Placement Document
Not for Circulation
Serial No:[●]

Mahindra Forgings Limited

(Incorporated in the Republic of India as a limited liability company with CIN number L27100MH1999PLC121285 under the Companies Act, 1956)

Mahindra Forgings Limited ("**MFL**" or the "**Company**") is issuing 16,241,300 equity shares of face value Rs. 10 each ("**Equity Shares**") at a price of Rs. 107.75 per Equity Share, including a premium of Rs. 97.75 per Equity Share, aggregating to Rs.1,750 million (the "**Issue**").

ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED.

THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI REGULATIONS"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER THE SEBI REGULATIONS) ("QIBs")

YOU MAY NOT BE AND ARE NOT AUTHORISED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTION.

Invitations, offers and sales of Equity Shares shall only be made pursuant to this Placement Document, the Bid cum Application Form and the Confirmation of Allocation Note. For further information see "Issue Procedure" in this Placement Document. The distribution of this Placement Document or the disclosure of its contents without our Company's prior consent to any person, other than QIBs (as defined under the SEBI Regulations) and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

This Placement Document has not been reviewed by and have not been approved or disapproved by the Securities and Exchange Board of India (the "**SEBI**"), the Reserve Bank of India (the "**RBI**"), the National Stock Exchange of India Limited (the "**NSE**"), the Bombay Stock Exchange Limited (the "**BSE**", and together with the NSE, the "**Stock Exchanges**") or any other regulatory or listing authority and is intended only for use by QIBs.

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute an offer to the public or any other class of investors in India or any other jurisdiction. The Issue of Equity Shares proposed to be made pursuant to this Placement Document is meant solely for QIBs on a private placement basis.

Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest in this Issue unless they are prepared to take the risk of losing all or part of their investment. Prospective investors are advised to carefully read the section titled "Risk Factors" beginning on page 30 of this Placement Document before making an investment decision in this Issue. Each prospective investor is advised to consult its advisors about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Placement Document.

The information on our Company's website or any website directly or indirectly linked to our Company's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of our Company's outstanding Equity Shares are listed on the Bombay Stock Exchange Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**", and together with the BSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on the BSE and the NSE on February 23, 2010 was Rs. 107.20 and Rs. 106.75 per Equity Share, respectively. Applications shall be made for the listing of the Equity Shares offered through this Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of this Placement Document will be filed with the Stock Exchanges. A copy of the final Placement Document will also be delivered to the Securities and Exchange Board of India (the "**SEBI**") for record purposes.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and they may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For further information, see sections titled "Distribution and Solicitation Restrictions" and "Transfer Restrictions"

This Placement Document is dated February 24, 2010.

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS

Kotak Mahindra Capital Company Limited
1st Floor
Bakhtawar,
Nariman Point
Mumbai – 400021

Anand Rathi Advisors Limited
11th Floor, Times Tower
Kamala City, Senapati Bapat Marg
Lower Parel
Mumbai – 400013

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NOTICE TO INVESTORS

The Company has furnished and accepts full responsibility for the information contained in this Placement Document and confirms that, to its best knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to our Company and the Equity Shares which is material in the context of this Issue. The statements contained in this Placement Document relating to our Company, its subsidiaries and the Equity Shares are, in material respects, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to our Company its subsidiaries and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements. The Global Coordinators and Book Running Lead Managers ("**GC-BRLMs**") have not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the GC-BRLMs nor any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the GC-BRLMs as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on the GC-BRLMs or any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company, its subsidiaries and the merits and risks involved in investing in the Equity Shares. Prospective Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the GC-BRLMs. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Placement Document.

The distribution of this Placement Document and the Issue may be restricted by law in certain jurisdictions. As such, this Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. In particular, no action has been taken by us or the GC-BRLMs which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required.

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the GC-BRLMs are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is a Qualified Institutional Buyer (as defined under the SEBI Regulations) and is eligible to invest in India and in the Equity Shares under Indian law, including Chapter VIII of the SEBI Regulations and that it is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities.

The information on the company's website www.mahindraforgings.com, or on the websites of GC-BRLMs does not constitute nor form a part of this Placement Document.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

Representations by Investors

All references to "you" in this section are to the prospective investors in the Issue. By subscribing to any of the Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed to us and the GC-BRLMs as follows:

- you (i) are a qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations ("QIB"); (ii) have a valid and existing registration under applicable laws of India (as applicable); and (iii) and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;

- if you are a resident in any country other than India, that you are permitted by all applicable laws to acquire the Equity Shares;

- you confirm that if allotted Equity Shares pursuant to the Placement Document and Placement Document, you shall not, for a period of one (1) year from the date of allotment, sell the Equity Shares so acquired other than on a recognized stock exchange. As per current regulations, any sale by way of a "bulk deal" or "block deal" in accordance with the procedures prescribed by SEBI and the relevant recognized stock exchange shall also be treated as a sale on a recognized stock exchange;

- you are, and at the times the offer of Equity Shares was made to you and your buy order for the Equity Shares was originated you were, located outside the United States (within the meaning of Regulation S);

- you are aware that the Equity Shares have not been, and will not be, registered under Companies Act, 1956, as amended (the "Companies Act"), the SEBI Regulations or under any other law in force in India. Further you are aware that, this Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed or registered with the Registrar of Companies and that this Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of our Company and the Stock Exchanges;

- you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities and have obtained all necessary consents and authorities to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in the Placement Document), and will honor such obligations;

- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in this Placement Document) and will honour such obligations;

- neither our Company nor the GC-BRLMs nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendation to you, advising you regarding the suitability of any transactions they may enter into in connection with the Issue; your participation in the Issue is on the basis that you are not and will not be a client of either of the GC-BRLMs and that the GC-

BRLMs nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates has any duty or responsibilities to you for providing the protection afforded to their clients or customers for providing advice in relation to the Issue;

- you confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company Presentations**") with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the GC-BRLMs may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the GC-BRLMs have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the Equity Shares shall be on a discretionary basis;

- you have made, or been deemed to have made, as applicable, the representations set forth in the section titled "Transfer Restrictions";

- all statements other than statement of historical fact included in the Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward looking statements, which speak only as at the date of Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in the Placement Document;

- you have been provided a serially numbered copy of the Placement Document and have read the Placement Document in its entirety including, in particular the section titled "Risk Factors";

- that in making your investment decision (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of our Company, the Equity Shares and the terms of the Issue, (iii) you have consulted your own independent advisors (including tax advisors) or otherwise have satisfied yourself concerning, without limitation, the effects of local laws and taxation matters, and (iv) you have relied solely on the information contained in this placement document and no other disclosure or representation by the Company or the GC-BRLMs; and (v) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company, the GC-BRLMs or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- the GC-BRLMs have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including, but not limited, to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the GC-BRLMs when evaluating the tax consequences in relation to the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the GC-BRLMs with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and to make (and you hereby make) the representations, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

- you are not a promoter and are not a person related to the promoters or to group companies of any of the promoters of our Company, either directly or indirectly and your bid does not directly or indirectly represent the promoter or promoter group or persons related to the promoters of our Company or to group companies of any of the promoters of our Company;

- you have no rights under a shareholders' agreement or voting agreement with the promoters or persons related to the promoters or to group companies of any of the promoters of our Company, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than such rights acquired in the capacity of a lender not holding any Equity Shares of our Company, the acquisition of which shall not deem you to be a promoter, a person related to the promoter or to group companies of any of the promoters of our Company;

- you have no right to withdraw your bid after the Bid Closing Date;

- you are eligible to bid and hold Equity Shares so allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- the bids submitted by you would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the "**Takeover Code**");

- to the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50% of the Issue. For the purposes of this representation:

  a) the expression "belongs to the same group" shall be interpreted by applying the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act; and

  b) "Control" shall have the same meaning as is assigned to it under Regulation 2 of the Takeover Code;

- you shall not undertake any trade in the Equity Shares credited to your Depository Participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- you are aware that applications shall be made to the Stock Exchanges after the Allotment of the Equity Shares in the Issue for approvals for listing and admission of the Equity Shares to trading on the Stock Exchanges' market for listed securities and there can be no assurance that such approvals will be obtained on time or at all;

- you are aware and understand that the GC-BRLMs will have entered into a placement agreement with our Company ("**Placement Agreement**") whereby the GC-BRLMs have, subject to the satisfaction of certain conditions set out therein, undertaken severally and not jointly and jointly and not severally to use this reasonable endeavors as agents of our Company to seek to procure subscriptions for the Equity Shares in the Issue;

- that the contents of this Placement Document are exclusively the responsibility of our Company and that neither the GC-BRLMs nor any person acting on their behalf has, or shall have, any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of either of the GC-BRLMs or our Company or any other person and neither the GC-BRLMs, nor our Company or any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- that you are eligible to invest in India under applicable laws, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and have not been prohibited by the SEBI or any other regulatory authority from buying, selling or dealing in securities;

- that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares, is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the GC-BRLMs or our Company and the GC-BRLMs will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- you understand that the GC-BRLMs have no obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of its respective obligations or any breach of any representations or warranties by our Company, whether to you or otherwise;

- you are purchasing the Equity Shares in an offshore transaction meeting the requirements of rule 903 and 904 of Regulation S. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any security Regulatory Authority or any State of the United Stats and accordingly may not be offered or sold within the United States except in reliance on an exemption from the registration requirements of the Securities Act.

- you agree to indemnify and hold our Company and the GC-BRLMs harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements and agreements in this paragraph. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

- that each of the representations, warranties, acknowledgements and agreements set forth above shall continue to be true and accurate at all times up to and including the Allotment and listing and trading of the Equity Shares;

- that our Company, the GC-BRLMs, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements which are given to the GC-BRLMs on their own behalf and on behalf of our Company and are irrevocable;

- that you are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares; and

- any dispute arising in connection with this Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Placement Document.

