Mahindra Forgings Ltd.
13th ANNUAL REPORT
2011-2012

OPPORTUNITY GROWTH CAPABILITY

CONVERGENCE

VISION

One Goal. One Systech.

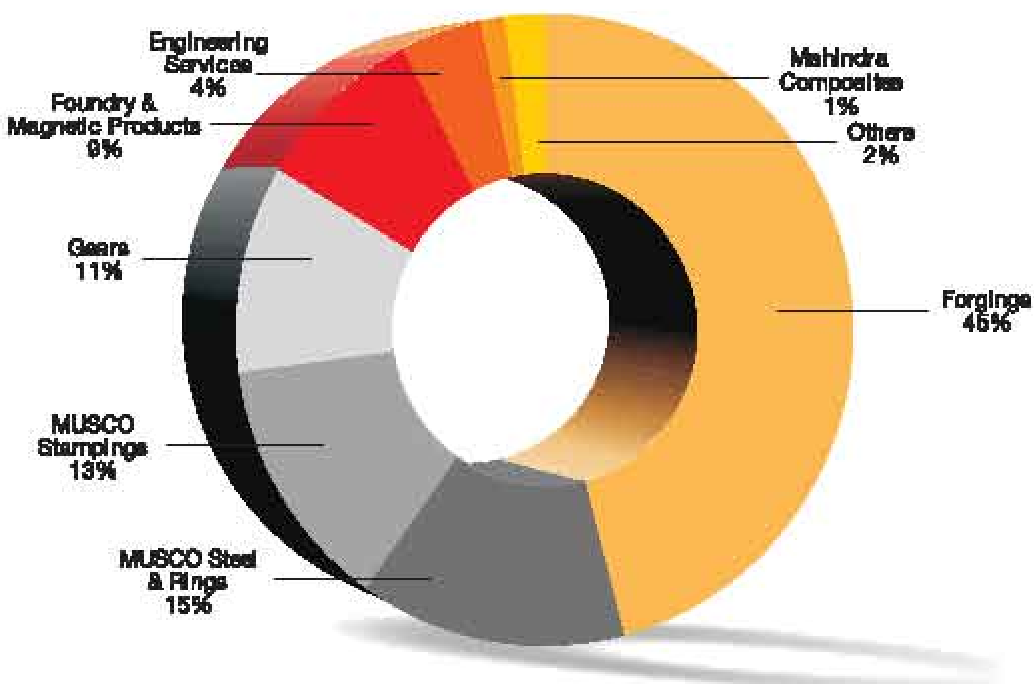
One Systech

Mahindra Forgings

Contents

Systech Sector Overview

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



Rising through convergence

Dear Shareholder,

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

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

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

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

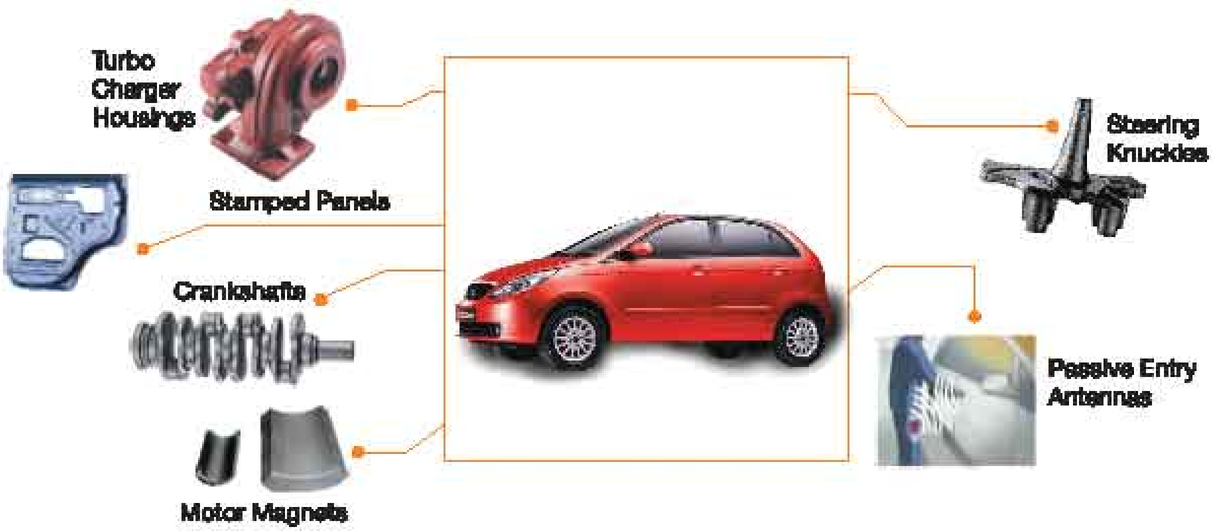
This convergence drives us to create growing commonality in our businesses between Europe and India and also makes us seek opportunities where we can take advantage of these changes in the marketplace.

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

Best Regards,

Hemant Luthra
President
Systech Sector

Products & Applications



Products & Applications

Board of Directors

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

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 Shareholders'/Investors' Grievance Committee
Daljit Mirchandani
V. K. Chanana
Fali P. Mama

Bankers

State Bank of India
Axis Bank Limited

Auditors

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

Factory

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

Registrar and Share Transfer Agents

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

DIRECTORS' REPORT

To,
The Members of
Mahindra Forgings Limited

Your Directors present the 13th Annual Report of the Company together with the audited statement of accounts of your Company for the year ended 31st March, 2012.

Financial Highlights

₹ in Lakhs

	2011-12	2010-11
Total Income	**43,468**	36,002
Profit before Interest, Depreciation, Exceptional Items and tax	**4,360**	3,336
Less : Depreciation	**2,392**	2,210
Profit/(Loss) before Interest, Exceptional Items and tax	**1,968**	1,126
Less : Interest and Finance cost	**1,134**	1,444
Profit/(Loss) before Exceptional Items and tax	**834**	(318)
Less: Exceptional items	**156**	-
Profit/(Loss) before tax	**678**	(318)
Profit/(Loss) for the year	**678**	(318)
Balance of Profit & Loss Account brought forward losses from earlier years	**(13,112)**	(12,794)
(Loss) carried to Balance Sheet	**(12,434)**	(13,112)

Financials

During the year under review, your Company registered a Total income of ₹ 43,468 Lakhs as against ₹ 36,002 Lakhs in the previous year and Profit before Interest, Depreciation, Exceptional items and tax of ₹ 4,360 Lakhs as against ₹ 3,336 Lakhs in the previous year. The net profit for the year stood at ₹ 678 Lakhs as against a net loss of ₹ 318 Lakhs over the previous year. The Total Income of the Company has grown by 21% over the previous year.

Operations

During the year under review, your Company's operations in Europe were hit by press breakdowns in the last two quarters of the Financial Year 2011-12, increasing maintenance costs and lowering margins. These breakdowns have been corrected.

In India, your Company continues to stabilize operations reflected in consistent and higher quarterly EBITDA margins. Machining capacity was enhanced leading to increase in value added sales. Several projects are under implementation to reduce machine downtime and improve die management with a view to continuously improve Forging capacity utilization.

Changes in Share Capital and Issue of Shares

On 3rd March, 2010, your Company allotted 72,99,270 warrants on a Preferential basis to the Promoters of the Company, Mahindra & Mahindra Limited, with an option to convert the same within 18 months into equal number of equity shares at a price of ₹ 137/- per share. On 4th March, 2011, the Promoters exercised their option to convert 30,00,000 warrants into equal number of equity shares at the said price. Subsequently on 2nd September, 2011, the Promoters have exercised their option to convert the balance 42,99,270 warrants into an equal number of equity shares and have paid the balance amount.

The aforesaid exercise of options has resulted in the issued, subscribed and paid up equity share capital increasing from ₹ 87,86,97,860/- to ₹ 92,16,90,560/-.

As a result of the above, the shareholding of Promoters in the Company as at 31st March, 2012, stands at 52.97%.

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 past losses, your Directors do not recommend any dividend for the year.

Stock Options

The Remuneration/Compensation Committee of your Company has granted 25,89,883 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.

The Management Discussion and Analysis Report gives an overview of the developments in Human Resources/Industrial Relations during the year.

Safety, Health and Environment Performance

Your 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.

Safety and Health

The Safety Committee of your Company meets periodically to review the status of safety training and reporting of accidents to resolve the safety issues. Various initiatives such as emergency mock drills and advanced fire protection system for improving the Safety Performance have been taken.

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

Safety week and Fire Service day are being celebrated. Safety Audits/Inspection along with Safety awareness training on safety are conducted regularly.

Your Company's plant continue to focus on improving the well being of the employees and contract workmen by organizing Occupational Health Examination Camps, Medical Check-ups etc.

Certification

Your Company's Plant have been certified with the amended standards of ISO 14001:2004 & OHSAS 18001. Implementation of Occupational Health & Safety Management Standard has re-enforced the Company's commitment to Safety and Occupational Health. In 2010-11, your plant have been certified under OHSAS 18001:2007 which is the best existing safety standard. Your Company has completed a two year cycle of continual improvement in Environment, Health & Safety (EHS) Management certification. The OHSAS system aims to eliminate or minimise risk to employees and other interested parties who may be exposed to Occupational Safety risks in the Company. Sustainable development is promoted through sharing of best practices in the fields of Safety, Occupational Health & Environment.

Environmental Initiatives

With a clear focus on the need for clean environment, your Company is now in the process of calculating its 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

Your Company has taken various initiatives to dispose its waste in an environmentally sound manner and achieve waste reduction. Awarenees of water conservation programmes is enhanced through events like observing the World Water Day. Environment monitoring is done by implementing initiatives such as effluent treatment, increased Green Zones etc. The plan is to comply and go 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 of local community by involving them in education, environmental and health related programs. Your 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 schemes such as Health checkup camps, tree plantation etc. The Company is planning a sustainable tree plantation and nurturing programme under Mahindra Hariyali.

Employee Social Options

Your Company is tapping the hidden potential in each one of its employees to make a sustainable society; one which is healthier, cleaner, greener and more literate. Through your Company's Employee Social Options (ESOPs) program many employees are contributing towards making a difference to Society.

Your Company's ESOPs program encourages employees in supporting volunteering projects based on the needs of underprivileged communities in and around their places of work.

'Sustainability' Initiatives

In line with the philosophy of the Mahindra group, your Company recognises the importance of sustainability in business, and is committed to reduce its environmental foot print and enhance its commitment towards society. For instance, for the past 3 years, your Company has continued to voluntarily disclose its performance on the Triple Bottom lines of 'People, Planet & Profit' based on the framework designed by the Global Reporting Initiative (GRI). During the year, the report for the year 2010-11 was published which was externally assured by Ernst & Young with an A+ rating and GRI checked. The report for the year 2011-12 will be released shortly.

During the year under review, your Company continued with its efforts to conserve natural resources and reduce waste. Specific projects in this regard were identified and implemented.

Directors

Mr. Hemant Luthra, Mr. Fali P. Mama and Mr. Daljit Mirchandani retire by rotation and, being eligible, offer themselves, for re-appointment.

During the year, Mr. Deepak Dheer retired as Managing Director and Director of the Company with effect from 31st August, 2011. The Board has placed on record its appreciation of the services rendered by Mr. Dheer during his tenure as the Managing Director of the Company.

The Board of Directors of the Company had, by a resolution dated 4th October, 2011 appointed Mr. K Ramaswami as an Additional Director of the Company with effect from 4th October, 2011. He holds office up to the date of ensuing Annual General Meeting. The Company has received Notice from a Member under Section 257(1) of the Companies Act, 1956 alongwith requisite amount of deposit, signifying his intention to propose the candidature of Mr. Ramaswami for the office of Director of the Company at the ensuing Annual General Meeting.

Mr. Ramaswami was also appointed as Managing Director of the Company with effect from 4th October, 2011 for a period of 3 years subject to approval of the members of the Company.

During the year under review, Mr. Piyush Mankad retired as a Director of the Company with effect from 2nd August, 2011. The Board has placed on record its appreciation of the services rendered by Mr. Mankad during his tenure as 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, 2012 and of the profit of the Company for the year ended on that date;

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

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

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, Statement of Profit and Loss 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 Registered 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.

Cost Audit Report

The Company has come under the purview of Cost Audit for the first time in Financial Year 2011-12. Accordingly, the Board of Directors of your Company has, upon recommendations of the Audit Committee, appointed M/s. Dhananjay V. Joshi & Associates, Cost Accountants as Cost Auditors for conducting an audit of Cost Accounting Records maintained by the Company for the Financial Year 2011-12 with the approval of Central Government. As required under the provisions of Section 224(1B) read with Section 233B(2) of the Companies Act, 1956, the Company has obtained a written confirmation from M/s. Dhananjay V. Joshi & Associates to the effect that they are eligible for appointment as Cost Auditors under Section 233B of the Companies Act, 1956. The Audit Committee has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company. The Cost Auditors shall forward their report to the Central Government, Ministry of Corporate Affairs, New Delhi for the Financial Year 2011-12, within the prescribed time limit.

Public Deposits and Loans/Advances

Your 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, 2012 or employees who were employed for a part of the financial year and were in receipt of remuneration of 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 of 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 the 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, 25th May, 2012

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

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

(a)	Options granted	Mahindra Forgings Limited Employees' Stock Option Scheme - 44,64,883								
(b)	The pricing formula	1st Tranche	2nd Tranche		3rd Tranche	4th Tranche	5th Tranche	6th Tranche	7th Tranche	8th 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	20,00,000 Options granted at a Discount of 15% on the average price preceding the specified date - 1st April, 2011	5,89,883 Options granted at a Discount of 15% on the average price preceding the specified date – 20th January, 2012
		Average price – Average of the daily high and low of the prices for the Company's Equity Shares quoted on Bombay Stock Exchange Limited during the 15 days preceding the specified date.								
		The specified date - Date on which the Remuneration/Compensation Committee granted the Options.								
(c)	Options vested	9,19,580								
(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	6,68,421								
(g)	Variation of terms of options	Nil								
(h)	Money realised by exercise of options	₹ 53,22,500/-								
(i)	Total number of options in force	37,35,712								
(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'.	₹ 0.75								

(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 ₹ 120.76 Lakhs, Profit after tax higher by ₹ 120.76 Lakhs and the basic and diluted earnings per share would have been higher by ₹ 0.14.		
(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 (₹)
		1st April, 2011	57/-	43.63/-
		20th January, 2012	44/-	34.66/-
(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 1st April, 2011 and 20th January, 2012 have been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows:		
		1st April, 2011	20th January, 2012	
	(i) risk-free interest rate,	7.47%	8.05%	
	(ii) expected life,	3.5 Years	3.5 Years	
	(iii) expected volatility,	67.65%	58.27%	
	(iv) expected dividends and	Nil	Nil	
	(v) The price of the underlying share in market at the time of option grant.	₹ 66.30	₹ 54.50	

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

Name of the Senior Managerial Persons of the Company to whom Stock Options have been granted	Options granted in 2007-08	Options granted in 2008-09	Options granted in 2011-12
Hemant Luthra	2,00,000	Nil	Nil
K. Ramaswami	Nil	Nil	3,00,000
Deepak Dheer	Nil	75,000	1,25,000
Zhooben Bhiwandiwala	10,000	10,000	15,000
Nikhilesh Panchal	10,000	10,000	15,000
V. K. Chanana	10,000	10,000	15,000
Fali P. Mama	10,000	10,000	15,000
Mohit Burman	10,000	10,000	15,000
Harald Korte	Nil	10,000	15,000
Piyush Mankad	Nil	10,000	15,000
Daljit Mirchandani	Nil	10,000	15,000
Oliver Scholz	Nil	10,000	15,000
S. Ravindran	*40,000	Nil	Nil
R.R.Krishnan	*10,000	Nil	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, 2012

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, 2012

A. CONSERVATION OF ENERGY

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

1. Increased usage of micro alloyed steel to save on energy cost required for heat treatment.
2. Reduction in billet dropouts in forging shop to save on heating cost .
3. Replacement of Induction heater of 1000 Ton forging press line to improve the efficiency and save on heating cost.
4. Installation of cooling conveyor with automation for crankshafts on 2500 Ton forging press line.

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

1. Reduction in the gap between two coils of Induction furnace.
2. Arresting leakages in compressor air line.
3. Replacement of pneumatic grinders with electrical grinders in finishing shop.
4. Introduction of matching induction coil sizes for correct size billets.
5. Reduction in energy consumption on forging press by using metal flow simulation .

(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 have resulted in lower energy consumption in key energy consuming equipments.

(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.

		2011-12	2010-11
A	**Power & Fuel consumption**		
1	a. **Electricity Purchased**		
	Quantity (KWH in Lakhs)	**480.94**	462.02
	Total Amount (₹ in Lakhs)	**3,274.94**	2,777.78
	Average Rate Per Unit (₹)	**6.81**	6.01
	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**	Nil
	Total Amount(₹ in Lakhs)	**Nil**	Nil
	Average Rate per Kilo Litres) (₹)	**Nil**	Nil
4	**Light Diesel Oil**		
	Quantity Kilo Litres	**624.00**	701.00
	Total Amount (₹ in Lakhs)	**338.18**	298.52
	Average Rate per Kilo Litres (₹)	**54,195.81**	42,584.62
5	**Liquefied Petroleum Gas**		
	Quantity (Tons)	**1,269.73**	1,224.98
	Total Amount (₹ in Lakhs)	**683.96**	557.16
	Average Rate per Ton (₹)	**53,866.84**	45,483.06

			2011-12	2010-11
B.	**Consumption per unit of Production**			
	Production (Tons)		**34,686.00**	33,837
	Fuel Used	**Units**		
	Electricity	KWH/Ton	**1,386.56**	1,343.19
	Furnace Oil	Lit/Ton	**Nil**	Nil
	Light Diesel Oil	Lit/Ton	**17.99**	20.72
	Liquefied Petroleum Gas	Kg/Ton	**36.61**	36.20

B. TECHNOLOGY ABSORPTION

Research & Development :

1. Specific areas in which Research & Development is carried out :

- Installation of High speed Machining centres for dies machining.
- Up-gradation of metal flow simulation software to Forge 9.
- Upgradation of Catia CAD modeling software to V5 / R20 to support Daimler environment.

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

- Improvement in die machining quality and output.
- “First time right” forging part development.
- Improvement in trimmed part quality.

3. Future plan of action :

- Planned 5 new VAVE projects by using Forge 9 simulation.
- Introduction of autonomous maintenance as a part of TPM initiative and selection of 3 forging presses as “Manager’s Model” machines.
- Standardisation of die heights to reduce die steel consumption.
- Inter-changeability of forging dies amongst the forging presses.

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 improve the quality of forged components with reduced set-up time.
2. **Benefits derived as result of the above efforts**: Leads to 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)

	2011-12	2010 – 11
Total Foreign Exchange earned	**1,367.30**	924.81
Total Foreign Exchange used	**8.44**	35.10

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

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

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, 2012

Name	Designation	Qualification	Experience	Date of Commencement of Employment	Age	Remuneration (Subject to tax)	Last Employment held, Designation, Organisation
* Mr. Deepak Dheer	Managing Director	B.Tech & PGDBM	37 years	1st September, 2008	60	₹ 64.77 Lakhs	Executive Director, Mahindra Ugine Steel Company Limited

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.

