mr. Panchal has vast legal experience with particular emphasis on corporate and commercial law, and legislation related to securities.

Mr. Panchal is on the Board of Bhalak Realtors Private Limited, Mahindra Ugine Steel Company Limited and Mahindra Forgings Limited.

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

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee	Member
2.	Mahindra Forgings Limited	Remuneration/Compensation Committee	Member

Mr. Nikhilesh Panchal does not hold any shares in the Company.

(2) Mr. Zhooben Bhiwandiwala

Mr. Zhooben Bhiwandiwala is a Chartered Accountant by qualification, has over 25 years of experience in the areas of finance, legal, HR, marketing, strategy and other commercial functions. He is also a Sr. Vice President – Corporate Affairs in Mahindra & Mahindra Limited. He was the CFO of Bristlecone Inc. in the US, prior to which he was based in London representing Mahindra Intertrade Limited. He has spent around 7 years on deputation to international assignments in UK and US and has been intimately involved in several of the international start-ups, acquisitions.

Mr. Bhiwandiwala is on the Board of The Indian & Eastern Company Private Limited, Albertville Exports Private Limited, Mahindra Intertrade Limited, Mahindra MiddleEast Electrical Steel Service Centre FZC, Mahindra Overseas Investment (Mauritius) Limited, Mahindra Europe Srl., Stokes Group Limited, Mahindra Engineering & Chemical Products Limited, Mahindra Retail Private Limited, Mahindra Gears & Transmissions Private Limited, Mahindra Casting Limited, Mahindra Two Wheelers Limited, Retail Initiative Holdings Limited, Mahindra Logistics Limited, Mahindra Electrical Steel Limited, Mumbai Mantra Media Limited, Mahindra Steel Service Centre Limited, Mahindra Ocean Blue Marine Private Limited, Mahindra Forgings Europe AG, Metalcastello s.p.a, Mumbai Mantra Media Mauritius, Mahindra Emirates Vehicle Armouring FZ-LLC, The East India Company Group Limited, BVI, Mahindra Finance USA LLC and Mahindra Forgings Limited.

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

Sr. No.	Name of the Company	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee	Member
2.	Mahindra Intertrade Limited	Audit Committee	Member
3.	Mahindra Engineering & Chemical Products Limited	Audit Committee	Member
4.	Mahindra Casting Limited	Audit Committee	Member
5.	Mahindra Two Wheelers Limited	Remuneration Committee	Member
		Audit Committee	Chairman
6.	Mahindra Logistics Limited	Remuneration Committee	Member
7.	Mahindra Steel Service Centre Limited	Audit Committee	Member

Mr. Zhooben Bhiwandiwala is holding 1507 Equity Shares of ₹ 10/- each in the Company.

CODES OF CONDUCT

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

CEO/CFO CERTIFICATION

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2011.

REMUNERATION TO DIRECTORS

REMUNERATION/COMPENSATION POLICY

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

REMUNERATION/COMPENSATION PAID TO DIRECTORS

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

Table 3: Details of remuneration paid/payable to the Directors including Managing Director for 2010-11

Name of the Director	Sitting Fees (₹)	Salary and Perquisites (₹)	Contribution to Provident and Other Funds* (₹)	Performance Linked Incentive (₹)	Total (₹)	No. of Options granted in October, 2007@	No. of Options granted in February, 2008@@	No. of Options granted in August, 2008@@@	No. of Ordinary (Equity) Shares held as on 31st March, 2011
Mr. Anand G. Mahindra $	NA	NA	NA	NA	NA	NA	NA	NA	NIL
Mr. Hemant Luthra	20,000	NA	NA	NA	20,000	NIL	2,00,000	NIL	#1,000
Mr. Zhooben Bhiwandiwala	17,500	NA	NA	NA	17,500	8,000	2,000	10,000	1,507
Mr. Mohit Burman	22,500	NA	NA	NA	22,500	8,000	2,000	10,000	16,011
Mr. V. K. Chanana	35,000	NA	NA	NA	35,000	8,000	2,000	10,000	NIL
Mr. Nikhilesh Panchal	15,000	NA	NA	NA	15,000	8,000	2,000	10,000	NIL
Mr. Fali P. Mama	27,500	NA	NA	NA	27,500	8,000	2,000	10,000	2,220
Mr. Harald Korte	7,500	NA	NA	NA	7,500	NIL	NIL	10,000	NIL
Mr. Piyush Mankad	7,500	NA	NA	NA	7,500	NA	NA	10,000	NIL
Mr Daljit Mirchandani	35,000	NA	NA	NA	35,000	NA	NA	10,000	NIL
Mr. Oliver Scholz		NA	NA	NA	NIL	NA	NA	10,000	NIL
Mr. Deepak Dheer (Managing Director)	NA	66,00,202	2,36,975	27,35,113	95,72,290	NA	NA	75,000	NIL

$ Resigned as Chairman and also Director of the Company with effect from 22nd July, 2010.

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

These shares were allotted pursuant to exercise of Stock Options on 25th March, 2010.

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

@@ These Options vested/would vest in four equal instalments in February, 2009, February, 2010, February, 2011 and February, 2012 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price of ₹ 197/- per share, except for Mr. Hemant Luthra who was granted Options at an exercise price of ₹ 83/-per share.

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

Details of the options granted including discount are given in the statement attached to Annexure I to the Directors Report.

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

Notes:

a) Notice period applicable to the Managing Director - one month.

b) No severance fees and no commission.

c) Employee stock Option is the only component of remuneration that is performance–linked. All other components are fixed.

RISK MANAGEMENT

Your Company follows well defined and detailed risk management framework in place. Your Company has established procedures to periodically place before the Board, the risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate the Risks.

COMMITTEES OF THE BOARD

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

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

a) Audit Committee

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

All the members of the Audit Committee possess strong accounting and financial management knowledge.

The Company Secretary is the Secretary to the Committee.

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

The meetings of the Audit Committee are also attended by the Managing Director, Chief Financial Officer, the Statutory Auditors, the Internal Auditors and the Company Secretary & Head - Legal. The Chairman of the Audit Committee, Mr. V. K. Chanana was present at the Eleventh Annual General Meeting of the Company held on 22nd July, 2010.

The Committee held 4 meetings during the year 2010-11 on the following dates, i.e. 12th May, 2010, 22nd July, 2010, 21st October, 2010 and 21st January, 2011. The time gap between two meetings was less than four months. The details are presented in table 4.

Table 4: Attendance record of Audit Committee

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

b) Remuneration/Compensation Committee

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

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

The Committee held three meetings during 2010-11 on 12th May, 2010, 21st October, 2010 and 10th March, 2011. The details are presented in table 5.

Table 5: Attendance details of Remuneration/Compensation Committee

Name of the Member	Position	Status	No. of Meetings Attended
Mr. Mohit Burman	Independent Director	Chairman	2
Mr. Anand Mahindra *	Non-Independent Non-Executive Director	Member	Nil
Mr. Hemant Luthra	Non-Independent Non-Executive Director	Member	3
Mr. V. K. Chanana	Independent Director	Member	3
Mr. Nikhilesh Panchal	Independent Director	Member	1
Mr. Daljit Mirchandani	Independent Director	Member	3

* Resigned as Chairman and also Director of the Company with effect from 22nd July, 2010.

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

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

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

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

The Committee met two times during the year under review on 21st January, 2011 and 10th March, 2011. Both the meetings were well attended by its members.

During the year, no complaints were received from shareholders.

As on 31st March, 2011 there are no pending share transfers pertaining to the year under review.

Shares held by the Non-Executive Directors

As on 31st March, 2011, Mr. Mohit Burman along with his relatives held 3,06,261 equity shares, Mr. Zhooben Bhiwandiwala held 1,507 equity shares and Mr. Fali P. Mama held 2,220 equity shares of the Company. Apart from them, no other Non-Executive Director held any shares or convertible instruments of the Company as on 31st March, 2011.

Subsidiary Companies

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

Under this definition, the Company did not have any "material non-listed Indian subsidiary" during the year under review. The subsidiaries of the Company function independently, with an adequately empowered supervisory Board of Directors and sufficient resources. However, for more effective governance, the Minutes of Board Meeting of subsidiaries of the Company are placed before the Board of Directors of the Company for its review.

Disclosures

Disclosures of transactions with Related Parties

During the Financial Year 2010-11, there were no materially significant transactions entered into between the Company and its promoters, Directors or the management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. Details of related party transactions are presented in Note number "21" in Part B of Schedule 15 to Annual Accounts of the Annual Report.

Disclosure of Accounting Treatment in preparation of Financial Statements

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

Code for Prevention of Insider-Trading practices

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

SHAREHOLDER INFORMATION

12th Annual General Meeting

Date : 2nd August, 2011

Time : 3.30 p.m.

Venue : Amar Gian Grover Auditorium,
Lala Lajpat Rai Memorial Trust,
Lala Lajpat Rai Marg, Haji Ali,
Mumbai – 400 034.

Book Closure

The dates of book closure will be from 25th July, 2011 to 2nd August, 2011 inclusive of both days.

Dividend Payment

The Board of Directors of the Company has not recommended a dividend for the year 2010-11.

Financial Year

Financial year covers the period from 1st April to 31st March.

For the year ending 31st March 2012, results will be tentatively announced by

- End July, 2011 : First quarter
- End October, 2011 : Half yearly
- End January, 2012 : Third quarter
- End April, 2012 or May, 2012 : Fourth quarter and annual

Registered Office Address:

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

Listing

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

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

Stock codes

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

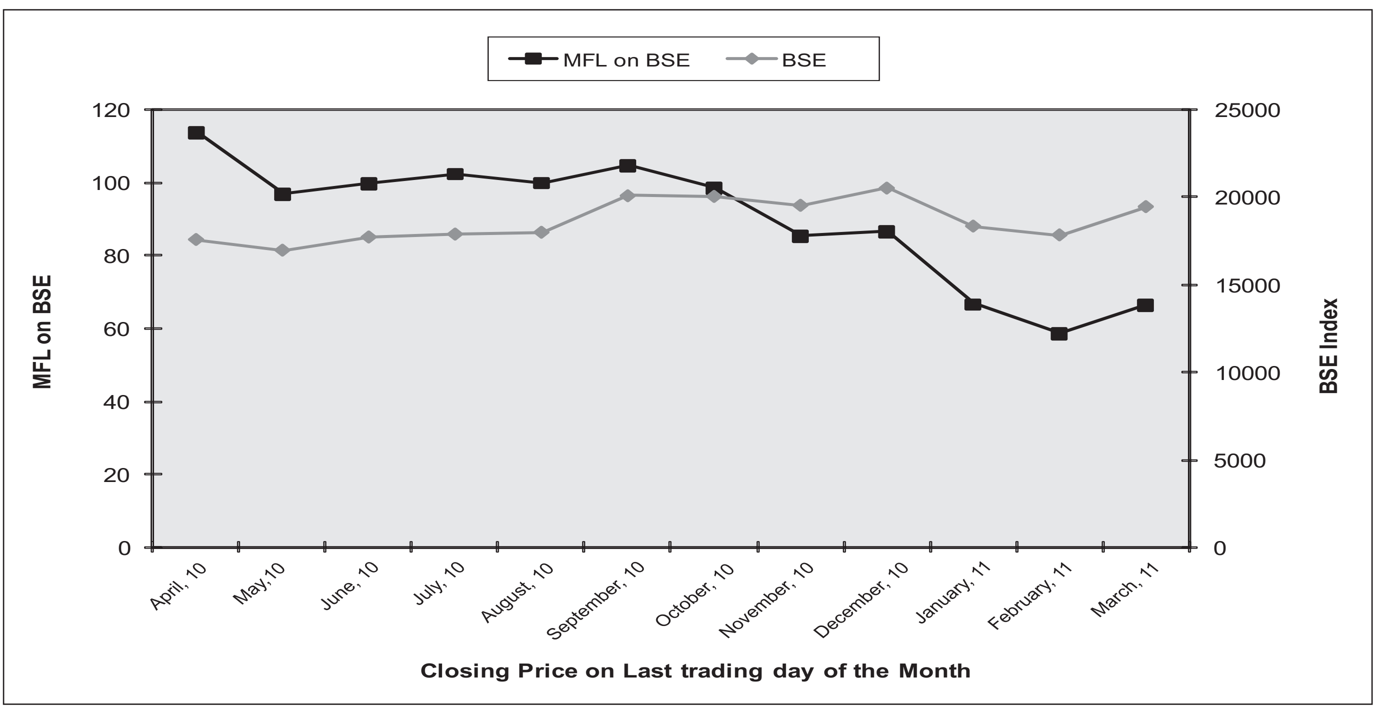
Stock Market Data

Table 6: High and low price of Company's shares for 2010-11 at BSE & NSE

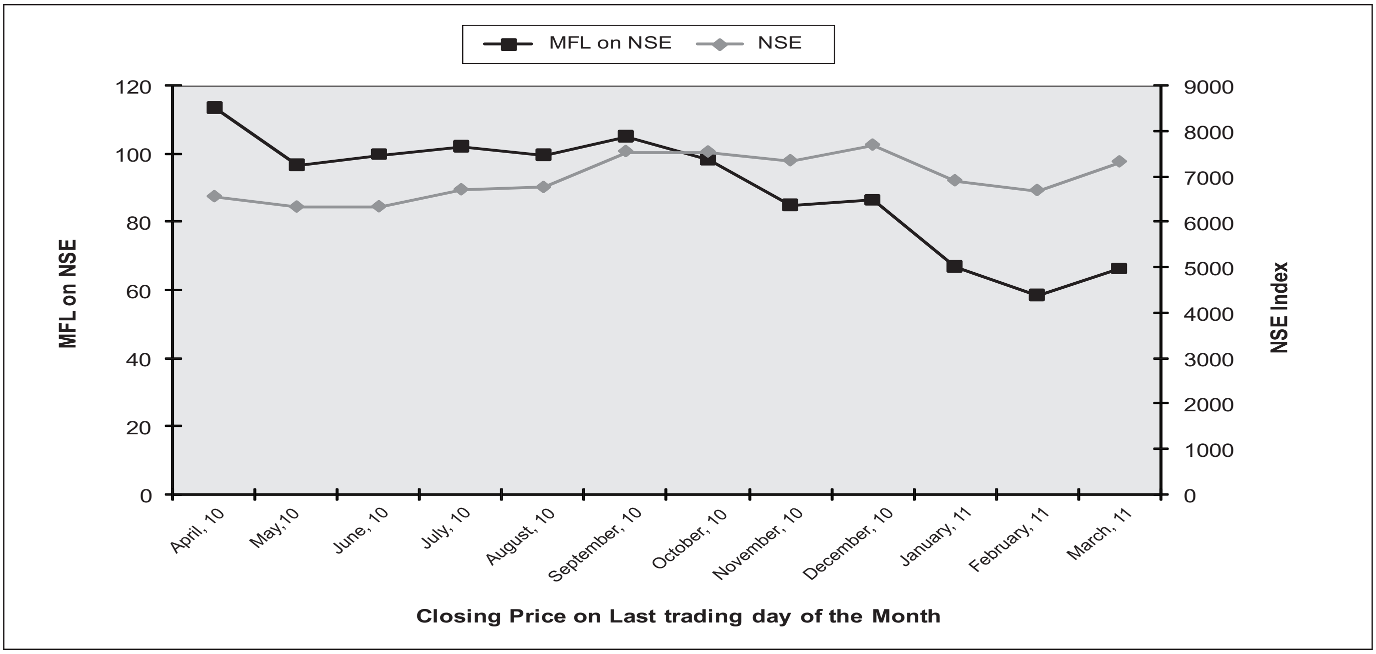
	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April-2010	124.40	111.50	124.70	111.10
May-2010	119.30	85.15	118.90	85.20
June-2010	105.00	93.00	104.90	90.20
July-2010	112.20	98.00	112.80	97.55
August-2010	109.90	98.50	110.00	98.00
September-2010	118.00	100.35	118.50	100.70
October-2010	115.30	98.10	115.65	98.25
November-2010	107.20	73.25	107.05	73.00
December-2010	94.95	74.35	96.00	74.25
January-2011	91.65	65.5	91.75	66.10
February- 2011	71.60	58.40	76.00	58.05
March- 2011	73.50	56.00	71.95	56.00

STOCK PERFORMANCE

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



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



Registrar and Transfer Agents

Karvy Computershare Private Limited
(Unit: Mahindra Forgings Limited)
"Karvy House" 46 Avenue 4
Street No. 1, Banjara Hills,
Hyderabad – 500 034.
Tel. No. + 91 - 40 – 23312454
Fax No. + 91 – 40 - 23311968
E-mail: krishnans@karvy.com

Share Transfer System

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

Distribution of Shareholding

Table 7: Distribution of shareholding as on 31st March, 2011

Number of shares held	Number of shareholders	% of shareholders	Total shares	% of shareholding
1 to 5000	27,949	92.09%	25,19,656	2.87%
5001 to 10000	1,166	3.84%	9,60,762	1.09%
10001 to 20000	584	1.92%	8,91,260	1.01%
20001 to 30000	199	0.66%	5,14,465	0.59%
30001 to 40000	73	0.24%	2,61,774	0.30%
40001 to 50000	86	0.28%	4,05,041	0.46%
50001 to 100000	136	0.45%	10,16,078	1.16%
100001 & above	158	0.52%	8,13,00,750	92.52%
Total	**30,351**	**100%**	**8,78,69,786**	**100%**

Shareholding pattern

Table 8: Shareholding pattern as on 31st March, 2011

Category of Shareholders	Number of Equity Shares held	Percentage (%)
Promoter & Promoter group	4,45,26,339	50.67%
Mutual Fund/UTI	92,12,420	10.48%
Financial Institutions/Banks	60,270	0.07%
Insurance Companies	23,949	0.03%
Foreign Institutional Investors	10,71,363	1.22%
Bodies Corporate	1,09,72,738	12.49%
Resident individuals	97,41,804	11.08%
NRIs	3,91,603	0.45%
Clearing Members	38,500	0.04%
Foreign companies	85,57,290	9.74%
Trusts	32,58,760	3.71%
Foreign Nationals	14,750	0.02%
Total	**8,78,69,786**	**100.00%**

Dematerialisation of Shares

As on 31st March, 2011, 97% of the paid up Equity Capital was held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading in the Equity Shares of the Company is permitted only in dematerialised form as per notification issued by Securities and Exchange Board of India (SEBI).