Off-Shore Derivative Instruments (P-Notes)

Subject to compliance with all applicable Indian laws, rules, regulations and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, FIIs (as defined hereinafter), including FII affiliates of the GC-BRLMs may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against Equity Shares allocated in the Issue (all such offshore derivative instruments are referred to herein as "P-Notes"), for which they may receive compensation from the purchasers of such instruments. P-Notes may only be issued to entities which are regulated by appropriate foreign regulatory authorities, subject to compliance with "know your customer" requirements. An FII shall also ensure that no further issue or transfer of any instrument referred to above is made to any person other than such entities regulated by appropriate foreign regulatory authorities. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning any P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claim on, or interests in our Company. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. The Company and the GC-BRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the GC-BRLMs and do not constitute any obligations of, or claim on the GC-BRLMs. FII affiliates of the GC-BRLMs may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

2. warrant that our Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of this Company, its management or any scheme or project of this Company, and

it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA, CURRENCY OF PRESENTATION AND EXCHANGE RATES

Certain Conventions

In this Placement Document, unless the context otherwise indicates or implies, references to:

- "you" "offeree", "purchaser", "subscriber", "recipient", "investors" and "potential investor" are to the prospective investors of the Equity Shares issued pursuant to this Issue.

- "we" "us" and "our" refer to Mahindra Forgings Limited on a consolidated basis and "our Company", "the Company" and "MFL" refers to Mahindra Forgings Limited on an unconsolidated basis.

References in this Placement Document to "India" are to the Republic of India and the "Government" or the "Central Government" or the "State Government" are to the Government of India ("GOI"), central or state, as applicable. In this Placement Document, references to "USD" and "U.S. dollars" are to the legal currency of the United States and references to "Rs." and "Rupees" are to the legal currency of the Republic of India, all references to "euro", "EUR" or "€" are to the single currency of the participating Member States, as defined therein, in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to timeand all references to "GBP" are to the pound sterling, the official currency of the United Kingdom. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions, and all references to "India" are to the Republic of India and its territories and possessions, and all references to "UK" or the "United Kingdom" are to the United Kingdom and its territories and possessions .

Financial Data

The Company prepares its financial statements in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP"). Indian GAAP while its Subsidiaries prepare their relevant financial statements in accordance with the local GAAP differs in certain respects from International Financial Reporting Standards ("IFRS") and U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP. Also, see "Risk Factors — Risks Related to India — Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar".

In this Placement Document, certain monetary thresholds have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless stated otherwise, the financial data in this Placement Document is derived from our consolidated or unconsolidated financial statements prepared in accordance with Indian GAAP. Our fiscal year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular "fiscal year" or "Fiscal" are to the twelve-month period ended on March 31 of that year. Our audited consolidated financial statements for the years ended March 31, 2008 and 2009 and the audited unconsolidated financial statements of our Company for the year ended March 31, 2007 (the "**Audited Financial Statements**") that appear in the Placement Document were prepared in accordance with Indian GAAP. The unaudited consolidated financial results (limited reviewed) for the period ended December 31, 2009 (the "**Reviewed Financial Statements**") that appear in the Placement Document have been prepared by our Company in line with Indian GAAP. The Audited Financial Statements and the Reviewed Financial Statements are collectively referred to herein as the "**Financial Statements**").

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. Dollar (in Rupees per U.S. Dollar) based on the reference rates released by the Reserve Bank of India. The exchange rate as at December 31, 2009 was Rs. 46.68 = USD 1. (*Source:* Reserve Bank of India). No representation is made that the Rupee amounts actually represent such amounts in U.S. Dollars or could have been or could be converted into U.S. Dollars at the rates indicated, at any other rates or at all.

Year ended March 31	Period End	Average	High*	Low
	(Rs. per U.S.$1.00)			
2007	43.59	45.29	46.95	43.14
2008	39.97	40.24	43.15	39.27
2009	50.95	45.89	52.06	39.89
First Quarter 2010 (ended June 30) 2009).........	47.87	48.67	50.53	46.84
Second Quarter 2010 (ended September 30, 2009)...	48.04	48.42	49.40	47.54
Third Quarter 2010 (ended December 31, 2009)	46.68	46.64	47.86	45.91

Source : Reserve Bank of India website at www.rbi.org.in
**Note: High, low and average are based on the RBI reference rate*

MARKET AND INDUSTRY DATA

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by governmental bodies, professional organisations and analysts and on data from other external sources, and on our knowledge of our revenues and markets in which the Company competes. The statistical information included in this Placement Document relating to the auto, auto components and forgings industry has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so we have relied on internally developed estimates. Industry publications generally state that the information they generally contain has been obtained from sources believed to be reliable but that the accuracy and completeness of the information is not guaranteed.

We accept no responsibility for the accuracy or completeness of such data. Neither we nor the GC-BRLMs have independently verified this data and neither we nor the GC-BRLMs make any representation regarding the accuracy or completeness of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and we cannot assure potential investors as to their accuracy.

FORWARD LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding our expected financial condition and results of operations, business plans, including potential acquisition and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability and other matters discussed in this Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause our actual results, performance or achievements to differ materially include, but are not limited, to those discussed under the sections "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview" and "Our Business".

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed *inter alia* under the sections "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry Overview" and "Our Business" and among, others:

- Significant declines in automotive production levels globally and particularly in Europe;
- Changes in competitors' pricing, additional customer and other competitive strategies;
- Employee unrest or deterioration of relations with employees;
- Loss of any significant customers;
- Our dependence on, and ability to retain, our senior management team;
- general political, economic and business conditions in India and other countries;
- Inability to compliment or restructuring plan;
- our ability to successfully implement our strategy, growth and expansion plans;
- performance of the Indian and global debt and equity markets;
- occurrence of natural calamities or natural disasters affecting the areas in which we have operations;
- changes in laws and regulations that apply to companies involved in the offshore drilling services business;
- changes in foreign control regulations in India; and
- other factors discussed in this Placement Document, including under "Risk Factors".

All forward-looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results and property valuations to differ materially from those contemplated by the relevant statement. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations, "Industry Overview" and "Our Business". The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a company incorporated with limited liability under the laws of India. All our subsidiaries are incorporated in jurisdiction other than India. A substantial majority of our Company's directors and executive officers are residents of India and all or a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors to affect service of process upon our Company or such persons in jurisdictions outside of India, or to enforce against them judgments obtained in courts outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended ("Civil Code"). Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of amounts payable in respect of taxes, other charges of a similar nature or of a fine or other penalties and does not include arbitration awards.

The United Kingdom, Singapore and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Code, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. The suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgment in India is required to obtain the approval of the Reserve Bank of India to repatriate outside India any amount recovered pursuant to the execution of such a judgment. In addition, any judgment denominated in a foreign currency would be converted into Indian rupees on the date of the judgment and not on the date of payment. Our Company cannot predict whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

DEFINITIONS AND ABBREVIATIONS

Definitions of certain capitalised terms used in this Placement Document are set forth below. Unless stated otherwise in a particular section, the terms have the following meanings:

Term	Description
"$", "US dollar" or "US$"	The legal currency of the U.S.
"Act" or "Companies Act"	Companies Act, 1956 as amended from time to time.
"AGM"	Annual General Meeting
"Allocated /Allocation"	The allocation of Equity Shares following the determination of the Issue Price to Investors on the basis of Application Forms submitted by them, in consultation with the GC-BRLMs in compliance with Chapter VIII of the SEBI Regulations.
"Allotment/Allotted"	Unless the context otherwise requires, the allotment and issue of Equity Shares pursuant to this Offering.
"Allottees"	QIBs who are allotted Equity Shares of our Company pursuant to this Offering.
"Application (s)"	An offer by a QIB pursuant to the Application Form for subscription to Equity Shares under this Issue.
"Application Form / Bid cum Application Form"	The form (including any revisions thereof) pursuant to which a QIB subscribes for the Equity Shares.
"Articles" or "Articles of Association"	The articles of association of our Company.
"AS"	Accounting standards issued by the Institute of Chartered Accountants of India.
"Auditors"	The statutory auditors of the Company, M/s. B K Khare & Co., Chartered Accountants
"AY"	Assessment Year.
"Board of Directors" or "Board"	The board of directors of our Company, or a duly constituted committee thereof.
"Bid"	An indication of interest by a QIB, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for Equity Shares to be issued pursuant to the Issue.
"Bidder"	QIBs who have made a bid.
"Bidding Period"/ "Issue Period"	The period between the Issue Opening Date and Issue Closing Date inclusive of both dates during which QIBs can submit their Bids.
"BOLT"	BSE On-Line Trading.
"BSE"	Bombay Stock Exchange Limited.
"CAN/Confirmation of Allocation Note"	Note or advice or intimation to not more than 49 QIBs confirming the Allocation of Equity Shares to such QIBs after discovery of the Issue Price.
"CAGR"	Compound annual growth rate.
"CDSL"	Central Depository Services (India) Limited.
"CIN"	Corporate Identification Number.
"Civil Code"	The Code of Civil Procedure, 1908 of India, as amended from time to time.
"Cut-off Price"	The Issue price of the Equity Shares which shall be finalized by the Company in consultation with the GC-BRLMs
"Company", "our Company" "Issuer", " Mahindra Forgings Limited", or "MFL"	Mahindra Forgings Limited, a public limited company incorporated under the Companies Act on an unconsolidated basis.
"Depositories Act"	The Depositories Act, 1996, as amended from time to time.
"Depository"	A body corporate registered under SEBI (Depositories and Participant) Regulations, 1996.
"DP / Depository Participant"	A depository participant as defined under the Depositories Act, 1996.
"DP ID"	Depository Participant's Identity.