* Employed for a part of the year

For and on behalf of the Board

Hemant Luthra
Chairman

Mumbai, 25th May, 2012

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, 2012	Maximum outstanding during the year
Mahindra Forgings International Limited, Mauritius	Nil	630.01

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 is listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited with fully owned subsidiaries in Europe - Mahindra Forgings Europe AG (formerly Jeco AG), Schoeneweiss & Co GmbH and Stokes Group Limited. For purposes of this report, all the three European companies will be collectively referred to as Mahindra Forgings Europe ('MFE').

Diversified & Complementary product portfolio across plants

The German operations are a full range provider of forging parts for trucks while being one of the top axle beam manufacturers in the world. They are the largest and account for more than two thirds of the Company's revenues. The Indian operations focus on design, development & machining of crankshafts for cars & UVs while the operations in UK focus on near net forgings for the car market (refer figure 1).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. MFE is significantly dependent on four large commercial vehicle manufacturers in Europe which together account for ~40% of revenues. It has mitigated this dependence by having a much diversified spectrum of components. 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 Mahindra & Mahindra Ltd. (M&M) and its competition.

Industry Outlook & Structure: Caution Ahead

Figure 1: Overview

Leading player in Europe, Crankshaft Leader in India

	Mahindra Forgings	stokesforgings	Mahindra Forgings Europe AG (Jeco, GSA, Falkenroth Umformtechnik)	Schoneweiss & Co GmbH
Location	India	UK	Germany	Germany
Plants	1 Plant	2 Plants	4 Plants	2 Plants
Key highlights	• Leading supplier of **crankshafts and stub-axles for cars/ MUVs** in India • Machined products	• Expertise in producing 'flashless' parts and **near-net forgings for car market**	• Provides a **basket of forgings products to truck industry** • Cost Leader • Machined products	• Among **leading axle beam manufacturers globally** • Focused on **truck market** • Very **strong co-development** abilities
% of Revenue (FY11 = Rs 19310 mn)	19%	8%	50%	23%

Uncertainty seems to be returning to the global economy with growing scepticism about the future of the Euro and concern about the slowing down of the Indian and Chinese economies. This uncertainty is creating a negative perception about global economic prospects but as things stand currently, the business mood seems darker than what the economic reality warrants. The long term future of the global auto industry continues to be attractive, with growth expected to be largely driven by the emerging markets. Nevertheless, there is need for companies to exercise caution and to be ready to deal with a slowing down of demand.

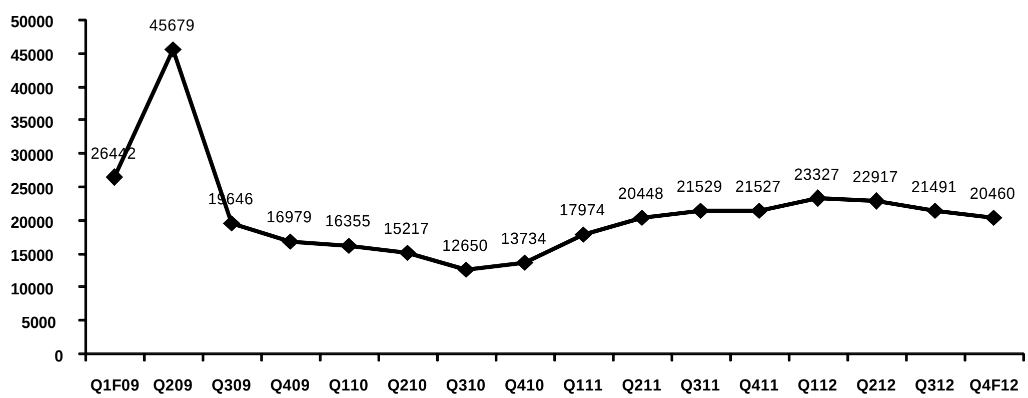
Europe

The German economy is forecasted to grow at 0.5%-0.7% in 2012 (source: Eurostat) but this masks the growing divide between the 'north' (France, Germany, Netherlands) and the 'south' (Italy, Spain, Portugal, Greece) of Europe with the so called 'south' countries expected to experience high -ve growth rates in 2012. The resilience of the German economy is a consequence of its export competitiveness and a drive by the government to boost domestic demand, which in turn will increase inflation. There is increasing pressure on the governments in Europe to curtail the austerity measures adopted in response to the fiscal crisis of 2008 and focus on growth. But a German led recovery in Europe may be derailed by the intensifying crisis around the future of Greece in the Eurozone. This crisis has the potential to negatively impact consumer sentiment and lower demand in the process.

Uncertainty returns to Europe

The European forgings industry is primarily driven by the automotive industry and the segment most relevant to MFE is heavy trucks (>6T). Registrations of heavy trucks in Germany (refer figure 2) in the first half of FY12 (April, 11 – September, 11) grew handsomely by 20% over the corresponding half of the previous financial year. But the growth stalled in the second half (October, 11 – March, 12) with heavy truck registrations experiencing a contraction of 2.5% against the corresponding period of FY11. Domestic sales will continue to be under pressure and even though exports out of Germany should mitigate the lack of domestic growth, we believe the demand for heavy trucks will remain flat in F13.

Figure 2: Quarter-wise Registration of Trucks (>6T) in Germany (units)



Source: VDA

Note : Year in the graph refers to Financial Year

In the medium term, we expect the truck market to experience growth, though it is expected to remain susceptible to fluctuations. Transportation demand in Europe will continue to be strong because of inequities between western and eastern Europe and this will drive the demand for trucks. Historically, close to a third of German truck production has been exported out of the Eurozone and this will help mitigate any fluctuations in demand from the European market. Technologically, light-weighting of components continues to remain an important requirement and suppliers are expected to develop capabilities around it.

India

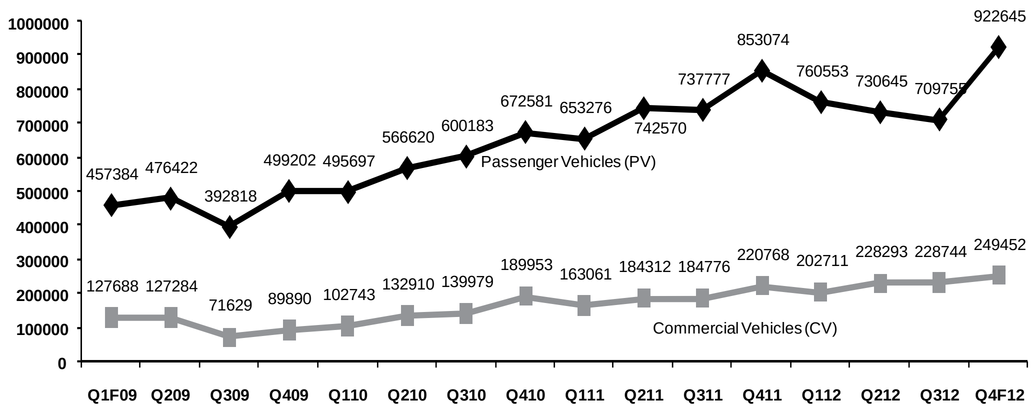
The Indian economy is estimated to grow at 6.5% in FY12 as compared to the GDP growth of 8.4% recorded in the previous financial year. The Indian economy is faced with stiff challenges of rising inflationary pressures, uncertain policy environment and deteriorating global growth conditions even as the economic fundamentals that will drive long term growth viz. consumer demand, strong entreprenuership, competitiveness in key sectors etc. remain intact.

FY12 was a year where the automotive market experienced a slowing down in growth rates driven by inflationary pressures and industrial unrest at some large OEMs. MFL's target segments viz. cars, utility vehicles (UVs), tractors and light commercial vehicles (LCVs) experienced contrasting fortunes. Production of UVs in India in FY12 grew by 19%, tractors by 13% and LCVs by 27% even as passenger car production grew by 2.5% only. Overall in FY12, passenger vehicle (cars + UVs+vans) production grew by 5% and commercial vehicles (LCVs+ MCVs) by 20% (refer figure 3). In the coming year, we expect the car & UV market to experience increased growth rates while we expect a deceleration in growth rates of LCVs and tractors.

The increasing dieselisation of the car market (~half the cars sold are diesel) is expected to help counteract the increase in price of petrol.

Growth & Caution go hand in hand in India

Figure 3: Quarter-wise Production of Vehicles in India (units)



Source: SIAM Note : Year in the graph refers to Financial Year

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

The Automotive Components Manufacturers Association of India [ACMA] expects the Indian automotive components market to grow at a compounded annual growth rate [CAGR] of 14% between 2009-20. This growth will be driven not only by the growth in the domestic automotive market but also by exports. The expected weakening of the rupee in the short term will make exports even more attractive.

Stiffening emission norms, increasing penetration of diesel vehicles and higher fuel efficiency requirements are forcing OEMs to develop new lightweight parts, especially for powertrains and they are increasingly relying on suppliers to co-develop these new parts. Volumes per platform are also increasing and suppliers are expected to be able to meet these large volume requirements while increasing their delivery reliability at the same time. Suppliers who meet these changing requirements better will be in a position to take advantage of the long term growth in the component market. Suppliers also have to contend with increasing raw material and other input costs like power and labour in the short term.

HR Challenge:

Europe - Increasing costs

India - Attract & Retain Talent

Human Resources / Industrial Relations Climate

Europe

The German economy was hit relatively hard by slowdown in 2009 and experienced a bigger decline in GDP compared to other developed economies. Manufacturing, which forms a large part of the German GDP and depends significantly on exports, was severely affected. But the slowdown in the German economy did not translate into a decline in employment, unlike in other countries. In fact, at the end of 2010 the unemployment rate was lower than at the beginning of the slowdown. This was because of the inherent flexibility in the German labour market which allowed companies to extend the practice of “short time work” to more number of workers and workers’ unions to practice wage restraint. With growth returning to the German economy, there is pressure on companies to roll back short time work and increase wages. The government is also encouraging unions and companies to increase wages in order to boost demand in the economy. Personnel costs at most German firms are expected to increase by approximately 3-4% in response.

India

The automotive cluster centred around Pune in India where the MFL plant is located is experiencing growth and as a consequence the abilty to attract and retain managerial talent and the availability of skilled and unskilled manpower is becoming a key issue.Improving the quality of manpower is also an issue the entire industry is grappling with. Relationship between the management and workers' union continued to remain harmonious.

Operational Performance

Europe

MFE achieved excellent revenue growth in FY12. In all the four quarters it exceeded market growth rates. Overall, MFE grew by 17.5% in F12 against a market growth of 4% (new truck registrations in Germany).

On the other hand, there was no increase in the number of employees at MFE even though it experienced good growth. MFE will continue to exercise great caution regarding number of employees in the coming year. After low levels in the previous years, the prices of many raw materials relevant to the company increased strongly. This led to a significant increase of purchase prices for raw materials, components and alloy components during the financial year. In order to strengthen the company's position in purchase negotiations, the purchase activities of MFE were extensively centralized to realize appropriate economies of scale. Energy costs constitute a significant portion of raw materials and supplies. The electricity tariffs continue to increase. The company has taken many steps in response including stringent peak load management, specific measures to save energy and consolidating the demand of all plants to realize economies of scale in purchase of energy.

Europe Operations: Difficult second half of FY12

By focusing on optimizing costs, the EBITDA margins in Q1-F12 and Q2-F12 recovered close to pre-crisis levels achieved in Q1-F09 and Q2-F09 and that too at lower volumes. Unfortunately, there were press breakdowns in Q3-F12 which spilled over into Q4-F12, lowering margins in both the quarters. These breakdowns have been corrected and margins are expected to recover.

India

India Operations: Improved performance

The Indian operations increased revenues and stabilized EBITDA during FY12. Revenues grew by 18% while the EBITDA margins stabilized around 11% in the last three quarters of the last financial year.

This was due to the implementation of projects to reduce machine downtime and to improve die management. The increase in machining capacity also contributed to the improvement in performance.

Financial performance:

On a standalone basis, the total income of the Company increased by 21% while profits before interest, depreciation, exceptional items & tax (EBITDA) increased by 9.5% . This was on account of the improvement in operations described earlier in the report. On a consolidated basis, the total income of the Company increased by 27% in FY12. The EBITDA% on a consolidated basis was at 8.5%, a decline of 0.6% over FY11.

Figure 4 gives the standalone (MFL India) & consolidated Profit and Loss Account for Mahindra Forgings Limited for 2010-11 (FY11) and 2011-12 (FY 12).

Figure 4: MFL's abridged Profit & Loss Statement for 2011-12

(₹ in million)

		Standalone		Consolidated	
Sr. No.	Particulars	Financial Year Ended		Financial Year Ended	
		31.03.2012 (Audited)	31.03.2011 (Audited)	31.03.2012 (Audited)	31.03.2011 (Audited)
1	Gross Sales/Income from Operations	**4750.72**	**3930.29**	**24776.33**	**19,542.59**
	Less: Excise Duty	442.25	363.60	442.25	363.60
	Net Sales / Income from Operations	**4308.47**	**3566.69**	**24334.08**	**19,178.99**
2	Other Operating Income	16.72	5.82	68.44	66.20
3.	Total Income (1+2)	**4325.19**	**3572.51**	**24402.52**	**19245.19**
4.	Expenditure				
	a. (Increase) / decrease in stock in trade and work in progress	103.30	(43.15)	(514.98)	(351.60)
	b. Consumption of raw materials	2336.80	2,089.41	12053.57	9,198.38
	c. Purchase of traded goods	-	-	-	-
	d. Employee cost	293.07	250.76	5168.90	4,243.30
	e. Depreciation	239.19	220.99	1128.95	1199.60
	f. Power & Fuel	429.54	365.63	1701.92	1,340.45
	g. Other expenditure	748.15	603.93	3910.07	3,063.02
	Total Expenditure	**4150.05**	**3487.53**	**23448.43**	**18693.15**
5.	Profit from Operations before Other Income, Interest and Exceptional Items (3-4)	175.14	84.98	954.09	552.04
6.	Other Income	21.62	27.72	39.53	62.51
7.	Profit before Interest and Exceptional Items (5+6)	**196.76**	**112.70**	**993.62**	**614.55**
8.	Interest	113.37	144.46	430.72	487.97
9.	Profit(+)/Loss(-) after Interest but before Exceptional Items (7-8)	**83.39**	**(31.76)**	**562.90**	**126.58**
10.	Exceptional items	15.59	-	15.59	80.41
11.	Profit before Depreciation, Interest and Exceptional Items and Tax (3)-(4)+(4e)	**414.33**	**305.97**	**2083.04**	**1751.64**
12.	Profit (+)/ Loss(-) from ordinary activities before tax (3+6)-(4+8+10)	**67.80**	**(31.76)**	**547.31**	**46.17**
13.	Tax expenses				
	- Current Tax	-	-	15.97	15.39
	- Deferred Tax	-	-	23.81	(19.49)
	- Prior period adjustments for Deferred Tax (Net)	-	-	(4.23)	12.67
14.	Profit (+)/ Loss(-) from ordinary activities after tax (12-13)	**67.80**	**(31.76)**	**511.75**	**37.60**
15.	Net Profit (+)/ Loss(-)	**67.80**	**(31.76)**	**511.75**	**37.60**
16.	Minority Interest	-	-	-	
17.	Net Profit after Minority Interest	**67.80**	**(31.76)**	**511.75**	**37.60**

Information for our Indian and overseas operations are summarized in Figure 5. Revenue generated in India increased by 750 mn. In FY12 while revenue generated overseas increased by 27%

Figure 5: Segment wise results for 2011-12

(₹ in million)

Sr. No	Particulars	Year Ended	
		31.03.2012 Audited	31.03.2011 Audited
1	**Segment Revenue**		
	a) Indian	4,325.19	3,584.38
	b) Overseas	20,168.62	15,660.82
	Total	24,493.81	19,245.20
	Less: Inter Segment Revenue	(91.30)	-
	Net Sales / Income from Operations	**24,402.51**	**19,245.20**
2	**Segment Profit/(Loss) before tax and interest from**		
	a) Indian	174.95	110.76
	b) Overseas	803.07	416.06
	Total	978.02	526.83
	Less:		
	(i) Un-allocable expenditure	430.72	487.97
	(i) Un-allocable income	-	
	Total Profit Before Tax	**547.31**	**46.17**
3	**Capital Employed**		
	(Segment Assets - Segment Liabilities)		
	a) Indian	2,423.56	2,688.09
	b) Overseas	11,784.33	11,560.82
	Total	**14,207.89**	**14,248.91**

Strategy

MFL's 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 was M&M, benefits from the latter as an anchor customer while being free to offer products not only to M&M but to OEMs across the globe. The key elements of our strategy remain unchanged to what we have reported for the last two years - "reboot" (reduce costs), "reinvent" (move up the value chain), and "reignite" (pursue growth). The Company has made considerable progress towards implementation of the strategy.

Value Proposition – ART to PART

"REBOOT" : *Improve Operational Performance*

MFE continues to focus on optimising costs and prices. To manage the inflationary trend in personnel costs, automation opportunities are being identified. Given the uncertainty in the European economy, 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.

At our Indian operations, the team continues to build internal competencies in quality, productivity & process parameters. The Indian team continues to work together with their European colleagues to introduce best practices whenever required. The adoption of Mahindra Quality Way, a program

Short Term Focus:

Europe – Fixed costs

India – Operating Parameters

being implemented in conjunction with the Mahindra Institute of Quality, is also helping in improving operational standards. MFL India is in the process of implementing the tenets of Total Productive Maintenance (TPM) to ensure that operational improvements are institutionalized.

"REINVENT" : *Move Up the Value Chain*

The Company intends to position itself as a preferred product development partner with its customers thereby increasing business with them. In line with this, MFE was a key development partner for new truck models launched by its key customers in FY12 and succeeded in obtaining continuous development projects for forgings required for the future heavy truck program of Daimler. The serial production started in 2011 even though the complete serial production is expected to start only in 2014. MFE's 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. To bolster its product development capabilities, MFE is working closely with leading German engineering institutes and also with Mahindra Engineering Services Limited in India to reduce costs.

In India the Company is diversifying its revenue stream further by increasing the proportion of machined products in its product portfolio. In addition to the two machining lines which are in operation since September 2007, one more crankshaft machining line was installed in the latter half of FY12 and consequently the machining capacity has been enhanced by approx. 40%. MFL India is also reviewing plans to install one more press in the same range as its existing presses in order to meet customer requirements in a better manner. The undertaking of this project is subject to improvement in the overall financial performance of the Company.

"REIGNITE" : *Leverage our Core Capabilities*

MFE has established a leadership position in forged components for commercial vehicles. Furthermore, it intends to increase its machining capacity especially for complex parts. This will help MFE to diversify its product portfolio and pursue growth.

MFL, India is one of the domestic market leaders in crankshafts and steering knuckles. The Company intends to leverage and strengthen these core capabilities. To mitigate risks, MFL India will diversify its product range and increase its export business. MFL India will work closely with MFE to increase exports out of India.