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity

As of 31st March, 2011 - 42,99,270 convertible Warrants are held by Mahindra & Mahindra Limited, Promoters of the Company, which can be converted into equal number of equity shares at a price of ₹ 137/- each by 2nd September, 2011. The Promoters have upfront paid 25% of the price at the time of allotment of Warrants.

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

Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:
Karvy Computershare Private Limited.
Unit: Mahindra Forgings Limited
"Karvy House" 46 Avenue 4, Street No. 1, Banjara Hills
Hyderabad – 500 034.
Tel. No. + 91 - 40 – 23312454, Fax No. + 91 – 40 - 23311968
E-mail: krishnans@karvy.com

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

The Company has also designated mfl.investors@mahindra.com as an exclusive email ID for shareholders for the purpose of registering complaints and the same has been displayed on the Company's website.

Shareholders would have to correspond with the respective Depository Participants for shares held in dematerialised form.

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

The Company can also be visited at its website: www.mahindraforgings.com.

OTHER DISCLOSURES

General Body Meetings

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

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

Year	Date	Time	Special Resolution(s) passed
2008	29th July, 2008	3.30 p.m.	Modification to the Employee Stock Option Scheme to provide for grant of Options to designated employees of holding and subsidiary companies upto maximum limit of 5% of the enhanced paid up capital of the Company as on 31st March, 2008.
2009	29th July, 2009	2.30 p.m.	No special resolution was passed at the AGM.
2010	22nd July, 2010	3.30 p.m.	No special resolution was passed at the AGM.

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

Year	Date	Time	Special Resolution passed
2010	18th February, 2010	2.30 p.m.	i. Alteration of the Articles of Association. ii. Issue of shares to Qualified Institutional Buyers (QIBs) under the Qualified Institutions Placement (QIP), in one or more tranches not exceeding 1,75,00,000 Equity Shares of face value ₹ 10/- each at a premium. iii. Issue of Warrants not exceeding 72,99,270 at a price of ₹ 137/- per Warrant to Mahindra & Mahindra Limited, Promoters entitling the holder of the Warrant thereof to apply for and be allotted 1 (one) Equity share of face value of ₹ 10/- each against 1(one) Warrant, in one or more tranches, at any time after the date of allotment of Warrants but on or before the expiry of 18 months from the date of allotment of Warrants. iv. Making investment in excess of the limits prescribed under Section 372A of the Companies Act, 1956 upto an amount of ₹ 100 Crores. v. Increasing the aggregate permissible limit of FIIs equity shareholding from 24% to 40% of the paid up share capital of the Company.

The Annual General Meetings held on 29th July, 2008, 29th July, 2009 and 22nd July, 2010 were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Mahalaxmi, Haji Ali, Mumbai – 400 034.

Postal Ballot

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

Details of non-compliance etc.

Your Company has complied with all the requirements of regulatory authorities. During the last three years no penalties/strictures were imposed/passed on the Company by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets.

Means of Communication with Shareholders

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

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

The Company has been regularly posting information relating to financial results and shareholding pattern on Corporate Filing and Dissemination System (CFDS) viz. www.corpfiling.co.in, the common platform launched by BSE and NSE for electronic filing by listed companies.

Management Discussion and Analysis

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

Compliance

Mandatory requirements

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

Adoption of non-mandatory requirements

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

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

Compliance with the Corporate Governance-Voluntary Guidelines 2009

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

The Company has been a strong believer in good corporate governance and has been adopting the best practices.

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

Mumbai, 20th May, 2011.

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

To,

The Members of Mahindra Forgings Limited

I, Deepak Dheer, Managing Director of Mahindra Forgings Limited declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Codes of Conduct for the year ended 31st March, 2011.

Deepak Dheer
Managing Director

Mumbai, 20th May, 2011

CERTIFICATE

To

The Members of Mahindra Forgings Limited.

We have examined the compliance of conditions of Corporate Governance by Mahindra Forgings Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange in India.

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

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

We state that in respect of investor grievance received during the year 31st March, 2011, no investor grievances are pending against the Company as per records maintained by the Company and presented to the Share Transfer and Shareholders'/Investors' Grievance Committee of the Company.

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

For B.K. KHARE & CO.
Chartered Accountants

Place: Mumbai
Dated: 20th May, 2011

Padmini Khare Kaicker
Partner
M.No. 44784
Firm Registration No. 105102W

AUDITORS' REPORT

TO THE MEMBERS OF MAHINDRA FORGINGS LIMITED

1. We have audited the attached Balance Sheet of Mahindra Forgings Limited as at 31st March, 2011 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:

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

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

   c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.

   d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:

      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011,

      ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date, and

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

5. On the basis of the written representations received from the Directors as on 31st March, 2011, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

Padmini Khare Kaicker
Partner
Membership No.: 044784
Firm Registration No. 105102W

Place : Mumbai
Date : 20th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

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

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

(b) There is a regular programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on verification.

(c) During the year, Company has not disposed of any substantial/major part of fixed assets.

ii. (a) The Management has conducted physical verification of inventory at reasonable intervals. Confirmations have been received in respect of inventories lying with third parties. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records are not material and have been properly dealt with in the books of account.

iii. The Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clause (b), (c), (d), (e), (f) and (g) of sub-paragraph (iii) of paragraph 4 of the Order is not applicable.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

v. In our opinion and according to the information and explanations given to us, there were no transactions with any party that needed to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956. As there are no transactions in case of any party that need to be entered in the Register maintained pursuant to section 301 of the Companies Act, 1956, sub-clause (b) of sub-para (v) of Para 4 of the Order is not applicable.

vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956.

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

viii. We have broadly reviewed the books of accounts maintained by the Company relating to the manufacture of forgings pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

ix (a) According to the records of the Company and information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Wealth-Tax, Service-Tax, Customs Duty, cess and other material statutory dues with the appropriate authorities during the year. According to information and explanations given to us, there are no arrears of outstanding statutory dues as at 31st March 2011 for a period of more than six months from the date they became payable.

(b) As on 31st March 2011, according to the records of the Company and information and explanations given to us, following are particulars of disputed dues on account of income tax that have not been deposited -

Name of statute	Nature of dues	Amount in ₹ Lakhs	Period to which amount relates	Forum where pending
Central Excise Act	Excise Duty	29.90	2003-04	CESTAT, Mumbai
Central Excise Act	Excise Duty	60.98	2003-04	CESTAT, Mumbai
Income Tax Act	Tax, interest thereon	10.89	2008-09	CIT (Appeals)

x. The Company has accumulated losses, as at the end of the year, which is not more than 50% of its net worth as on 31st March, 2011. The Company has not incurred cash losses in the current year as well as in the immediately preceding year.

xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.

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

xiii. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies.

xiv. The Company is not dealing or trading in shares, securities or any other investments.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions, except against loans including interest thereon amounting to ₹ 32.11 Lakhs for which the company has made adequate provision in the books of account in view of the likely default by the principal debtor.

xvi. In our opinion and according to the information and explanation given to us, term loans were applied for the purpose for which the loans were obtained.

xvii. According to information and explanations given to us, on an overall examination of the balance sheet and the Cash Flow Statement of the company, we report that funds raised on short term basis have, prima facie, not been used during the year for long term investment.

xviii. The company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956.

xix. The Company did not issue any debentures during the year.

xx. During the previous year, Company issued 1,62,41,300 Equity Shares to Qualified Institutional Buyers through Qualified Institutional Placement and to promoters in accordance to Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009. The management has disclosed in the annual accounts, the end use of money raised by the above-referred public issue and the same has been verified by us.

xxi. Based on the audit procedures performed and as per the information and explanations given by the management, no fraud on or by the Company was noticed or reported during the year.

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

Padmini Khare Kaicker
Partner
Membership No.: 044784
Firm Registration No. 105102W

Place : Mumbai
Date : 20th May 2011

Balance Sheet as at 31st March, 2011

		Schedule	2011 ₹ in Lakhs		2010 ₹ in Lakhs	
I	**SOURCES OF FUNDS :**					
	Shareholders' Funds					
	Share Capital	1	**8,786.98**		8,785.50	
	Share Application Money received for Warrants	1A	**1,472.50**		1,472.50	
	Employee Stock Options outstanding	1B	**480.22**		401.92	
	Reserves & Surplus	2	**82,630.01**		82,392.05	
			93,369.71		93,051.97	
	Loan Funds					
	Secured Loans	3	**11,776.09**		12,781.27	
	Unsecured Loans	4	**2,045.50**		2,086.40	
			13,821.59		14,867.67	
			107,191.30		107,919.64	
II	**APPLICATION OF FUNDS :**					
	Fixed Assets					
	Gross Block		**28,961.14**		27,933.16	
	Less : Depreciation		**10,998.20**		8,797.75	
	Net Block		**17,962.94**		19,135.41	
	Capital Work in Progress		**4,796.09**		3,527.70	
	Total Fixed Assets	5	**22,759.03**		22,663.11	
	Investments	6	**67,256.47**		69,720.66	
	CURRENT ASSETS, LOANS AND ADVANCES	7, 8				
	Inventories		**5,307.81**		4,511.18	
	Sundry Debtors		**5,679.24**		2,828.03	
	Cash and Bank Balances		**186.09**		784.25	
	Loans & Advances		**1,398.73**		4,245.57	
			12,571.87		12,369.03	
	LESS : CURRENT LIABILITIES & PROVISIONS	9				
	Current Liabilities		**8,219.76**		9,285.04	
	Provisions		**287.91**		342.13	
			8,507.67		9,627.17	
	NET CURRENT ASSETS		**4,064.20**		2,741.86	
	PROFIT & LOSS ACCOUNT		**13,111.60**		12,794.01	
			107,191.30		107,919.64	
	NOTES TO ACCOUNTS	15				

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

Padmini Khare Kaicker
Partner

Membership No. 044784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

Profit & Loss account for the year ended 31st March, 2011

		Schedule	2011 ₹ in Lakhs	2010 ₹ in Lakhs
I	**INCOME**			
	Gross Sales		**39,302.92**	32,548.03
	Less - Excise duty on Sales		**3,636.02**	2,519.85
	Net Sales		**35,666.90**	30,028.18
	Other Income	10	**176.86**	178.15
			35,843.76	30,206.33
II	**EXPENDITURE**			
	Material Consumption	11	**20,462.63**	15,995.68
	Personnel Expenses	12	**2,507.62**	2,197.95
	Other Expenses	13	**9,559.46**	7,256.79
	Interest & Finance cost	14	**1,421.73**	2,987.19
	Depreciation	5	**2,209.91**	2,150.79
			36,161.35	30,588.40
	Profit Before tax , Exceptional Item and Prior Period Items		**(317.59)**	(382.07)
	Less: Exceptional items (Refer Note B-27 of Schedule 15)		**-**	9,018.59
	Profit Before tax and Prior Period Items		**(317.59)**	(9,400.66)
	Less : Prior Period Expenses (Refer Note B-25 of Schedule 15)		**-**	71.04
	Profit / (Loss) before tax		**(317.59)**	(9,471.70)
	Less - Provision for tax			
	Current Tax		**-**	-
	Deferred Tax		**-**	-
	Prior period adjustments for Deferred Tax (Net)		**-**	-
	Fringe Benefit Tax (including prior year adjustments)		**-**	1.75
	Profit / (Loss) after Tax		**(317.59)**	(9,473.45)
	Appropriations			
	Profit / (Loss) for the year		**(317.59)**	(9,473.45)
	Balance of Profit & Loss Account brought forward		**(12,794.01)**	(3,320.56)
	Balance of Profit & Loss Account carried to Balance Sheet		**(13,111.60)**	(12,794.01)
	Earning per Share (Note B-24 of Schedule 15) (Face value of ₹ 10 Per Share)			
	Basic		**(0.36)**	(13.51)
	Diluted		**(0.36)**	(13.51)
	NOTES ON ACCOUNTS	15		

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

Padmini Khare Kaicker
Partner

Membership No. 044784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

Cash Flow Statement for the year ended 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
Profit/(Loss) before tax after prior period adjustments	**(317.59)**	(9,471.67)
Add : Adjustment for		
Diminution in Long Term Investments	**-**	9,018.59
Depreciation, Amortisation and expenditure as ESOP	**2,291.24**	2,283.98
Provision for doubtful debts/ Write off's	**149.08**	23.36
Interest (Expenses)	**1,421.73**	2,987.19
Loss on sale of Fixed Assets/ Assets written off	**11.40**	9.91
Sundry balances written off	**-**	5.54
Sub-Total	**3,555.86**	4,856.90
Less : Adjustments for		
Interest / Dividend Income	**56.52**	74.68
Profit / Loss on sale of investment	**38.80**	13.33
Foreign Exchange Gain on Capex (Net)	**-**	(9.00)
Provision written back	**23.36**	54.38
Sub-Total	**118.68**	133.39
Operating Profit before Working Capital changes	**3,437.18**	4,723.51
Adjustments for		
Trade & Other receivables	**(94.22)**	(3,679.78)
Inventories	**(796.63)**	(2,049.26)
Trade Payables	**(1,116.57)**	3,456.80
Cash generated from Operations	**(2,007.41)**	(2,272.24)
Direct Taxes (Paid) / Refund	**10.09**	(7.57)
Net cash from Operating Activities	**1,439.86**	2,443.70
Cash flow from Investing Activities		
Purchase of Fixed Assets	**(2,334.75)**	(877.46)
Sale of Fixed Assets	**14.58**	2.47
Purchase of Investments	**(3,752.59)**	(31,216.09)
Sales of Investment	**6,499.48**	19,205.65
Interest / Dividend received	**56.52**	74.68
Net Cash from investing Activities	**483.23**	(12,810.76)

Cash Flow Statement for the year ended 31st March, 2011 (contd.)