Term	Description
"DIPP"	Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.
"Director(s)"	Director(s) of our Company, unless otherwise specified.
"EBITDA"	Earnings Before Interest, Tax, Depreciation and Amortisation.
"EGM"	Extraordinary General Meeting.
"EPS"	Earnings Per Share, i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of Equity Shares during that fiscal year.
"Equity Shares"	The equity shares of par value Re.10 each of our Company.
"Equity Shareholders" / "Shareholders"	Persons holding Equity Shares of Mahindra Forgings Limited, unless otherwise specified in the context thereof.
"Escrow Bank"/ "Escrow Agent"	Kotak Mahindra Bank Limited.
"Escrow Bank Account" / Escrow Account	A special bank account opened by our Company with Escrow Bank in terms of the arrangement between our Company, the GC-BRLMs and the Escrow Bank, into which the application monies payable by QIBs in connection with subscription to Equity Shares pursuant to the Offering shall be deposited.
"Exchange Act"	The U.S. Securities Exchange Act of 1934, as amended from time to time.
"FDI"	Foreign direct investment.
"FEMA"	Foreign Exchange Management Act, 1999 of India and the regulations framed thereunder.
"FII"	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI.
"Fiscal year"	A period of twelve months ending March 31 of that particular year, unless otherwise stated.
"Floor Price"	The floor price of Rs. 107.74 for the Equity Shares, which has been calculated in accordance with Chapter VIII of the SEBI Regulations.
"GAAP"	Generally Accepted Accounting Principles.
"GC-BRLMs"	Kotak Mahindra Capital Company Limited and Anand Rathi Advisors Limited.
"GDP"	Gross domestic product.
"GoI" or "Government"	Government of India, unless otherwise specified.
"ICAI"	The Institute of Chartered Accountants of India.
"IFRS"	International Financial Reporting Standards of the International Accounting Standards Board.
"Income Tax Act" or "IT Act"	The Income Tax Act, 1961, as amended from time to time.
"India"	The Republic of India.
"Indian GAAP"	Generally accepted accounting principles followed in India.
"India Stock Exchanges" or "Stock Exchanges"	BSE and NSE.
"Issue Closing Date"	February 24, 2010, i.e. the date on which our Company (or the GC-BRLMs on behalf of the Company) shall cease acceptance of duly completed Bid-cum-Application Forms for the Issue, from QIBs.
"Issue Opening Date"	February 22, 2010, i.e. the date on which our Company (or the GC-BRLMs on behalf of our Company) shall commence the acceptance of duly completed Bid-cum-Application Forms for the Issue, from QIBs.
"Issue Price"	A price per Equity Shares of Rs. 107.75.
"Issue Size"	The issue of 107.75 per Equity Share (including share premium of Rs. 97.75 per Equity Share) aggregating to Rs. 1,750,000,075.
"Memorandum" or "Memorandum of Association"	The memorandum of association of our Company.
"Million / Mn"	Million.
"Mutual Fund"	A mutual fund registered with SEBI under the SEBI (Mutual Funds)

Term	Description
	Regulations, 1996.
"NSDL"	The National Securities Depository Limited.
"NSE"	The National Stock Exchange of India Limited.
"OCB"	Overseas Corporate Bodies.
"Offering / Issue"	The offer and placement of 16,241,300 Equity Shares to QIBs, pursuant to Chapter VIII of the SEBI Regulations. The Equity Shares offered pursuant to this Issue are being offered and sold outside the United States in reliance with Regulation S.
"P.a."	Per Annum.
"PAT"	Profit after tax.
"PAN"	Permanent Account Number.
"Pay-in Date"	Last date specified in the CAN sent to QIBs, as applicable.
"PBT"	Profit Before Tax.
"Placement Document"	This Placement Document dated February 24, 2010 issued in accordance with Chapter VIII of the SEBI Regulations.
"Preliminary Placement Document"	The Preliminary Placement Document dated February 22, 2010 issued in accordance with Chapter VIII of the SEBI Regulations.
"Promoter and Promoter Group"	The Promoter and Promoter Group shall mean to include Mahindra & Mahindra Limited
"QIBs" or "Qualified Institutional Buyers"	A Qualified Institutional Buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations.
"QIP"	Qualified Institutions Placement under chapter VIII of the SEBI Regulations.
"RBI"	The Reserve Bank of India.
"Registered Office"	The registered office of our Company being Mahindra Towers, P.K.Kurne Chowk, Worli, Mumbai-400 018, Maharashtra, India
"Regulation S"	Regulation S under the Securities Act.
"RoC"	Registrar of Companies, Maharashtra at Mumbai
"Rs.", "Rupees" or "Indian Rupees"	Legal currency of India.
"SEBI"	The Securities and Exchange Board of India constituted under the SEBI Act.
"SEBI Act"	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
"SEBI Regulations"	SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended, including instructions and clarifications issued by SEBI from time to time.
"Securities Act"	U.S. Securities Act of 1933, as amended.
"SENSEX"	A basket of 30 constituent stocks traded on BSE representing a sample of large, liquid and representative companies.
"Shareholders"	The registered holders of Equity Shares.
"SICA"	Sick Industrial Companies (Special Provisions) Act, 1995.
"STT"	Securities transaction tax.
"Subsidiaries"	The Subsidiaries are Stokes Group Limited, Stokes Forgings Dudley Limited, Jensand Limited, Stokes Forgings Limited, Mahindra Forgings International Limited, Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG), Gesenkschmiede Schineider GmbH, Jeco Jellinghaus GmbH, Falkenroth Umfirntechnik GmbH, Mahindra Forgings Global Limited and Schoneweiss & Co. GmbH.
"Takeover Code"	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
"United States" or "U.S."	The United States of America, its territories and its possessions and the District of Columbia.
"UK"	The United Kingdom of Great Britain and Northern Ireland.
"U.S. GAAP"	Generally accepted accounting principles in the U.S.

Term	Description
“We” or “Us”	Mahindra Forgings Limited, a public limited company incorporated under the Companies Act on a consolidated basis.

GLOSSARY OF TECHNICAL TERMS

Term	Description
AIFI	Association of Indian Forgings Industry
CAD	Computer aided design
CAE	Computer aided engineering
CAM	Computer aided manufacturing
CIA	Central Intelligence Agency, the United States of America
CONC	Computer-numerical-control
EDAM	Electro-discharge machining
EPCG	Export Promotion Capital Goods Scheme
Euroforge	Federation of European National Forging Associations
kJ	Kilojoule
Kg	Kilogram
MT	Metric Tonne
OEM	Original equipment manufacturer
SIAM	Society of Indian Automobile Manufacturers
T	Tonne

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed terms appearing elsewhere in this Placement Document, including under "Risk Factors", "Issue Procedure" and "Description of the Equity Shares".

Issuer	Mahindra Forgings Limited
Issue	Issue of 16,241,300 Equity Shares of Rs. 107.75 each (including share premium of Rs. 97.75 per Equity Share) aggregating to Rs. 1,750,000,075
Issue Price	Rs. 107.75 per Equity Share
Issue Size	16,241,300 Equity Shares aggregating to Rs. 1,750 million
Eligible Investors	QIBs as defined in Regulation 2(1) (zd) of the SEBI Regulations.
Equity Shares outstanding immediately prior to the Issue	6,85,67,736 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	84,809,036 Equity Shares
Issue Procedure	The Issue is being made only to QIBs in reliance on Chapter VIII of the SEBI Regulations. See "Issue Procedure".
Floor Price	The Floor Price for the Issue on the basis of Chapter VIII of the SEBI Regulations is Rs. 107.74 per Equity Share.
Listing	Our Company has made applications to each of the Stock Exchanges to obtain in-principle approvals for listing of the Equity Shares issued pursuant to the Issue.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. See "Transfer Restriction" on page 134 of this Placement Document for other transfer restrictions relating to offers and sales of the Equity Shares.
Closing	The Allotment of the Equity Shares offered pursuant to this Issue shall be made on or about March 2, 2010 (the "**Closing Date**").
Ranking	The Equity Shares being issued shall be subject to the provisions of our Company's Memorandum and Articles of Association and shall rank pari passu in all respects with the existing Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act. The shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Share held. Please see the "Description of Shares".
Voting Rights of Equity Shareholders	See "Description of Shares – Voting Rights".
Dividends	See "Description of Shares – Dividend".
Use of Proceeds	The total proceeds of the Issue will be Rs. 1,750 million. After deducting the Issue expenses of approximately Rs. 70 million, the net proceeds of the Issue will be approximately Rs. 1,680 million. For further details, please refer Chapter "Use of Proceeds".

Lock-up	The Company will not, for a period of 30 days from the date of the Final Placement Document, without the prior written consent of the Placement Agents, (A) directly or indirectly, issue, offer, or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (A) or (B) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any transaction. However, the foregoing shall not apply to: (i) any issuance, sale, transfer or disposition of Equity Shares by the Company to the extent such issuance, sale, transfer or disposition is required by Indian law; (ii) any issuance of Equity Shares by the Company upon exercise of the employee stock options issued by the Company outstanding as at the date hereof; (iii) any issuance of Equity Shares by the Company upon exercise of the convertible securities or preference securities or warrants issued or to be issued by the Company and (iv) the Placement.	
Risk Factors	Prior to making an investment decision, prospective investors should carefully consider the matters discussed under "Risk Factors".	
Security Codes:	ISIN	INE536H01010
	BSE Code	532756
	NSE Code	MAHINDFORG

SUMMARY OF BUSINESS

Overview

We are one of the leading forging companies in the world. We manufacture and supply engine and chassis forged components for commercial and passenger vehicles, such as crankshafts, steering knuckles, stabilizer bars, gear blanks, front axle beams, levers, flanges, control arms, camshafts, connecting rods, pitman arms and piston rods and other non-automotive products.