Medium/ Long Term Strategy: Move up the Value Chain

The permanent employees in MFL, India as on 31st March, 2012 were 798.To combat the talent squeeze, MFL 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:* The Company 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:* It has implemented an Employee Stock Option Scheme for certain of its 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.

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.

Synergies with Parent

Synergies within Mahindra Systech

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

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

(b) alloy steel and rings manufacturing

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

The sector derives significant advantages of synergies and cross selling because of its presence in multiple auto component technologies. The sector is able to provide a basket of products and services to customers, largely OEMs or tier 1 suppliers, thereby enabling it to differentiate itself from competitors. A unified business development structure has been created under which Systech-wide key account managers have been assigned to large customers. The efforts of all Systech companies around web presence, collaterals, event planning etc. have been harmonized. Systech companies also regularly explore synergies in areas of procurement, sourcing and product development. For example, Mahindra Engineering Services Limited deputes its engineers to assist MFL in the product development process. There is a regular exchange of best practices across Systech companies in areas like Finance, HR and Administration. The management of Mahindra Systech is contemplating bringing together all its component companies to create a large listed multi technology firm.

Synergies
=
"One Systech"
+
"RISE"

Relationship with Mahindra Group

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

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

Risks and Concerns

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

<u>Economic Risks</u>

Impact of uncertainty in the Eurozone: Many countries in the Eurozone are facing fiscal crisis and there is no clear consensus in the European community on how to deal with them. This is leading to a sense of uncertainty which can drive down market sentiment and lead to a reduction in demand. Approximately three fourths of the consolidated revenues of MFL come from Europe and any reduction in European demand will adversely affect the results. The Company is continuously monitoring the situation in Europe so that corrective actions are immediately taken in response to a demand slowdown.

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, it is 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 its innovations are focused around lighter weight components and newer materials.

Risks:
Uncertainty in Europe, Rupee fluctuation, machine health

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.

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: MFE purchases its semi finished goods and services largely in Euros and invoices almost exclusively in Euros. In case of MFL India, purchasing and invoicing happens largely in Rupees. Therefore there is no appreciable exchange rate risk. In any case, the Company actively monitors its Foreign Exchange exposure and forward covers are used where considered appropriate in consultation with the holding Company i.e. M & M.

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 is conducted by leading independent Chartered Accountants firms in India. Similar process is being initiated in MFE during current year. 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.

Looking Ahead

Uncertainty in the current economic environment means that the focus of the Company will be optimizing profitability and cash flow. The Company also recognizes the long term trend towards growth and will continue to look out for and evaluate growth opportunities across the globe.

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 said 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, 2012.

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 your Company is entrusted in the hands of Key Management Personnel and is headed by the Managing Director, who operates under the overall 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. K. Ramaswami is the Managing 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 five 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 ₹ 4.60 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 ten 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, 2012	Total number of Chairmanships of Committees + of public companies as on 31st March, 2012	Total number of Directorships* of public companies as on 31st March, 2012
NON – EXECUTIVE				
Mr. Hemant Luthra	Non-Independent	2	1	7
Mr. Zhooben Bhiwandiwala	Non-Independent	7	1	9
Mr. Mohit Burman	Independent	3	Nil	8
Mr. V. K. Chanana	Independent	2	1	2
Mr. Nikhilesh Panchal	Independent	3	Nil	3
Mr. Fali P. Mama	Independent	4	1	2
Mr. Daljit Mirchandani	Independent	3	1	2
Mr. Piyush Mankad #	Independent	10	2	11
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
Mr. K. Ramaswami $	Managing Director	Nil	Nil	1

Retired as Director of the Company with effect from 2nd August, 2011.

Retired as Managing Director and also Director of the Company with effect from 31st August, 2011.

$ Appointed as an Additional Director and also Managing Director of the Company with effect from 4th October, 2011.

* 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 – 20th May, 2011, 2nd August, 2011, 20th October, 2011, 20th January, 2012 and 16th March, 2012. The gap between two meetings was not more than four months.

The Twelfth Annual General Meeting (AGM) was held on 2nd August, 2011.

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. Hemant Luthra	5	Yes
Mr. Zhooben Bhiwandiwala	3	Yes
Mr. Mohit Burman	3	Yes
Mr. V. K. Chanana	5	Yes
Mr. Nikhilesh Panchal	3	Yes
Mr. Fali P. Mama	5	Yes
Mr. Harald Korte	3	Yes
Mr. Oliver Scholz	Nil	No
Mr. Piyush Mankad*	1	No
Mr Daljit Mirchandani	4	No
Mr. Deepak Dheer**	2	Yes
Mr. K Ramaswami #	3	NA

* Retired as Director of the Company with effect from 2nd August, 2011.

** Retired as Managing Director and also Director of the Company with effect from 31st August, 2011.

Appointed as an Additional Director and also Managing Director of the Company with effect from 4th October, 2011.

DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT

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

A brief resume of these Directors is presented below:

(1) Mr. Hemant Luthra

Mr. Hemant Luthra, 63 years, is a graduate of the Indian Institute of Technology, Delhi (1970) and he is an alumni of the Advanced Management Program of the Harvard Business School (AMP115, 1994).

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

Mr. Luthra is presently the President - Mahindra Systech, Member of the Group Executive Board, Mahindra & Mahindra. He is the Chairman of Mahindra Composites Limited, Mahindra Forgings Limited and Mahindra Engineering Services Limited. He also holds Directorships of other Indian companies namely Mahindra Ugine Steel Company Limited, Mahindra Sona Limited, Mahindra Navistar Automotives Limited, Mahindra Castings Limited, Mahindra Gears & Transmission Private Limited, Mahindra Navistar Engines Private Limited and Mahindra Aerospace Private Limited. He is a Trustee of “Save the Children” Foundation.

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

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

Mr. Luthra is holding 1000 Equity Shares of ₹ 10/- each in the Company.

(2) Mr. Fali P. Mama

Mr. Fali P. Mama, 76 years, is a graduate in science and law and Diploma holder in Accountancy. He has over 5 decades experience in the Indian Automotive and Engineering Industries in the area of Material Management and Plant level Operation. He has excellent interpersonal skills, is a problem solver, effective negotiator and communicator. He was with erstwhile TATA Engineering & Locomotive Company Limited (now TATA Motors Limited) for 32 years and was General Manager (Materials). He was responsible at corporate level for planning, negotiating and buying of components, raw material and consumables both local and imported for all the plants. His buying experience is largely related to procurement of steel raw material and components from Indian, European, Korean and Japanese suppliers.

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

In 2003, Mr. Mama joined Amforge Industries Limited as Director, Corporate Affairs. Since then his main areas of contribution and focus has been towards the company's manufacturing, operations and securing export business. Mr. Mama is involved in day to day strategic decision making of the company and also serves as member in the board committees of the company.

Mr. Mama is on the Board of Amforge Industries Limited, Salil Investments Private Limited and Viniyog Investment & Trading Company Private Limited and Mahindra Forgings Limited.

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

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

Mr. Mama is holding 2220 Equity Shares of ₹ 10/- each in the Company.

(3) Mr. Daljit Mirchandani

Mr. Daljit Mirchandani, 64 years, is a Graduate Engineer from Birla Institute of Technology.

Beginning his career in 1971 as Graduate Trainee Engineer, in 1992, Mr. Mirchandani rose to the position of Executive Director in Kirloskar Oil Engines, the flagship company of the Kirloskar Group. In 1998 he joined Ingersoll-Rand India as the Chairman and Managing Director and retired in 2008.

In 2007, Mr. Mirchandani was nominated by the CII to be the Chairman of the Task Force formed by the Ministry of Agriculture, to examine and recommend policy interventions and set technical standards for the formation of the Cold Chain Infrastructure in India for Fresh Fruits and Vegetables. The Ministry of Agriculture has since then implemented many of these standards .

Presently he is working on the development of a frugal and scalable primary education model for a holistic development of the underprivileged children in India .

Mr. Mirchandani serves on the advisory and statutory Board of various Companies in the area of Industrial Bio Technology, Infrastructure Development, Infrastructure Finance, Auto components and Energy Management .

Mr. Mirchandani is on the Board of Mahindra Ugine Steel Company Limited and Mahindra Forgings Limited.

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

Sr. No.	Name of the Companies	Name of the Committee	Position held
1.	Mahindra Forgings Limited	Audit Committee Remuneration/Compensation Committee Share Transfer and Shareholders'/Investors' Grievance Committee	Member Member Chairman
2.	Mahindra Ugine Steel Company Limited	Audit Committee Remuneration Committee	Member Member

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

(4) Mr. K. Ramaswami

Mr. K. Ramaswami, 58 years, is a Graduate in Mechanical Engineering from the College of Engineering, Guindy with an MBA from Milton Keynes University, UK. He has experience of more than 35 years in various functions in MICO and Sundaram Fastners Limited. He was last employed as the President of Metal forms division of Sundaram Fastners Limited.

Mr. Ramaswami is on the Board of Mahindra Hinoday Industries Limited.

Mr. Ramaswami is not a member of any committee.

Mr. Ramaswami does not hold any shares 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, 2012.

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 ₹ 7,500/- for every meeting of the Board and ₹ 3,750/- for every meeting of Audit Committee, Remuneration/Compensation Committee, Share Transfer and Shareholders'/Investors' Grievance Committee attended.

The details are presented in table 3. At the Board Meeting held on 2nd August, 2011 the Company has increased the sitting fee payable to member of the Board from ₹ 2,500/- to ₹ 7,500/- and Committees of the Board from ₹ 2,500/- to ₹ 3,750/- per meeting. 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 and Central Government (if applicable).

Table 3: Details of remuneration paid/payable to the Directors including Managing Director for 2011-12

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 Options granted in April, 2011@@@@	No. of Options granted in January, 2012@@@@@	No. of Ordinary (Equity) Shares held as on 31st March, 2012
Mr. Hemant Luthra	33,750	NA	NA	NA	33,750	NIL	2,00,000	NIL	NIL	NIL	#1,000
Mr. Zhooben Bhiwandiwala	21,250	NA	NA	NA	21,250	8,000	2,000	10,000	15000	NIL	NIL
Mr. Mohit Burman	27,500	NA	NA	NA	27,500	8,000	2,000	10,000	15000	NIL	16,011
Mr. V. K. Chanana	53,750	NA	NA	NA	53,750	8,000	2,000	10,000	15000	NIL	NIL
Mr. Nikhilesh Panchal	35,000	NA	NA	NA	35,000	8,000	2,000	10,000	15000	NIL	NIL
Mr. Fali P. Mama	51,250	NA	NA	NA	51,250	8,000	2,000	10,000	15000	NIL	2,220
Mr. Harald Korte	12,500	NA	NA	NA	12,500	NIL	NIL	10,000	15000	NIL	NIL
$ Mr. Piyush Mankad	2,500	NA	NA	NA	2,500	NA	NA	10,000	15000	NIL	NIL
Mr Daljit Mirchandani	48,750	NA	NA	NA	48,750	NA	NA	10,000	15000	NIL	NIL
Mr. Oliver Scholz	NIL	NA	NA	NA	NIL	NA	NA	10,000	15000	NIL	NIL
$$Mr. Deepak Dheer (Managing Director)	NA	44,66,335	1,06,330	19,04,063	64,76,728	NA	NA	75,000	1,25,000	NIL	NIL
K Ramaswami (Managing Director) £	NA	22,06,000	-	-	22,06,000	NA	NA	NA	NA	3,00,000	NIL

$ Retired as Director of the Company with effect from 2nd August, 2011.

$$ Retired as Managing Director and also Director of the Company with effect from 31st August, 2011.

£ Appointed as an Additional Director and also Managing Director of the Company with effect from 4th October, 2011.

* 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.

@@@@ These Options vested/ would vest in four equal instalments in April, 2012, April, 2013, April, 2014 and April, 2015 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price ₹ 57/- per share.

@@@@@ These Options vested/ would vest in four equal instalments in January, 2013, January, 2014, January, 2015 and January, 2016 respectively. These Options can be exercised within five years from the date of vesting of the Options at an Exercise Price ₹ 44/- per share.

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

Your 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 4th October, 2011 to 3rd October, 2014.

Notes:

a) Notice period applicable to the Managing Director - three months.

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 has a 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 the Auditors, if felt necessary. It is also empowered to review Financial Statements and investments of unlisted subsidiary companies, Management Discussion & Analysis of financial condition and results of operations, 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. The Chairman of the Audit Committee, Mr. V. K. Chanana was present at the Twelfth Annual General Meeting of the Company held on 2nd August, 2011.

The Committee held 4 meetings during the year 2011-12 on the following dates: - 20th May, 2011, 2nd August, 2011, 20th October, 2011 and 20th January, 2012. The time gap between two meetings was less than four months. The details are presented in table 4.

Table 4: Attendance record of Audit Committee

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

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 Company Secretary is the secretary to the Committee.

The Committee held two meetings during 2011-12 on 20th May, 2011 and 20th January, 2012. 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. Hemant Luthra	Non-Independent Non-Executive Director	Member	2
Mr. V. K. Chanana	Independent Director	Member	2
Mr. Nikhilesh Panchal	Independent Director	Member	1
Mr. Daljit Mirchandani	Independent Director	Member	2

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 20th January, 2012 and 16th March, 2012. Both the meetings were well attended by its members.

During the year, no complaints were received from shareholders.

As on 31st March, 2012 there are no pending share transfers pertaining to the year under review.

Shares held by the Non-Executive Directors

As on 31st March, 2012, Mr. Hemant Luthra held 1,000 equity shares, Mr. Mohit Burman along with his relatives held 4,16,261 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, 2012.

Subsidiary Companies

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

Under this definition, your 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 Meetings 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 2011-12, 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 "4" in Part B of Schedule 26 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 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

13th Annual General Meeting

Date : 31st July, 2012

Time : 3.30 p.m. .

Venue : Ravindra Natya Mandir
Sayani Road,Prabhadevi,
Mumbai – 400 025

Book Closure

The dates of book closure will be from 23rd July, 2012 to 31st July, 2012 inclusive of both days.

Dividend Payment

The Board of Directors of the Company has not recommended a dividend for the year 2011-12.

Financial Year

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

For the year ending 31st March 2013, results will be tentatively announced by

- End July, 2012: First quarter
- End October, 2012: Half yearly
- End January, 2013: Third quarter
- End April, 2013 or May, 2013: Fourth quarter and annual

Registered Office Address:

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

Listing

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

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

Stock Code

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

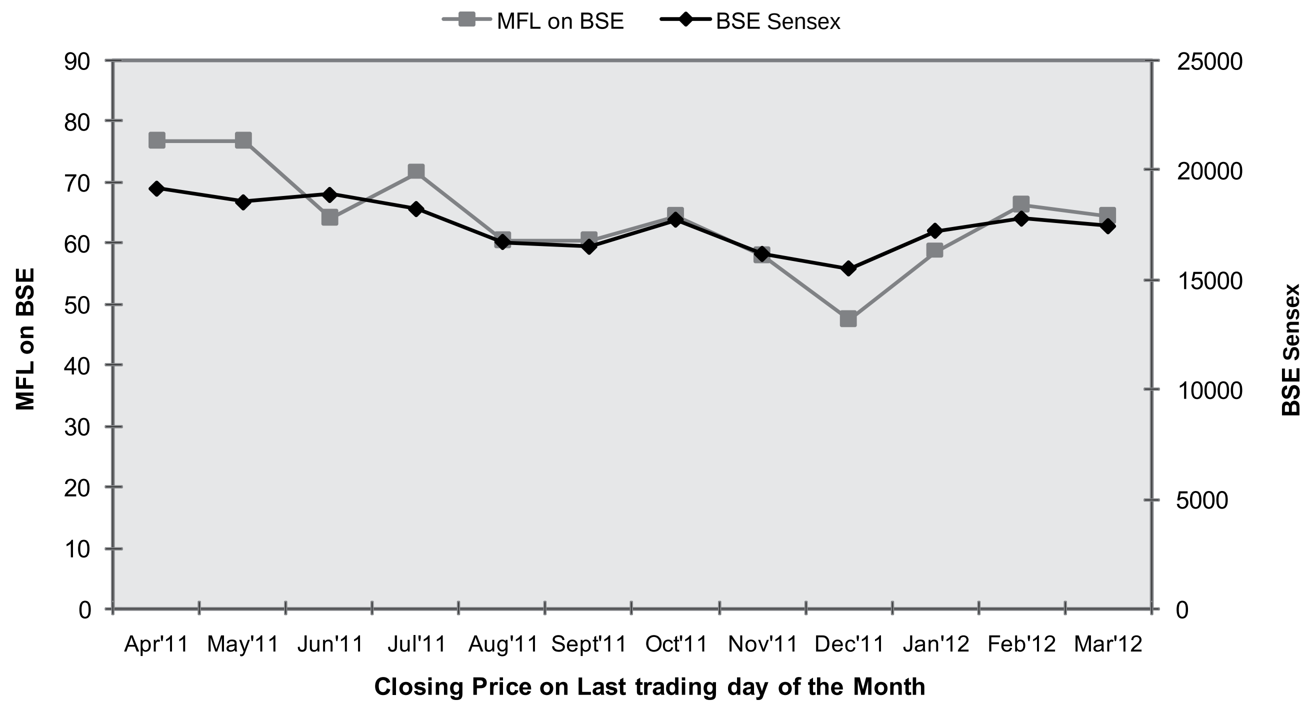
Stock Price Data

Table 6: High and low price of Company's shares for 2011-12 at BSE & NSE

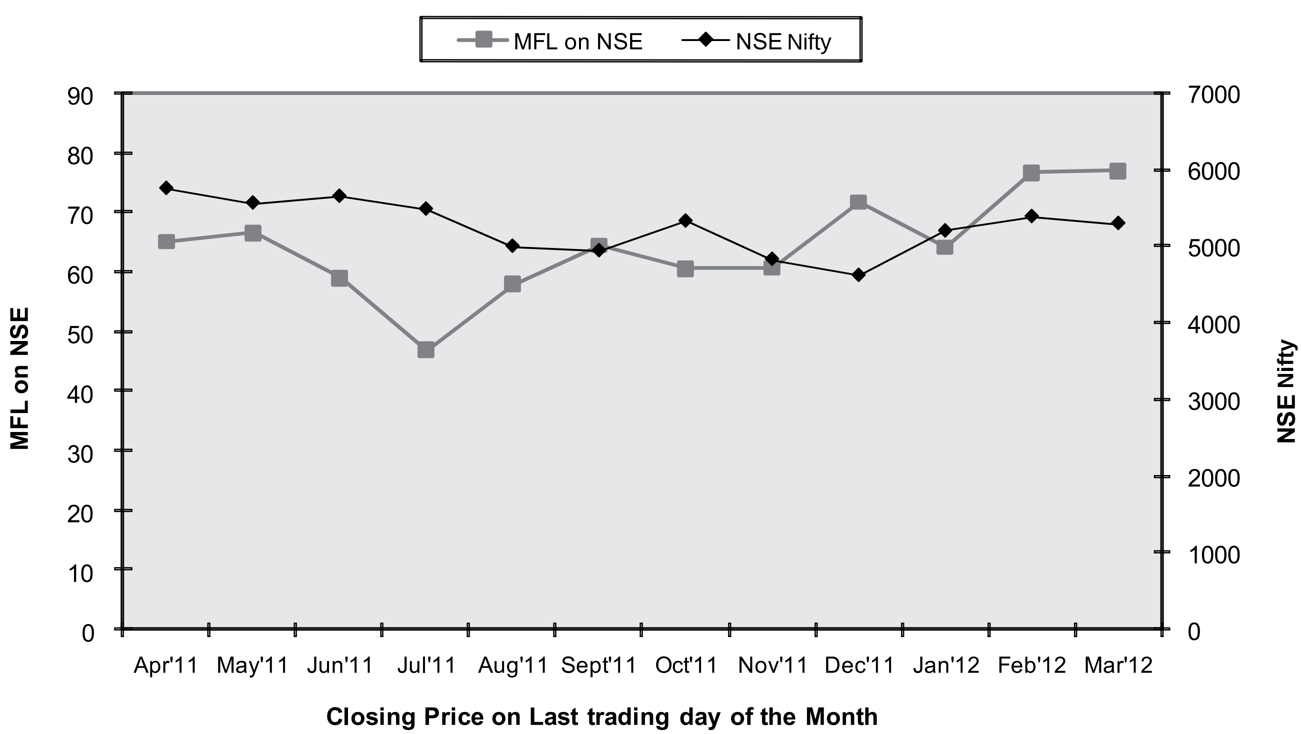
	Bombay Stock Exchange Limited		**National Stock Exchange of India Limited**	
	High (₹)	**Low (₹)**	**High (₹)**	**Low (₹)**
April, 2011	82.80	66.00	82.70	66.05
May, 2011	88.75	68.00	88.80	67.10
June, 2011	78.00	63.50	78.00	63.65
July, 2011	76.60	64.00	76.60	64.15
August, 2011	74.40	57.25	74.40	56.55
September, 2011	69.00	59.30	68.85	57.50
October, 2011	64.95	58.00	64.50	57.50
November, 2011	69.95	57.05	69.40	57.05
December, 2011	60.95	46.10	59.90	46.15
January, 2012	65.90	46.05	69.75	46.75
February, 2012	73.05	58.90	76.90	58.15
March, 2012	72.45	63.10	72.45	62.00