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
Cash flow from Financing Activities		
Term Loans (Net)	**(4,921.41)**	(2,954.66)
Issue of Share Capital	**15.05**	23,120.68
Expenditure on issue of share capital	**(22.53)**	(205.33)
Working Capital Loan (Net)	**3,875.33**	(2,075.50)
Inter-Corporate Deposit	**-**	(4,400.00)
Interest Paid	**(1,421.73)**	(2,987.19)
Net Cash from Financing Activities.	**(2,475.29)**	10,498.00
Net ((Decrease)/Increase) in Cash & Cash equivalents	**(552.21)**	130.94
Opening Cash / Bank Balances	**598.75**	467.81
Closing Cash / Bank Balances	**46.54**	598.75

Notes :

1. The Cash Flow has been prepared under the "Indirect method" as set out in Accouting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents represents cash and bank balances only.
3. Deposits with banks having maturity of more than three months aggregating to ₹ 139.55 Lakhs (Previous Year : ₹ 185.50 Lakhs) are not readily liquid and have been excluded from cash and cash equivalents.

As per our Report of even date
For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 1		
Share Capital		
Authorised Capital		
12,20,00,000 (PY 12,20,00,000) Equity shares of ₹ 10/- each.	**12,200.00**	12,200.00
1,48,20,206 (PY 1,48,20,206) 4% Non Cumulative Redeemable Non convertible Preference shares of ₹ 31 each	**4,594.26**	4,594.26
	16,794.26	16,794.26
Issued, Subscribed and Paid-up		
8,78,69,786 Equity shares (P Y 8,78,55,036) of ₹ 10/-each fully paid up	**8,786.98**	8,785.50
a) Of the above shares,5,53,67,356 are allotted as fully paid up pursuant to a contract without payments being received in cash		
b) 1,62,41,300 equity shares issued to Qualified Institutional Buyers		
c) 30,00,000 equity shares issued against conversion of Preferential Warrants issued to Mahindra & Mahindra Limited (Holding Company)		
d) 14,750 (P.Y.46,000) equity shares issued under the Company's Employees Stock Option Scheme (Refer Note B-3 of Schedule 15)		
	8,786.98	8,785.50
SCHEDULE - 1A		
Share Application Money received for Warrants		
Subscription received for 42,99,270 Warrants from Mahindra & Mahindra Limited (Holding Company) @ 25% of the price of ₹ 137 per Warrant	**1,472.50**	1,472.50
(Refer Note B-2 of Schedule 15)	**1,472.50**	1,472.50
SCHEDULE - 1B		
Employee Stock Options outstanding		
Stock Options Outstanding	**522.38**	532.18
Transfer to Securities Premium	**3.02**	-
Less - Deferred Employee Compensation Expenses	**(45.18)**	(130.26)
(Refer Note B-2 of Schedule 15)		
	480.22	401.92
SCHEDULE - 2		
Reserve & Surplus		
Securities Premium Account	**24,861.49**	5,574.16
Add:-		
Received upon Issue of Shares Issued to Qualified Institutional Buyers	**-**	15,875.87
Received upon Issue of Shares against Preferential Warrants to Promoters	**-**	3,810.00
Received upon Issue of Shares to Employees under ESOP Scheme	**16.59**	87.91
Less:-		
Utilised for Share Issue Expenses for Qualified Institutional Placement & Preferential Warrants	**5.00**	(486.45)
Differential Stamp Duty Payment	**(27.53)**	-
(Refer Note B-3 of Schedule 15)		
	24,855.55	24,861.49
General reserve (Suplus on Amalgamation)	**57,670.78**	57,670.78
Foreign Exchange Fluctuation Reserve	**103.67**	(140.22)
(Refer Note B-28 of Schedule 15)		
	82,630.00	82,392.05

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 3		
Secured Loans		
Term Loan from Banks (Note B-4 of Schedule 15)	**7,334.35**	11,994.88
Term Loans from Financial Institutions (Note B-4 of Schedule 15)	**-**	219.98
(amount repayable for above loans within one year ₹ 4036.25 Lakhs PY ₹ 4,962.61 Lakhs)		
(Secured against 1st charge on Immovable assets and 2nd charge on movable assets)		
Working Capital Loan from Banks (Note B-4 of Schedule 15)	**4,441.74**	566.41
(Secured against 1st charge on movable assets and 2nd charge on immovable assets)		
	11,776.09	12,781.27
SCHEDULE - 4		
Unsecured Loans		
Interest free sales tax loan	**2,045.50**	2,086.41
	2,045.50	2,086.41

SCHEDULE - 5

Fixed Assets ₹ in Lakhs

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01/04/2010	Additions	Deductions and Adjustments	**As at 31/03/2011**	As on 01/04/2010	For the Year	Adjustments	**As at 31/03/2011**	**As at 31/03/2011**	As on 31/03/2010
Tangible Assets										
Freehold Land	37.53	-	-	**37.53**	-	-	-	**-**	**37.53**	37.53
Building	3,666.25	26.30	-	**3,692.55**	475.47	114.65	-	**590.12**	**3,102.43**	3,190.77
Plant & Machinery	23,481.28	896.88	5.00	**24,373.16**	7,972.18	2,054.72	0.58	**10,026.32**	**14,346.84**	15,509.10
Furniture & Fittings	352.38	27.28	4.87	**374.79**	61.57	22.02	0.99	**82.60**	**292.19**	290.82
Vehicles	118.31	69.98	25.57	**162.72**	26.41	14.19	7.89	**32.71**	**130.01**	91.90
Sub Total (a)	27,655.75	1,020.44	35.44	**28,640.75**	8,535.63	2,205.58	9.46	**10,731.75**	**17,909.00**	19,120.12
Intangible Assets										
Software	277.41	42.98	-	**320.39**	262.12	4.33	-	**266.45**	**53.94**	15.29
Sub Total (b)	277.41	42.98	-	**320.39**	262.12	4.33	-	**266.45**	**53.94**	15.29
Grand Total (a +b)	27,933.16	1,063.42	35.44	**28,961.14**	8,797.75	2,209.91	9.46	**10,998.20**	**17,962.94**	19,135.41
Previous Year	25,952.63	2,007.81	27.28	**27,933.16**	6,661.87	2,150.79	14.91	**8,797.75**	**19,135.41**	19,290.77
CAPITAL WORK-IN PROGRESS									**4,796.09**	3,527.69
Total Fixed Assets									**22,759.03**	22,663.10

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 6		
Investments		
Long Term Investments		
(Non Trade, unquoted, valued at cost)		
50 fully paid up shares of Rs 10/- each in The Saraswat Co-operative Bank Limited (Previous year 50 shares)	**0.01**	0.01
(Trade, unquoted valued at cost)		
8,84,485 Class ‘A’ Equity Shares of Rs.10/- each in Wardha Power Company Limited	**88.45**	88.45
Share Application Money in Wardha Power Company Limited (Refer Note B-26 of Schedule 15)	**111.88**	111.88
(In Subsidiary Companies)		
Non trade, Unquoted, Fully paid		
1,54,65,310 (Previous Year 1,5,465,310) equity shares of GBP 0.10 each in Stokes Group Limited (Note B-27 of Schedule 15)	**9,018.59**	9,018.59
33,849,836 equity shares of EURO 1 each in Mahindra Forgings Global Limited	**19,638.53**	19,638.53
72,000,001 equity shares of EURO 1 each in Mahindra Forgings International Limited	**41,731.40**	41,731.40
3,000,000 11% Non Cumulative Redeemable preference shares of EURO 1 each in Mahindra Forgings International Limited (redeemable after 7 years)	**1,886.67**	1,886.67
6,000,000 11% Non Cumulative Redeemable preference shares of EURO 1 each in Mahindra Forgings International Limited (redeemable after 7 years)	**3,695.85**	3,695.85
“Less: Diminution in Value of Long Term Investment (Refer Note B-27 of Schedule 15)”	**(9,018.59)**	(9,018.59)
Add/Less: Exchange Rate Fluctuation Reserve/Provision (Refer Note B-28 of Schedule 15)	**103.67**	(140.22)
Current Investments		
(Valued at lower of cost or fair value)		
Investments in Mutual Funds		
Tata Floater Fund- Growth - 15,750.31 units	**-**	2.16
SBI Magnum Insta Cash Fund - 13,869.29 units	**-**	2.83
SBI Ultra Short Term Fund-Growth - 1,41,72,571.91 units	**-**	1,700.00
IDFC Money Manager Fund- Growth - 49,82,561.04 units	**-**	500.00
Birla Sun Life Floating Rate Fund- Growth- 46,37,229.53 units	**-**	500.00
DWS Ultra Short Term Fund- Institutional Growth - 8,590.98 units	**-**	0.93
ICICI Prudential Flexible Income Plan Premium Growth - 1,278.17 units	**-**	2.18
	67,256.47	69,720.67
Aggregate Amount of Quoted Investments	**-**	2,708.10
Market Value of Quoted Investments	**-**	2,710.63

Schedules annexed to and forming part of financial statements as at 31st March, 2011

Current Investments	**Purchased**		**Sold**	
Transaction details	**Units**	**₹ in Lakhs**	**Units**	**₹ in Lakhs**
Current Year				
SBI Mutual Fund Ultra Short Term Fund- Institutional Plan Growth	-	-	14,172,571.91	1,708.67
SBI Mutual Fund Magna Insta Fund- Cash Option	-	-	13,869.29	2.85
IDFC Money Manager Fund- Investment Plan Plan C - Growth	-	-	4,982,561.04	506.67
IDFC Money Manager Fund- Treasury Plan - Institutional Plan B	2,979,057.23	300.00	2,985,179.67	300.62
BSL Floating Rate Fund- Long Term - Institutional- Growth	-	-	4,637,229.53	502.56
BSL Ultra Short Term Fund- Institutional Growth	4,585,148.65	502.56	4,585,148.65	506.74
Tata Floater Fund Growth	8,599,684.68	1,200.00	8,599,684.68	1,205.08
Tata Floater Fund Growth	-	-	15,750.31	2.18
LIC Mutual Fund Liquid Fund Growth Plan	9,551,174.40	1,200.00	9,551,174.40	1,207.78
LIC Mutual Fund Liquid Fund Growth Plan	1,184,181.70	200.00	1,184,181.70	200.02
LIC Mutual Fund Savings Plus Fund Growth Plan	1,363,691.24	200.03	1,363,691.24	202.09
ICICI Prudential Flexible Income Plan Premium Growth	85,898.11	150.00	85,898.11	151.07
ICICI Prudential Flexible Income Plan Premium Growth	-	-	1,278.17	2.21
DWS Ultra Short Term Fund- Institutional Growth	-	-	8,590.71	0.94
		3,752.59		6,499.48
(Previous Year)				
Tata Mutual Fund Liquid Fund	88,561.02	1,500.00	88,561.02	1,500.00
Tata Mutual Fund Floater Fund	10,957,898.09	1,500.16	10,942,147.79	1,500.00
SBI Mutual Fund Insta Cash Fund	40,202,253.83	8,200.00	40,188,384.54	8,200.00
SBI Mutual Fund Ultra Short Term Fund	14,172,571.91	1,700.00	-	-
LIC Mutual Fund Liquid Fund Growth Plan	11,889,828.85	2,000.00	11,889,828.85	2,000.19
LIC Mutual Fund Liquid Fund Growth Plan	13,714,116.91	2,000.19	13,714,116.91	2,005.24
ICICI Prudential Liquid Super Institutional Plan Growth	1,105,421.06	1,500.00	1,105,421.06	1,500.17
ICICI Prudential Flexib;e Income Plan Premium Growth	878,705.53	1,500.17	877,427.36	1,500.00
Deutche Asset Management DWS INSTA CASH Plus Fund	3,462,172.31	500.00	3,462,172.31	500.05
DWS ULTRA SHORT TERM FUND	4,633,338.93	500.05	4,624,747.95	500.00
IDFC Money Manager Fund- Investment Plan Plan C - Growth	4,982,561.04	500.00	-	-
BSL Floater Rate Fund	4,637,229.53	500.00	-	-
Total		**21,900.57**		**19,205.65**

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 7		
Current Assets		
Inventories		
(Valued at Cost or net realisable value whichever is lower)		
Raw Material & Components	**1,282.15**	1,208.24
Work-in-progress	**1,673.00**	1,305.49
Stores & Spares	**579.78**	432.96
Die steel blocks	**97.84**	148.14
Finished Goods	**1,313.37**	1,249.39
Dies	**361.67**	166.96
	5,307.81	4,511.18
Sundry Debtors (Unsecured)		
Outstanding over six months		
Considered Good	**216.01**	15.84
Considered Doubtful	**159.68**	33.96
	375.69	49.80
Other Debts Considered Good	**5,463.23**	2,812.19
Less - Provision for doubtful debts/credit notes	**159.68**	33.96
	5,679.24	2,828.03
Cash & Bank Balances		
Cash on hand	**1.29**	0.69
Balances with Scheduled Banks :		
In Current account	**45.21**	598.02
In Margin money Deposit account	**139.55**	185.50
Balances with Other Banks		
In current account	**0.04**	0.04
Balances with other Banks include balances lying with non-scheduled Banks		
Standard Chartered Bank, Mauritius (Maximum Amount outstanding during the year ₹ 0.04 lakhs)	**0.04**	0.04
	186.09	784.25
	11,173.14	8,123.46

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 8		
Loans and Advances		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received.		
From Subsidiaries	**570.61**	2,954.77
From Others	**497.20**	969.75
From Others (Considered Doubtful)	**27.72**	27.72
Less: Provision for Doubtful Advance	**(27.72)**	(27.72)
Balance with Excise/Customs /Sales tax authorities	**185.97**	231.73
Deposits	**76.72**	11.00
Advance Income Tax (Net of Provision)	**68.23**	78.32
	1,398.73	4,245.57

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 9		
Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors (Refer Note B-9 of Schedule 15)		
a) Total outstanding dues of Micro and Small Enterprises	**7.09**	3.45
b) Total outstanding dues of Creditors other than Micro and Small Enterprises	**7,217.45**	7,035.56
Other Liabilities	**995.22**	2,246.02
	8,219.76	9,285.03
Provisions		
Gratuity	**187.34**	140.45
Leave Encashment	**68.46**	61.89
Contingencies	**32.11**	139.79
	287.91	342.13
	8,507.67	9,627.16
SCHEDULE - 10		
Other Income		
Interest on deposits	**10.51**	36.97
[Tax Deducted at Source ₹ 0.91 Lakhs (P Y ₹ 7.08 Lakhs)]		
Interest Others - (Net)	**46.01**	3.96
Profit on sale of Short Term Investments	**38.79**	13.33
Credit Balances / Provision for Bad Debts Written Back	**23.36**	16.67
Export Incentives	**58.19**	35.75
Miscellaneous Income		71.47
	176.86	178.15
SCHEDULE - 11		
Material Consumption		
Raw Material and Components Consumed	**20,894.11**	16,970.91
(Increase)/ Decrease in Stocks		
Opening stock - Work in Progress	**1,305.50**	567.45
Finished Goods	**1,249.39**	1,012.20
	2,554.89	1,579.65
Closing stock - Work in Progress	**1,673.00**	1,305.50
Finished Goods	**1,313.37**	1,249.39
	2,986.37	2,554.89
(Increase)/ Decrease in Stocks	**(431.48)**	(975.24)
	20,462.63	15,995.67

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	2011 ₹ in Lakhs	2010 ₹ in Lakhs
SCHEDULE - 12		
Personnel Expenses		
Salaries, Wages, Bonus etc	**2,289.78**	1,971.60
Contribution to Provident & other funds	**100.32**	99.45
Staff Welfare expenses	**117.51**	126.90
	2,507.61	2,197.95
SCHEDULE - 13		
Other Expenses		
Manufacturing Expenses		
Power & Fuel	**3,656.31**	2,904.19
Dies Consumed / Amortised	**664.66**	594.32
Stores,Spares & Oil consumed	**1,881.29**	1,482.71
Other Manufacturing Expenses	**1,012.91**	524.99
Repairs & Maintenance		
- Plant & Machinery	**750.56**	595.57
- Buildings	**18.75**	12.85
- Others	**98.95**	108.08
Total Manufacturing Expenses	**8,083.43**	6,222.71
Administrative & Selling expenses		
Rent	**8.00**	8.82
Rates & Taxes	**47.19**	80.28
Insurance	**47.30**	19.79
Freight & Packing	**551.56**	457.76
Printing & Stationery	**16.81**	27.47
Telephone Expenses	**23.68**	44.53
Travelling & Conveyance	**111.97**	79.43
Provision for Doubtful debts/credit notes	**149.08**	23.36
Old Balances Written Off	**-**	5.54
Loss on Sale of Assets	**11.98**	4.97
Asset written off	**-**	4.94
Exchange Rate Fluctuation (Net)	**42.05**	27.92
Other Administrative & Selling Expenses	**466.41**	249.29
	1,476.03	1,034.10
Total Other Expenses	**9,559.46**	7,256.81
SCHEDULE - 14		
Interest & Finance Cost		
On Fixed period loans	**1,077.02**	1,637.83
On Others	**227.68**	1,083.86
Cash Discounts	**117.03**	265.51
	1,421.73	2,987.20

SCHEDULE – 15

Notes forming part of the Accounts for the Year ended 31st March, 2011.