We are a part of the Mahindra group, one of the leading business conglomerates in India, which has a significant presence in the automobiles, tractors and farm equipments, automobile components, financial services, trade and logistics, IT and infrastructure sectors. Within the Mahindra group, we are a part of a group of companies referred to as 'Mahindra Systech'. The Mahindra Systech group comprises companies engage in a diverse range of businesses in the automobile components sector, including, forgings, castings, composites, ferrites, steel manufacturing, stamping and gear manufacturing, engineering and design services and contract sourcing. The Mahindra group entered the automobile components sector to take advantage of the competitiveness offered in India in designing and manufacturing of automotive components, as a result of the low cost structure and the presence of superior engineering expertise in India. The Mahindra Systech group also aims to take advantage of the synergies and cross selling opportunities across various businesses in the group. Our forgings business is the largest constituent of the Mahindra Systech group.

We have grown into a global leading forging company through several strategic acquisitions over the last few years. In April 2005, we acquired the Chakan unit of Amforge Industries Limited, a public listed company on the BSE, under a scheme of arrangement sanctioned by the Bombay High Court. We established presence in the European market by acquiring Stokes Group Limited ("Stokes"), Jeco Holdings AG and Schöneweiss & Co. GmbH ("Schöneweiss") in November 2007, under a scheme of arrangement sanctioned by the Bombay High Court. These companies were originally acquired from their former owners by our promoter, Mahindra & Mahindra Limited ("M&M"), in 2005 and 2006.

We have a diversified and complementary product portfolio across geographies. In India, our Company is focused on design, development and machining of crankshafts and steering knuckles for cars and multi-utility vehicles. Schöneweiss, our German subsidiary, is one of the leading axle beam manufacturers in the world. Jeco-Jellinghaus GmbH ("Jeco"), Gesenkschmiede Schneider GmbH ("GSA") and Falkenroth Umformtechnik GmbH ("Falkenroth"), our other German subsidiaries, are providers of a diverse range of forging products, primarily for heavy commercial vehicles, and collectively manufacture more than 250 products. Stokes, our UK subsidiary, has an expertise in flashless forgings.

We have strong design and engineering capabilities with in-depth knowledge of design and engineering of highly critical automotive and non-automotive components. Our German operations currently hold three patents and have applied for 11 patents. We are co-development partners for new engine programmes of many of our customers.

Our customers include some of the most recognised automobile original equipment manufacturers ("OEMs") in the world, such as AGCO/Fendt, AMG, BMW, Daimler/Mercedes-Benz, Jost-Werke, JUNGHEINRICH, Kessler & Co., Mahindra & Mahindra, MAHLE, MAN and Stihl. We have a diversified customer base, with our top five customers accounting for less than 50.0% of our consolidated sales for each of the nine months ended December 31, 2009 and the financial year 2009.

We have manufacturing facilities at seven locations in Germany, at two locations in the UK and at one location in India, with a total net capacity of 260,000 metric tonnes per annum, out of which 200,000 metric tonnes is located in Europe. For the nine months ended December 31, 2009 and financial year 2009, income from our European operations constituted 77.0% and 89.3% of our consolidated total income. We also derive a significant share of our revenues from non-automotive industries such as tractors, marine applications and railways.

For the financial year 2009, our consolidated total income and our consolidated net loss was Rs. 22,656.2 million and Rs. 1,166.0 million, respectively. For the nine months ended December 31, 2009, our consolidated total income and our net loss was Rs. 9,454.1 million and Rs. 1,856.2 million, respectively.

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Strong Manufacturing Capabilities

We have diverse and complementary manufacturing facilities at ten locations across three countries, with seven plants in Germany, two plants in the UK and one plant in India, with a total net capacity of 260,000 metric tons per annum, out of which 200,000 metric tonnes is located in Europe. We have production facilities with a diverse range of manufacturing capabilities such as press lines ranging from 400 metric tonnes to 12,800 metric tonnes and hammers ranging from 30 kJ to 250 kJ. Our European plants have been operating for more than 100 years. Our forging capabilities in Europe include hammer forgings, press forging, hot extrusion, horizontal upset forging, precision forging and friction welding. We also have two machining lines in India for three and four cylinder crankshafts with a capacity of 50,000 pieces at Chakan in Pune, India. Recently, we commissioned a 12,800 tonnes press at Hagen, Germany with an aim of acquiring full-service capability for the commercial vehicle segment. In India, we recently doubled our capacity so that almost every category of our press lines have a back-up to avoid any loss of production in the event of a breakdown. We also have strong tooling and die capabilities, with our well-equipped die shop consisting of computer-numerical-control ("CONC"), electro-discharge machining ("EDAM"), hydraulic and electric discharge die shrinking capacities.

Well-Developed Engineering and Design Abilities

Over the years, we believe that we have developed extensive technology and product design capabilities. We believe that we have in-depth knowledge in design and engineering of highly critical automotive and non-automotive components. We continuously innovate to meet out customers' requirements. Our German operations currently hold three patents, including one for friction welded piston and have applied for 11 patents. We have developed new products focused on lighter weight forgings required to meet the stringent emission norms being adopted by the European OEMs. We are also the co-development partners for new engine programs with many of our customers because of our engineering and design abilities. We are also working closely with leading German engineering institutes on projects in new areas of forging technology, such as light-weight forgings. We believe that our metallurgical and material testing capabilities, coupled with our design centre which is well equipped with computer-aided design and manufacturing facilities, allow us to meet our customers' demand in developing new products.

Diversified Product and Established Customer Base

Our diverse range of products include automotive chassis and engine components such as crankshafts, steering knuckles, stabilizer bars, gear blanks, front axle beams, levers, flanges, control arms, camshafts, connecting rods, pitman arms and piston rods and other non-automotive products. For the nine months ended December 31, 2009, sales from our non-automobile business constituted more than 30.0% of the sales of our European operations and 22.6% of the sales of our Indian operations (including tractors). For the same period, sales from commercial vehicles components constituted more than half of the sales of our European operations. In addition, more than one-third of the sales our European operations and 23.3% of the sales of our Indian operations comprised machined components for the same period.

We have a large and established customer base, with our top five customers accounting for less than 50.0% of our consolidated sales for each of the nine months ended December 31, 2009 and the financial year 2009. Our important customers include AGCO/Fendt, AMG, BMW, Daimler/Mercedes-Benz, Deutsche Bahn (German Railways), Jost-Werke, JUNGHEINRICH , Kessler & Co., Mahindra & Mahindra, MAHLE, MAN, Stihl, ThyssenKrupp Bilstein Suspension, ThyssenKrupp Gerlach, ThyssenKrupp Umformtechnik, ThyssenKrupp Presta and ZG. We believe that our long-standing relationship with our customers and an understanding of their requirements is the key to our success in the highly fragmented and specialized forgings markets.

Synergies within the Mahindra Systech Group

We are part of the Mahindra Systech group of companies in the Mahindra group, which aims to leverage the global competitiveness of Indian companies in the automobile component sector. Companies within the Mahindra Systech group forming part of this vertical are present in complementary businesses such as steel manufacturing, castings, stampings, ferrites, composites and gear manufacturing, and provide engineering and design services, contract sourcing services. We believe that we derive significant advantages of synergies and cross selling because of presence of the Mahindra group in these businesses. We have also put in place a key account management structure for certain key customers of various companies in the Mahindra Systech group, which facilitates cross selling. For example, our Company improved the existing design for a three-cylinder crankshaft in collaboration with Mahindra Engineering Services in 2009. Mahindra Engineering Services has also deputed one of its engineers to assist us in the product development process. While we source majority of our domestic steel requirements from Mahindra Ugine Steel Company Limited ("MUSCO"), our European operations are also in the process of sourcing steel from MUSCO at lower prices.

Strong Parentage and Brand Value

Mahindra group is one of the leading industrial houses in India. Forbes has ranked the Mahindra group in its Top 200 list of the World's Most Reputable Companies in 2009. It is a widely recognised brand name in India and has operations in the several key sectors of the Indian economy. Some of the Mahindra group companies have been operating in India for over 60 years and are involved in certain key sectors of the India economy such as automobile ,tractor and farm equipments, automobile components, financial services, trade and logistics, IT and infrastructure. M&M, our parent company and the flagship company of the Mahindra group is one of the leading automotive manufacturers in India. As of March 31, 2009, M&M had a net worth of Rs. 70.3 billion. M&M has also provided us financial assistance from time to time. It is also one of our major customers, with sales to M&M group companies accounting for 37.5% of our sales from our Indian operations for the nine months ended December 31, 2009. We believe that our association with the Mahindra group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We also believe that our association with the Mahindra Group aids us in winning new businesses and obtaining financial assistance.

Our Strategy

Our vision is to be one of the world's leading forging companies that leverages an 'art to part', or design to manufacturing competence and synergies with the Mahindra Systech group. The key elements of our strategy are segregated into short term, or reboot to reduce costs, medium term, or reinvent to move up the value chain, and long term, or reignite to pursue growth, as follows:

Short-Term Strategy

Improve Operational Performance and Competitiveness

In light of the difficult conditions being faced by our operations as a result of the global economic downturn, our immediate focus is on improving our operating performance through a series of rationalisation measures. With respect to our European operations, we have implemented, or are in the process of restructuring, our cost structure through the following steps:

- Closure of one of our plants at Walsall, U.K.;
- Reduction of personnel costs;
- Reduction of fixed operating costs to improve cash flow, including introduction of a centralised administration structure; and
- Better working capital management.