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 S&P CNX 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 – 23420818
Fax No. + 91 – 40 - 23420814
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, 2012

Number of shares held	Number of Shareholders	Number of Shares held	% of shareholding
1 to 5000	26,450	23,49,549	2.55
5001 to 10000	1,005	8,41,148	0.91
10001 to 20000	536	8,30,203	0.90
20001 to 30000	196	5,11,327	0.55
30001 to 40000	74	2,64,692	0.29
40001 to 50000	92	4,39,562	0.48
50001 to 100000	144	10,70,967	1.16
100001 & above	158	8,58,61,608	93.16
Total	**28,655**	**9,21,69,056**	**100**

Shareholding pattern

Table 8: Shareholding Pattern as on 31st March, 2012

Category of Shareholders	Total Holdings	Holdings in percentage
Promoter & Promoter group	4,88,25,609	52.97
Mutual Funds/UTI/ Insurance Companies	92,64,205	10.05
Financial Institutions/Banks	90	0.00
Foreign Institutional Investors	8,32,952	0.90
Bodies Corporate	1,22,59,145	13.30
Resident individuals	1,20,98,926	13.13
NRIs	3,08,608	0.34
Clearing Members	7,481	0.01
Foreign companies	85,57,290	9.28
Foreign Nationals	14,750	0.02
Total	**9,21,69,056**	**100.00**

Dematerialisation of Shares

As on 31st March, 2012, 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

Nil

Plant Location

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

Address for Correspondence

Shareholders may correspond with the Registrar and Transfer Agents at:
Karvy Computershare Private Limited
Unit: Mahindra Forgings Limited
"Karvy House" 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.
Tel. No. + 91 - 40 – 23420818, Fax No. + 91 – 40 - 23420814
E-mail: krishnans@karvy.com

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

Your Company has also designated mfl.investors@mahindra.com as an exclusive email ID for Investors 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: http://www.mahindraforgings.com.

OTHER DISCLOSURES

General Body Meetings

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

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

Year	Date	Time	Special Resolution(s) passed
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.
2011	2nd August, 2011	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, 2011.

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

Year	Date	Time	Special Resolution(s) 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 dated 29th July, 2009, 22nd July, 2010 and 2nd August, 2011 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 passed 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 penalty / 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. http://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

Your 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'.

During the year under review the Company's financial statements are free from any qualifications by the Auditors. Your Company continuous to adopt best practices to ensure regime of unqualified financial statements.

Your 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.

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

Your 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, 25th May, 2012.

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

To,

The Members of Mahindra Forgings Limited

I, K. Ramaswami, 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, 2012.

K.Ramaswami
Managing Director

Mumbai, 25th May, 2012

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, 2012, as stipulated in Clause 49 of the Listing Agreement entered into with National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

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 ended 31st March, 2012, 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: 25th May, 2012

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

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

   ii) in the case of the Statement of Profit and Loss, of the profit 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, 2012, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2012 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 : 25th May, 2012

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 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) The Company has 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. 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 2012 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Sales Tax, Service Tax, Customs Duty, Wealth Tax, or Cess outstanding on account of any dispute as on 31st March 2012, other than disputed demands of Excise Duty and Income Tax as under:

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, 2012. 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, 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.

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 year, the Company has not made any public issue of equity shares.

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 : 25th May, 2012

Balance Sheet as at 31st March, 2012

		Note	As at March 31, 2012 ₹ in Lakhs	As at March 31, 2011 ₹ in Lakhs
I	**EQUITY & LIABILITIES**			
1	**SHAREHOLDERS' FUNDS**			
	(i) Share capital	I	**9,216.91**	8,786.98
	(ii) Reserves & surplus	II	**76,726.96**	69,998.62
	(iii) Money received against warrants		**-**	1,472.50
			85,943.87	80,258.10
2	**Share Application Money pending allotment**		**-**	-
3	**Non-Current Liabilities**			
	(i) Long-term borrowings	III	**1,862.18**	5,269.87
	(ii) Deferred tax liabilities (net)		**-**	-
	(iii) Other long-term liabilities		**-**	-
	iv) Other long-term provisions	IV	**60.02**	219.96
			1,922.20	5,489.83
4	**Current Liabilities**			
	(i) Short-term borrowings	V	**1,769.01**	4,441.75
	(ii) Trade payables	VI	**7,608.47**	7,399.30
	(iii) Other current liabilities	VII	**4,212.55**	4,977.37
	(iv) Short-term provisions	VIII	**16.37**	35.84
			13,606.40	16,854.26
	Total		**101,472.47**	102,602.19
II	**ASSETS**			
	Non-current assets			
1	**(a) Fixed Assets**	IX		
	(i) Tangible assets		**20,147.75**	17,909.00
	(ii) Intangible assets		**94.64**	53.94
	(iii) Capital work-in-progress		**1,597.92**	4,284.42
			21,840.31	22,247.36
	(b) Non-current investments	X	**68,340.83**	67,256.48
			68,340.83	67,256.48
	(c) Deferred tax assets (net)	XI	**-**	-
	(d) Long-term loans and advances	XII	**804.77**	671.43
			804.77	671.43
2	**Current Assets**			
	(a) Inventories	XIV	**4,836.20**	5,307.82
	(b) Trade receivables	XV	**4,380.65**	5,603.95
	(c) Cash and bank balances	XVI	**662.33**	186.08
	(d) Short-term loans and advances	XII	**553.50**	1,144.66
	(e) Other current assets	XIII	**53.88**	184.41
			10,486.56	12,426.92
	Total		**101,472.47**	102,602.19
	Summary of accounting policies	XXVI		

The accompanying notes are an integral part of financial statement **(I TO XXVI)**

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, May 25, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

V.K.Chanana
(Director)

Daljit Mirchandani
(Director)

Mohit Burman
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Profit & Loss Statement for the year ended 31st March, 2012

		Note	Year ended March 31, 2012 ₹ in Lakhs	Year ended March 31, 2011 ₹ in Lakhs
I.	**Revenue from operations**	XVII	47,674.46	39,361.11
	Less: Excise duty		4,422.53	3,636.02
	Net revenue from operations		43,251.93	35,725.09
II.	**Other Income**	XVIII	216.21	277.20
III.	**Total Revenue (I+II)**		43,468.14	36,002.29
IV.	**EXPENDITURE :**			
	Cost of materials consumed	XIX	23,368.01	20,894.11
	(Increase)/Decrease in inventories	XX	1,032.98	(431.48)
	Employee benefits expenses	XXI	2,930.69	2,507.62
	Finance costs	XXII	1,133.68	1,444.16
	Depreciation and amortisation expenses	XXIII	2,391.89	2,209.91
	Other expenses	XXIV	11,776.90	9,695.56
	Total Expenses		42,634.15	36,319.88
V.	**Profit before exceptional items and tax (III-IV)**		833.99	(317.59)
VI.	**(Add) / Less : Exceptional items (Refer Schedule XXVI, Note B-6)**		155.89	-
VII.	**Profit before tax (V - VI)**		678.10	(317.59)
VIII	**Less : Tax Expense**		-	-
IX.	**Profit / (Loss) for the period**		678.10	(317.59)
XI.	**Earnings per equity share:**			
	(1) Basic (₹)		0.75	(0.36)
	(2) Diluted (₹)		0.75	(0.36)
	Summary of significant accounting policies	XXVI		

The accompanying notes are an integral part of financial statements **(I TO XXVI)**

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, May 25, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

V.K.Chanana
(Director)

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(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Cash Flow Statement for the year ended 31st March, 2012

	As at March 31, 2012 ₹ in Lakhs	As at March 31, 2011 ₹ in Lakhs
Profit / (Loss) before tax after prior period adjustments	**678.10**	(317.59)
Add: Adjustments for:		
Depreciation and amortisation expense including ESOS	**2,525.74**	2,291.24
Provision for doubtful debts / write off	**20.00**	149.08
Interest expenses	**1,133.68**	1,444.16
Loss on sale of fixed assets / assets written off	**71.41**	11.40
Exceptional item	**155.89**	-
Sub Total	**4,584.82**	3,578.29
Less: Adjustments for:		
Interest / Dividend income	**72.01**	169.05
Profit on sale of investment	**5.22**	38.80
Provision written back	**-**	23.36
Sub Total	**77.23**	231.21
Operating profit before working capital changes	**4,507.59**	3,347.08
Movement in		
Trade & other receivables	**1,435.74**	(2,795.36)
Inventories	**471.62**	(796.64)
Liabilities & provisions	**91.04**	(1,104.73)
		-
Sub Total	**1,998.40**	(4,696.73)
Cash generated from operations	**6,505.99**	(1,349.65)
Income tax refund/(paid)	**7.60**	10.10
Net cash flow from operating activities	**6,513.59**	(1,339.55)
Cash flow from investing activities		
Purchase of fixed assets	**(2,212.66)**	(2,029.63)
Sale of fixed assets	**31.57**	14.58
Purchase of investments		
In mutual funds	**(850.00)**	(3,752.59)
In subsidiary company	**(628.06)**	-
In mutual funds	**855.22**	6,499.48
Interest / Dividend received	**72.01**	169.05
Refund of loans by subsidiary company	**570.61**	2,384.16
Net cash from investing activities	**(2,161.31)**	3,285.05

Cash Flow Statement for the year ended 31st March, 2012

	As at March 31, 2012 ₹ in Lakhs	As at March 31, 2011 ₹ in Lakhs
Cash flow from financing activities		
Term loans repayment	**(4,280.15)**	(4,921.41)
Issue of share capital	**4,417.50**	15.05
Expenditure on issue of share capital	**-**	(22.53)
Short-term loans from banks	**(2,672.74)**	3,875.34
Interest paid	**(1,133.68)**	(1,444.16)
Exceptional item	**(155.89)**	
Net cash from financing activities	**(3,824.96)**	(2,497.71)
Net (Decrease)/ Increase in cash or cash equivalents	**527.32**	(552.21)
Opening cash and cash equivalents	**46.54**	598.75
Closing cash and cash equivalents	**573.86**	46.54

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 ₹ 88.47 Lakhs (Previous Year : ₹ 139.54 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, May 25, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

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Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note I Share capital		
A Authorised :		
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 share of ₹ 31 each	**4,594.26**	4,594.26
	16,794.26	16,794.26
B Issued,Subscribed and paid-up		
9,21,69,056 (PY 8,78,69,786) equity shares of ₹10 each fully paid-up of the above shares 5,53,67,356 are allotted as fully paid pursuant to contract without payment being received in cash	**9,216.91**	8,786.98
Total (Equity)	**9,216.91**	8,786.98

Reconciliation of number of equity shares

(₹ In Lakhs)

	As at March 31, 2012		As at March 31, 2011	
	No. of shares	**Amount**	No. of shares	Amount
Balance as at the beginning of the year	**8,78,69,786**	**8,786.98**	8,78,55,036	8,785.50
Add: issued under the employees stock option scheme	**-**	**-**	14,750	1.48
Add: issued during the year on conversion of preferential warrants issued to holding company (Mahindra & Mahindra Limited)	**42,99,270**	**429.93**	-	-
Balance at the end of the year	**9,21,69,056**	**9,216.91**	8,78,69,786	8,786.98

Rights, perferences and restriction attached to shares

Equity shares:

- The Company has one class of equity shares having a par value of ₹ 10 per equity share held.
- Each shareholder is eligible for one vote per share
- If any dividend is proposed by the board of directors, then the same is subject to approval of the shareholders in the ensuing annual general meeting except in the case of interim dividend.
- In the unlikely event of the liquidation of the Company the equity shareholders are eligible to receive the residual value of assets of the Company if any after all secured and unsecured creditors of the company are paid off, in the proportion of their shareholding in the Company.

Shares held by holding company and their subsidiaries and associates

	As at March 31, 2012	As at March 31, 2011
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding company)	**4,88,25,609**	4,45,26,339
	52.97%	50.67%

Details of shares held by shareholders holding more than 5% of the aggregate shares in the company

	As at March 31, 2012	As at March 31, 2011
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding company)	**4,88,25,609**	4,45,26,339
	52.97%	50.67%
Scholz AG	**62,98,843**	62,98,843
	6.83%	7.17%

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note II Reserve and surplus		
A Capital Reserve		
1 Securities premium account		
Balance at the beginning of the year	**24,855.55**	24,861.49
Add:-		
Received upon issue of shares against preferential warrants to promoters	**5,460.07**	-
Received upon issue of shares to employees under ESOS	**-**	16.59
Less:-		
Differential stamp duty payment	**-**	27.53
Utilised for share issue expenses for qualified institutional placement and preferential warrants	**-**	5.00
Balance at the end of the year	**30,315.62**	24,855.55
2 Employee stock options outstanding		
Options granted till date	**480.22**	522.38
Add : Options granted during the year	**247.94**	3.02
Less : Forfeiture of options granted earlier	**13.64**	-
Less : Deferred employee compensation expenses	**100.44**	45.18
Balance at the end of the year	**614.08**	480.22
3 Foreign exchange fluctuation reserve		
Balance at the beginning of the year	**103.67**	(140.22)
Add: Foreign exchange gain on investment in subsidiary company	**456.31**	243.89
Balance at the end of the year	**559.98**	103.67
B General Reserve		
Surplus on amalgamation		
Balance at the beginning of the year	**57,670.78**	57,670.78
Balance at the end of the year	**57,670.78**	57,670.78
C Surplus / (Deficit) in statement of profit and loss		
Balance at the beginning of the year	**(13,111.60)**	(12,794.01)
Profit / (Loss) during the year	**678.10**	(317.59)
Balance at the end of the year	**(12,433.50)**	(13,111.60)
Total	**76,726.96**	69,998.62

(₹ In Lakhs)

	Non-Current portion		Current Maturities	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
Note III Long - term borrowings				
(A) Secured Loans				
Term loans - from banks	**-**	3,298.10	**3,127.94**	4,036.25
(All the term lenders have 1st charge on immovable assets & 2nd charge on movable assets)	**-**	3,298.10	**3,127.94**	4,036.25
(B) Unsecured Loans				
Sales Tax Deferral Loan	**1,862.18**	1,971.77	**109.58**	73.73
	1,862.18	1,971.77	**109.58**	73.73
Total	**1,862.18**	5,269.87	**3,237.52**	4,109.98

Rate of Interest: Base Rate plus 4.75% for all Term Loans of State Bank of India & Base Rate plus 4% for Term Loans from Axis Bank, Terms of Repayment Refer Note XXV - 1

Notes to financial statements for the year ended 31st March 2012

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note IV Other long-term provisions			
1	Provision for Employee benefits		
	Funded		
	Provision for Gratuity (Gross)	**208.54**	-
	Less: Gratuity Fund Assets with Trust/LIC	**208.54**	-
	Provision for Gratuity (Net)	**-**	-
	Non Funded		
	Provision for Gratuity	**-**	168.61
	Provision for compensated absences	**60.02**	51.35
		60.02	219.96
	Total	**60.02**	219.96

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note V Short - term borrowings			
(A)	Secured		
1	Loans repayable on demand		
	from Banks	**1,769.01**	4,441.75
	(Secured against 1st charge on movable assets and 2nd charge on immovable assets)		
	Total	**1,769.01**	4,441.75

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note VI Trade payables		
Trade Payables		
Acceptances	**24.52**	121.56
Trade Payables - Micro & small enterprises	**6.81**	7.09
Others	**7,577.14**	7,270.65
Total	**7,608.47**	7,399.30

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note VII Other current liabilities			
1	Current maturities of long term loans		
	i) From bank	**3,127.94**	4,036.25
	ii) Sales tax deferral loan	**109.58**	73.73
		3,237.52	4,109.98
2	Advance from customers	**105.68**	70.90
3	Stamp duty payable	**132.79**	132.79
4	Provision for guaranteed debts	**-**	32.11
5	Advance from scrap customers	**37.61**	9.54
6	TDS payable	**34.29**	40.00
7	Vat payables	**93.37**	47.62
8	Provident fund and welfare fund payable	**17.95**	16.92
9	Provision for other current employee benefits	**276.90**	225.85
10	Creditors for capital expenditure	**174.36**	127.99
11	Provision for redemption of preference shares	**44.87**	45.05
12	Others	**57.21**	118.62
	Total	**4,212.55**	4,977.37

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note VIII Short-term provisions		
Employee benefits:		
Provision for gratuity (Unfunded)	**1.37**	18.73
Provision of earned leave encashment	**15.00**	17.11
Total	**16.37**	35.84