A) **Significant Accounting Policies: -**

i. Method of Accounting:

The financial statements are prepared under the historical cost convention as a going concern and on accrual basis in accordance with Generally Accepted Accounting Principles in India, the Accounting Standards notified under the Companies Act, 1956 and the relevant provisions of the said Act.

ii. Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialise.

iii. Fixed Assets and Depreciation:

(a) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

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

(c) Freehold land is stated at cost.

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

iv. Intangible Assets:

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

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

v. Investments:

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

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

vi. Inventories:

Inventories of finished goods and work in progress are valued at cost or net realizable value, whichever is lower.

Raw Material, Stores & spares are valued on moving weighted average method.

In case of Work in Process & Finished Goods, cost includes material cost, labour, where appropriate, manufacturing overheads & excise duty.

vii. Foreign Currency Transactions:

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

(b) Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities are charged/credited to the Profit and Loss Account.

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

(d) Exchange differences arising on a monetary item, forming part of a net investment in a Non Integral Foreign Operation is accumulated in Foreign Currency Translation Reserve.

viii. Revenue recognition:

Sales of products and services are recognised when the products are dispatched or services rendered which coincide with transfer of risk and rewards. Sales are exclusive of sales tax and net of sales return and trade discounts.

Revenue from sale of tools which are manufactured on specific requirement of the customers is recognized to the extent of surplus over the cost of manufacturing of such tools.

Interest income is accounted on an accrual/time proportionate basis at contractual rates.

Dividend Income is recognised when the right to receive the same is established.

Export Incentives are recognised on accrual basis and to the extent of certainty of realisation of ultimate collection.

ix. Retirement Benefits:

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

(a) Defined Contribution Plans-

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

(b) Defined Benefit Plan –

Company's liabilities towards gratuity, leave encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service cost are recognised on straight line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the Statement of Profit and loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

x. Taxation:

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

xi. Impairment of Assets:

The carrying amount of cash generating units/ assets is reviewed at the Balance Sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognised whenever carrying amount exceeds the recoverable amount.

xii. Provisions and Contingent Liabilities:

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

B) **Notes to Accounts**

1. During the previous year, the Company has issued 1,62,41,300 equity shares of ₹ 10/- each at a premium of ₹ 97.75 per share aggregating to ₹ 17,500 Lakhs to Qualified Institutional Buyers (QIB) though Qualified Institutional Placement (QIP) in accordance with the Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009.

2. During the previous year, the Company has issued 72,99,270 Preferential Warrants to Mahindra & Mahindra Limited (the holding company) at a price of ₹ 137/- per Warrant for conversion into 1 Equity Share per Warrant in one or more tranches within 18 months from the date of allotment of the Warrant. Out of the above, 30,00,000 warrants were converted into equity shares on exercise of options by Mahindra & Mahindra Limited. The Company received an amount of ₹ 1,472.50 Lakhs @25% of ₹ 137/- per warrant towards the balance Warrants of 42,99,270 issued to Mahindra & Mahindra Limited (the holding company) in the previous year.

3. The cost of issue of the shares to QIP holders amounting to ₹ 481.45 Lakhs was adjusted against the Securities Premium Account (including adjustment of ₹ 5 Lakhs in the current year) in accordance with the provisions of the Companies Act, 1956.

   The utilization of the funds received from the QIP & advance received against the Preferential Warrants issued and the conversion of Preferential Warrants issued are as under:

Sources of Funds	**(₹ Lakhs) 2011**	(₹ Lakhs) 2010
QIP Proceeds	**17,500.00**	17,500.00
Advance against Warrants	**1,472.50**	1,472.50
Conversion of Warrants to Equity Shares	**4,110.00**	4,110.00
Total	**23,082.50**	23,082.50
Utilisation of Funds		
Repayment of Borrowings	**14,790.04**	10,050.00
QIP Issue Expenses paid	**252.21**	205.33
Investment in Subsidiaries		
Subscription to 11% Redeemable Preference Capital of Subsidiary, Mahindra Forgings International Limited, Mauritius repayable after 7 years	**3,695.85**	3,695.85
Balance Surplus Funds Deployed		
Investment in Liquid Fund schemes of Mutual Fund	**-**	2,708.09
Utilisation for Working Capital	**844.36**	2,847.25
Repayment of short term loan	**2,847.25**	3,575.98
Capital Expenditure	**652.79**	-
Total	**23,082.50**	23,082.50

   - Further the Company has issued 14,750 Equity Shares of ₹ 10/- each to ESOP holders under the Employees Stock Option Scheme at a premium of ₹ 102/- each.
   - During the current year Stamp Duty liability on Amalgamation of the Companies made in 2007-08 was discharged and an amount ₹ 27.53 Lakhs which was over and above the provision made was adjusted against the Securities Premium. This adjustment was necessitated due to the adjustment of the Original Stamp Duty Provision against the Securities Premium in 2007-08.

4. Borrowings and Securities:

Name of the Lender	Type of Loan	Repayment Schedule
State Bank of India	Corporate Loan	13 quarterly installments commencing from April, 2008 to April, 2011
State Bank of India	Term Loan	17 quarterly installments commencing from April, 2008 to April, 2012
Axis Bank	Corporate Loan	16 equal quarterly installments commencing from April, 2008 to March, 2012
State Bank of India	Capex Term Loan	13 quarterly installments commencing from March, 2010 to March, 2013.
Axis Bank	Capex Term Loan	13 quarterly installments commencing from March, 2010 to March, 2013.

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

5. Contingent Liabilities not provided for:

(₹ in Lakhs)

		Particulars	As at 31st March, 2011	As at 31st March, 2010
(i)		Income Tax Claims against which Company has preferred an appeal		
	(a)	Non Deduction of TDS and interest thereon	**29.89**	29.89
	(b)	Disallowance of certain expenses	**469.06**	93.04
(ii)		Excise Cases against the Company, appealed by the Company with CESTAT.		
	(a)	Relating to Cenvat availed on rejected goods	**89.27**	89.27
	(b)	Interest on Supplementary Invoices	**9.59**	9.59
(iii)		Claim for Interest by a Financial Institution on a loan which was interest free loan.	**164.93**	-

- the Company has availed Bill Discounting Facilities under Bill Marketing Scheme, from its customers for an amount of ₹1,225.53 Lakhs. (31st March, 2010 ₹ 1,579.80 Lakhs)

6. The Company had imported capital goods under the Export Promotion Capital Goods (EPCG) scheme, of the Government of India, at concessional rates of duty on an understanding to fulfill quantified exports against which future obligation aggregates to USD 227.63 Lakhs (31st March, 2010 USD 276.80 Lakhs) equivalent to ₹10,172.78 Lakhs (Previous Year ₹12,491.98 Lakhs) converted at year end exchange rates.

7. Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for ₹1,082.34 Lakhs (31st March, 2010 ₹127.52 Lakhs.)

8. Employees' Stock Option Scheme (ESOS) was formulated by the Remuneration/Compensation Committee of Directors of the company and approved by it on 26th October, 2007. This was subject to the authority vested in it by the shareholders at the general meeting of the company held on 25th July 2007 in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Under this scheme, options entitled to one equity share of ₹10/ - each fully paid up were granted as follows :-

   i. 2,96,000 options to the employees of the Company at a fixed price of ₹197/- per share on 26th October, 2007.

   ii. 3,91,000 options to the employees of the holding Company (M&M) at a fixed price of ₹83/- per share on 26th February, 2008

   iii. 88,000 and 12,000 options to the directors of the Company at a fixed price of ₹197/- per share on 26th October, 2007 and 26th February, 2008 respectively.

   iv. 2,50,000 options to the employees of Foreign subsidiaries at a fixed price of ₹151.80 per share on 9th May, 2008.

   v. 2,45,000 options to the employees of Foreign subsidiaries at a fixed price of ₹102/- per share on 29th July, 2008.

   vi. 5,00,000 options to the employee of the Company at a fixed price of ₹109/- per share on 26th August, 2008.

   vii. 93,000 options to the employee of the company at fixed price of ₹97.06 per share on 12th May, 2010.

   a. The equity settled options vest one year from the date of the grant and are exercisable on specified dates in 4 tranches within a period of 5 years from the date of vesting. The number of options exercisable in each tranche is between the minimum of 100 options and maximum of the options vested, except in case of the last date of exercise, where the employee can exercise all the options vested but not exercised / lapsed till that date.

   Options granted, vest in 4 equal installments on the expiry of 12 months, 24 months, 36 months and 48 months respectively.

b. Summary of Stock Options:-

	No. of Stock Options	Exercise price (₹)
Options Outstanding on 1st April, 2010	1,66,000	197.00
	3,09,000	83.00
	2,11,575	151.80
	2,03,255	102.00
	3,89,000	109.00
Options granted during the year	93,000	97.06
Options Forfeited during the year	12,000	197.00
	64,000	109.00
	4,000	97.06
Options Exercised during the year	14,750	102.00
Options outstanding on 31st March, 2011	1,54,000	197.00
	3,09,000	83.00
	2,11,575	151.80
	1,88,505	102.00
	3,25,000	109.00
	89,000	97.06
Options vested but not exercised on 31st March, 2011	52,000	197.00
	1,13,500	83.00
	86,575	151.80
	66,005	102.00
	75,000	109.00
	89,000	97.06

c. The Company has adopted the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. Consequently, salaries, wages, bonus, etc. includes ₹ 81.33 Lakhs (Previous Year: ₹ 133.18 Lakhs) being the amortisation of deferred employee compensation, after adjusting for reversals on account of options lapsed.

Had the Company adopted Fair Value Method in respect of Options granted, the employee compensation cost would have been lower by ₹ 49.40 Lakhs (Previous Year ₹ 92.71 Lakhs), Profit after tax higher by ₹ 49.40 Lakhs (Previous Year ₹ 92.71 Lakhs), and the basic and diluted earning per share would have been higher by ₹ 0.05 (Previous Year ₹ 0.13).

d. In respect of options granted during the period, accounting value of options (equal to intrinsic value) was treated as form of employee compensation, to be amortised on a straight line basis over the vesting period. Unamortised portion was disclosed under the head Employee Stock Options outstanding in Schedule 1B as deferred employee compensation expenses.

e. During the current year, 93000 fresh options were granted. Information in respect of options granted during the earlier years are as under:-

Particulars	Grant dated 9th May, 2008	Grant dated 29th July, 2008	Grant dated 26th August, 2008
Risk free interest rate	7.64%	9.29%	9.04%
Expected Life	4.5 Years	4.5 Years	4.5 Years
Expected volatility	49.65%	49.64%	49.64%
Expected dividend yield	NIL	NIL	NIL
Exercise price	₹ 151.80	₹ 102.00	₹ 109.00
Stock price	₹ 172.35	₹ 122.55	₹ 130.00
Fair Value of Options Granted	₹ 98.44	₹ 74.34	₹ 78.24

During the year, the Employee Stock Option Holders (ESOS) of the Company exercised their option and 14,750 shares (Exercise Price ₹ 102/- per Equity Share) were allotted to the ESOS holders.

Pursuant to the authority given by the Board of Directors at its meeting held on 10th March, 2011, the Company has granted 20,00,000 options convertible in Equity shares of ₹ 10/- each in four tranches on 1st April, 2011 to eligible employees under the Employee Stock Option Scheme.

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

Particulars	**31st March, 2011 ₹ in Lakhs**	31st March, 2010 ₹ in Lakhs
Dues remaining unpaid as at 31st March		
Principal	**7.09**	3.45
Interest	**0.10**	0.05
Interest paid in terms of Section 16 of the Act	**NIL**	Nil
Amount of Interest due and payable for the period of delay in payments made beyond the appointed day during the year.	**0.80**	0.32
Amount of interest accrued and remaining unpaid as at 31st March	**2.23**	1.43

10. Auditors' Remuneration : (Net of Service Tax where applicable)

(₹ in Lakhs)

	Auditors Remuneration	**31st March, 2011**	31st March, 2010
(i)	Audit Fees	**7.75**	6.25
(ii)	Tax Audit Fees	**1.25**	1.00
(iii)	Other Services	**6.28**	4.00
(iv)	Audit Fees for QIP (adjusted against Securities Premium)	**-**	21.05
	Total	**15.28**	32.30

11. Managerial remuneration for directors included in the Profit and Loss Account is as under:

(₹ in Lakhs)

Particulars	**31st March, 2011**	31st March, 2010
Salaries & Allowances	**63.96**	61.91
Provident Fund	**2.37**	1.97
Variable Performance pay	**27.35**	21.74
Other Allowance	**0.70**	0.80
Perquisites	**1.34**	1.55
Total	**95.72**	87.97

The above figures are excluding charge for provision for leave encashment on separation and gratuity payable provided on actuarial basis.

The Company has received an approval from the Central Government for the Managerial Remuneration till 31st August, 2011.