With respect to our Indian operations, our focus is on the following steps to improve our operational efficiencies:

- Improvement of yields from our manufacturing process;
- Lowering rejections during the manufacturing process;
- Better working capital management;
- Better use of technology by leveraging the capabilities of our Subsidiaries; and
- Increase capacity utilization.

Medium-Term Strategy

Strengthen our Relationship with Our Customers

There is an increasing trend for the automobile OEMs to engage forgings companies, which can participate in different stages of their product cycles. We intend to position ourselves as a "one-stop shop", where we can be a preferred product development partner with our customers. The key element of this strategy is to focus on increasing our business from our customers, through the following steps:

European Operations

- Further strengthen our co-development partnerships;
- Leverage the existing and enter into tie-up with key German engineering institutes to develop engineering and design capabilities; and
- Develop our capabilities in light-weight forged products to meet European emission standards.

Indian Operations

- Expand our machining facilities to offer a wider range of value added products;
- Take advantage of cross-selling opportunities through the Mahindra Systech vertical;
- Increase exports by targeting global OEMs; and
- Develop relationships with OEMs who are establishing a presence in India.

Further Integrate our European and Indian Operations

We plan to take advantage of our dual-shore presence in Europe and India through greater integration of these operations by means of the followings:

- Leverage our low-cost production facilities in India;
- Utilise our European die-making and die-designing know how and experience in our Indian operations; and
- Leveraging the low-cost designing and tool-making capabilities of our operations in India to support our European product offerings.

We have established an integration team led by the chief financial officer of our Indian operations and the chief operations officer of our European operations with representatives from different functions such as marketing, engineering, operations, finance and human relations to further integrate our operations.

Further Diversify our Revenue Stream from our Indian Operations by Increasing the Share of the Machined Products and Products for Non-automotive Sector in Our Portfolio

We intend to diversify our revenue stream further by increasing the proportion of machined and non-automobile products in our product portfolio. In addition to the two machining lines which are in operation since September 2007, we also plan to double our machining capacity in India and install additional presses to further expand our product range. We expect to complete these additional lines in the next two to three years.

The non-automotive industries are expected to experience increased demand and growth due to various factors such as new investments in emerging economies such as India and China. We plan to capitalize on our design, engineering and manufacturing capabilities and our technical know-how and leverage our relationships with our existing automotive customers to expand our business further in the non-automotive sectors.

<u>Long-Term Strategy</u>

Leverage our Core Capabilities

Our European operations have established leadership position in forged components for commercial vehicles. Our Indian operation is one of the domestic market leaders in crankshafts and steering knuckles. We intend to leverage and strengthen these core capabilities further to increase our businesses in these products. We also intend to increase our production capabilities by investing in higher tonnage presses and additional machining lines.

SUMMARY FINANCIAL INFORMATION

Balance Sheet

		As at December 31 2009 Rupees (Million) (Consolidated) (Unaudited)	As at 31 March 2009 Rupees (Million) (Consolidated) (Audited)	As at 31 March 2008 Rupees (Million)(Consolidated) (Audited)	As at 31 March 2007 Rupees (Million) (Unconsolidated) (Audited)
I	**SOURCES OF FUNDS :**				
	SHAREHOLDERS' FUNDS				
	Share Capital	685.7	685.7	685.7	280.2
	Employee Stock Options outstanding	40.9	32.3	2.3	-
	Reserve and Surplus	7,524.5	7,514.0	8,583.7	1,148.1
	Deffered Tax Liability			-	15.8
		8,251.1	8,231.9	9,271.7	1,444.1
	MINORITY INTEREST	-	(0.8)	0.6	-
	LOAN FUNDS				
	Secured Loans	6,211.4	7,741.6	7,914.1	801.4
	Unsecured Loans	2,628.6	997.9	199.5	199.5
		8,840.0	8,739.6	8,113.6	1,000.9
		17,091.1	16,970.7	17,385.9	2,445.0
II	**APPLICATION OF FUNDS :**				
	FIXED ASSETS				
	Gross Block	28,029.1	28,048.5	26,111.7	1,991.9
	Less : Depreciation	15,389.1	14,579.8	13,434.7	565.7
	Net Block	12,640.0	13,468.6	12,677.0	1,426.2
	Capital Work in Progress	386.7	535.2	1,695.3	412.7
	Total	13,026.7	14,003.9	14,372.4	1,838.9
	INVESTMENTS	22.6	22.6	19.4	55.8
	DEFERRED TAX ASSET	87.2	79.0	141.2	-
	NET CURRENT ASSETS				
	Current Assets, Loans and Advances				
	Inventories	2,570.3	3,274.5	4,008.1	237.0
	Sundry Debtors	1,486.8	1,954.6	2,323.1	279.7
	Cash and Bank Balances	543.3	348.0	436.5	40.7
	Loans and Advances	179.9	1,170.6	1,411.9	96.5
		4,780.4	6,747.7	8,179.5	653.9
	Less : Current Liabilities and Provisions				
	Current Liabilities	2,577.2	3,556.3	3,859.5	325.1
	Provisions	889.9	1,110.5	1,555.6	23.3
		3,467.1	4,666.8	5,415.0	348.4
	Net Current Assets	1,313.3	2,081.0	2,764.5	305.4
	Profit & Loss Account	2,641.3	784.3	88.4	244.8
		17,091.1	**16,970.7**	**17,385.9**	**2,445.0**

Profit and Loss account

		For the Nine Months ended December 31, 2009 Rupees (Million) (Consolidated) (Unaudited)	For the Financial Year 2009 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2008 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2007 Rupees (Million) (Unconsolidated) (Audited)
I	**INCOME**				
	Gross Sales	9,523.4	22,720.0	23,498.2	2,458.8
	Less - Excise duty on Sales	180.5	295.8	310.8	344.8
	Net Sales	9,342.9	22,424.2	23,187.5	2,114.0
	Other Income	111.2	232.0	122.5	37.1
		9,454.1	22,656.2	23,310.0	2,151.0
II	**EXPENDITURE**				
	Material Consumption	4,588.8	11,075.7	11,192.7	1,259.9
	Personnel Expenses	2,647.1	5,497.7	5,583.9	103.5
	Other Expenses	2,279.9	4,574.4	4,458.7	562.7
	Interest and Finance cost	459.0	704.0	465.2	56.2
	Depreciation	1,103.9	1,494.5	1,048.7	89.1
		11,078.7	23,346.3	22,749.3	2,071.5
	Profit Before Exceptional items and Tax	(1,624.6)	(690.1)	560.7	79.6
	LESS : Exceptional items	221.5	382.6	239.7	178.3
	Profit / (Loss) before tax	(1,846.1)	(1,072.7)	321.0	(98.8)
	Less - Provision for tax				
	Current Tax }	1.7	(0.2)	283.0	4.3
	Wealth Tax }		0.0	0.1	0.1
	Deferred Tax	(8.9)	27.9	(90.3)	17.7
	Prior period adjustments for Deferred Tax (Net)		51.4	(38.1)	-
	Fringe Benefit Tax		1.3	1.8	1.0
	Profit / (Loss) after Tax	(1,838.8)	(1,153.2)	164.5	(121.8)
	Less: Prior Period Expenses (net)	17.4	14.2	6.6	3.5

	For the Nine Months ended December 31, 2009 Rupees (Million) (Consolidated) (Unaudited)	For the Financial Year 2009 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2008 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2007 Rupees (Million) (Unconsolidated) (Audited)
Profit / (Loss) for the year before Minority interest	(1,856.2)	(1,167.4)	157.9	(125.3)
Less: Minority Share in Profit	-	(1.38)	(0.15)	-
Net Profit/(Loss) for the year	(1,856.2)	(1,166.0)	158.0	(125.3)
Balance of Profit and Loss Account brought forward	(785.1)	(88.4)	(244.8)	(119.5)
Amount transferred on Amalgamation		-	(1.7)	-
Amount transferred from share premium account		470.1	-	-
Balance of Profit and Loss Account carried to Balance Sheet	(2,641.3)	(784.3)	(88.4)	(244.8)
Earning per Share (Rs.) (Face value of Rs. 10 Per Share)				
Basic	(27.1)	(17.0)	2.3	(5.0)
Diluted	(27.1)	(17.0)	2.3	(5.0)

Cash Flow Statement

	For the Nine Months ended December 31, 2009 Rupees (Million) (Consolidated) (Unaudited)	For the Financial Year 2009 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2008 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2007 Rupees (Million) (Unconsolidated) (Audited)
Profit/(Loss) before tax after prior period adjustments	(1,863.5)	(1,086.9)	314.3	(102.3)
Add : Adjustment for				
Depreciation, Amortisation and expenditure on ESOP	1,112.5	1,524.5	1,224.9	257.9
Provision for doubtful debts/ Write off's		-	6.9	7.3
Interest (Expenses)	455.9	701.0	486.5	75.3
Loss on sale of Fixed Assets	6.0	48.6	4.5	0.1
Sundry balances written off		-	0.2	0.5
Prior Period Others (Stamp duty on demerger)	-	13.3		
Contingency				(77.9)
Misc. Expenses write off				(20.0)
Sub-Total	(289.1)	1,200.5	2,037.3	140.9
Less : Adjustments for				
Interest / Dividend Income	4.0	4.7	22.2	19.4
Profit on sale of Investments	-	-	2.3	11.2
Profit on sale of Fixed Assets				6.7
Credit Balances Written Back	-	-	7.2	15.1
Unrealised Foreign Exchange gain	(11.3)	55.2	9.9	
Sub-Total	(7.3)	59.9	41.6	52.4
Operating Profit before Working Capital changes	**(281.8)**	1,140.6	1,995.7	88.5
Adjustments for				
Trade & Other receivables	1,458.5	368.5	4,494.6	(92.8)
Inventories	704.2	733.5	(619.1)	124.9
Trade Payables	(1,184.6)	(749.6)	(841.1)	(235.2)
Cash generated from Operations	**978.1**	352.4	3,034.4	(203.1)
Direct Taxes Paid				