Note IX Fixed assets

(₹ In Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	April 1, 2011	Addition	Disposal / adjustments	**March 31, 2012**	1st April 2011	For the year	Disposal / adjustments	**March 31, 2012**	**March 31, 2012**	March 31, 2011
A: Tangible assets										
Land	37.53		-	**37.53**	-	-	-	**-**	**37.53**	37.53
Buildings	3,692.55	555.57	-	**4,248.12**	590.12	127.21	-	**717.33**	**3,530.79**	3,102.43
Plant & Equipment	24,152.34	3,984.29	-	**28,136.63**	9,879.09	2,168.66	-	**12,047.75**	**16,088.88**	14,273.25
Furniture & Fittings	305.53	11.55	9.00	**308.08**	69.26	19.51	0.67	**88.10**	**219.98**	236.27
Office Equipment	69.26	13.00	3.21	**79.05**	13.34	3.60	0.54	**16.40**	**62.65**	55.92
Cars & Vehicles	162.72	31.98	37.90	**156.80**	32.71	14.26	9.62	**37.35**	**119.45**	130.01
Computers	220.82	43.98	2.29	**262.51**	147.23	28.18	1.37	**174.04**	**88.47**	73.59
Sub Total : A	28,640.75	4,640.37	52.40	**33,228.72**	10,731.75	2,361.42	12.20	**13,080.97**	**20,147.75**	17,909.00
B: Intangible assets										
Software	320.39	71.17	-	**391.56**	266.45	30.47	-	**296.92**	**94.64**	53.94
Sub Total : B	320.39	71.17	0.00	**391.56**	266.45	30.47	0.00	**296.92**	**94.64**	53.94
C: Capital Work-in-progress	-	-	-	**-**	-	-	-	**-**	**1,597.92**	4,284.42
Sub Total : C	-	-	-	**-**	-	-	-	**-**	**1,597.92**	4,284.42
Total (A+B+C)	28,961.14	4,711.54	52.40	**33,620.28**	10,998.20	2,391.89	12.20	**13,377.89**	**21,840.31**	22,247.36

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note : X Non current investments		
Non Current		
Non Trade,unquoted investment valued at cost unless otherwise stated		
50 fully paid up shares of ₹ 10 each in The Saraswat Co-operative Bank Limited (Previous year 50 shares)	**0.01**	0.01
884485 Class "A" equity shares of ₹ 10 each in Wardha Power Company Limited	**88.45**	88.45
11,15,515 Class "A" redeemable preference shares of ₹ 10 each in Wardha Power Company Limited	**111.88**	111.88
Trade investments valued at cost unless otherwise stated		
Unquoted equity instrument		
Investment in - Subsidiaries		
1,54,65,310 (Previous Year 1,54,65,310) equity shares of GBP 0.10 each in Stokes Group Limited (Refer note below)	**9,018.59**	9,018.59
3,38,49,836 (Previous Year 3,38,49,836) equity shares of Euro 1 each in Mahindra Forgings Global Limited	**19,638.53**	19,638.53
7,29,10,001 (Previous Year 7,20,00,001) equity shares of Euro 1 each in Mahindra Forgings International Limited	**42,359.46**	41,731.40
Unquoted Preference Shares		
Preference Shares - Subsidiaries		
90,00,000 11% Non cumulative redeembale preference shares of Euro 1 each in Mahindra Forgings International Limited (redeemable after 7 years)	**5,582.52**	5,582.52
Aggregate amount of unquoted investments	**76,799.44**	76,171.38
Less: Aggregate provision for diminution in value of unquoted investment	**(9,018.59)**	(9,018.59)
Add / (Less): Exchange rate fluctuation reserve/ provision	**559.98**	103.69
Total	**68340.83**	67256.48

Note

1 Investment in Wardha Power Company Limited entitles the Company to obtain energy equivalent of 5MW from the Group Capitve Power Plant.
These shares will receive restrictive dividend not more than 0.01% of the face value of the equity shares
The preference shares carry a coupon rate of 0.01% per annum of the face value and is redeembale on expiry of 25 years. This investment would be amortised over a period of 25 years from the year in which the supply of power starts.

2 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 years. Accordingly during the previous years, the Company had recognised provision for diminution in the value of the investment of ₹ 9018.59 Lakh representing 100% of the value of the investment.

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note XI Deferred tax assets (net)			
	Deferred tax liability		
1	On fiscal allowances of fixed assets	**1,478.44**	1,342.39
2	On employee stock options	**49.06**	17.47
	Total deferred tax liability (A)	**1,527.50**	1,359.86
	Deferred tax assets		
1	On unabsorbed fiscal losses and depreciation	**3,170.59**	3,165.36
2	On Amalgamation & demerger expenses	**-**	9.83
3	On share issue expenses	**8.61**	63.42
4	On other timing differences	**149.04**	129.00
	Total deferred tax assets (B)	**3,328.24**	3,367.61
	Deferred tax assets (Net) (A-B)	**1,800.74**	2,007.75

Note:

Net Deferred tax asset of ₹ 1800.74 Lakhs (previous year ₹ 2007.75 Lakhs) in respect of the Company is not accounted for according to the principle of virtual certainity of reversal as laid down in the AS 22 "Accounting of Taxes on Income".

(₹ In Lakhs)

		Non-Current		Current	
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Note XII Loans and advances					
1	Capital advances				
	Unsecured, considered good	**646.39**	475.16	**-**	-
		646.39	475.16	**-**	-
2	Security deposits				
	Secured, considered good	**-**	-		
	Unsecured, considered good	**46.43**	76.72	**-**	-
		46.43	76.72	**-**	-
3	Loans and advances to related parties (Refer Related parties list)				
	Unsecured, considered good	**-**	-	**-**	570.61
		-	-	**-**	570.61
4	Advances				
	Advances to sundry creditors				
	Unsecured, considered good	**-**	-	**106.26**	290.89
	Doubtful	**-**	-	**20.00**	27.72
	Less:Provision for doubtful advances	**-**	-	**20.00**	27.72
	Octroi claims receivable	**-**	-	**66.87**	25.91
	Insurance claims receivable	**-**	-	**19.14**	14.28
	Other claims receivable	**-**	-	**35.33**	50.46
	Advance Income tax (Net of provision for taxation)	**60.62**	68.22	**-**	-
	Prepaid expenses	**-**	-	**69.44**	5.08
	Loans to employee	**-**	-	**0.79**	1.47
	Balance with / refund due from statutory/ government authorities	**51.33**	51.33	**255.67**	185.96
		111.95	119.55	**553.50**	574.05
	Total	**804.77**	671.43	**553.50**	1,144.66

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	Current	
	As at March 31, 2012	As at March 31, 2011
Note XIII Other current assets		
Interest receivable	**5.03**	14.41
Export duty drawback receivable	**41.72**	94.72
Unbilled revenue	**7.13**	75.28
Total	**53.88**	184.41

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note XIV Inventories			
1	Raw materials (Includes in transit in the previous year ₹ 29.12 Lakhs)	**1,481.19**	1,282.15
2	Work-in-progress	**1,753.14**	1,673.00
3	Finished goods	**200.24**	1,313.37
4	Die steel block	**73.47**	97.84
5	Stores and spares	**765.34**	579.78
6	Dies	**562.82**	361.68
	Total	**4,836.20**	5,307.82

(₹ In Lakhs)

			As at March 31, 2012	As at March 31, 2011
Note : XV Trade receivables				
1	Trade receivables outstanding for more than six months from the date they are due for payment			
	a)	Unsecured, considered good	**161.27**	216.01
	b)	Doubtful	**179.68**	159.68
	c)	Less: Allowance for trade receivables	**179.68**	159.68
2	Trade receivables outstanding for less than six months from the date they are due for payment			
	a)	Unsecured, considered good	**4,219.38**	5,387.94
	b)	Doubtful	**-**	-
	Total		**4,380.65**	5,603.95

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note : XVI Cash and Bank balances			
A	Cash and cash equivalents		
	Balances with the bank		
	On current account in scheduled banks	**573.15**	45.21
	On current account in Non scheduled banks	**-**	0.04
	Cash on hand	**0.71**	1.29
		573.86	46.54
B	Other bank balances		
	Margin money deposits		
	Deposit with original maturity more than 3 months and less than 12 months	**4.72**	1.31
	Deposit with original maturity more than 12 months	**83.75**	138.23
		88.47	139.54
	Total	**662.33**	186.08

(₹ In Lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
Note : XVII Revenue from operations			
	Revenue from -		
a)	Sale of finished goods - Forgings	**43,396.20**	35,900.17
b)	Other operating revenues (details below)		
	Scrap sales	**4,111.03**	3,402.75
	Processing charges	**55.25**	-
	Other operating income	**111.98**	58.19
	Revenue from operations (Gross)	**47,674.46**	39,361.11
	Less: Excise Duty	**4,422.53**	3,636.02
	Revenue from operations (Net)	**43,251.93**	35,725.09

(₹ In Lakhs)

	Year ended March 31, 2012	Year ended March 31, 2011
Note : XVIII Other Income		
Interest received		
Interest on others	**9.72**	10.51
Interest on ICD given to subsidiary company	**62.29**	158.54
Foreign exchange gain / (loss)	**34.57**	-
Profit on sale of investments	**5.22**	38.79
Discount received	**79.18**	46.00
Credit balances / provision for bad debts written back	**-**	23.36
Miscellaneous income	**25.23**	-
Total	**216.21**	277.20

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	Year ended March 31, 2012	Year ended March 31, 2011
Note : XIX Cost of material consumed		
Alloy and non alloy steel		
Inventory at the beginning of the year	**1,379.99**	1,356.38
Add: Purchases net	**23,542.68**	20,917.72
	24,922.67	22,274.10
Less : Inventory at the end of the year	**1,554.66**	1,379.99
Cost of material consumed	**23,368.01**	20,894.11

(₹ In Lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
Note : XX (Increase) / decrease in inventories			
	(Increase) / Decrease in stocks		
A	Stock at the beginning of the year:		
	Work-in-progress	**1,673.00**	1,305.50
	Finished products produced	**1,313.37**	1,249.39
	Total (A)	**2,986.37**	2,554.89
B	Less : Stock at the closing of the year		
	Work-in-progress	**1,753.15**	1,673.00
	Finished products produced	**200.24**	1,313.37
	Total (B)	**1,953.39**	2,986.37
	(Increase) / Decrease in stocks	**1,032.98**	(431.48)

(₹ In Lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
Note : XXI Employee benefit expenses			
1	Salaries, wages, bonus, etc.	**2,486.33**	2,152.33
2	Contribution to provident & other funds	**107.81**	100.32
3	Gratuity expenses	**42.59**	56.13
4	Expense on Employee Stock Options Scheme - Refer Sch. XXVII Note No B 1	**133.85**	81.33
5	Staff welfare expenses	**160.11**	117.51
	Total	**2,930.69**	2,507.62
	Contribution to Provident and other funds		
	Provident Fund	**53.59**	55.33
	Pension Fund	**42.14**	33.95
	Labour Welfare Fund	**0.39**	0.26
	Deposit Linked Insurance Scheme	**11.69**	10.78
	Total	**107.81**	100.32

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

Note : XXI Employee benefit expenses (Contd.)	Year ended March 31, 2012	Year ended March 31, 2011
Managerial Remuneration for directors included in the statement of profit and loss account is as under		
Salaries and allowances	**57.41**	63.96
Provident fund	**1.06**	2.37
Variable performance pay	**19.04**	27.35
Other allowances	**1.21**	0.70
Perquisites	**8.11**	1.34
Total	**86.83**	95.72

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, 2012.

The appointment of Mr. K.Ramaswami is subject to the approval of the shareholders at the ensuing Annual General Meeting.

(₹ In Lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
Note : XXII Finance costs			
1	Interest on term loans, bonds and debentures	**782.09**	1,235.56
2	Interest on other loans	**311.53**	175.53
3	Finance charges	**40.06**	33.07
	Total	**1,133.68**	1,444.16

(₹ In Lakhs)

	Year ended March 31, 2012	Year ended March 31, 2011
Note : XXIII Depreciation and amortisation expense		
Depreciation on tangible assets	**2,361.42**	2,205.58
Amortisation on intangible assets	**30.47**	4.33
Total	**2,391.89**	2,209.91

Notes to financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		Year ended March 31, 2012	Year ended March 31, 2011
Note : XXIV Other expenses			
1	Stores consumed	**2,088.43**	1,881.29
2	Tools consumed	**761.32**	664.66
3	Power and fuel	**4,295.41**	3,656.31
4	Rent including lease rentals	**8.00**	8.00
5	Rates & taxes	**72.38**	47.20
6	Insurance	**64.50**	47.30
7	Repairs and maintenance		
	Buildings	**30.94**	18.75
	Machinery	**1,330.23**	750.56
	Others	**167.93**	98.96
8	Postage, telephone and communication	**28.25**	27.91
9	Legal and professional charges	**84.96**	76.53
10	Corporate overheads	**192.95**	168.62
11	Freight outward	**708.24**	551.56
12	Travelling & conveyance expenses	**94.60**	111.97
13	Subcontracting, hire & service charges	**1,298.54**	1,012.90
14	Provision for doubtful trade receivables	**20.00**	149.08
15	Auditors' remuneration	**16.88**	15.28
16	Director's fees	**2.86**	1.88
17	Loss/(gain) on foreign exchange transactions and translations	**-**	42.05
18	Loss/(gain) on fixed assets sold/scrapped/written off	**71.41**	11.98
19	Impairement of assets (Refer Sch XXVII Note B-7)	**118.41**	-
20	Miscellaneous expenses	**224.12**	183.43
21	Printing and stationery	**17.85**	16.81
22	Commission on sales / contracts	**-**	16.43
23	Bank charges	**16.69**	19.08
24	Discount allowed	**62.00**	117.02
	Total	**11,776.90**	9,695.56

Note : XXV

1 Repayment of term loan from Bank

Name of the lender	Type of loan	Repayment schedule
State Bank of India	Corporate loan	13 quarterly installment commencing April 2008 to April 2011
State Bank of India	Term loan	17 quarterly installment commencing April 2008 to April 2012
Axis Bank	Corporate loan	16 quarterly installment commencing April 2008 to March 2012
State Bank of India	Capex Term loan	13 quarterly installment commencing April 2010 to March 2013
Axis Bank	Capex Term loan	13 quarterly installment commencing April 2010 to March 2013

Repayment of sales tax deferral loan

Sales Tax deferral loan is payable in annual installments commencing from 2009-2010 to 2020-2021

Notes to financial statements for the year ended 31st March, 2012

Note : XXV (Contd.)

2 Micro & Small enterprises

The identification of suppliers as micro and small enterprises covered under the 'Micro small and medium enterprises development act 2006' was done on tha basis of the information to the extent provided by the supplier to the Company. Total outstanding dues to micro and small enterprises, which were outstanding for more than stipulated period are given below:

(₹ In Lakhs)

Particulars	**As at March 31, 2012**	As at March 31, 2011
Dues remaining unpaid as at 31st March		
Principal	**6.81**	7.09
Interest	**0.06**	0.10
Interest paid in terms of Section 16 of the Act	-	-
Amount of interest due and payable for the period of delay in payment made beyond the appointed day during the year	**1.18**	0.80
Amount of interest accured and remaining unpaid as at 31st March	**3.42**	2.23

3 Contingent Liabilities

(₹ In Lakhs)

Particulars	**As at March 31, 2012**	As at March 31, 2011
Claims against the company not acknowledged as debts		
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	**613.68**	469.06
ii) Excise cases against the company, appealed by the company with CESTAT		
a) Relating to cenvat availed on rejected goods	**89.28**	89.28
b) Interest on supplementary invoices	**9.59**	9.59
iii) Bill discounting facilities availed under Bill Marketing Scheme from customers	**583.56**	1,225.53
iv) 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 future obligation aggregates to USD 200.84 Lakhs (P.Y.USD 227.63 Lakhs) converted at year end exchange rate	**10,266.75**	10,172.80
v) Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for	**544.42**	1,082.34
vi) Claim for interest by a financial institutions on a loan which was interest free loan	**-**	164.93

4 Turnover, Opening and Closing stock

Forging	**Year ended March 31, 2012**		Year ended March 31, 2011	
	Qty (M.T.)	**(₹ In Lakhs)**	Qty (M.T.)	(₹ In Lakhs)
Turnover	**33,813**	**39,291.56**	31,255	32,222.20
Opening stock	**902**	**1,313.47**	1,441	1,249.39
Closing stock	**671**	**200.24**	902	1,313.47

Notes to financial statements for the year ended 31st March, 2012

Note : XXV (Contd.)

5 Details of Raw Materials Consumed

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	M.T.	(₹ In Lakhs)	M.T.	(₹ In Lakhs)
Alloy & non alloy steel	47,853	23,368.01	45,528	20,894.11
Total	47,853	23,368.01	45,528	20,894.11

6 Value of Raw Material Consumed

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	(₹ in Lakhs)	%	(₹ In Lakhs)	%
Indigenous	23,368.01	100.00	20,894.11	100.00
Imported	-	-	-	-
Total	23,368.01	100.00	20,894.11	100.00

7 Value of Stores & Spares Consumed

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	(₹ in Lakhs)	%	(₹ In Lakhs)	%
Indigenous	1,648.43	78.93	1,512.59	80.40
Imported	439.99	21.07	368.70	19.60
Total	2,088.42	100.00	1,881.29	100.00

8 CIF Value of Imports

(₹ In Lakhs)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Stores and Spares	439.99	368.70
Capital Goods	517.84	352.11
Total	957.84	720.81

9 Earnings in Foreign Exchange

(₹ In Lakhs)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
FOB Value of Exports	1,367.30	924.81
Total	1,367.30	924.81

10 Expenditure in Foreign Currency

(₹ In Lakhs)

	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
i)	Foreign Travel	6.54	11.91
ii)	Commission Paid	-	16.43
iii)	Other Expenses	1.90	6.76
	Total	8.44	35.10

Notes to financial statements for the year ended 31st March, 2012

Note : XXV (Contd.)

11 Auditors remuneration (Net of service Tax where applicable)

(₹ In Lakhs)

Sl. No.	Particulars	**Year ended March 31, 2012**	Year ended March 31, 2011
	Auditors' remuneration includes payment to auditors -		
(a)	As statutory auditor	7.75	7.75
(b)	For taxation matters	0.90	-
(c)	For Tax audit fees	1.25	1.25
(d)	For other services	5.25	5.25
(e)	For reimbursement of expenses	1.73	1.03
	Total	**16.88**	15.28

12 Details of Gratuity & Leave Encashment

(₹ In Lakhs)

		Gratuity					Leave encashment	
		March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	**March 31, 2012**	March 31, 2011
1	Current service cost	**28.76**	27.35	21.33	22.02	18.90	**19.43**	16.89
2	Interest cost	**14.99**	11.23	9.97	5.79	5.58	**5.48**	4.96
3	Expected return on plan assets	**-**	-	-	-	-	**-**	
4	Actuarial losses/(Gains)	**(1.16)**	17.54	(14.44)	18.67	1.55	**6.67**	25.33
5	Total expense	**42.59**	56.12	16.86	46.48	26.03	**31.58**	47.18
Reconciliation of Net Assets / (Liability) recognised in the Balance Sheet during the period								
1	Net Asset / (Liability) at the beginning of the period	**(187.35)**	(140.45)	(124.61)	(82.73)	(69.78)	**(68.46)**	(61.89)
2	Employee expense	**(42.59)**	(56.12)	(16.86)	(46.48)	(26.03)	**(31.58)**	(47.18)
3	Employee contributions	**20.02**	9.22	1.02	4.60	13.08	**25.00**	40.61
4	Net Asset / (Liability) at the end of the period	**(209.92)**	(187.35)	(140.45)	(124.61)	(82.73)	**(75.04)**	(68.46)
5	Actual return on plan assets	**-**	-	-	-	-	-	-
Actuarial assumptions***								
1	Discount rate	8% per annum			7% per annum		8% per annum	
2	Expected rate of return on plan assets	NA						
3	Expected rate of salary increase	6% per annum			5% per annum		6% per annum	
4	Mortality table	LIC (1994-96) Ultimate						
	*** Estimates of future salary increases considered in actuarial valuation taken into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market							

Notes to financial statements for the year ended 31st March, 2012

Notes to accounts Note No – XXVI

Notes forming part of the Accounts for the Year ended 31st March, 2012.