12. Capacities and Production of Forging:

Forging	**31st March, 2011**	31st March, 2010
Unit	**M.T**	M.T
Installed Capacity(3 shifts basis)	**85545**	85545
Production	**31794**	29275

13. Turnover, Opening and Closing Stocks

(Value in ₹ Lakhs)

Forging		31st March, 2011		31st March, 2010	
	Unit	**Qty**	**Value**	Qty	Value
Turnover	M.T.	**31255**	**32,222.20**	28,905	27,414.29
Opening Stock	M.T.	**1,441**	**1,249.39**	1,071	1,012.20
Closing Stock	M.T.	**902**	**1,313.47**	1,441	1,249.39

14. Raw Materials & Components Consumed

(Value in ₹ Lakhs)

Steel	**31st March, 2011**	31st March, 2010
M.T.	**45,528**	43,478
Value	**20,894.11**	16,970.91

15. Value of Raw Material and Components Consumed

(Value in ₹ Lakhs)

	31st March, 2011		31st March, 2010	
	₹ in Lakhs	**%**	₹ in Lakhs	%
Indigenous	**20,894.11**	**100%**	16,968.81	99.99
Imported	**-**	**-**	2.10	0.01
Total	**20,894.11**	**100%**	16,970.91	100

16. Value of Stores & Spares Consumed

(Value in ₹ Lakhs)

	31st March, 2011		31st March, 2010	
	₹ In Lakhs	**%**	₹ in Lakhs	%
Indigenous	**1,512.59**	**80.40**	1,105.97	74.59
Imported	**368.70**	**19.60**	376.74	25.41
Total	**1,881.29**	**100**	1,482.71	100

17. Value of Imports (C.I.F.)

(Value in ₹ Lakhs)

Sr.	Particulars	**31st March, 2011**	31st March, 2010
i)	Stores and Spares	**368.70**	376.73
ii)	Capital Goods	**352.11**	664.80
iii	Raw Material	**-**	2.10
	TOTAL	**720.81**	1,043.63

18. Earnings in Foreign Exchange

(Value in ₹ Lakhs)

	31st March, 2011	31st March, 2010
Exports (F.O.B. Value)	**924.81**	659.46

19. Expenditure in Foreign Currency

(Value in ₹ Lakhs)

Sr.	Particulars	**31st March, 2011**	31st March, 2010
i)	Foreign Travel	**11.91**	7.17
ii)	Technical Consultancy	**-**	15.88
iii)	Installation, Erection and Commissioning charges	**-**	11.77
iv)	Commission paid	**16.43**	15.63
v)	Other Expenses	**6.76**	0.54
vi)	Legal Consultancy Charges for QIP Issue	**-**	107.41
	TOTAL	**35.10**	158.39

20. Employee Benefits:

(a) Defined Benefit Plan -

		Gratuity		**Leave Encashment**	
		March, 2011	March, 2010	**March, 2011**	March, 2010
		₹ in Lakhs		₹ in Lakhs	
	Expense recognized during the period ended March 31, 2011 (Included in Schedule '12' Salary, Wages, Bonus of Personnel Expenses)				
1	Current Service cost	**27.35**	21.33	**16.89**	14.58
2	Interest Cost	**11.23**	9.97	**4.96**	2.82
3	Expected return on plan assets	**-**	-		-
4	Actuarial Losses/ (Gains)	**17.54**	(14.44)	**25.33**	26.56
5	Total expense	**56.12**	16.86	**47.18**	43.96
	Reconciliation of Net Asset/(Liability) recognised in the Balance Sheet during the period ended March 31, 2011				
1	Net Asset/(Liability) at beginning of period	**(140.45)**	(124.61)	**(61.89)**	(35.28)
2	Employee Expense	**(56.12)**	(16.86)	**(47.18)**	(43.96)
3	Employee Contributions	**9.22**	1.02	**40.61**	17.34
4	Net Asset/(Liability) at the end of the period	**(187.35)**	(140.45)	**(68.46)**	(61.89)
5	Actual Return on plan assets	Not Applicable			
	Actuarial Assumptions***	As at March 31 2011			
1	Discount Rate	8% per annum			
2	Expect rate of return on plan assets	NA			
3	Expect rate of salary increase	6% per annum			
4	Mortality Table	LIC (1994-96) ULITMATE			

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

(b) Defined Contribution Plans –

Amount recognised as an expense and included in the Schedule 12 "Contribution to Provident and other funds" of Personnel Expenses ₹ 100.32 Lakhs (Previous year ₹ 99.45 Lakhs).

21. The components of Deferred Tax Assets / Liability

(₹ in Lakhs)

	31st March, 2011	31st March, 2010
Deferred Tax Liability		
- On fiscal allowances of Fixed Assets	**1,342.39**	1,440.74
- On Employees Stock Options	**17.47**	57.50
	13,59.86	1,498.24
Less: Deferred Tax Assets		
- On unabsorbed fiscal losses and depreciation	**3,165.36**	2,995.94
- On Amalgamation & demerger expenses	**9.83**	20.59
- On share issue expenses	**63.42**	128.48
- On other timing differences	**129.00**	281.13
	3,367.61	3,426.14
Net Asset/(Liability)	**2,007.75**	1,927.90
Deferred Tax Assets not recognised	**2,007.75**	1,927.90
Deferred Tax Assets of earlier years de-recognised		
Net Asset / (Liability)	**-**	-

Note: Net Deferred Tax Asset of ₹ 2,007.75 Lakhs is not accounted for, as a measure of prudence in view of losses incurred during the year and will be recognised on the Company making profits.

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

23. Related parties during the year ending on 31st March, 2011 are as follows:

Holding Company	1.	Mahindra & Mahindra Limited
Subsidiary Companies	1.	Stokes Group Limited
	2.	Stokes Forgings Dudley Limited
	3.	Jensand Limited
	4.	Stokes Forgings Limited
	5.	Mahindra Forgings International Limited
	6.	Mahindra Forgings Europe AG
	7.	Gesenkschmiede Schneider GmbH
	8.	JECO-Jellinghaus GmbH
	9.	Falkenroth Umformtechnik GmbH
	10.	Mahindra Forgings Global Limited
	11.	Schöneweiss & Co. GmbH
Fellow Subsidiaries	1.	Mahindra First Choice Wheels Limited
	2.	Mahindra Gears & Transmissions Private Limited
	3.	Mahindra Ugine Steel Company Limited
	4.	Bristlecone India Limited
	5.	Mahindra Navistar Automotives Limited
	6.	Mahindra Logistics Limited
	7.	Mahindra Castings Limited (formerly known as Mahindra Castings Private Limited)
	8.	Mahindra Engineering Services Limited
	9.	Mahindra Vehicle Manufacturers Limited
	10.	Mahindra Reva Electric Vehicles Private Limited
Key management personnel	1.	Deepak Dheer

Transactions with related parties

(₹ in Lakhs)

	31st March, 2011				31st March, 2010			
Nature of Transactions	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt personnel	Holding Co.	Fellow subsidiaries	Subsidiary Co.	Key Mgmt. personnel
Sales								
-Goods	12,113.19	1,251.13	-	-	11,063.54	250.04	-	-
-Scrap	-	2,723.95	-	-	-	1,510.59	-	-
-Fixed Assets	-	6.00	-	-	-	-	-	-
Purchases								
-Raw material/ Goods	-	14,529.64	1.91	-	-	14,734.19	-	-
-Capital goods	-	27.20	-	-	3.24	-	8.73	-
-Discounting Charges	35.88	-	-	-	81.62	-	-	-
-Services	15.98	755.25	1.30	-	12.97	591.79	-	-
Payment of Rent	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Intercorporate Deposit Accepted	-	-	-	-	5,650.00	-	-	-
Intercorporate Deposit Refunded	-	-	-	-	10,050.00	-	-	-
Loan Refunded	-	-	-	-	-	-	-	-
Loan Received	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	4.73	-	-	-
Interest on ICD paid	-	-	-	-	885.05	-	-	-
Interest on Loan Paid	-	-	-	-	-	-	-	-
Inter Corporate Deposit given	-	-	-	-	-	-	5,366.40	-
Inter Corporate Deposit refunded	-	-	2,384.16	-	-	-	2,424.02	-
Interest on ICD received	-	-	158.54	-	-	-	430.32	-
Subscription for Warrants received	-	-	-	-	2,500.00	-	-	-
Share Application Money received	-	-	-	-	3,082.50	-	-	-
Outstanding	-	-	-	-	-	-	-	-
-Receivables	2,903.83	334.47	570.61	-	422.45	68.15	2,954.77	-
-Payables	204.61	3,286.78	3.21	-	30.05	4,282.09	-	-
Reimbursement of Expense	256.59	-	1.36	-	34.61	-	25.50	-
Warrants Subscription outstanding	-	-	-	-	1,472.50	-	-	-
Advance for expenses payable	-	-	-	-	-	-	-	-
Managerial remuneration	-	-	-	89.42	-	-	-	87.97
Investment in subsidiaries	-	-	-	-	-	-	9,351.52	-
Finance (including loans and equity contributions in cash or in kind	-	-	-	-	-	-	-	-

Significant transactions with Related Parties

Relationship	Name of the Company	Nature of transaction	Amount ₹ Lakhs
Holding Company	Mahindra & Mahindra Limited	Sales - Products	12,113.19
		Discounting Charges Paid	35.88
		Service Charges Paid	15.98
		Reimbursement of expenses	256.59
		Receivables	2,903.83
		Payables	204.61
Fellow Subsidiaries	Mahindra Ugine Steel Company Limited	Sales – Scrap	2,723.95
		Purchases – Raw Material	14,259.64
		Payables	3,184.12
	Mahindra Vehicle Manufacturers Limited	Sales – Products	1,093.00
		Receivables	296.41
	Mahindra Navistar Automotives Limited	Sales – Products	158.13
		Receivables	38.06
	Mahindra First Choice Wheels Limited	Sales- Fixed Assets	6.00
	Mahindra Hinoday Industries Limited	Purchase – Fixed Assets	27.20
	Mahindra Logistics Limited	Service Charges Paid	753.65
		Payables	97.66
	Mahindra Engineering Services Limited	Service Charges Paid	1.60
	Mahindra Reva Electric Vehicles Private Limited	Payables	5.00
Subsidiary Company	JECO-Jellinghaus GmbH	Purchase - Stores	1.91
		Payables	1.91
	Gesenkschmiede Schneider GmbH	Service Charges Paid	1.30
		Reimbursement of expenses	1.36
		Payables	1.30
	Mahindra Forgings International Limited	Interest recovered	158.54
		ICD refunded	2,384.16
		Receivables	570.61
Key Managerial Personnel	Mr. Deepak Dheer, Managing Director	Remuneration	89.42

24. Earnings per Share:

(₹ in Lakhs)

	31st March, 2011	31st March, 2010
Profit/(Loss) as per the P&L Account (₹ in Lakhs)	**(317.59)**	(9,473.45)
Weighted Average Number of equity shares outstanding during the year	**8,78,62,674**	7,01,33,657
Basic Earnings per share (₹)	**(0.36)**	(13.51)
Diluted Earnings per share (₹)	**(0.36)**	(13.51)

25. In the previous year Prior Period Items included was for Payment of additional VAT liability arising out of VAT audit for the previous years of ₹ 71.04 Lakhs.

26. Investments:

The Company had entered into a Share Subscription Agreement with Wardha Power Company Limited on 29th February, 2008 to invest ₹ 325 Lakhs by way of subscription to 8,81,111 Class A Equity Shares of ₹ 10 each, 11,18,889 Class 'A' 0.01% Redeemable Preference Shares of ₹ 10 each and 12,50,000 Class 'C' 0.01% Redeemable Preference Shares of ₹ 10 each. The Company will be entitled to 5 MW of power generated from the Group Captive Power Plant as per the Power Delivery Agreement dated 29th February, 2008. The Company has paid share application money of ₹ 200 Lakhs for Class 'A' Equity and Redeemable Preference Shares.

Upon the expiry of the Power Purchase Agreement, Class 'A' Equity Shares and Class 'A' 0.01% Redeemable Preference Shares will be bought back for a total consideration of ₹ 1. One-tenth of Class 'C' Redeemable Preference Shares will be redeemed on every anniversary from the date of issue @ ₹ 0.01per share.

Consequent to the amendment to the share subscription agreement dated 3rd December, 2009, there has been a change in the number of Class 'A' Equity Shares of ₹ 10 each from 8,81,111 to 8,84,485 and Redeemable Preference Shares of ₹ 10 each from 11,18,889 to 11,15,515. The shares instead of being allotted by Wardha Power Company Limited, were to be transferred by KSK Energy Limited to the Company.

Accordingly, the Company received 8,84,485 Class 'A' Equity Shares of ₹ 10/- each of Wardha Power Company Limited valuing to ₹ 88.45 Lakhs after adjusting the Share Subscription Money paid by the company. The balance amount of ₹ 111.55 Lakhs is treated as Share Application Money against 11,15,515 Class 'A' 0.01% Redeemable Preference Shares of ₹ 10/- each. This investment would be amortised over a period of 25 years from the year in which supply of power starts.

27. The Company's subsidiary, Stokes Group Limited, UK had incurred losses and the net worth of the said subsidiary company had eroded during the previous year Accordingly during the previous year, the company has recognised provision for diminution in the value of investment of ₹ 9,018.59 Lakhs representing 100% of the value of investment.

28. During the previous year, Company had invested Euro 9 million (₹ 5,583 Lakhs) in 11% Redeemable, Non-cumulative Preference Shares of Mahindra Forgings International Limited, its wholly owned subsidiary. Said preference shares are redeemable after 7 years. The preference shares, being a monetary item forming part of net investment in a non-integral foreign operation, Exchange difference of ₹ 103.67 Lakhs (profit) (P.Y. ₹ 140.22 lakh (loss)) arising on the restatement as on 31st March 2011 is accumulated in foreign currency translation reserve.

29. During the year the company's direct 100% subsidiary Mahindra Forgings Global Limited, Mauritius transferred its holding in Schöneweiss & Co GmbH to the company's 100% step down subsidiary to Mahindra Forgings Europe AG, Germany, thereby consolidating all its German operations under one holding company, Mahindra Forgings Europe A.G.

30. Figures for the previous year have been regrouped and rearranged wherever necessary.

As per our Report of even date	For & on behalf of Board of Directors	
For **B K Khare & Company** Chartered Accountants	**Hemant Luthra** (Chairman)	**Deepak Dheer** (Managing Director)
Padmini Khare Kaicker Partner	**Mohit Burman** (Director)	**Virendra Kumar Chanana** (Director)
Membership No. 044784 Firm Registration No. 105102W	**Daljit Mirchandani** (Director)	**Fali P. Mama** (Director)
	Zhooben Bhiwandiwala (Director)	**Harald Korte** (Director)
Mumbai, 20th May, 2011	**Krishnan Shankar** (Company Secretary & Head - Legal)	**Ajay Mantry** (CFO)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Information pursuant to Part IV of Schedule VI to the Companies Act,1956)

I Registration Details

Registration No.	11-121285 of 1999
State Code	11
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)

II Capital Raised During the Year (Amount in ₹ Lakhs):

Pubic Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	15

III Position of Mobilisation and Deployment of Funds (Amount in ₹ Lakhs)

Total Liabilities	107191
Total Assets	107191

Sources of Funds

Paid-up Capital	8787
Reserve & Surplus	84583
Secured Loans	11776
Unsecured Loans	2045

Application of Funds

Net Fixed Assets	17963
Capital WIP	4796
Investments	67256
Net Current Assets	4064
Accumulated Losses	13112
Deferred Tax Assets	NIL

IV Performance of Company (Amount in ₹ Lakhs)

Turnover	35844
Total Expenditure	36161
Net Loss	318
Earnings per Share in Rupees — Basic	(0.36)
Earnings per Share in Rupees — Diluted	(0.36)
Dividend Rate %	NIL

V Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	73261990
Product Description	FORGINGS
Item Code No. (ITC Code)	87089900
Product Description	FORGINGS MACHINED

As per our Report of even date
For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 044784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

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

Name of the Subsidiary Company	No of Shares in the Subsidiary Company held by Mahindra Forgings Limited at the financial year ending date		The aggregate pf profits/(losses) of the Subsidiary Companies so far as they concern the members of Mahindra Forgings Limited			
			For the Current Financial Year		For the Previous Financial Year	
	Equity	Extend of Holding	Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2011	Not Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2011	Dealth with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2010	Not Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st March, 2010
	Nos	%	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Stokes Group Limited	15,465,310	99.92%	-	(829.58)	-	(2,548.80)
* Stokes Forgings Dudley Limited	-	99.92%	-	-	-	-
* Jensand Limited	-	99.92%	-	-	-	-
+ Stokes Forgings Limited	-	99.92%	-	-	-	-
Mahindra Forgings International Limited	72,000,001	100.00%	-	(435.31)	-	(1,625.52)
~ Mahindra Forgings Europe AG	-	100.00%	-	(2,812.14)	-	(9,086.87)
@ Gesenkschmiede Schneider GmbH	-	100.00%	-	4,067.53	-	-
@ JECO-Jellinghaus GmbH	-	100.00%	-	533.24	-	-
@ Falkenroth Umformtechnik GmbH	-	100.00%	-	(265.99)	-	-
@ Schöneweiss & Co GmbH	-	100.00%	-	(271.67)	-	-
Mahindra Forgings Global Limited	33,849,836	100.00%	-	(14.53)	-	2.22
# Schöneweiss & Co GmbH	-	100.00%	-	-	-	(5,100.09)

* Subsidiary of Stokes Group Limited

\+ Subsidiary of Jensand Limited

~ Subsidiary of Mahindra Forgings International Limited

@ Subsidiary of Mahindra Forgings Europe AG

Subsidiary of Mahindra Forgings Global Limited

Note: 1) The financial year of all subsidiaries ended on 31st March, 2011

2) During the year shares of Schöneweiss & Co GmbH were purchased by Mahindra Forgings Europe AG from Mahindra Forgings Global Limited