	For the Nine Months ended December 31, 2009 Rupees (Million) (Consolidated) (Unaudited)	For the Financial Year 2009 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2008 Rupees (Million) (Consolidated) (Audited)	For the Financial Year 2007 Rupees (Million) (Unconsolidated) (Audited)
	(16.8)	(71.2)	(256.8)	(14.5)
Net cash from Operating Activities	**679.5**	1,421.8	4,773.3	(129.1)
<u>Cash flow from Investing Activities</u>				
Purchase of Fixed Assets	(303.8)	(2,531.3)	(3,511.5)	(465.8)
Sale of Fixed Assets	171.1	853.3	17.2	13.3
Sale / (Purchase) of Investment - Net	-	(3.2)	41.8	(28.3)
Profit/(Loss) on sale of Investment				11.2
Interest & Dividend received	4.0	4.7	20.2	19.4
Net Cash from / (used in) investing Activities	**(128.8)**	(1,676.5)	(3,432.3)	(450.2)
<u>Cash flow from Financing Activities</u>				
Term Loans	100.4	867.2	(1,433.4)	284.9
Issue of Share Capital	-	-	557.8	-
Share Issue Expenses				(6.8)
Redemption of Preference Shares				(454.5)
Working Capital Loan				
Repayment of Unsecured Loans				
Interest Paid	(455.9)	(701.0)	(538.7)	(75.3)
Net Cash from / (used in) Financing Activities.	**(355.4)**	166.2	(1,414.3)	(251.7)
Net Increase / (Decrease) in Cash & Cash equivalents	**195.3**	(88.5)	(73.3)	(831.0)
Opening Cash / Bank Balances	**348.0**	436.5	40.7	871.7
Add: Cash & Bank balances taken over from Amalgamated Companies	**-**	-	469.1	-
Closing Cash / Bank Balances	**543.3**	**348.0**	**436.5**	**40.7**

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. If any of the following risks actually occur, our business, profitability and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment in the Equity Shares. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. In addition, the risks set forth in this Placement Document may not be exhaustive and additional risks and uncertainties not presently known, or which the Company currently deems immaterial, may arise or become material in the future.

Risks Related to our Business and Industry

Significant declines in automotive production levels have reduced our sales, particularly in Europe, and adversely affected our operations and financial condition, and the continuation or worsening of the industry conditions would have an adverse effect on our business and results of operations.

Demand for our automotive products is directly related to automotive vehicle production, and sales of our automotive products constituted more than 60% and 70% of our sales from the European and Indian operations for the nine months ended December 31, 2009, respectively. Automotive sales and production, especially that of commercial vehicles, are historically cyclical and exhibits fluctuation from year to year and is subject to many factors beyond our control, including, but not limited to, GDP rates, consumer confidence, employment levels, fuel prices, interest rates, labour relations issues, technological developments, regulatory requirements, trade agreements and other factors. The automobile industry has witnessed substantial changes in recent years, including continuing consolidation, outsourcing, decreasing profit margins in certain sectors, regulatory and technological changes and other trends. In light of the recent global economic downturn, automotive industry conditions, particularly in North America and Western Europe continue to be challenging. The North American and European automotive industries are suffering from sharp declines in sales, significant overcapacity, fierce competition, high fixed cost structures and significant employee pension and health care obligations. As a result, several suppliers in North America and Europe are facing significant financial distress, including bankruptcy. Our Subsidiaries have been operating at low production levels since the last quarter of calendar year 2008. We recorded a decline in our overall production in the financial year 2009 as compared to that in the financial year 2008. There is no assurance that we will be able to utilize our capacity fully in the future to increase our production level. Although the volumes in the Indian automotive market in the second half of the calendar year 2009 exceeded the level before the global economic downturn as a result of factors such as declining interest rates and stimulus packages offered by the Government of India, the growth in the Indian automotive market could be severely affected if such packages are withdrawn or other adverse events occur.

Unfavourable industry conditions have also resulted in financial distress of some of the world's largest automobile manufacturers and an increase in commercial disputes. Notwithstanding the government support provided to the automotive industry, the financial prospects of certain automotive and automotive components companies remain uncertain. Further, the terms, conditions and extent of any funding support provided by governments to our competitors could have an adverse effect on our business, financial condition and results of operations. The continuation or worsening of these industry conditions could have an adverse effect on our business and results of operations.

In addition, the automotive component industry is sensitive to other factors such as technological changes, cyclicality and unforeseen events, including political instability, recession, inflation, further volatility in fuel prices and other adverse occurrences. Any such event that results in decreased demand in the automotive industry, or increased pressure on automobile manufacturers to develop, implement and maintain in-house auto component facilities, could have an adverse effect on our business, financial condition and results of operations.

The cyclical nature of automotive sales and production can adversely affect our business.

Our automotive business is directly related to automotive sales and automotive vehicle production by our customers. Automotive sales and production, especially that of commercial vehicles, are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences as well as changes in interest rate levels, consumer confidence and fuel costs. For example, the volumes in the heavy commercial vehicles reduced by approximately 60% in the financial year 2009. Our sales are also affected by production and the existing and planned inventory levels of automotive manufacturers. We cannot predict when manufacturers will decide to either build or reduce inventory levels or whether new inventory levels will approximate historical inventory levels. This may result in variability in our sales and financial condition. Further, owing to such cyclicality in the production and inventory levels of our customers, we may not be able to maintain the optimal inventory level to respond to new orders.

Uncertainty regarding inventory levels may be exacerbated by favourable consumer financing programmes initiated by manufacturers, which may accelerate sales that otherwise would occur in future periods. We also have historically experienced sales declines during manufacturer scheduled shut-downs or shut-downs resulting from unforeseen events. As our Subsidiaries typically have high fixed production costs, even relatively modest declines in our customers' production levels and thus, our production volumes can have a significant adverse impact on our profitability. Continued uncertainty and other unexpected fluctuations could have an adverse effect on our business, financial condition and results of operations.

The global financial crisis has and may continue to adversely affect our business, liquidity and results of operations.

As widely reported, financial markets in the United States, Europe and Asia experienced significant disruptions in recent periods, including, among other things, extreme volatility in the securities markets, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of assets. We cannot assure you that there will not be a recurrence of such events or a further deterioration in financial markets and confidence in major economies. These adverse economic developments affect businesses such as ours in a number of ways. The tightening of credit in financial markets adversely affects the ability of our customers to obtain financing for purchases and operations and could result in a decrease in or cancellation of orders for our and our customers' products and services as well as affect the ability of customers to make payments. Our business is also adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, transportation, manufacturing activity and the financial strength of our customers. While these conditions also impaired our ability to access credit markets and finance our operations, we are unable to predict whether current recovery from the recent disruption in financial markets and adverse economic conditions in India and other countries would be sustained. Recurrence or worsening of this downturn or general economic condition may continue to have an adverse effect on our business, financial condition and results of operations.

Price reduction initiatives of customers may adversely affect our business.

Downward pricing pressures from automotive manufacturers are a characteristic of our industry. Virtually all automakers pursue aggressive price reduction initiatives and objectives each year with their suppliers, and such actions are expected to continue in the near future, especially in light of the downturn that the automotive industry is currently experiencing. In addition, estimating such amounts is subject to risk and uncertainties as any price reductions are a result of negotiations and other factors. Accordingly, suppliers must be able to reduce their operating costs in order to maintain profitability and competitiveness. Such price reductions may affect our sales and profit margins. If we are unable to offset customer price reductions in the future through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives, our business, financial condition and results of operations may be adversely affected.

Any changes in consumer credit availability or cost of borrowing could adversely affect our business.

A large number of vehicle purchasers finance their purchases through third party financing. The recent economic downturn and freezing of the credit markets has led to a decline in the availability of consumer credit and increases in consumer borrowing costs, and increased default rates, which in turn have negatively affected global automotive sales. The recurrence or worsening of these difficulties may lead to lower production volumes beyond the reductions we have anticipated in our planning and budgeting process. Further, volatility in interest rates can affect the ability and willingness of prospective vehicle purchasers to obtain financing for the purchase of vehicles manufactured by our customers. These factors may adversely affect our business, financial condition and results of operations.

Certain of our subsidiaries have been granted waiver with respect to compliance with certain of the financial covenants under their debt facilities for the past periods, subject to fulfilment of certain conditions, which they may not be able to fulfil and which could result in an acceleration of payment obligation under such indebtedness.

Certain of our Subsidiaries have been granted waiver with respect to compliance with certain of the financial covenants under their debt facilities for the past periods. The waiver is subject to the condition that an (i) amendment agreement to the facility agreement is signed by April 30, 2010; and (ii) a waiver fee amounting to 0.3% of the facility amount is paid within 5 days of countersigning the waiver letter. The companies have signed and accepted the waiver letter and are in the process of making necessary payment towards the waiver fee. We cannot assure you that the amendment agreement will be executed by April 30, 2010, in the absence of which, our lenders could elect to accelerate all amounts outstanding under the relevant facility agreement and declare such amounts immediately due and payable together with accrued and unpaid interest. If any or all of these amounts are accelerated, and we are unable to repay the amounts due, such lender may enforce their respective security interests. In any such a scenario, our liquidity as well as our operations would be adversely affected.

Some of our subsidiaries are under Tax audits and may face tax claims.