A. Significant Accounting Policies: -

1. 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.

   All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of activities undertaken by the Company and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets & liabilities.

2. 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.

3. 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 Statement.

   (c) Free hold land is stated at cost.

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

4. 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.

5. 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.

6. 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.

Notes to financial statements for the year ended 31st March, 2012

7. 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 recognized in the Profit and Loss Statement.

   (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 Statement.

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

   (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.

8. 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 recognized 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.

9. Retirement Benefits

   Retirement benefits in respect of gratuity and leave encashment 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 Statement

   (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. Company's liability towards gratuity is funded by way of Group Gratuity cum assurance policy with Life Insurance Corporation of India.

10. Borrowing Costs

   Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised up to the date when such qualifying assets are ready for intended use. Other borrowing costs are recognised as expense in the period in which they are incurred.

11. Taxation

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

Notes to financial statements for the year ended 31st March, 2012

12. 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 recognized whenever carrying amount exceeds the recoverable amount.

13. 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 year, the Company received subscription of ₹ 4,417.50 lakhs representing the balance 75% of 42,99,270 warrants issued @ ₹ 137 per warrant to the promoter Mahindra & Mahindra Limited. The said warrants were converted into 42,99,270 equity shares of ₹ 10 each with a share premium of ₹ 127 per equity share.

2. 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 ₹ 197.00 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 ₹ 197.00 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 ₹ 102.00 per share on 29th July, 2008.

   vi 5,00,000 options to the employees of the company at a fixed price of ₹ 109.00 per share on 26th August, 2008.

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

   viii 20,00,000 options to the employees of the company at fixed price of ₹ 57.00 per share on 1st April, 2011

   ix 5,89,883 options to the employees of the company at fixed price of ₹ 44.00 per share on 20th January, 2012

   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 till that date.

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

Notes to financial statements for the year ended 31st March, 2012

b. Summary of Stock Options:-

	No. of Stock Options	Exercise price (₹)
Options outstanding on 1st April, 2011	1,54,000 3,09,000 2,11,575 1,88,505 3,25,000 89,000	197.00 83.00 151.80 102.00 109.00 97.06
Options granted during the year	20,00,000 5,89,883	57.00 44.00
Options forfeited during the year	13,000 22,000 4,000 92,251	197.00 109.00 97.06 57.00
Options exercised during the year	-	-
Options outstanding on 31st March, 2012	1,41,000 3,09,000 2,11,575 1,88,505 3,03,000 85,000 19,07,749 5,89,883	197.00 83.00 151.80 102.00 109.00 97.06 57.00 44.00
Options vested but not exercised on 31st March, 2012	1,41,000 3,09,000 1,49,075 1,27,255 1,78,000 15,250	197.00 83.00 151.80 102.00 109.00 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 ₹ 133.86 Lakhs (Previous Year: ₹ 81.33 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 ₹ 120.76 Lakhs (Previous Year ₹ 49.40 lakhs), Profit after tax higher by ₹ 120.76 Lakhs (Previous Year ₹ 49.40 lakhs), and the basic and diluted earnings per share would have been higher by ₹ 0.14 (Previous Year ₹ (0.05).

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 II as deferred employee compensation expenses.

Notes to financial statements for the year ended 31st March, 2012

e. During the current year, 25,89,883 fresh options were granted. Information in respect of options granted during the earlier years are as under:-

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

Particulars	Grant dated 29th July, 2008	Grant dated 26th August, 2008	Grant dated 12th May, 2010	Grant dated 1st April, 2011	Grant dated 20th January, 2012
Risk free interest rate	9.24%	9.00%	6.75%	7.47%	8.05%
Expected Life	5.5 Years	5.5 Years	3.5 Years	3.5 Years	3.5 Years
Expected volatility	54.22%	54.22%	44.87%	67.65%	58.00%
Expected dividend yield	NIL	NIL	NIL	NIL	NIL
Exercise price	₹ 102.00	₹ 109.00	₹ 97.06	₹ 57.00	₹ 46.33
Stock price	₹ 122.55	₹ 130.00	₹ 107.95	₹ 66.30	₹ 54.50
Fair Value of Options Granted	₹ 74.34	₹ 78.24	₹ 60.41	₹ 43.63	₹ 34.66

3. 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.

4. Related party transactions during the year ending on 31st March, 2012 are as follows:

Holding Company	1. Mahindra & Mahindra Limited
Subsidiary Companies	1. Stokes Group Limited 2. Mahindra Forgings International Limited 3. Mahindra Forgings Europe AG 4. Jeco-Jellinghaus GmbH 5. Mahindra Forgings Global Limited
Fellow Subsidiaries (with whom the company has entered into transactions during the current / previous year)	1. Mahindra First Choice Wheels Limited 2. Mahindra Gear Transmission Private Limited 3. Mahindra Ugine Steel Company Limited 4. Mahindra Navistar Automotives Limited 5. Mahindra Logistics Limited 6. Mahindra Hinoday Industries Limited. 7. Mahindra Engineering Services Limited 8. Mahindra Vehicle Manufacturers Limited 9. Mahindra Reva Electric Vehicles Private Limited. 10. Mahindra Conveyor Systems Private Limited 11. Mahindra BPO Services Private Limited
Key management personnel	1. Deepak Dheer (till 31st August, 2011)
	2. K Ramaswami (w.e.f 4th October, 2011)

Transactions with related parties

Notes to financial statements for the year ended 31st March, 2012

(₹ in Lakhs)

	31st March, 2012				31st March, 2011			
Nature of Transactions	**Holding Co.**	**Fellow subsidiaries**	**Subsidiary Co.**	**Key Mgmt personnel**	**Holding Co.**	**Fellow subsidiaries**	**Subsidiary Co.**	**Key Mgmt. personnel**
Sales :								
- Goods	**16,469.26**	**2,286.17**	**913.02**	**-**	12,113.19	1,251.13	-	-
- Scrap	**-**	**1,868.24**	**-**	**-**	-	2,723.95	-	-
- Fixed Assets	**-**	**-**	**-**	**-**	-	6.00	-	-
Purchases:								
- Raw material/ Goods	**-**	**12,088.53**	**-**	**-**	-	14,529.64	1.91	-
- Capital goods	**-**	**-**	**41.98**	**-**	-	27.20	-	-
- Discounting Charges		**-**	**-**	**-**	35.88	-	-	-
- Services Received	**6.70**	**899.45**		**-**	15.98	755.25	1.30	-
Inter corporate Deposit Refunded	**-**	**-**	**565.88**	**-**	-	-	2,384.16	-
Interest on ICD received	**-**	**-**	**62.29**	**-**	-	-	158.54	-
- Receivables	**1,063.75**	**324.92**	**394.54**	**-**	2,903.83	334.47	570.61	-
- Payables	**135.63**	**3,211.83**	**-**	**-**	204.61	3,286.78	3.21	-
Reimbursement of Expense	**314.85**	**-**	**-**	**-**	256.59	-	1.36	-
Managerial remuneration	**-**	**-**	**-**	**86.83**	-	-	-	95.72
Investment in subsidiaries	**-**	**-**	**628.06**	**-**	-	-		-
Subscription for preferential warrant's	**4,417.50**	**-**	**-**	**-**	-	-	-	-
Discount received		**26.76**	**-**	**-**	-	-	-	-

Notes to financial statements for the year ended 31st March, 2012

Relationship	Name of the Company	Nature of transaction	Amount ₹ Lakhs 31st March, 2012	Amount ₹ Lakhs 31st March, 2011
Holding Company	Mahindra & Mahindra Limited	Sales – Products Discounting Charges Paid Service Charges Paid Reimbursement of Expenses Receivables Payables Subscription for preferential warrant	**16,469.26** **6.70** **314.85** **1,063.75** **135.63** **4,417.50**	12,113.19 35.88 15.98 256.59 2,903.83 204.61 -
Fellow Subsidiaries	Mahindra Ugine Steel Company Limited	Sales – Scrap Purchases – Raw Material Payables Discount received	**1,868.24** **12,088.53** **3,106.84** **26.76**	2,723.95 14,259.64 3,184.12 -
	Mahindra Vehicle Manufacturers Limited	Sales – Products Receivables	**2,084.22** **282.96**	1,093.00 296.41
	Mahindra Navistar Automotives Limited	Sales – Products Receivables	**1,927.89** **37.51**	158.13 38.06
	Mahindra First Choice Wheels Limited	Sales – Fixed Assets	**-**	6.00
	Mahindra Hinoday Industries Limited	Purchase – Fixed Assets Purchase – Consumables	**-** **1.38**	27.20
	Mahindra Engineering Services Limited	Service Charges Paid Payables	**11.27** **2.65**	1.60 -
	Mahindra Reva Electric Vehicles Private Limited	Sales- Products Receivable Payable (Advance received)	**1.41** **1.06** **5.00**	- - 5.00
	Mahindra BPO Services Private Limited	Services Charged Paid Payables	**6.68** **0.52**	- -
	Mahindra Logistics Limited	Service Charges Paid Payables	**899.45** **97.86**	753.65 97.66
Subsidiary Companies	Jeco-Jellinghaus GmbH	Sales – Products Purchase – fixed assets Purchase – Stores Receivables Payables	**224.96** **41.98** **-** **55.73** **-**	- - 1.91 - 1.91
	Stokes Group Limited, U.K.	Sales- Products Receivables	**688.06** **338.81**	- -
	Mahindra Forgings International Limited	Interest recovered ICD Refunded Receivables Investment in subsidiary	**62.29** **565.88** **-** **628.06**	158.54 2,384.16 570.61 -
Key Managerial Personnel	Mr. Deepak Dheer, Managing Director (up to 31st August, 2011)	Remuneration	**64.77**	95.72
	Mr. K. Ramaswami, Managing Director (w.e.f 4th October, 2011)	Remuneration	**22.06**	-

Notes to financial statements for the year ended 31st March, 2012

5. Earnings per Share:

(₹ in Lakhs)

	31st March, 2012	31st March, 2011
Profit/(Loss) as per the statement of P&L Account (₹ in Lakhs)	**678.10**	(317.59)
Weighted average number of equity shares outstanding during the year	**9,03,60,074**	8,78,62,674
Basic Earnings per share (₹)	**0.75**	(0.36)
Diluted Earnings per share (₹)	**0.75**	(0.36)

6. Exceptional items represents ₹ 155.89 Lakhs interest pertaining to previous period paid on settlement of liability relating to a borrowing.

7. Other expenses include ₹ 118.41 Lakhs against the impairment of con rod machines which was part of capital-work-in-progress.

8. Provision for tax is not made in view of brought forward book losses / unabsorbed depreciation.

9. The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Signature to Schedule I to XXVI

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, 25th May, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

V.K.Chanana
(Director)

Daljit Mirchandani
(Director)

Mohit Burman
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiay 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 of 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 Mar 2012	Not Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2012	Dealth with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2011	Not Dealt with in the accounts of Mahindra Forgings Limited for the year ended 31st Mar 2011
	Nos	%	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Stokes Group Limited	15,465,310	99.92%	-	646.83	-	(829.58)
* Stokes Forgings Dudley Limited	-	99.92%	-	-	-	-
* Jensand Limited	-	99.92%	-	-	-	-
+ Stokes Forgings Limited	-	99.92%	-	-	-	-
Mahindra Forgings International Limited	72,910,001	100.00%	-	(105.79)	-	(435.31)
~ Mahindra Forgings Europe AG	-	100.00%	-	(2,380.56)	-	(2,812.14)
@ Gesenkschmiede Schneider GmbH	-	100.00%	-	5,146.73	-	4,067.53
@ Jeco Jellinghaus & Co GMBH	-	100.00%	-	(314.63)	-	533.24
@ Falkenroth Umformtechnik GmbH	-	100.00%	-	171.31	-	(265.99)
@ Schoeneweiss & Co. GmbH	-	100.00%	-	(641.55)	-	(271.67)
Mahindra Forgings Global Limited	33,849,836	100.00%	-	(13.65)	-	(14.53)

* Subsidiary of Stokes Group Limited
\+ Subsidiary of Jensand Limited
~ Subsidiary of Mahindra Forgings International Limited
@ Subsidiary of Mahindra Forgings Europe AG

Note: The financial year of all subsidiaries ended on 31st March, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

V.K.Chanana
(Director)

Daljit Mirchandani
(Director)

Mohit Burman
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Mumbai, 25th May, 2012

AUDITORS' REPORT

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, 2012 and also the Consolidated Profit & Loss Statement 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 ₹ 1,01,395.37 Lakhs as at March 31, 2012 and the Group's share of total revenues of ₹ 2,01,091.12 Lakhs for the year ended on that date and Group's share of net cash inflows of ₹ 442.74 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, 2012,

ii) In case of the Consolidated Profit and Loss Statement, 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 : 25th May, 2012

Consolidated Balance Sheet as at 31st March, 2012

			Note	As at March 31, 2012 ₹ in Lakhs	As at March 31, 2011 ₹ in Lakhs
I	**EQUITY & LIABILITIES**				
1	**SHAREHOLDERS' FUNDS**				
	(i)	Share capital	I	**9,216.91**	8,786.98
	(ii)	Reserves and surplus	II	**77,939.52**	68,860.82
	(iii)	Money received against warrants		**-**	1,472.50
				87,156.43	79,120.30
2	**Share Application Money pending allotment**			**-**	-
3	**Non-Current Liabilities**				
	(i)	Long-term borrowings	III	**18,014.46**	26,781.70
	(ii)	Deferred tax liabilities (net)		**-**	-
	(iii)	Other long-term liabilities	IV	**255.63**	-
	iv)	Other long-term provisions	V	**12,542.27**	12,111.07
				30,812.36	38,892.77
4	**Current Liabilities**				
	(i)	Short-term borrowings	VI	**31,693.10**	33,126.58
	(ii)	Trade payables	VII	**30,976.95**	24,796.42
	(iii)	Other current liabilities	VIII	**21,235.96**	18,142.07
	(iv)	Short-term provisions	IX	**993.04**	769.87
				84,899.05	76,834.94
	Total			**202,867.84**	194,848.01
II	**ASSETS**				
	Non-current assets				
1	**(a)**	**Fixed Assets**	X		
		(i) Tangible assets		**58,486.52**	53,588.01
		(ii) Intangible assets		**60,626.85**	60,568.33
		(iii) Capital work-in-progress		**5,344.16**	5,680.59
				124,457.53	119,836.93
	(b)	**Non-current investments**	XI	**229.00**	227.51
				229.00	227.51
	(c)	**Deferred tax assets (net)**		**5,702.29**	5,499.19
	(d)	**Long term loans and advances**	XII	**753.72**	603.20
				6,456.01	6,102.39
2	**Current Assets**				
	(a)	Current investments			
	(b)	Inventories	XIV	**38,002.22**	32,511.34
	(c)	Trade receivables	XV	**29,419.43**	31,704.68
	(d)	Cash and bank balances	XVI	**1,745.42**	1,830.00
	(e)	Short term loans and advances	XII	**2,233.39**	2,378.14
	(f)	Other current assets	XIII	**324.84**	257.02
				71,725.30	68,681.18
	Total			**202,867.84**	194,848.01

Summary of accounting policies Note No **XXVI**

The accompanying notes are an integral part of financial statement (**I TO XXVI)**

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, May 25, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

V.K.Chanana
(Director)

Daljit Mirchandani
(Director)

Mohit Burman
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Consolidated Profit & Loss Statement for the year ended 31st March, 2012

		Note	Year ended March 31, 2012 ₹ in Lakhs	Year ended March 31, 2011 ₹ in Lakhs
I.	**Revenue from operations**	XVII	**2,48,447.66**	1,96,087.97
	Less: Excise duty		**4,422.54**	3,636.02
	Net revenue from operations		**2,44,025.12**	1,92,451.95
II.	**Other income**	XVIII	**395.30**	625.09
III.	**Total Revenue (I+II)**		**2,44,420.42**	1,93,077.04
IV.	**EXPENDITURE :**			
	Cost of materials consumed	XIX	**120,535.71**	91,983.81
	Changes in Inventories of finished goods/WIP	XX	**(5,149.77)**	(3,516.02)
	Employee benefits expenses	XXI	**51,689.01**	42,432.97
	Financial costs	XXII	**4,307.20**	4,879.74
	Depreciation and amortisation expenses	XXIII	**11,289.49**	11,995.95
	Other expenses	XXIV	**56,119.89**	44,034.61
	Total Expenses		**2,38,791.53**	1,91,811.06
V.	**Profit before exceptional items and tax (III-IV)**		**5,628.89**	1,265.98
VI.	**(Add) / Less :** Exceptional Items (Refer NoteXXV -4)		**155.89**	804.13
VII.	**Profit before prior period items and tax (V - VI)**		**5,473.00**	461.85
VIII.	**Add/(Less) :** Extraordinary items		**-**	-
IX.	**Profit before tax (VII - VIII)**		**5,473.00**	461.85
X.	**Less :** Tax expense			
	- Current tax		**159.71**	153.87
	- Prior year tax		**(42.31)**	126.71
	- Deferred tax		**238.19**	(194.91)
XII.	**Profit (Loss) for the period (IX - X)**		**5,117.41**	376.18
XIII.	**Earnings per equity share:**			
	(1) Basic (₹)		**5.63**	0.43
	(2) Diluted (₹)		**5.63**	0.43

The accompanying notes are an integral part of financial statement (**I TO XXVI)**

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, May 25, 2012

For & on behalf of Board of Directors

Hemant Luthra
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K.Ramaswami
(Managing Director)

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(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Consolidated Cash Flow Statement for the year ended 31st March, 2012

₹ In Lakhs

	As at March 31 2012	As at March 31 2011
Profit / (Loss) before tax after prior period adjustments	**5,473.00**	1265.98
Add: Adjustments for:		
Depreciation and amortisation expense as ESOS	**11,423.34**	12,074.25
Provision for doubtful debts / write offs	**244.48**	149.08
Interest expenses	**4,307.20**	4,879.74
Loss on sale of fixed assets	**110.48**	-
Exceptional items and prior period adjustments	**155.89**	(804.13)
Sub Total	**21,714.39**	17,564.92
Less: Adjustments for:		
Interest / dividend income	**110.09**	73.32
Profit on sale of investment	**5.22**	38.80
Profit on sale of fixed assets	**185.19**	273.69
Provision written back	**-**	23.36
Unrealised foreign exchange gain	**1,632.64**	990.92
Sub Total	**1,933.14**	1,400.09
Operating Profit before Working Capital Change	**19,781.25**	16,164.83
Trade & other receivables	**1,764.09**	(11,867.35)
Inventories	**(5,490.88)**	(6,922.24)
Liabilities & provisions	**8,835.05**	8071.29
Sub Total	**5,108.26**	(10,718.30)
Cash generated from operations	**24,889.51**	5,446.53
Income tax refund/(Paid)	**(165.89)**	(267.55)
Net cash flow from operating activities	**24,723.62**	5,178.98
Cash flow from investing activities		
Purchase of Fixed assets	**(16,691.85)**	(9,361.09)
Sale of fixed assets	**856.47**	874.88
Purchase of investments	**(851.49)**	
Sale of investments	**855.22**	2746.89
Interest/ Dividend received	**110.09**	73.32
Net Cash from investing activities	**(15,721.56)**	(5,666.00)

Consolidated Cash Flow Statement for the year ended 31st March, 2012

₹ In Lakhs

	As at March 31 2012	As at March 31 2011
Cash Flow from financing activities		
Term Loans repayment / received	**(9,196.94)**	4,338.78
Issue of share capital	**4,417.50**	15.05
Expenditure on issue of share capital	**-**	(22.53)
Interest paid	**(4,307.20)**	(4,879.74)
Net cash from financing activities	**(9,086.64)**	(548.44)
Net (Decrease)/ Increase in cash or cash equivalents	**(84.58)**	(1,035.46)
Opening cash and cash equivalents	**1,830.00**	2,865.46
Closing cash and cash equivalents	**1,745.42**	1,830.00

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.