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

Mumbai, 20th May, 2011

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

1. We have audited the attached Consolidated Balance Sheet of Mahindra Forgings Limited and its subsidiaries (the Group) as at 31st March, 2011 and also the Consolidated Profit & Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Mahindra Forgings Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of subsidiaries, whose financial statements reflect the Group's share of total assets of ₹ 116,295.40 lakhs as at March 31, 2011 and the Group's share of total revenues of ₹ 157,233.28 lakhs for the year ended on that date and Group's share of net cash outflows of ₹ 483.25 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited by the other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by Mahindra Forgings Limited's management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

5. Based on our audit and on consideration of the reports of the other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) In case of the Consolidated Balance Sheet, of the state of affairs of Mahindra Forgings Limited Group as at 31st March, 2011,

   ii) In case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date, and

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

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

Padmini Khare Kaicker
Partner
Membership No.: 044784
Firm Registration No. 105102W

Place : Mumbai
Date : 20th May 2011

Consolidated Balance Sheet as at 31st March, 2011

		Schedule	31st March, 2011 ₹ in Lakhs	31st March, 2010 ₹ in Lakhs
I	**SOURCES OF FUNDS :**			
	Shareholders' Funds			
	Share Capital	1	**8,786.98**	8,785.50
	Share Application Money received for Warrants	1A	**1,472.50**	1,472.50
	Employee Stock Options outstanding	1B	**480.22**	401.92
	Reserves & Surplus	2	**94,296.19**	95,058.49
			105,035.89	105,718.41
	Minority Interest			
	Loan Funds			
	Secured Loans	3	**60,795.86**	56,766.90
	Unsecured Loans	4	**8,902.01**	8,592.20
			69,697.87	65,359.10
			174,733.76	171,077.51
II	**APPLICATION OF FUNDS :**			
	Fixed Assets			
	Gross Block		**262,818.88**	257,479.23
	Less : Depreciation		**148,662.54**	138,758.29
	Net Block		**114,156.34**	118,720.94
	Capital Work in Progress		**6,155.74**	4,827.19
	Total	5	**120,312.08**	123,548.13
	Investments	6	**227.49**	2,935.43
	DEFERRED TAX ASSET (Net)		**5,499.19**	5,388.48
	Current Assets, Loans and Advances	7, 8		
	Inventories		**32,511.34**	25,589.10
	Sundry Debtors		**31,779.36**	19,739.95
	Cash and Bank Balances		**1,830.00**	2,865.46
	Loans & Advances		**2,652.56**	2,950.34
			68,773.26	51,144.85
	Less : Current Liabilities & Provisions	9		
	Current Liabilities		**33,382.41**	24,858.50
	Provisions		**12,611.45**	13,372.66
			45,993.86	38,231.16
	NET CURRENT ASSETS		**22,779.40**	12,913.69
	PROFIT & LOSS ACCOUNT		**25,915.60**	26,291.78
			174,733.76	171,077.51
	NOTES TO ACCOUNTS	15		

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

Padmini Khare Kaicker
Partner

Membership No. 044784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Mohit Burman
(Director)

Daljit Mirchandani
(Director)

Zhooben Bhiwandiwala
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Deepak Dheer
(Managing Director)

Virendra Kumar Chanana
(Director)

Fali P. Mama
(Director)

Harald Korte
(Director)

Ajay Mantry
(CFO)

Consolidated Profit & Loss account for the year ended 31st March, 2011

		Schedule	31st March, 2011 ₹ in Lakhs	31st March, 2010 ₹ in Lakhs
I	**INCOME**			
	Gross Sales		**195,425.93**	135,262.01
	Less - Excise duty		**3,636.02**	2,519.85
	Net Sales		**191,789.91**	132,742.16
	Other Income	10	**1,287.13**	773.27
			193,077.04	133,515.43
II	**EXPENDITURE**			
	Material Consumption	11	**88,467.79**	63,908.33
	Personnel Expenses	12	**42,432.97**	36,293.88
	Other Expenses	13	**44,034.61**	33,418.75
	Interest & Finance cost	14	**4,879.74**	6,148.11
	Depreciation	5	**11,995.95**	13,711.09
			191,811.06	153,480.16
	Profit Before Exceptional items and Tax		**1,265.98**	(19,964.73)
	Less : Exceptional items (Net) (Refer Note 14 of Schedule 15)		**804.13**	3,456.87
	Profit / (Loss) before tax		**461.85**	(23,421.60)
	Less - Provision for taxation			
	Current Tax		**153.87**	-
	Deferred Tax		**126.71**	(5,185.59)
	Prior period adjustments for Tax (Net)		**(194.91)**	141.69
	Profit / (Loss) after Tax		**376.18**	(18,377.70)
	Less: Prior Period (Income) Expenses (net) (Refer Note 15 of Schedule 15)		**-**	71.04
	Profit / (Loss) for the year before Minority interest)		**376.18**	(18,448.74)
	Less: Minority Share in Profit		**-**	-
	Net Profit/(Loss) for the year		**376.18**	(18,448.74)
	Balance of Profit and Loss Account brought forward		**(26,291.78)**	(7,843.04)
	Balance of Profit and Loss Account carried to Balance Sheet		**(25,915.60)**	(26,291.78)
	Earning per Share (Face value of ₹ 10 Per Share)			
	Basic		**0.43**	(26.31)
	Diluted		**0.43**	(26.31)
	Notes on accounts	15		

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

Padmini Khare Kaicker
Partner

Membership No. 044784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

Consolidated Cash Flow Statement for the year ended 31st March, 2011

	31st March, 2011 ₹ in Lakhs	31st March, 2010 ₹ in Lakhs
Profit/(Loss) before tax after prior period adjustments		
Add : Adjustment for		
Depreciation, Amortisation and expenditure as ESOP	**12,074.25**	13,852.51
Provision for doubtful debts/ Write off	**149.08**	-
Interest (Expenses)	**4,879.74**	6,074.06
Loss on sale of Fixed Assets	**-**	220.58
Exceptional items/ Prior Period adjustments	**(804.13)**	(3,669.60)
Sub-Total	**17,564.92**	(3,486.56)
Less : Adjustments for		
Interest / Dividend Income	**73.32**	87.46
Profit on sale of Investments	**38.80**	13.33
Profit on sale of Fixed Assets	**273.69**	-
Credit Balances Written Back	**23.36**	-
Unrealised Foreign Exchange gain	**990.92**	(677.21)
Sub-Total	**1,400.09**	(576.42)
Operating Profit before Working Capital changes	**16,164.83**	(2,910.14)
Adjustments for		
Trade & Other receivables	**(11,867.35)**	8,561.57
Inventories	**(6,922.24)**	7,156.31
Trade Payables	**8,071.29**	(8,315.05)
Cash generated from Operations	**(10,718.30)**	7,402.83
Direct Taxes (Paid)	**(267.55)**	(122.23)
Net cash from Operating Activities	**5,178.98**	4,370.46
Cash flow from Investing Activities		
Purchase of Fixed Assets	**(9,361.09)**	(5,198.83)
Sale of Fixed Assets	**874.88**	7,757.84
Sale / (Purchase) of Investment - Net	**2,746.89**	(2,695.96)
Interest / Dividend received	**73.32**	87.46
Net Cash from / (used in) investing Activities	**(5,666.00)**	(49.49)

Consolidated Cash Flow Statement for the year ended 31st March, 2011 (contd.)

	31st March, 2011 ₹ in Lakhs	31st March, 2010 ₹ in Lakhs
Cash flow from Financing Activities		
Term Loans	**4,338.78**	(22,036.52)
Issue of Share Capital	**(7.48)**	23,175.00
Interest Paid	**(4,879.74)**	(6,074.06)
Net Cash from/Financing Activities	**(548.44)**	(4,935.58)
Net (Decrease/Increase) in Cash & Cash equivalents	**(1,035.46)**	(614.61)
Opening Cash / Bank Balances	**2,865.46**	3,480.07
Closing Cash / Bank Balances	**1,830.00**	2,865.46

Notes :

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

As per our Report of even date	For & on behalf of Board of Directors	
For **B K Khare & Company**	**Hemant Luthra**	**Deepak Dheer**
Chartered Accountants	(Chairman)	(Managing Director)
Padmini Khare Kaicker	**Mohit Burman**	**Virendra Kumar Chanana**
Partner	(Director)	(Director)
Membership No. 044784	**Daljit Mirchandani**	**Fali P. Mama**
Firm Registration No. 105102W	(Director)	(Director)
	Zhooben Bhiwandiwala	**Harald Korte**
	(Director)	(Director)
	Krishnan Shankar	**Ajay Mantry**
Mumbai, 20th May, 2011	(Company Secretary & Head - Legal)	(CFO)

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	31st March, 2011 ₹ in Lakhs	31st March, 2010 ₹ in Lakhs
SCHEDULE - 1		
Share Capital		
Authorised Capital		
12,20,00,000 (PY 12,20,00,000) Equity shares of ₹ 10/- each.	**12,200.00**	12,200.00
1,48,20,206 (PY 1,48,20,206) 4% Non Cumulative Redeemable Non convertible Preference shares of ₹ 31/- each	**4,594.26**	4,594.26
	16,794.26	16,794.26
Issued, Subscribed and Paid-up		
8,78,69,786 Equity shares (P Y 8,78,55,036) of ₹ 10/-each fully paid up	**8,786.98**	8,785.50
a) Of the above shares,5,53,67,356 are allotted as fully paid up pusuant to a contract without payments being received in cash		
b) 1,62,41,300 equity shares issued to Qualified Institutional Buyers		
c) 30,00,000 equity shares issued against conversion of Preferential Warrants issued to Mahindra & Mahindra Limited (Holding Company)		
d) 14,750 (P.Y.46,000) equity shares issued under the Company's Employees Stock Option Scheme		
	8,786.98	8,785.50
SCHEDULE - 1A		
Share Application Money received for Warrants		
Subscription received for 42,99,270 Warrants from Mahindra & Mahindra Limited (Holding Company) @ 25% of the price of ₹ 137 per Warrant	**1,472.50**	1,472.50
	1,472.50	1,472.50
SCHEDULE - 1B		
Employee Stock Options outstanding		
Stock Options Outstanding	**522.38**	532.18
Transfer to Securities Premium Account	**3.02**	-
Less - Deferred Employee Compensation Expenses	**(45.18)**	(130.26)
	480.22	401.92
SCHEDULE - 2		
Reserve & Surplus		
Capital Reserve on consolidation		
Opening Balance	**11,912.96**	12,366.90
Less: Adjusted during the year	**-**	(453.94)
	11,912.96	11,912.96

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	31st March, 2011 ₹ in Lakhs	31st March, 2010 ₹ in Lakhs
SCHEDULE - 2 (Contd.)		
Securities Premium Account		
Opening Balance	**24,861.49**	5,574.16
Add:-		
Received upon Issue of Shares Issued to Qualified Institutional Buyers	**-**	15,875.87
Received upon Issue of Shares against Preferential Warrants to Promoters	**-**	3,810.00
Received upon Issue of Shares to Employees under ESOP Scheme	**16.59**	87.91
Less:-		
Utilised for Share Issue Expenses for Qualified Institutional Placement & Preferential Warrants	**5.00**	(486.45)
Differential Stamp Duty Payment	**(27.53)**	-
(Refer Note B-3 of Schedule 15)		
	24,855.55	24,861.49
General Reserve		
Opening Balance	**57,670.77**	57,670.77
Add: Additions During the year	**-**	-
	57,670.77	57,670.77
Foreign Exchange Fluctuation Reserve		
Opening Balance	**613.27**	(472.29)
Add: Additions During the year	**(756.36)**	1,085.56
	(143.09)	613.27
	94,296.19	95,058.49
Profit & Loss Account		
Opening Balance	**(26,291.78)**	(7,843.04)
Profit / (Loss) in Current Year	**376.18**	(18,448.74)
	(25,915.60)	(26,291.78)
SCHEDULE - 3		
Secured Loans		
From Financial Institutions	**-**	219.98
Foreign Currency Loan from Banks	**46,130.25**	41,174.63
Rupee Loans from Banks	**7,334.35**	11,994.88
Working Capital Loan from Banks	**7,331.26**	3,377.41
	60,795.86	56,766.90
SCHEDULE - 4		
Unsecured Loans		
Others	**8,902.01**	8,592.20
	8,902.01	8,592.20

Schedules annexed to and forming part of financial statements as at 31st March 2011

SCHEDULE - 5

Fixed Assets

(₹ in Lakhs)

Description	Gross Block				Depreciation				Net Block	
	As on 01/04/2010	Additions and Adjustments	Deductions and Adjustments	**As at 31/03/2011**	As on 01/04/2010	For the Year	Deductions and Adjustments	**As on 31/03/2011**	**As on 31/03/2011**	As on 01/04/2010
Tangible Assets										
Freehold Land	2,373.48	-	(104.70)	**2,478.18**	-	-	-	**-**	**2,478.18**	2,373.48
Building - Freehold	24,796.60	28.20	(959.21)	**25,784.01**	14,086.28	471.54	(611.66)	**15,169.48**	**10,614.53**	10,710.32
Building - Leasehold	401.38	6.48	(23.13)	**430.99**	83.68	35.98	(4.82)	**124.48**	**306.51**	317.70
Plant and Machinery	141,736.31	3,455.47	(383.61)	**145,575.39**	103,160.08	8,217.87	663.30	**110,714.65**	**34,860.74**	38,576.23
Furniture and Fittings	22,070.18	1,964.38	1,951.74	**22,082.82**	16,082.49	3,021.81	2,104.63	**16,999.67**	**5,083.15**	5,987.69
Vehicles	1,531.87	69.98	22.74	**1,579.11**	1,261.95	79.52	7.26	**1,334.21**	**244.90**	269.92
Sub Total (a)	192,909.82	5,524.51	503.83	**197,930.50**	134,674.48	11,826.72	2,158.71	**144,342.49**	**53,588.01**	58,235.34
Intangible Assets										
Goodwill on Consolidation	62,334.61	-	-	**62,334.61**	2,269.91	-	-	**2,269.91**	**60,064.70**	60,064.70
Trademarks	758.56	93.51	(31.81)	**883.88**	719.87	33.49	(30.08)	**783.44**	**100.44**	38.69
Software	1,476.24	140.28	(53.37)	**1,669.89**	1,094.03	135.74	(36.93)	**1,266.70**	**403.19**	382.21
Sub Total (b)	64,569.41	233.79	(85.18)	**64,888.38**	4,083.81	169.23	(67.01)	**4,320.05**	**60,568.33**	60,485.60
Grand Total (a +b)	257,479.23	5,758.30	418.65	**262,818.88**	138,758.29	11,995.95	2,091.70	**148,662.54**	**114,156.34**	118,720.94
Previous Year	280,484.61	5,724.05	28,729.43	**257,479.23**	145,798.21	13,711.09	20,751.01	**138,758.29**	**118,720.94**	134,686.40

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

Schedules annexed to and forming part of financial statements as at 31st March, 2011

₹ in Lakhs

	31st March, 2011	31st March, 2010
SCHEDULE - 6		
Investments (At Cost unless otherwise specified)		
Long Term Investments		
(Non Trade, unquoted)		
Equity Shares	**0.01**	0.01
(Trade, unquoted)		
Equity Shares	**128.13**	115.45
Share Application Money (Refer Note 11 of Schedule 15)	**111.88**	111.88
Current Investments		
Mutual Fund Units - Quoted	**-**	2,708.09
	240.02	2,935.43
SCHEDULE - 7		
Current Assets		
Inventories		
(Valued at cost or net realisable value, whichever is lower)		
Raw Material and Components	**9,827.30**	6,410.24
Work-in-progress	**15,234.76**	11,753.90
Stores and Spares	**749.58**	593.51
Finished Goods	**5,970.37**	5,935.21
Dies and Tools	**729.33**	896.24
	32,511.34	**25,589.10**
Sundry Debtors (Unsecured)		
Outstanding over six months		
Considered Good	**215.97**	39.34
Considered Doubtful	**159.68**	33.96
	375.65	73.30
Other Debts Considered Good	**31,563.39**	19,700.61
Less - Provision for doubtful debts/credit notes	**159.68**	33.96
	31,779.36	**19,739.95**
Cash and Bank Balances		
Cash on Hand	**163.00**	9.23
Balances with Scheduled Banks :		
On Current account	**1,527.42**	598.02
On Margin money Deposit account	**139.54**	185.50
Balances with Other Banks:		
On current account and Fixed Deposit Account	**0.04**	2,072.71
	1,830.00	2,865.46
	66,120.70	48,194.51