We believe that certain of our subsidiaries may face additional tax demands up to a total sum of Euro 860,000 in relation to certain computations of sales provisions and collection from third parties. No assurances can be given as to whether the tax audit will be decided in our favour or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these tax demands. Any adverse decision may have an adverse effect on our financial condition and results of operations of our Subsidiaries

If we are unable to successfully implement our restructuring plan for our European operations, our business, reputation, financial condition and results of operations could be adversely affected.

Primarily due to the downturn in the automotive industry across the globe and its effect on their business and operations, our Subsidiaries which operate in the European markets are facing significant financial difficulties. For example, one of our Subsidiaries, Stokes Group Limited, has been facing severe financial difficulties because of the global downturn. Our Company recently shut down one of its manufacturing plants at Walsall. We also made a provision for Rs. 902.00 million in our unconsolidated financial statements for the nine months December 31, 2009 with respect to the diminution in the value of our investment in Stokes Group Limited. We are currently implementing various measures to adapt our European operations to lower production volumes, which include a headcount reduction, controls on costs, lowering inventories and efficient working capital management. The uncertainty regarding the eventual outcome of our reorganisation plan, and the effect of other unknown adverse factors, could adversely affect our European operations. This is dependent upon, among other things, the process of implementation of our reorganisation plan, maintaining the support of key customers, retaining key personnel, a recovery in the automotive industry and other factors, many of which are beyond our control. We will continue to make further revisions as necessary to our reorganisation plan and consistent with the extremely low volume production environment in the global automotive industry. If we are unable to successfully reorganise our European operations, our business, financial condition and results of operations could be adversely affected.

We may not be successful in implementing our strategies.

The success of our business will depend greatly on our ability to effectively implement our business and strategies. See “Our Business – Our Strategy”. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted customers. We expect our strategies to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. Our inability to manage our business and strategies could have an adverse effect on our business, financial condition and profitability.

Any significant reduction in sales to or the loss of any of our major customers could materially affect our profitability and results of operations.

For the nine months ended December 31, 2009 and the financial year 2009, the sales to our ten largest customers accounted for 57.2% and 38.5% of our consolidated sales, respectively. Our current strategic focus is to increase our share of business from existing customers and therefore, sales from our larger customers may continue to increase in the future. Any failure to maintain good relationships with our large customers or any significant reduction in the volume of business with these customers or any significant restriction in the pricing terms for these customers may have a material adverse effect on our business, financial condition and results of operations.

Our expansion projects may require significant capital expenditure and may not be completed in the timeframe or at cost levels originally anticipated, and may not achieve the intended economic results.

We currently have certain expansion projects planned for our existing Indian operations. We intend to increase our machining capacity with an investment of Rs. 577.5 million to install two additional crankshaft machining lines in India. Certain of these expansion projects are currently in the process of obtaining debt financing. There can be no assurance that we will achieve such financing in a timely manner at terms acceptable to us, or at all. The funding requirements and project costs for our projects are based on management estimates. The implementation of our projects is subject to a number of variables, and the actual amount of capital required for these projects may differ from our estimates. We cannot guarantee that the funding requirements of any particular project will not substantially exceed these estimates. In addition, due to the number of large-scale infrastructure projects currently under development in India and increased lending by banks and institutions to these projects which has resulted in domestic funds not being available or being available on unattractive terms, we may be required to seek funding internationally, resulting in unattractive terms and conditions and exposure to foreign exchange risks. If the funding requirements of a particular expansion project increase, we will need to look for additional sources of finance, which may not be readily available, or may not be available on attractive terms, which may have an adverse effect on the profitability of that project or the benefits of acquisitions. We may also make further acquisitions and investments as well as business expansions to enhance our operations and technological capabilities, which may face similar risks. Further, these projects and any other future projects could be significantly delayed by failure to receive necessary licenses, regulatory approvals or to obtain sufficient funding, or due to construction delays, technical difficulties, human resources, technological or other resource constraints, or for other unforeseen reasons, events or circumstances that could also render affect our results of operations. Our business, financial condition and results of operations may be adversely affected by any delay or failure to successfully commission these projects.

Currency exchange rate fluctuations could have an adverse effect on our results of operations.

We have currency exposures related to our revenues, expenditures and financing in currencies other than the local currencies in which we operate. As of December 31, 2009, on a consolidated basis, we had significant borrowings in currencies other than Indian Rupees. Further, we may also need to import various equipment for our expansion and modernisation plans in India for which we make payment in foreign currency.

In addition, we report our consolidated results of operations in Indian Rupees, which has experienced significant fluctuations in recent years, while our Subsidiaries report their financial results in the respective local currencies. In accordance with Accounting Standard 21 — Consolidated Financial Statement issued by Institute of Chartered Accountants of India, at the time of conversion of the financial statements during the consolidation process, line items of the profit and loss account are converted using an average exchange rate for the period or year under consideration except for opening and closing stock which are converted at the opening and closing exchange rate respectively and depreciation which is converted using the exchange rate at the date of purchase of the assets, where as items of the balance sheet are converted using the closing exchange rate for the period or calendar year under consideration.

For the financial year 2009, our foreign currency reserve decreased in our consolidated balance sheet. Exchange rate fluctuations may have an adverse effect on our revenues and financial results as result of variations at the time of preparation of our consolidated financial statements and to the extent that we are unable to match income received in foreign currencies with costs paid in the same currency.

We have limited operating history and our past performance may not be indicative of our future results.

Our Company did not have any operations till 2005. In April 2005, our Company acquired the Chakan unit of Amforge Industries Limited, a public listed company on the BSE, under a scheme of arrangement sanctioned by the Bombay High Court. We established a presence in the European market by acquiring Stokes Group Limited, Jeco Holdings AG and Schöneweiss & Co. GmbH in November 2007, under a scheme of arrangement sanctioned by the Bombay High Court. We reported consolidated financial statements to include our current subsidiaries for the first time for the financial year 2008. As we expand our operations, our past financial results will not be indicative of our future financial performance. Our operating results may fluctuate in the future due to a number of factors, many of which are beyond our control. Our business, results of operations and financial condition may be adversely affected by:

- decreased demand for our products in the Indian and global markets;
- a decrease in domestic and international prices for our products;
- an increase in interest rates at which we can raise debt financing;
- adverse fluctuations in the exchange rate of the Rupee versus major international currencies, including the Euro and U.S. dollar;
- increasing transportation costs, including freight to key export markets, or the non-availability of transportation due to strikes, shortages or for any other reason;
- strikes or work stoppages by our employees;
- changes in government policies affecting the automobile industry or sales in India or globally;
- industrial accidents arising from improper handling of combustible materials, improper operations of machines, human errors or other reasons at our manufacturing facilities or during transportation;
- natural disasters or outbreaks of diseases; and
- an increase in raw materials costs.

Due to these factors, our past performance should not be relied upon to predict our future performance.

Our failure to identify and respond to the changes in industry trends and preferences and develop new products to satisfy our customers' requirements may adversely affect our business and results of operations.

Changes in regulatory or industry requirements or in competitive technologies may render certain of our products less attractive or our equipment obsolete. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products or take appropriate action in a timely manner will be vital for us to remain competitive. We cannot assure you that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products will not become obsolete. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly.

To compete effectively in the forgings industry, we must be able to develop and produce new products to meet our customers' demand on a timely basis. We cannot assure you, however, that we will be able to install and commission the equipment needed to produce products for new product programmes of our customers in time for the start of production, or that the transitioning of our manufacturing facilities and resources to full production under new product programmes will not disrupt production rates or other operational efficiency measures at our facilities. For example, the tightening of emission norms around the world has necessitated the development of lower weight forgings. While we are developing our capabilities to take advantage of this opportunity, we cannot assure you that we will be successful in this regard. In addition, we cannot assure you that our customers will execute on schedule the launch of their new product programmes, for which we might supply products. Our failure to successfully develop and produce new products, or a failure by our customers to successfully launch new programmes, could adversely affect our business and results of operations.

Our failure to compete effectively in the competitive forgings industry could result in the loss of market share, which could have an adverse effect on us.

We compete with global competitors to retain our existing business and to win new businesses. Some of our competitors are substantially larger, more diversified and have greater market penetration, financial, personnel and marketing resources than us and therefore may have certain competitive advantages. In particular, we expect the competition in the Indian forgings industry to continue to be fierce due to possible new entrants and further expansion by our existing competitors. There can also be no assurance that we will remain competitive with respect to technology, design and quality to our customers' satisfaction. In addition, we may incur significant expense in preparing to meet anticipated customer requirements which may not be recovered. Further, we may also face competition in taking advantage of the opportunities created by the financial distress faced by suppliers in Europe. If we are unable to effectively compete against international or domestic competitors, we could face decreased market share, increased pricing pressure and eroded margin, which could adversely affect our financial condition and results of operations.

Our gross margin and profitability may be adversely affected if we are unable to reduce costs or increase prices.

The forgings industry is highly cost-competitive. There is substantial continuing pressure from major customers to reduce costs, including the cost of products purchased from outside suppliers. In addition, our business is very capital-intensive, requiring us to maintain a large fixed cost base. Therefore, our profitability depends, in part, on our ability to spread fixed production costs over higher production volume. If we are unable to generate sufficient production cost savings in the future to offset price reductions and any reduction in consumer demand for automobiles, our gross margin and profitability could be adversely affected.

Further, historical operating costs in the Indian forgings industry have been significantly lower than those in developed countries, such as the wages for comparable skilled technical personnel. In the long term, wage increases in India may reduce our competitive advantage unless we are able to continue increasing efficiency, productivity and the prices we can charge to our customers. Any significant increase in operating costs could have an adverse effect on our business, financial condition and results of operations.

We rely on a small number of suppliers for a significant portion of our raw materials.