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, May 25, 2012

For & on behalf of Board of Directors

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(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note I Share capital		
A Authorised :		
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 share of ₹ 31 each	**4,594.26**	4,594.26
	16,794.26	16,794.26
B Issued, Subscribed and paid-up		
9,21,69,056 (PY 8,78,69,786)equity shares of ₹10 each fully paid-up	**9,216.91**	8,786.98
of the above shares 5,53,67,356 are allotted as fully paid pursuant to contract without payment being received in cash		
	9,216.91	8,786.98
Total (Equity)	**9,216.91**	8,786.98

Reconciliation of number of equity shares

(₹ In Lakhs)

	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Amount	No. of shares	Amount
Balance as at the beginning of the year	**8,78,69,786**	**8,786.98**	8,78,55,036	8,785.50
Add: issued under the employees stock option scheme	**-**	**-**	14,750	1.48
Add: issued during the year on conversion of preferential warrants issued to holding company (Mahindra & Mahindra Limited)	**42,99,270**	**429.93**		
Balance at the end of the year	**9,21,69,056**	**9,216.91**	8,78,69,786	8,786.98

Rights, preferences and restriction attached to shares

Equity shares:

- The Company has one class of equity shares having a par value of ₹ 10 per equity share.
- Each shareholder is eligible for one vote per share
- If any dividend is proposed by the board of directors, then the same is subject to approval of the shareholders in the ensuing annual general meeting except in the case of interim dividend.
- In the unlikely event of the liquidation of the Company the equity shareholders are eligible to receive the residual value of assets of the Company if any after all secured and unsecured creditors of the Company are paid off, in the proportion of their shareholding in the Company.

Shares held by Holding company and their subsidiaries and associates

	As at March 31, 2012	As at March 31, 2011
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding company)	**4,88,25,609**	4,45,26,339
	52.97%	50.67%

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at March 31, 2012	As at March 31, 2011
Equity shares	**No. of shares**	No. of shares
Mahindra & Mahindra Limited (Holding Company)	**4,88,25,609**	4,45,26,339
	52.97%	50.67%
Scholz AG	**62,98,843**	62,98,843
	6.83%	7.17%

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note II Reserve and surplus		
A Capital Reserve		
1 Capital Reserve on Consolidation		
Opening Balance	**11,912.96**	11,912.96
Adjustments during the year	**-**	-
	11,912.96	11,912.96
2 Securities Premium account		
Balance at the beginning of the year	**24,855.55**	24,861.49
Add :		
Received upon issue of shares against preferential warrants to promoters	**5,460.07**	-
Received upon issue of shares to employees under ESOP scheme	**-**	16.59
Less:-		
Differential stamp duty payment	**-**	27.53
Utilised for share issue expenses for qualified institutional placement and preferential warrants	**-**	5.00
Balance at the end of the year	**30,315.62**	24,855.55
3 Employee stock options outstanding		
Options granted till date	**480.22**	522.38
Add : Options granted during the year	**247.94**	3.02
Less : Forfeiture of options granted earlier	**13.64**	-
Less : Deferred employee compensation expenses	**100.44**	45.18
Balance at the end of the year	**614.08**	480.22
4 Foreign exchange fluctuation reserve		
Balance at the beginning of the year	**(143.09)**	613.27
Add: Addition during the year	**(1,632.64)**	(756.36)
Balance at the end of the year	**(1,775.73)**	(143.09)
B General Reserve		
Balance at the beginning of the year	**57,670.78**	57,670.78
Balance at the end of the year	**57,670.78**	57,670.78
C Surplus / (Deficit) in statement of profit and loss		
Balance at the beginning of the year	**(25,915.60)**	(26,291.78)
Profit / (Loss) during the year	**5117.41**	376.18
Balance at the end of the year	**(20,798.19)**	(25,915.60)
Total	**77,939.52**	68,860.82

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	Non-Current portion		Current Maturities	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
Note III Long-term borrowings				
(A) Secured Loans				
Term loans:				
Loans in Foreign currency from Banks ..	**11,464.90**	15,770.54	**4,723.74**	4,564.40
Loans in INR from Banks	**-**	3,298.10	**3,127.94**	4,036.25
	11,464.90	19,068.64	**7,851.68**	8,600.65
(B) Unsecured Loans				
Sales tax deferral loan	**1,862.19**	1,971.77	**109.58**	73.73
Loans from Related parties	**4,687.37**	5,741.29	**2,954.00**	1,115.23
(Refer sch XXVI Note No. 6 (b))				
	6,549.56	7,713.06	**3,063.58**	1,188.96
Total	**18,014.46**	26,781.70	**10,915.26**	9,789.61

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note IV Other long-term liabilities		
1 Trade Payable		
2 Other Payable	**255.63**	-
Total	**255.63**	-

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note V Other long-term provisions		
1 Provision for employee benefits		
Funded:		
Provision for gratuity (Gross)	**208.54**	-
Less: Gratuity fund assets with Trust/LIC	**208.54**	-
Provision for gratuity (Net)	**-**	-
Non Funded		
Provision for gratuity	**-**	168.61
Provision for pension fund	**12,482.25**	11,891.11
Provision for compensated absences	**60.02**	51.35
	12,542.27	12,111.07
Total	**12,542.27**	12,111.07

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note VI Short - term borrowings		
(A) Secured		
1 Loans repayable on demand		
Loans in foreign currency from banks	**29,924.09**	28,684.83
Loans in INR from banks	**1,769.01**	4,441.75
Total	**31,693.10**	33,126.58

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note VII Trade payables		
Trade payables		
Acceptances	**24.52**	121.56
Trade payables - Micro & Small Enterprises	**6.81**	7.09
Others	**30,945.62**	24,667.77
Total	**30,976.95**	24,796.42

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 supplier to the Company.

Total outstanding due to micro and small enterprises, which were outstanding for more than stipulated period are given below.

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Dues remaining unpaid as at 31st March		
Principal	**6.81**	7.09
Interest	**0.06**	0.10
Interest paid in terms of section 16 of the Act	**NIL**	NIL
Amount of interest due and payable for the period of delay in payment made beyond the appointed day during the year	**1.18**	0.80
Amount of interest accured and remaining unpaid as at 31st March	**3.42**	2.23

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note VIII Other current liabilities		
1 Current maturities of long term loan		
Secured Loans		
i) Loans in foreign currency from banks	**4,723.74**	4,564.40
ii) Loans in INR from banks	**3,127.94**	4,036.25
Unsecured Loans		
i) From others	**2,954.00**	1,115.23
ii) Sales Tax deferred Loan	**109.58**	73.73
	10,915.26	9,789.61
2 Provision for other current employee benefits	**8,467.95**	7,774.88
3 Interest accrued but not due	**488.39**	254.70
4 Interest accrued but due	**26.62**	145.34
5 Provision for other liabilities	**1,004.00**	161.11
6 Provision for current tax	**333.74**	16.43
	10,320.70	8,352.46
Total	**21,235.96**	18,142.07

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note IX Short-term provisions			
1	Employee benefits:		
	Provision for gratuity (Unfunded)	**1.37**	18.73
	Provision of earned leave encashment	**15.01**	17.11
	Provision for special pension fund	**-**	-
	Provision for other current employee benefits	**-**	-
2	Others:		
	Provision for guaranteed debt	**-**	32.11
	Provision for warranties	**976.66**	701.92
	Total	**993.04**	769.87

Note X Fixed assets

(₹ In Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	April 1, 2011	Addition / adjustments	Deletion / adjustments	**March 31, 2012**	April 1, 2011	For the year	Deletion/ adjustments	**March 31, 2012**	**March 31, 2012**	March 31, 2011
A: Tangible Assets										
Land	2,478.18	78.49	(183.56)	**2,740.23**	-	-	-	**-**	**2,740.23**	2,478.18
Buildings										
- Freehold	25,784.01	556.25	(1,096.55)	**27,436.81**	15,169.48	545.57	(1,063.50)	**16,778.55**	**10,658.26**	10,614.53
- Leasehold	430.99	-	(58.21)	**489.20**	124.48	41.65	(15.99)	**182.12**	**307.08**	306.51
Plant & Equipment	145,356.10	11,005.44	(8,281.76)	**164,643.30**	110,568.68	7,779.34	(6,498.80)	**124,846.82**	**39,796.48**	34,787.42
Furniture & Fittings	20,179.45	1,675.49	2,241.64	**19,613.30**	15,321.55	2,515.42	2,604.19	**15,232.78**	**4,380.52**	4,857.90
Office Equipment	1,558.43	33.47	(116.27)	**1,708.17**	1,413.40	39.77	(112.51)	**1,565.68**	**142.49**	145.03
Cars & Vehicles	1,579.11	83.90	70.18	**1,592.83**	1,334.21	63.38	43.97	**1,353.62**	**239.21**	244.90
Computers	564.23	136.81	(26.27)	**727.31**	410.69	75.28	(19.09)	**505.06**	**222.25**	153.54
Sub Total : A	197,930.50	13,569.85	(7,450.80)	**218,951.15**	144,342.49	11,060.41	(5,061.73)	**160,464.63**	**58,486.52**	53,588.01
B: Intangible Assets										
Goodwill on Consolidation	62,334.61	-	-	**62,334.61**	2,269.91	-	-	**2,269.91**	**60,064.70**	60,064.70
Software	2,553.77	250.67	(179.94)	**2,984.38**	2,050.14	229.08	(143.01)	**2,422.23**	**562.15**	503.63
Sub Total : B	64,888.38	250.67	(179.94)	**65,318.99**	4,320.05	229.08	(143.01)	**4,692.14**	**60,626.85**	60,568.33
C: Capital work- in progress	-	-	-	**-**	-	-	-	**-**	**5,344.16**	5,680.59
Sub Total : C	-	-	-	**-**	-	-	-	**-**	**5,344.16**	5,680.59
Total (A+B+C)	2,62,818.88	13,820.52	(7,630.74)	**2,84,270.14**	1,48,662.54	11,289.49	(5,204.74)	**1,65,156.77**	**1,24,457.53**	1,19,836.93

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Note : XI Non current investments		
Non Current		
Non trade, unquoted investment valued at cost unless otherwise stated		
50 fully paid up shares of ₹ 10 each in The Saraswat Co-operative Bank Limited (Previous year 50 shares)	**0.01**	0.01
884485 Class "A" equity shares of ₹ 10 each in Wardha Power Company Limited	**88.45**	88.45
11,15,515 Class "A" redeemable preference shares of ₹ 10 each in Wardha Power Company Limited	**111.88**	111.88
Other Investment in equity shares	**28.66**	27.17
Total	**229.00**	227.51

Note

1 Investment in Wardha Power Company Limited entitles the Company to obtain energy equivalent of 5MW from the Group Capitve Power Plant.
These shares will receive restrictive dividend not more than 0.01% of the face value of the equity shares.
The preference shares carry a coupon rate of 0.01% per annum of the face value and is redeemable on expiry of 25 years.

(₹ In Lakhs)

	Non-Current		Current	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Note XII Loans and advances				
1 Capital advances				
Secured, considered good	**-**	-	**-**	-
Unsecured, considered good	**655.95**	475.15	**-**	-
	655.95	475.15	**-**	-
2 Security deposits				
Secured, considered good	**-**	-		
Unsecured, considered good	**46.44**	76.72	**25.94**	
	46.44	76.72	**25.94**	-
3 Advances				
Advances to Sundry Creditors				
Secured, considered good	**-**	-	**-**	-
Unsecured, considered good	**-**	-	**1,765.39**	2,140.87
Doubtful	**-**	-	**-**	-
Advance income tax (Net of provision for taxation)			**102.25**	68.23
Prepaid Expenses	**-**	-	**84.14**	34.40
Balance with / refund due from statutory/government authorities	**51.33**	51.33	**255.67**	134.64
	51.33	51.33	**2,207.45**	2,378.14
Total	**753.72**	603.20	**2,233.39**	2,378.14

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	Current As at March 31, 2012	As at March 31, 2011
Note XIII Other Current Assets		
Interest receivable	**5.03**	14.41
Others	**319.81**	242.61
Total	**324.84**	257.02

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note XIV Inventories			
1	Raw materials	**9,615.18**	9,827.30
2	Work-in-progress	**19,778.75**	15,234.76
3	Finished goods	**6,576.15**	5,970.37
4	Stores and spares	**1,031.57**	749.58
5	Dies	**1,000.57**	729.33
	Total	**38,002.22**	32,511.34

(₹ In Lakhs)

			As at March 31, 2012	As at March 31, 2011
Note XV Trade receivables				
1	Trade Receivables outstanding for more than six months from the date they are due for payment			
	a)	Unsecured, considered good	**349.64**	216.01
	b)	Doubtful	**387.85**	159.68
	c)	Less: Allowance for trade receivables	**387.85**	159.68
2	Trade receivables outstanding for less than six months from the date they are due for payment			
	a)	Unsecured, considered good	**29,069.79**	31,488.67
	b)	Doubtful	**328.97**	293.16
	c)	Less: Allowance for trade receivables	**328.97**	293.16
	Total		**29,419.43**	31,704.68

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		As at March 31, 2012	As at March 31, 2011
Note : XVI Cash and bank balances			
A	Cash and cash equivalents		
	Balances with the bank		
	On current account in scheduled banks	**573.15**	45.21
	On current account in non scheduled banks	**395.68**	1,482.25
	Cheques on hand	**682.50**	-
	Cash on hand	**5.62**	163.00
		1,656.95	1,690.46
B	Other bank balances		
	Margin money deposits		
	Deposit with original maturity more than 3 months and less than 12 months	**4.72**	-
	Deposit with original maturity more than 12 months	**83.75**	139.54
		88.47	139.54
	Total	**1,745.42**	1,830.00

(₹ In Lakhs)

		Year ended March 31, 2012	March 31, 2011
Note : XVII Revenue from operations			
	Revenue from -		
a)	Sale of finished goods - Forgings	**235,241.01**	185,832.03
b)	Other operating revenues (details below)		
	Scrap sales	**12,522.25**	9,593.90
	Processing charges	**55.25**	-
	Other operating income	**629.15**	662.04
	Revenue from operations (Gross)	**248,447.66**	196,087.97
	Less: Excise Duty	**4,422.54**	3,636.02
	Revenue from operations (Net)	**244,025.12**	192,451.95

(₹ In Lakhs)

	Year ended March 31, 2012	March 31, 2011
Note : XVIII Other Income		
Interest Received		
Interest on others	**110.09**	73.22
Foreign exchange gain / (loss)	**87.24**	-
Profit on sale of investments	**5.22**	38.80
Profit on sale of fixed assets	**74.71**	273.69
Others	**118.04**	239.38
Total	**395.30**	625.09

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

	Year ended March 31, 2012	March 31, 2011
Note : XIX Cost of material consumed		
Alloy and non alloy Steel		
Inventory at the beginning of the year	**9,827.30**	6,410.24
Add: Purchases Net	**120,323.59**	95,400.87
Less: Inventory at the end of the year	**9,615.18**	9,827.30
Cost of material consumed	**120,535.71**	91,983.81

(₹ In Lakhs)

		Year ended March 31, 2012	March 31, 2011
Note : XX Work-in-progress, (Increase) / Decrease in stocks			
	(Increase) / Decrease in stocks		
A	Stock at the beginning of the year:		
	Work-in-progress	**15,234.76**	11,753.90
	Finished products produced	**5,970.37**	5,935.21
	Total (A)	**21,205.13**	17,689.11
B	Less : Stock at the closing of the year		
	Work-in-progress	**19,778.80**	15,234.76
	Finished products produced	**6,576.15**	5,970.37
	Total (B)	**26,354.90**	21,205,13
	(Increase) / Decrease in stocks	**(5,149.77)**	(3,516.02)

(₹ In Lakhs)

		Year ended March 31, 2012	March 31, 2011
Note : XXI Employee benefit expenses			
1	Salaries, wages, bonus, etc	**42355.39**	35056.43
2	Contribution to provident & other funds	**462.14**	511.50
3	Gratuity expenses	**42.59**	56.13
4	Expense on Employee Stock Option Scheme	**133.85**	81.33
5	Staff welfare expenses	**8695.04**	6727.58
	Total	**51689.01**	42432.97

Notes to consolidated financial statements for the year ended 31st March, 2012

Notes : XXI (Contd.)

(₹ In Lakhs)

		Gratuity		Pension		Leave encashment	
		March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011	**March 31, 2012**	March 31, 2011
1	Current service cost	**28.76**	27.35	**140.60**	133.93	**19.43**	16.89
2	Interest cost	**14.99**	11.23	**629.95**	641.23	**5.48**	4.96
3	Expected return on plan assets	**-**	-	**0**	-	**-**	
4	Actuarial losses/(gains)	**(1.16)**	17.54	**(495.88)**	(393.58)	**6.67**	25.33
5	Total expense	**42.59**	56.12	**274.67**	381.58	**31.58**	47.18
	Reconciliation of Net Asset / Liability) recognised in the Balance Sheet during the period						
1	Net Asset/(Liability) at the beginning of the period	**(187.35)**	(140.45)	**11,808.23**	12,135.95	**(68.46)**	(61.89)
2	Employee expense	**(42.59)**	(56.12)	**(274.67)**	(1136.93)	**(31.58)**	(47.18)
3	Employee contributions	**20.02**	9.22	**948.68**	809.21	**25.00**	40.61
4	Net Asset/(Liability) at the end of the period	**(209.92)**	(187.35)	**12,482.24**	11,808.23	**(75.04)**	(68.46)
5	Actual return on plan assets						
	Actuarial assumptions***						
1	Discount rate	8% per annum		5.5% per annum		8% per annum	
2	Expected rate of return on plan assets	NA		N.A		NA	
3	Expected rate of salary increase	6% per annum				6% per annum	
4	Mortality table	LIC (1994-96) Ultimate				LIC (1994-96) Ultimate	

*** 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

In Schoeneweiss & Co. GmbH, step down subsidiary in Germany, additional pension provision of EUR 581K was made on account of premature retirement of one managing director.