Schedules annexed to and forming part of financial statements as at 31st March, 2011

₹ in Lakhs

	31st March, 2011	31st March, 2010
Schedule - 8		
Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received		
Considered good	**2,466.59**	2,718.61
Considered doubtful	**27.72**	27.72
	2,494.31	2,746.33
Less: Provision for Doubtful Advances	**27.72**	27.72
	2,466.59	2,718.61
Balances with Excise/Custom/Sales tax authorities etc.	**185.97**	231.73
	2,652.56	2,950.34
Schedule - 9		
Current Liabilities and Provisions		
Current Liabilities		
Acceptances	**-**	590.35
Sundry Creditors	**20,499.00**	14,476.63
Other Liabilities	**12,883.41**	9,791.52
	33,382.41	24,858.50
Provisions		
Provisions for Income Tax (Net of Advance Tax)	**16.43**	325.02
Provision for Employee Benefits	**11,990.46**	11,818.02
Provision for Contingencies	**32.11**	139.79
Others	**572.45**	1,089.83
	12,611.45	13,372.66
	45,993.86	38,231.16
Schedule - 10		
Other Income		
Dividend on investments	**-**	0.67
Profit on sale of Investments (Net)	**38.80**	13.33
Interest Income	**73.32**	86.79
Commission	**113.44**	35.50
Rent received	**115.24**	125.92
Export Incentives	**58.19**	35.75
Profit on sale of Fixed Assets	**273.69**	-
Miscellaneous Income	**614.45**	475.31
	1,287.13	773.27
Schedule - 11		
Material Consumption		
Raw Material and Components Consumed	**91,983.81**	56,259.45
(Increase) / Decrease in Stocks		
Opening stock - Work in Progress	**11,753.90**	16,626.19
Finished Goods	**5,935.21**	8,711.80
	17,689.11	25,337.99
Closing stock - Work in Progress	**15,234.76**	11,753.90
Finished Goods	**5,970.37**	5,935.21
	21,205.13	17,689.11
(Increase) / Decrease in Stocks	**(3,516.02)**	7,648.88
	88,467.79	63,908.33

Schedules annexed to and forming part of financial statements as at 31st March, 2011

	31st March, 2011	31st March, 2010
		₹ in Lakhs
Schedule - 12		
Personnel Expenses		
Salaries, Wages, Bonus etc.	**35,056.43**	28,363.72
Contribution to Provident and other funds	**511.50**	541.21
Staff Welfare expenses	**6,865.04**	7,388.95
	42,432.97	36,293.88
Schedule - 13		
Other Expenses		
Manufacturing Expenses		
Power and Fuel	**13,404.46**	10,651.36
Dies and Tools Consumed	**2,456.84**	1,881.13
Stores, Spares and Oil consumed	**3,719.45**	3,025.10
Repairs and Maintenance		
Plant and Machinery	**5,996.59**	4,140.02
Buildings	**266.99**	177.13
Others	**361.42**	307.67
Total Manufacturing Expenses	**26,205.75**	20,182.41
Administrative and Selling expenses		
Rent	**2,406.81**	3,139.76
Rates and Taxes	**257.08**	345.04
Insurance	**651.97**	631.37
Discount allowed	**467.03**	297.39
Freight and Packing	**2,471.04**	1,698.89
Travelling and Conveyance	**515.20**	364.80
Loss on Sale of Assets(Net)	**-**	220.58
Advertisement & Sales Promotion Expenses	**164.12**	118.56
Commission	**221.59**	307.66
Professional & Consultancy Fees	**803.70**	768.44
Sub contracting charges	**7,019.76**	1,702.85
General & Administrative Expenses	**2,656.67**	2,747.52
Exchange rate fluctuation (Net)	**193.89**	892.13
	17,828.86	13,234.99
Total Other Expenses	**44,034.61**	33,417.40
Schedule - 14		
Interest and Finance Cost		
On Fixed period loans	**1,667.01**	3,770.61
On Others	**2,826.51**	2,303.45
Cash Discounts	**386.22**	74.05
	4,879.74	6,148.11
	4,806.42	6,061.32

Schedule 15

Notes on the Consolidated Accounts for year ended 31st March, 2011

1. The Consolidated Financial Statements relate to Mahindra Forgings Limited (the 'Parent Company') and its subsidiary companies. The Consolidated Financial Statements have been prepared in accordance with the generally accepted accounting principle in India and the Accounting Standards notified under the Companies Act, 1956 and the relevant provisions of the said Act. The Consolidated Financial Statements have been prepared on the following basis:

(a) Basis of Consolidation :

i) The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealised profits or losses have been fully eliminated.

ii) The difference between the cost of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.

iii) The difference between the proceeds from disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of date of disposal is recognised in the Consolidated Profit and Loss Account as profit or loss on disposal of investment in subsidiary.

iv) Minority Interest in the net assets of consolidated subsidiaries consist of :

a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and

b) the minorities' share of movements in equity since the date the parent- subsidiary relationship comes into existence.

v) The Financial Statements of the subsidiaries are drawn up to 31st March, 2011.

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

Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest	Proportion of Voting Power where different
		as at 31.03.2011	as at 31.03.2011
Stokes Group Limited	U.K.	99.92%	-
Stokes Forgings Dudley Limited	U.K.	99.92%	100.00%
Jensand Limited	U.K.	99.92%	100.00%
Stokes Forgings Limited	U.K.	99.92%	100.00%
Mahindra Forgings International Limited	Mauritius	100.00%	-
Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	Germany	100.00%	-
Gesenkschmiede Schneider GmbH	Germany	100.00%	-
JECO-Jellinghaus GmbH	Germany	100.00%	-
Falkenroth Umformtechnik GmbH	Germany	100.00%	-
Schöneweiss & Co GmbH	Germany	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-

(b) Goodwill arising on consolidation:

The goodwill recorded in these consolidated financial statements has not been amortised, but instead evaluated for impairment. The Group evaluates for carrying amount of its goodwill whenever events or changes in circumstances indicates that its carrying amount may be impaired, for diminution other than temporary.

2. Accounting Policies:

(A) Method of Accounting:

The financial statements are prepared under the historical cost convention as a going concern and on accrual basis accordance with Generally Accepted Accounting Policies of India, the accounting standards issued by The Institute of Chartered Accountants of India and the relevant Provisions of Companies Act, 1956.

(B) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reported period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialise.

(C) Fixed Assets:

(a) (i) All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

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

(b) (i) Free hold land is stated at cost.

(ii) Leasehold land is amortised over the period of lease.

(iii) Depreciation on assets is calculated on Straight Line Method (SLM) over its useful life estimated by management or on the basis depreciation rates prescribed by the local laws.

(D) Intangible Assets:

All Intangible Assets are initially measured at cost and amortised so as to reflect the pattern in which the asset's economic benefits are consumed. The expenditure incurred in software expenditure is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

(E) Investments:

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

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

(F) Inventories:

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

(G) Foreign Exchange Transactions:

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

Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and year end conversion of such liabilities are charged /credited to the Profit and Loss Account.

Forward exchange contracts are entered into to hedge foreign exchange exposure. The premium or discount arising at the inception of forward exchange contract is amortised as income or expense over the life of the contract. Exchange differences are recognised as an income or expense in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or expiry of such forward exchange contract is recognised as income or expense for the period.

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

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

(H) Revenue Recognition:

(a) Sales of products and services are recognised when the products are dispatched or services rendered which coincide with transfer of risk and rewards. Sales are exclusive of sales tax and net of sales return and trade discounts. Revenue from sale of tools which are manufactured on specific requirement of the customers is recognised to the extent of surplus over the cost of manufacturing of such tools.

(b) Dividends from investments are recognised in the Profit and Loss Account when the right to receive dividend is established.

(c) Interest income is accounted on accrual basis/ time proportionate basis on contractual rate.

(d) Export incentives are recognised on accrual basis and to the extent of certainty of realisation of ultimate collection.

(I) Employee Benefits:

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

(a) Defined Contribution Plan

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

(b) Defined Benefit Plan/ Long term compensated absences

Group's liability towards gratuity, compensated absences and post retirement medical benefit schemes are determined by independent actuaries, using the projected unit credit method. Past service costs are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(J) Product Warranty:

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

(K) Segment Reporting :

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

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

(L) Taxes on Income:

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

(M) Impairment of Assests:

Management periodically assesses using external and internal sources, whether there is an indication that an asset / a cash generating unit (CGU) may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash-flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of carrying amount over the higher of the asset's net sales price or present value as determined above.

(N) Government Grants:

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

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

(O) Hire purchase and leasing commitments:

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

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

(P) Provisions and Contingent Liabilities:

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

3. Share Capital & Reserves:

a) During the previous year, the Company has issued 1,62,41,300 equity shares of ₹ 10/- each at a premium of ₹ 97.75 per share aggregating to ₹ 17,500 Lakhs to Qualified Institutional Buyers (QIB) though Qualified Institutional Placement (QIP) in accordance with the Chapter VIII of Securities & Exchange Board of India (Issue of Capital & Disclosure requirements) Regulations, 2009.

b) During the previous year, the company has issued 72,99,270 Preferential Warrants to Mahindra & Mahindra Limited (the holding company) at a price of ₹ 137/- per Warrant for conversion into 1 Equity Share per Warrant in one or more tranches within 18 months from the date of allotment of the Warrant. Out of the above, 30,00,000 warrants were converted into equity shares on exercise of options by Mahindra & Mahindra Ltd. The Company received an amount of ₹ 1,472.50 Lakhs @25% of ₹ 137/- per warrant towards the balance Warrants of 42,99,270 issued to Mahindra & Mahindra Limited (the holding company) in the previous year.

c) The cost of issue of the shares to QIP holders amounting to ₹ 481.45 Lakhs was adjusted against the Securities Premium Account (including adjustment of ₹ 5 Lakhs in the current year) in accordance with the provisions of the Companies Act, 1956.

The utilization of the funds received from the QIP & advance received against the Preferential Warrants issued and the conversion of Preferential Warrants issued are as under:

	₹ in Lakhs 31st March, 2011	₹ in Lakhs 31st March, 2010
Sources of Funds		
QIP Proceeds	**17,500.00**	17,500.00
Advance against Warrants	**1,472.50**	1,472.50
Conversion of Warrants to Equity Shares	**4,110.00**	4,110.00
Total	**23,082.50**	23,082.50
Utilisation of Funds		
Repayment of Borrowings	**14,790.04**	10,050.00
QIP Issue Expenses paid	**252.21**	205.33
Investment in Subsidiaries		
Subscription to 11% Redeemable Preference Capital of Subsidiary, Mahindra Forgings International Limited, Mauritius repayable after 7 years	**3,695.85**	3,695.85
Balance Surplus Funds Deployed		
Investment in Liquid Fund schemes of Mutual Fund	**-**	2,708.09
Repayment of Working Capital facilities	**844.36**	2,847.25
Repayment of short term loan	**2,847.25**	3,575.98
Capital Expenditure	**652.79**	-
Total	**23,082.50**	23,082.50

d) During the current year Stamp Duty liability on Amalgamation of the Companies made in 2007-08 was discharged and an amount ₹ 27.53 Lakh which was over and above the provision made was adjusted against the Securities Premium. This adjustment was necessitated due to the adjustment of the Original Stamp Duty Provision against the Securities Premium in 2007-08.

4. Goodwill on Consolidation:

   In the previous year, the company subsidiary Stokes Group Ltd., UK had incurred losses and the net worth of the said subsidiary company had eroded. Accordingly, during the previous year, provision for impairment has been considered in respect of Goodwill (net of Capital Reserve) of ₹ 1,815.94 Lakhs arising on Consolidation of Stokes Group Ltd., and its subsidiaries. The same is included under 'Exceptional Items'.

5. Employees' Stock Option Scheme (ESOS):

   Under Employees' Stock Option Scheme (ESOS) the equity, settled option vest one year from the date of grant and are excisable on specified dates in 4 tranches with in the period of 5 years from the date of vesting. During the year, the Employee Stock Option Holders (ESOS) of the Company exercised their option and 1,4750 shares (Exercise price ₹ 102/- per Equity Share) (Previous Year 46,000 shares (Exercise Price ₹ 83/- per Equity Share)) were allotted to the ESOS holders.

6. Loans:

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

7. Employee Defined Benefits:

   Defined Benefit Plans - As per Actuarial Valuation on 31st March, 2011

S No	Particulars	Gratuity (Unfunded) 2011	Gratuity (Unfunded) 2010	Pension (Unfunded) 2011	Pension (Unfunded) 2010
I.	Expense recognised in the Statement of Profit & Loss Accounts for the year ended 31st March				
	1) Current Service Cost	**27.35**	21.33	**133.93**	142.67
	2) Interest Cost	**11.23**	9.97	**641.23**	681.86
	3) Actuarial Gains or Losses	**17.54**	(14.44)	**(393.58)**	(20.76)
	4) Past Service Cost	**-**	-	**(2.01)**	-
	5) Total Expense	**56.12**	16.86	**381.58**	801.75
II.	Net Asset/(Liability) recognised in the Balance Sheet as at 31st March	**-**	-	**-**	(2.01)
	1) Present Value of Defined Benefit Obligation as at 31st Marchr	**187.35**	140.45	**11708.85**	11615.68
	2) Fair Value of Plan Assets as at 31st March	**-**	-	**-**	-
	3) Amount not recognised as an asset	**-**	-	**-**	-
	4) Funded status (surplus/(deficit))	**(187.35)**	(140.45)	**(11708.85)**	(11615.68)
	5) Net Asset/(Liability) recognised in the Balance Sheet as at 31st March	**(187.35)**	(140.45)	**(11708.85)**	(11615.68)
III.	Change in the Obligations during the year ended 31st March				
	1) Present Value of Defined Benefit Obligation as at the beginning of the year	**140.45**	124.61	**12135.92**	13039.37
	2) Current Service Cost	**27.35**	21.33	**133.93**	142.67
	3) Interest Cost	**11.23**	9.97	**641.23**	681.86
	4) Actuarial Gains or Losses	**17.54**	(14.44)	**(393.58)**	(20.76)
	5) Benefits Paid	**(9.22)**	(1.02)	**(809.27)**	(2225.44)
	6) Past Service Cost	**-**	-	**-**	(2.01)
	7) Present Value of Defined Benefit Obligation as at the end of the year	**187.35**	140.45	**11708.23**	11615.68
IV.	Actuarial assumptions				
	1) Discount Rate Basis	**8%**	8%	**5.5%**	5.5%
	2) In Service mortality	LIC (1994-96) Ultimate 2005 G			

8. Contingent Liabilities:

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

      (i) Excise Duty, Customs duty & Income tax claims disputed by the Company relating to issues of applicability and classification aggregating to ₹ 597.81 lakhs (Previous Year ₹ 221.79 lakhs)

      (ii) Claim for interest on loan by a Financial Institution on a loan which was interest free loan ₹ 164.93 Lakh (Previous Year Nil)

      (iii) Bills discounted not matured ₹ 1,225.53 Lakhs (Previous Year ₹ 1,579.80 lakhs)

9. The Company had imported capital goods under the Export Promotion Capital Goods (EPCG) scheme, of the Government of India, at concessional rates of duty on an understanding to fulfil quantified exports against which future obligation of aggregates to USD 227.63 Lakhs (Previous Year ₹USD 276.80 Lakhs) equivalent to ₹ 10,172.78 Lakh (Previous Year ₹ 12,491.98 Lakh) converted at year end exchange rates.

10. The estimated amount of contracts remaining to be executed on capital account not provided for as at 31st March, 2011 is ₹ 2,886.94 Lakhs (Previous Year ₹ 759.43 Lakhs)

11. The Company had entered into a Share Subscription Agreement with Wardha Power Company Private Ltd. on 29th February, 2008 to invest ₹ 325 Lakhs by way of subscription to 8,81,111 Class A Equity Shares of ₹ 10 each, 11,18,889 Class 'A' 0.01% Redeemable Preference Shares of ₹ 10/- each and 12,50,000 Class 'C' 0.01% Redeemable Preference Shares of ₹ 10 each. The Company will be entitled to 5 MW of power generated from the Group Captive Power Plant as per the Power Delivery Agreement dated 29th February, 2008. The Company has paid share application money of ₹ 200 Lakhs for Class 'A' Equity and Redeemable Preference Shares.

    Upon the expiry of the Power Purchase Agreement, Class 'A' Equity Shares and Class 'A' 0.01% Redeemable Preference Shares will be bought back for a total consideration of Re. 1. One-tenth of Class 'C' Redeemable Preference Shares will be redeemed on every anniversary from the date of issue @ ₹ 0.01per share.

    Consequent to the amendment to the share subscription agreement dated 3rd December 2009, there has been a change in the number of Class 'A' Equity Shares of ₹ 10/- each from 8,81,111 to 8,84,485 and Redeemable Preference Shares of ₹ 10/- each from 11,18,889 to 11,15,515. The shares instead of being allotted by Wardha Power Company Limited, were to be transferred by KSK Energy Limited to the Company.

    Accordingly, the Company received 8,84,485 Class 'A' Equity Shares of ₹ 10/- each of Wardha Power Company Limited valuing to ₹ 88.45 Lakhs after adjusting the Share Subscription Money paid by the company. The balance amount of ₹ 111.55 Lakhs is treated as Share Application Money against 11,15,515 Class 'A' 0.01% Redeemable Preference Shares of ₹ 10 each. This investment would be amortised over a period of 25 years from the year in which supply of power starts.

12. Provisions includes provision for Warranty ₹ 649.44 Lakhs (Previous Year ₹ 492.83 Lakhs) This relates to warranty provision made in respect of sale of certain products, the estimated costs of which is accrued at the time of sale.

    The movement in above provisions is as follows:

Amount (₹ in Lakhs)

Particulars	2011	2010
Balance as at 1st April, 2010	**492.83**	942.37
Add: Provision Made during the year	**351.88**	431.24
Less: Utilisation/Reversal during the period	**195.27**	880.79
Balance as at 31st March, 2011	**649.44**	492.83

13. The Component of Deferred Tax Liability and Assets as at 31st March 2011, is as under:

Amount (₹ in Lakhs)

	2011	2010
Deferred Tax Liability		
i. On Fiscal allowances on Fixed Assets	**1,342.39**	1,361.03
ii. Others	**279.01**	173.00
Total	**1,621.40**	1,534.03

	2011	2010
Deferred Tax Asset		
i. Unasorbed depreciation carried forward	**6,945.78**	3,021.78
ii. Premium on Redemption of Zero Coupon Convertible Bonds	**-**	
iii. Provision for Gratuity	**-**	
iv. Provision for Post Retirement Medical Expenses	**-**	
v. Others	**2,182.56**	5,877.34
Total	**9,128.34**	8,899.12
Net Deferred Tax Liability/(Asset)	**(7,506.94)**	(7,365.09)

Note: Net Deferred Tax Asset of ₹ 2,007.75 (Previous Year ₹ 1,927.90 Lakhs) in respect of the parent company is not accounted for as a measure of prudence in view of losses incurred during the period and will be recognised on the company making profits.

14. Exceptional Items of ₹ 804.13 Lakhs (Previous Year ₹ 3,456.87 Lakhs) comprises of the following items:

Amount (₹ in Lakhs)

Particulars	**2011**	**2010**
Provision for Impairment of Goodwill relating to Stokes Group Ltd.	**-**	1,815.94
Restructuring Cost at Stokes Group Limited	**469.64**	339.62
Redundancy to workman	**334.49**	1,301.31
Total	**804.13**	3,456.87

15. In the previous year- Prior Period Items included Payment of additional VAT liability arising out of VAT audit for the previous years of ₹ 71.04 Lakhs)

16. Two German Subsidiaries, have entered into interest rate swaps in order to hedge the risk of variable interest rate of their bank loan liabilities. The fair value for the derivative financial instrument has been determined with the mark-to-market valuation method on the basis of the market rates on the balance sheet date. As on the balance sheet date, a provision for losses of ₹ 2.41 Lakhs (Previous Year ₹ 10.71 Lakhs) on account of mark to market valuation of the said interest rate swaps was made.

17. Related Party Transactions

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

Sr. No.	**Name of the Company**	**Sr. No.**	**Name of the Company**
	Holding:		
1.	Mahindra & Mahindra Ltd.		
	Fellow Subsidiaries		
1.	Mahindra Ugine Steel Co. Ltd.	7.	Mahindra Vehicle Manufacturers Ltd.
2.	Bristlecone Ltd.	8.	Mahindra Gears & Transmissions Pvt. Ltd.
3.	Mahindra Logistics Ltd.	9.	Mahindra Hinoday Industries Ltd.
4.	Mahindra Navistar Automobiles Ltd.	10.	Mahindra Overseas Investment Company (Mauritius) Ltd.
5.	Mahindra Engineering Services Ltd.	11.	Mahindra Engineering Services (Europe) Ltd.
6.	Mahindra First Choice wheels Ltd.	12.	Mahindra Reva Electric Vehicles Private Ltd.

Key Management Personnel:

Sr. No.	Name of the Person
1	Mr. Deepak Dheer

(b) Details of related party transactions are as under

₹ in Lakhs

		31st March, 2011			31st March, 2010		
Sr. No	**Nature of Transactions**	**Holding Company**	**Fellow Subsidiaries**	**Key Managerial Personnel**	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
1.	Purchases						
	Raw Material	-	14,529.64	-	-	14,742.90	-
	Capital Goods	-	27.20	-	3.24	-	-
	Discounting Charges	35.88	-	-	-	-	-
	Services	15.98	755.25	-	17.70	591.79	-
2.	Sales						
	Goods	12,113.19	1,251.13	-	11,063.54	250.04	-
	Scrap	-	2,723.95	-	-	1,510.59	-
	Fixed Assets	-	6.00	-	-	-	-
3.	Inter Corporate Deposit Accepted	-	-	-	5,650.00	6,756.99	-
4.	Inter Corporate Deposit Refunded	-	246.85	-	10,500.00	-	-
5.	Interest Paid	-	461.89	-	885.05	423.61	-
	Discounting Charges Paid	-	-	-	81.62	-	-
6.	Outstandings						
	Receivable	2,903.83	3,34.47	-	422.42	68.15	-
	Payable	411.21	10,945.79	-	30.05	4,305.07	-
7.	Reimbursement of Expenses	453.60	-	-	34.61	-	-
8.	Share Application Money						
	-Received	-	-	-	3,082.50	-	-
	-Subscription for Pref. Warrants received	-	-	-	2,500.00	-	-
	-Subscription for Pref. Warrants outstanding	-	-	-	1,472.50	-	-
9.	Managerial Remuneration	-	-	89.42	-	-	87.97

18. Segment Reporting

₹ in Lakhs

	Indian		**Overseas**		**Eliminations**		**Consolidated**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue								
Gross External Revenue	**39479.78**	32726.18	**157159.96**	103222.31	**-**	-	**196639.74**	136035.28
Less: Excise Duty on Sales	**3636.02**	2519.85			**-**	-	**3636.02**	2519.85
Net External Revenue	**35843.76**	30206.33	**157159.96**	103222.31	**-**	-	**193003.72**	133515.43
Inter Segmental Revenue	**-**	-	**-**	-	**-**	-	**-**	-
Total Revenue	**35843.76**	30206.33	**157159.96**	103222.31	**-**	-	**193003.72**	133515.43
Result								
Segment Result before Exceptional Items	**1,107.64**	2,605.12	**4,964.76**	(16,508.53)	**-**	-	**6,072.4**	(13,816.62)
Exceptional Items allocated to Segments			**(804.13)**	(3,456.87)	**-**	-	**(804.13)**	(3,456.87)
Segment Result after Exceptional Items	**1,107.64**	2,605.12	**5,768.89**	(1,3051.66)	**-**	-	**5268.27**	(17,273.49)

	Indian		Overseas		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Un allocable Expenses/ (Income)	-	-	-	-	-	-	-	-
Operating Profit	-	-	-	-	-	-	**5,268.27**	(17,273.49)
Less: Interest Cost not allocable	-	-	-	-	-	-	**4,806.42**	6,148.11
Add: Other Income not allocable	-	-	-	-	-	-	-	(14.00)
Profit /(Loss) before tax	-	-	-	-	-	-	**461.85**	(23,421.60)
Less Income Taxes	-	-	-	-	-	-		
Current Tax	-	-	-	-	-	-	**153.87**	-
Deferred Tax	-	-	-	-	-	-	**126.71**	(5,185.59)
Prior Period adjustment of tax	-	-	-	-	-	-	**(194.91)**	141.69
Profit & Loss before Prior period adjustments	-	-	-	-	-	-	**181.27**	(18,377.70)
Less: Adjustment pertaining to Previous year	-	-	-	-	-	-		71.04
Profit / (Loss) for the year before Minority Interests	-	-	-	-	-	-	**376.18**	(18,448.74)
Less: Minority Interest	-	-	-	-	-	-	-	-
Profit/ (Loss) carried forward to Balance Sheet	-	-	-	-	-	-	**376.18**	(18,448.74)
Other Information								
Segment Assets	**35,330.90**	35,032.14	**153,754.44**	139,660.84	-	-	**189,085.34**	174,692.98
Segment Liabilities	**8,504.17**	9,627.17	**37,489.69**	28,603.99	-	-	**45,993.86**	38,231.16
Capital Expenditure	**2,331.81**	920.96	**4,670.23**	4,277.87	-	-	**7,002.04**	5,198.83
Depreciation and Amortisation	**2,209.91**	2,150.79	**9,786.04**	1,1560.3	-	-	**11,995.95**	13,711.09
Non Cash Expenditure Other than Depreciation	-	-	-	2269.91	-	-	-	2269.91

Notes:

a) Geographical Segment:

The Group has considered geographical segment as primary segment for disclosure. The segment has been identified taking into account the organisational structure as well as the different risk and return in these segments.

Indian segment comprises of sales of forgings by operations situated in India and Overseas segment comprises of sales outside India operations.

b) Secondary Segment:

There is only one business segment i.e. forgings.

Gross Segment Revenue Comprises of: (₹ in Lakhs)

	2011	2010
Sales	**195,425.93**	135,262.01
Other Allocable Income	**1,213.81**	686.48
Total	**196,639.74**	135,948.49

19. Earnings per share

	2011	2010
Amount used as the numerator- Net Profit / (Loss) ₹ in Lakhs	**376.18**	(18,448.74)
Weighted Average number of equity shares used in computing basic earnings per share	**8,78,62,674**	7,01,33,657
Effect of potential ordinary (equity) shares on conversion of stock options	**Nil**	Nil
Weighted Average number of equity shares used in computing basic earnings per share	**8,78,62,674**	7,01,33,657
Basic Earnings per share (Face Value of ₹10 per share) ₹	**0.43**	(26.31)
Diluted Earnings per share ₹	**0.43**	(26.31)

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

20. Obligations under Hire Purchase Contracts & Operating Leases: ₹ in Lakhs

Hire Purchase Contracts	**2011**	2010
Net Obligations repayable		
Within one year	**557.96**	527.94
Between one & five years	**613.73**	1,115.75
Total	**1,171.69**	1,643.95

Land & Building	**2011**	2010	**2011**	2010
	Land & Building		**Other**	
Expiring				
Within one year	**-**	-	**6.04**	0.39
Between one and five years	**65.64**	62.07	**49.2**	56.74
Total	**65.64**	62.07	**55.24**	57.13

21. Figures for the previous year have been regrouped and rearranged, wherever necessary.

As per our Report of even date
For **B K Khare & Company**
Chartered Accountants
Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Registration No. 105102W

Mumbai, 20th May, 2011

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

Deepak Dheer
(Managing Director)

Mohit Burman
(Director)

Virendra Kumar Chanana
(Director)

Daljit Mirchandani
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Krishnan Shankar
(Company Secretary & Head - Legal)

Ajay Mantry
(CFO)

Details of Subsidiary Companies

₹ in Lakhs

Name of the Subsidiary Company	Capital	Reserves & Surplus	Total assets	Total liabilities	Details of investments (excluding invetments in subsidiaries)	Gross Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed dividend and tax thereon
Stokes Group Limited #	1,113.79	(3,292.43)	4,451.55	4,451.55	-	16,507.49	(829.58)	-	(829.58)	-
Stokes Forgings Dudley Limited #	-	-	-	-	-	-	-	-	-	-
Jensand Limited #	43.17	43.17	43.17	-	-	-	-	-	-	
Stokes Forgings Limited #	43.17	(43.17)	-	-	-	-	-	-	-	-
Mahindra Forgings International Limited #	45,489.60	1,027.94	69,133.45	69,133.45	-	-	(435.31)	-	(435.31)	-
Mahindra Forgings Europe AG #	3,159.00	1,497.37	50,707.64	50,707.64	-	1,230.75	(2,040.71)	(771.43)	(2,812.14)	-
Gesenkschmiede Schneider GmbH #	7,752.82	4,638.04	12,390.86	12,390.86	23.38	64,383.58	4,067.53	-	4,067.53	-
JECO-Jellinghaus GmbH #	3,241.13	782.80	4,023.93	4,023.93	3.79	24,076.00	641.28	-	533.24	-
Falkenroth Umformtechnik GmbH #	647.60	835.87	1,483.47	1,483.47	-	19,570.01	(188.91)	-	(265.99)	-
Mahindra Forgings Global Limited #	3,159.00	8,857.84	12,724.45	12,724.45	-	47,271.91	(1,062.69)	(477.64)	(271.67)	-
Schöneweiss & Co GmbH #	21,386.43	(428.99)	20,957.44	20,957.44	-	-	(14.53)	-	(14.53)	-

The financial statements of the Foreign Subsidiaries have been converted into Indian Rupees at the 31st March, 2011 exchange rates.

MAHINDRA FORGINGS LIMITED

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

Attendance Slip

I hereby record my presence at the 12th Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Memorial Trust, Lala Lajpat Rai Marg, Haji Ali, Mumbai - 400 034, on Tuesday, the 2nd August, 2011 at 3.30 p.m.

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

Note: The Member/Proxy/Representative attending the 12th Annual General Meeting is requested to bring this slip duly filled in and present the same at the entrance to the Meeting.

MAHINDRA FORGINGS LIMITED

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

Proxy Form

I/We .... of ....

in the District of ....being a member/members of the above named Company hereby

appoint .... of ....

in the District of .... or failing him/her ....

of .... in the district of ....

as my/our proxy/proxies to vote for me/us on my/our behalf at the 12th Annual General Meeting of the Company to be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Memorial Trust, Lala Lajpat Rai Marg, Haji Ali, Mumbai - 400 034, on Tuesday, the 2nd August, 2011 at 3.30 p.m. and at any adjournment thereof.

Signed this ....……......... day of 2011

Registered Folio No. : ....

Client ID No. : ....

DP ID No. : ....

No. of Shares : ....

Affix a 15 paise Revenue Stamp

Signature of the Member

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

INDIA

Mahindra Forgings Limited enjoys the largest market share for passenger vehicle crankshafts in the country. MFL recently commissioned a new machining line for 4 Cylinder crankshafts to meet increasing demand for machined crankshafts from our customers.

EUROPE

With the continued growth in the auto industry and in line with MFE's goal of increasing value added activities, we commenced operations at a special piston machining centre at our production unit for truck pistons with capacity of 400,000 pistons per year.

Mahindra Forgings

Registered office:
Mahindra Towers, Worli, Mumbai 400 018, India.
Website: www.mahindraforgings.com
Email: mfl.investors@mahindra.com

Mahindra Systech

Website: www.mahindrasystech.com
Email: crmsys@mahindra.com