(₹ In Lakhs)

Note : XXII Finance costs

		Year ended **March 31, 2012**	March 31, 2011
1	Interest on term loans, bonds and debentures	**1,296.88**	1,667.01
2	Interest on other loans	**2,547.11**	2,826.51
3	Finance charges	**463.21**	386.22
	Total	**4,307.20**	4,879.74

(₹ In Lakhs)

Note : XXIII Depreciation and amortisation expense

	Year ended **March 31, 2012**	March 31, 2011
Depreciation on tangible assets	**11,060.41**	11,826.72
Amortisation on intangible assets	**229.08**	169.23
Total	**11,289.49**	11,995.95

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

		Year ended March 31, 2012	March 31, 2011
Note : XXIV Other Expenses			
1	Stores consumed	**4,351.03**	3,719.45
2	Tools consumed	**2,687.58**	2,456.84
3	Power and fuel	**17,019.23**	13,404.46
4	Rent including lease rentals	**2,420.92**	2,406.81
5	Rates & taxes	**342.77**	257.08
6	Insurance	**567.47**	651.97
7	Repairs and maintenance		
	Buildings	**385.65**	266.99
	Machinery	**7,621.07**	5,996.59
	Others	**1,235.47**	361.42
8	Postage, telephone and communication	**32.84**	39.23
9	Legal and professional charges	**742.94**	803.70
10	Advertisement	**139.08**	164.12
11	Freight outward	**2,729.64**	2,471.04
12	Travelling & conveyance expenses	**577.46**	515.20
13	Subcontracting, hire & service charges	**10,672.70**	7,019.76
14	Provision for doubtful trade receivables	**233.56**	-
15	Provision for warranties	**211.90**	351.88
16	Loss/(gain) on foreign exchange transactions and translations	**-**	193.89
17	Impairment of assets (Refer Sch XXVI Note B-8)	**118.41**	-
18	Miscellaneous expenses	**3,164.67**	2,265.56
19	Commission on sales / contracts	**254.95**	221.59
20	Bank charges	**610.55**	467.03
	Total	**56,119.89**	44,034.61

Notes to consolidated financial statements for the year ended 31st March, 2012

Note: XXV

1. Segment Reporting

(₹ In Lakhs)

Particulars	Indian		Overseas		Elimination		Consolidated	
	March 31, 2012	March 31, 2011	**March 31, 2012**	March 31, 2011	**March 31, 2012**	March 31, 2011	**March 31, 2012**	March 31, 2011
Revenue								
Revenue from operations	**46,761.45**	39,479.78	**2,01,686.21**	1,56,608.19	**-**	-	**2,48,447.66**	1,96,087.97
Less: Excise duty on sales	**4,422.54**	3,636.02	**-**	-	**-**	-	**4,422.54**	3,636.02
Net external revenue	**42,338.91**	35,843.76	**2,01,686.21**	56,608.19	**-**	-	**2,44,025.12**	1,92,451.95
Inter Segmental Revenue	**913.02**	-	**-**	-	**(913.02)**	-	**-**	-
Total revenue	**43,251.93**	35,843.76	**2,01,686.21**	56,608.19	**(913.02)**	-	**2,44,025.12**	1,92,451.95
Result								
Segmental result before exceptional items	**1,905.38**	1,107.64	**8,030.71**	4,964.76			**9,936.09**	6,072.40
Exceptional Items allocated to Segments	**(155.89)**			(804.13)			**(155.89)**	(804.13)
Segmental result after exceptional items	**1,749.49**	1,107.64	**8,030.71**	4,160.63	**-**	-	**9,780.20**	5,268.27
Un allocated expenses/(income)								
Operating profit							**9,780.20**	5,268.27
Less: Interest cost not allocable							**4,307.20**	4,806.42
Add: Other income not allocable							**-**	-
Profit / (Loss) before tax							**5,473.00**	461.85
Less: Tax expense								
- Current tax							**159.71**	153.87
- Prior year tax							**204.07**	126.71
- Deferred tax							**(8.19)**	(194.91)
Profit / (Loss) before prior period adjustments							**5,117.41**	376.18
Less: Adjustments pertaining to previous year							**-**	-
Profit / (Loss) for the year before Minority Interests							**5,117.41**	376.18
Less: Minority Interests....................							**-**	-
Profit /(Loss) carried forward to Balance Sheet							**5,117.41**	376.18
Other Information								
Segment Assets	**32,895.49**	35,330.90	**1,64,270.06**	1,53,187.21			**1,97,165.55**	1,88,518.11
Segment Liabilities	**8,659.89**	8,450.81	**46,428.70**	37,579.01			**55,088.59**	46,029.82
Capital Expenditure	**2,087.82**	2,331.81	**14,604.03**	4,670.23			**16,691.85**	7,002.04
Depreciation and Amortisation	**2,391.89**	2,209.91	**8,897.60**	9,786.04			**11,289.49**	11,995.95
Non Cash Expenditure other than Depreciation							**-**	-

Notes:

a) Geographical Segment

The group has considered geographical segment as the 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 of forgings by outside India operations.

b) Secondary Segment

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

(₹ In Lakhs)

Gross segment revenue comprises of :	**March 31, 2012**	March 31, 2011
Sales	**2,44,025.12**	1,92,451.95
Other allocable income	**395.30**	625.09
	2,44,420.42	1,93,077.04

Notes to consolidated financial statements for the year ended 31st March, 2012

Notes : XXV (Contd.)

2 Provision for Warranty

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Balance as at the beginning of the year	**649.44**	492.83
Add: Provision made during the year	**970.52**	351.88
Less: Utilisation/reversal during the year	**643.30**	195.27
	976.66	649.44

3 Deferred tax liability / (assets)

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Deferred tax liability		
On fiscal allowances on fixed assets	**1,478.44**	1,342.39
Others	**106.39**	279.01
	1,584.83	1,621.40
Deferred tax asset		
Unabsorbed depreciation carried forward	**3,170.59**	6,945.78
On amalgamation & demerger expenses	**-**	9.83
On share issue expenses	**8.61**	63.42
On other timing differences	**149.04**	129.00
Provision Others	**5,759.62**	1,980.31
	9,087.86	9,128.34
Net Deferred tax liability/(assets)	**(7,503.03)**	(7,506.94)

Note:

Net Deferred tax asset of ₹ 1800.74 Lakhs (previous year ₹ 2007.75 Lakhs) in respect of the parent company is not accounted according to the principle of virtual certainty of reversal as laid down in AS 22 'Accounting for taxes on Income'. Tax Losses of German subsidiaries can be carried forward in perpetuity. However, as per German GAAP Deferred tax asset can be recognised only on the losses expected to be set off within five years and accordingly, adjusted amount of deferred tax assets have been recognised.

3 Contingent Liabilities

(₹ In Lakhs)

Particulars	As at March 31, 2012	As at March 31, 2011
Claims against the Company not acknowledged as debts		
i) Income tax claims against which Company has preferred an appeal non deduction of TDS and interest there on		
a) Non deduction of TDS and interest thereon	**29.89**	29.89
b) Disallowance of certain expenses	**613.68**	469.06
ii) Excise Cases against the Company, appealed by the Company with CESTAT		
a) Relating to cenvat availed on rejected goods	**89.28**	89.28
b) Interest on supplementary invoices	**9.59**	9.59
iii) Bill discounting facilities availed under Bill Marketing Scheme from customers	**583.56**	1,225.53

Notes to consolidated financial statements for the year ended 31st March, 2012

Notes : XXV (Contd.)

(₹ In Lakhs)

Particulars	As at March 31, 2012	As at March 31, 2011
iv) 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 future obligation aggregates to USD 200.84 Lakhs (P.Y.USD 227.63 Lakhs). converted at year end exchange rate	**10,266.75**	10,172.80
v) Estimated value of contracts remaining to be executed on capital account (net of advances) and not provided for	**2,224.05**	2,886.94
vi) Claim for interest by a financial institution on a loan which was interest free loan	**-**	164.93

4 Exceptional Items

(₹ In Lakhs)

Particulars	As at March 31, 2012	As at March 31, 2011
Restructuring costs at Stokes Group Limited	**-**	469.94
Redundancy payments to workmen	**-**	334.49
Interest pertaining to previous period for settlement of liability relating to borrowing	**155.89**	-
	155.89	804.43

5 Hire Purchase Contracts and Operating Leases

(₹ In Lakhs)

Particulars	As at March 31, 2012	As at March 31, 2011
Net obligations repayable		
Within one year	**1,003.36**	557.96
Between one to five years	**1,043.43**	613.73
	2,046.79	1,171.69

(₹ In Lakhs)

Particulars	As at March 31, 2012	As at March 31, 2011
Break up the Lease		
Within one year		
Land and Building	**955.50**	
Others		6.04
Between one to five years		
Land and Building	**3,753.75**	65.64
Others		49.20
	4,709.25	120.88

6 Earnings Per Share

(₹ In Lakhs)

	As at March 31, 2012	As at March 31, 2011
Profit/(Loss) for the year	**5,117.41**	376.18
Weighted average number of equity outstanding during the year	**9,03,60,074**	8,78,62,674
Basic Earnings per share (₹)	**5.66**	0.43
Diluted Earnings per share (₹)	**5.66**	0.43

Notes to consolidated financial statements for the year ended 31st March, 2012

Note to Accounts No - XXVI

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 Statement 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, 2012.

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 31.03.2012	as at 31.03.2012
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%	-
Gesenkschmine Schineider GmbH	Germany	100.00%	-
Jeco Jellinghaus GmbH	Germany	100.00%	-
Falkenroth Umformtechnik GmbH	Germany	100.00%	-
Schoneweiss & 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.

Notes to consolidated financial statements for the year ended 31st March, 2012

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.

All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule VI of the Companies Act, 1956. Based on the nature of activities undertaken by the Company and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non- current classification of assets & liabilities.

(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 Statement.

(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 Statement.

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 Statement.

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 recognized as an income or expense in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or expiry of such forward exchange contract is recognized as income or expense for the period.

Notes to consolidated financial statements for the year ended 31st March, 2012

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

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 recognized to the extent of surplus over the cost of manufacturing of such tools.

(b) Dividends from investments are recognised in the Profit and Loss Statement 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 Statement.

(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 Statement as income or expenses. 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. Company's liability towards gratuity is funded by way of Group Gratuity cum assurance policy with Life Insurance Corporation of India.

(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.

Revenue and expense 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.

Notes to consolidated financial statements for the year ended 31st March, 2012

(M) Impairment of Assets:

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 statement 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 statement 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 statement 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 statement on a straight line basis over the lease term.

(P) Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised up to the date when such qualifying assets are ready for intended use. Other borrowing costs are recognised as expense in the period in which they are incurred

(Q) Provisions and Contingent Liabilities:

Provisions are recognized 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:

During the year, the Company received subscription of ₹ 4,417.50 Lakhs representing the balance 75% of 42,99,270 warrants issued @ ₹ 137 per warrant to the promoter Mahindra & Mahindra Limited. The said warrants were converted into 42,99,270 equity shares of ₹ 10 each with a share premium of ₹ 127 per equity share.

4. 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 did not exercise their option. (Previous Year 14,750 shares (Exercise Price ₹ 102 per Equity Share) were allotted to the ESOS holders).

5. Loans:

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

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 ₹ Nil Lakhs (Previous Year ₹ 2.41 Lakhs) on account of mark to market valuation of the said interest rate swaps was made.

Notes to consolidated financial statements for the year ended 31st March, 2012

6. Related Party Transactions

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

Holding:

Sr. No.	Name of the Company
1.	Mahindra & Mahindra Limited

Fellow Subsidiaries:

Sr. No.	Name of the Company	Sr. No.	Name of the Company
1.	Mahindra Ugine Steel Company Limited	8.	Mahindra Vehicle Manufacturers Limited
2.	Mahindra BPO Services Private Limited	9.	Mahindra Gear & Transmissions Private Limited
3.	Mahindra Logistics Limited	10.	Mahindra Hinoday Industries Limited
4.	Mahindra Navistar Automobiles Limited	11.	Mahindra Overseas Investment Company (Mauritius) Limited
5.	Mahindra Engineering Services Limited	12.	Mahindra Engineering Services (Europe) Limited
6.	Mahindra First Choice Wheels Limited	13.	Mahindra Reva Electric Vehicles Private Limited
7	Mahindra Conveyor Systems Private Limited		

Key Management Personnel:

Sr. No.	Name of the Persons
1.	Mr. Deepak Dheer (up to 31st Aug 2011)
2.	Mr. K. Ramaswami (w.e.f. 4th Oct 2012)

(b) Details of related party transactions are as under

(₹ In Lakhs)

Sr. No	Nature of Transactions	31st March, 2012			31st March, 2011		
		Holding Company	**Fellow Subsidiaries**	**Key Managerial Personnel**	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
1.	Purchases						
	Raw Material	**-**	**12,088.53**	**-**	-	14,529.64	-
	Capital Goods	**-**	**-**	**-**	-	27.20	-
	Discounting Charges Paid	**-**	**-**	**-**	35.88	755.25	-
	Services	**6.70**	**899.45**	**-**	15.98	-	-
2.	Sales						
	Goods	**16,469.26**	**2,286.17**	**-**	12,113.19	1,251.13	-
	Scrap	**-**	**1,868.24**	**-**	-	2,723.95	-
	Fixed Assets	**-**	**-**	**-**	-	6.00	-
3.	Inter Corporate Deposit						
	Accepted	**-**	**-**	**-**	-	-	-
4.	Inter Corporate Deposit						
	Refunded	**-**	**-**	**-**	-	246.85	-
5.	Interest Paid	**-**	**498.31**	**-**	-	461.89	-
	Discounting Charges Received	**-**	**26.76**	**-**	-	-	-

Notes to consolidated financial statements for the year ended 31st March, 2012

(₹ In Lakhs)

Sr. No	Nature of Transactions	31st March, 2012			31st March, 2011		
		Holding Company	**Fellow Subsidiaries**	**Key Managerial Personnel**	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
6.	Outstandings						
	Receivable	**1,063.75**	**324.93**	**-**	2,903.83	334.47	-
	Payable	**358.13**	**12,280.40**	**-**	411.21	10,945.79	-
	ICD Outstanding	**-**	**7,641.37**	**-**	-	6,856.52	-
7.	Reimbursement of Expenses	**530.73**	**-**	**-**	453.60	-	-
8.	Share Application Money						
	- Received	**-**	**-**	**-**	-	-	-
	- Subscription for Pref. Warrants received	**4,417.50**	**-**	**-**	-	-	-
	- Subscription for Pref. Warrants outstanding	**-**	**-**	**-**	1,472.50	-	-
		-	**-**	**86.83**	-	-	95.72

7. **Earnings per share**

Particulars	**31st March, 2012**	31st March, 2011
Amount used as the numerator- Net Profit / (Loss) ₹ in Lakhs	**5117.41**	376.18
Weighted Average number of equity shares used in computing basic earnings per share	**9,03,60,074**	8,78,62,674
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	**9,03,60,074**	8,78,62,674
Basic Earnings per share (Face Value of ₹10 per share)	**5.66**	0.43
Diluted Earnings per share ₹	**5.66**	0.43

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

8. Other Expenses include ₹ 118.41 Lakhs against the impairment of con rod machines which was part of capital work-in-process.

9. The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

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, May 25, 2012

For & on behalf of Board of Directors

Hemant Luthra
(Chairman)

K.Ramaswami
(Managing Director)

V.K.Chanana
(Director)

Daljit Mirchandani
(Director)

Mohit Burman
(Director)

Fali P. Mama
(Director)

Zhooben Bhiwandiwala
(Director)

Harald Korte
(Director)

Nikhilesh Panchal
(Director)

Krishnan Shankar
(Company Secretary & Head Legal)

Ajay Mantry
(CFO)

Details of Subsidiary Companies

₹ 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 #	1,264.25	(3,096.93)	7,503.84	7,503.84	-	17,695.44	646.83	-	646.83	-
Stokes Forgings Dudley Limited #	-	-	-	-	-	-	-	-	-	-
Jensand Limited #	49.00		49.00	49.00	-	-	-	-	-	-
Stokes Forgings Limited #	49.00	(49.00)	-	-	-	-	-	-	-	-
Mahindra Forgings International Limited #	55,903.58	(2,078.90)	74,738.53	74,738.53	-	-	(664.76)	-	(664.76)	-
Mahindra Forgings Europe AG #	3,412.50	3,924.38	54,616.38	54,616.38	-	1,721.27	2,792.79	201.34	2,591.45	-
Gesenkschmiede Schneider GmbH #	8,374.96	5,010.23	38,371.52	38,371.52	25.25	81,014.12	5,085.99	45.73	5,040.26	-
Jeco Jellinghaus GmbH #	3,501.23	846.98	9,982.25	9,982.25	3.41	24,868.94	(277.10)	-	(277.10)	-
Falkenroth Umformtechnik GmbH #	699.56	903.63	10,634.03	10,634.03	-	27,218.10	201.34	-	201.34	-
Schoeneweiss & Co. GmbH #	3,412.50	8,928.47	40,062.07	40,062.07	-	62,489.70	(423.83)	167.90	(591.73)	-
Mahindra Forgings Global Limited #	23,102.63	81.90	23,188.62	23,188.62	-	-	545.32	-	545.32	-

The financial statements of the Foreign Subsidiaries have been converted into Indian Rupees at the 31st March, 2012 exchange rates

Lighting up a new way

Mahindra Forgings Ltd. taking initiatives to reduce power consumption.

Ground Reality:

Effective lighting is crucial to any human activity and industrial operations are no exception. Good lighting contributes towards making the work environment conducive to enhanced productivity. Over the years, in response to business growth and improvements to workspace lighting, we saw a steep rise in our power consumption for lighting.

Solution:

An ingenious solution was discovered in the form of Magnetic Induction lamps which are a product of Mahindra Hinoday (A business vertical of Mahindra Systech). Its unique induction excitation technology does away with many of the inefficiencies associated with traditional lighting solutions relying on filament construction.

Along with acting as true power savers, the lamps have resulted in a slew of other benefits like improved illumination, better lighting at lower heights, lesser maintenance and most importantly at least 30% increased service life.

Registered Office:
Mahindra Forgings Ltd.
Mahindra Towers, Worli, Mumbai - 400 018, India
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E-mail: mfl.investors@mahindra.com

Mahindra Forgings | Mahindra Systech