We are dependent upon a small number of suppliers for our major raw materials, especially for our Indian operations. Steel procured for our Indian operations from MUSCO, an affiliate, accounted for more than 60.0% of our Company's total steel purchases on an unconsolidated basis for the nine months ended December 31, 2009 and the financial year 2009. We do not have any long-term supply agreement with MUSCO and we make these purchases on spot basis. Our Subsidiaries are also in the process of sourcing their steel requirements from MUSCO. Our Subsidiaries generally enter into one-year contracts with their suppliers, such as Arcelor Mittal, Corus, Sidenor and Georgsmariehuette.

Discontinuation of production by these companies or a failure of these suppliers to adhere to the delivery schedule or the required quality could hamper our production schedule. This dependence may also adversely affect the availability of key materials at reasonable prices thus affecting our margins. There can be no assurance that strong demand, capacity limitations or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of raw materials. If we were to experience a significant shortage of supply of these goods or delays in availability, and cannot procure the raw materials from other sources, we would be unable to meet our production schedules for some of our key products and to ship such products to our customers in timely fashion, which would adversely affect our sales, margins and customer relations.

Further, the automotive industry has experienced significant inflationary pressures with respect to raw materials prices in the recent past, primarily in ferrous and non-ferrous metals. Currently and historically, we have been able to pass on the increase in cost for steel onto our customers. However, our cash flows may be adversely affected because of a time lag between the date of the procurement of steel and date on which we can reset the component prices for our customers to account for the increase in the steel prices. In addition, we do not have any long-term price guarantees with our raw materials suppliers. Therefore, we cannot assure you that a particular supplier will continue to supply our products in the future. There can be no assurance that the price of our raw materials will not increase in the future or that we will be able to pass on such increases to our customers. The inflationary pressures have placed significant operational and financial burdens on automotive suppliers at all levels, and are expected to continue for the foreseeable future.

Our need to maintain a continued supply of raw materials places us in a disadvantageous position when we negotiate the material prices with our suppliers. Failure to achieve corresponding sales price increases in a timely manner, sales price erosion without a corresponding reduction in raw materials costs or any failure to renegotiate favourable raw materials supply contracts, are all factors that could have an adverse effect on our business, financial condition, results of operations and prospects.

We may not be successful in executing our strategy to expand our business in non-automotive sector and value added products.

For the nine months ended December 31, 2009, the non-automotive business contributed 30.0% of the sales of our European operations and 22.6% of the sales of our Indian operations (including tractors). Considering the growth potential and attempt to reduce our reliance on the automotive sector, we plan to expand our business further in non-automotive sectors such as railways, marine applications and stationary engines. We intend to increase our machining capacity with an investment of Rs. 577.5 million to install two additional crankshaft machining lines. Given our limited experience in the non-automotive sectors, it is possible that we may not be able to anticipate or evaluate business risks or implement our strategies successfully. Our strategy of expanding our non-automotive business and value added products may involve understanding different market dynamics, product specifications, technology and other factors, which we may currently be unfamiliar with.

Even if we have successfully executed our business strategies in the past, we cannot assure you that we will be able to execute our strategies on time and within estimated budgets, or that we will meet the expectations of targeted customers. We expect our strategies to expand our non-automotive business and value added products to place additional demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls. In order to achieve future growth, we need to effectively manage our expansion projects, accurately assess new markets, attract new customers, obtain sufficient financing for our expected capital expenditures, control our input costs, maintain sufficient operational and financial controls and make additional capital investments to take advantage of anticipated market conditions. We may not be able to achieve such growth in revenues and profits or maintain such rate of growth in the future. If we are unable to execute our strategy effectively, our business and financial results will be adversely affected. Our inability to manage the expansion of our non-automotive business and value added products could have an adverse effect on our business, financial condition and profitability.

Our expansion into non-automotive sectors would depend on the performance of sectors such as railway and marine applications.

We produce forged components for non-automotive businesses, such as railways, marine applications and stationary engines, and we plan to expand this business further. Decisions by customers in these sectors to purchase components manufactured by us would, in part, depend upon performance of these sectors. Prices of commodities and services in these industries are frequently volatile and change in response to economic growth, political pressures, regulatory environment, commodity inventories and disruptions in production. Further, most of these sectors were severely affected by the recent global economic downturn and there is no assurance that such occurrences may not happen in the future. The rates of infrastructure spending, urban development and commercial construction will continue to play a significant role in the results of our non-automotive business. Our products are an integral component of these activities, and as these activities increase or decrease, demand for our products may be significantly impacted, which could have an adverse effect on our business, financial condition and results of operation.

Our customers may terminate or choose not to renew contracts with us.

Typically, we enter into a master or an umbrella agreement with a customer and products are delivered under specific work orders. There is, however, no commitment on the part of the customer to pass on new work orders to us. We cannot assure you that any of our customers will continue to place purchase orders with us in the future at the same quantity and pricing level as in the current or prior periods, or at all. There are also a number of factors other than our performance that are beyond our control and that could cause the loss of a customer. Customers may demand price reductions, change their outsourcing strategy by moving more work in-house, or replace their existing products with alternative products, any of which may have an adverse effect on our business, financial condition and results of operations. Furthermore, the actual volume of our customers' purchase orders may not be the same as our expectations at the time we make our future production and development plan. Accordingly, our results of operations may vary from period to period and may fluctuate significantly in the future.

The discontinuation of, the loss of business with respect to, or a lack of commercial success of, a particular vehicle model for which we are a significant supplier could affect our estimates of anticipated sales.

Although we have work orders from many of our automotive customers, these work orders generally provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant and are renewable on a year-to-year basis, rather than for the purchase of a specific quantity of products. Therefore, the discontinuation, loss of business with respect to, or a lack of commercial success of, a particular vehicle model for which we are a significant supplier could reduce our sales and affect our estimates of anticipated sales, which could have an adverse effect on our business, financial condition and results of operations.

We rely on the timely supply of raw materials to our manufacturing facilities and transportation of our products from our plants to our customers.

We depend on various forms of transport, such as seaborne freight, rail and road transport to receive raw materials used in steel manufacturing as well as to deliver our products from our plants to our customers. Any delay in the supply of raw material to our facilities may disrupt our manufacturing operations, which would, in turn, hamper our efforts in fulfilling our obligations to supply finished products to our customers in a timely manner.

There can be no assurance that our transportation facilities adequately support our operations. Disruptions of transportation services because of traffic congestion, unavailability of railway wagons or trucks, weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair our ability to source raw materials and our ability to provide our products to our customers in a timely manner. Any delay in transportation may adversely affect our business, financial condition and results of operations

Product liability claims and costs incurred could harm our business, reputation, financial condition and results of operations.

Our manufacturing operations and reputation may be affected by potential product liability or recall claims, litigation, complaints or negative publicity in relation to our products' quality and safety. If our products fail to perform as expected, or prove to be defective or result in traffic accidents, personal injuries, casualties or other losses to our customers, we may be subject to liability claims for damages or recall claims. While the product designs with respect to our Indian operations are owned by our customers and we may not be subject to product liability for design defects, we are subject to product liability from our European operations even if the designs are owned by our customers. If our products do not meet the specifications and requirements requested by our customers, or if any of our products are defective, such defects and any complaints or negative publicity resulting therefrom could result in decreased sales of our products, and we may also be subject to product liability claims and litigation. We maintain customary insurance coverage, which may not be available or sufficient to cover product liability.

We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend any such claims. Vehicle manufacturers have their own policies regarding product recalls and other product liability actions relating to their suppliers. However, as suppliers become more integrally involved in the vehicle design process and assume more vehicle assembly functions, vehicle manufacturers may seek compensation from their suppliers for contributions when faced with product recalls, product liability or warranty claims. Vehicle manufacturers are also increasingly requiring their outside suppliers to provide warranties for their products and bear the costs of repair and replacement of such products under new vehicle warranties. Depending on the terms under which we supply products, our customers may hold us responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties provided by us or by our customers, when the product supplied does not perform as expected. A successful warranty or product liability claim or costs incurred for a product recall in excess of our available insurance coverage, if any, may have an adverse effect on our business, reputation, financial condition and results of operations.

We are involved in certain legal and other proceedings and may face certain liabilities as a result of the same.

Our Company and its subsidiaries are party to various legal and other proceedings including certain unresolved tax audits and certain employee related matters in Europe and certain taxation related claims in India. For further information relating to such proceedings, see the section titled "Legal Proceedings" of this Placement Document. These proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities or other judicial authorities, and if determined against us, could have an adverse impact on the business including method of conducting business, financial condition and results of operations. No assurances can be given as to whether these legal proceedings will be decided in our favour or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims. Any adverse decision may have a significant effect on our business and reputation, financial condition and results of operations. Should any new development arise, such as a change in Indian law, regulations or orders against the parties by appellate courts or tribunals, the Company and or its subsidiaries may need to make additional provisions in its financial statements that could increase expenses and current liabilities.

We may require additional financing to meet our capital expenditure and working capital requirements.

We continuously need to expand and upgrade our existing production facilities. The actual amount and timing of future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, economic conditions, engineering design changes, weather related delays, technological changes, including additional market developments and new opportunities in the forging industry. Our sources of additional financing, if required, to meet our capital expenditure plans may include the incurrence of debt or the issue of equity or debt securities or a combination of both. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and could have a significant effect on our profitability and cash flows and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. Any issuance of equity, on the other hand, would result in a dilution of your shareholding.

In many cases, a significant amount of our working capital is required to finance the purchase of materials and the performance of engineering, procurement, manufacturing and other work before payment is received from customers. Our working capital requirements may increase if the payment terms in our agreements include reduced advance payments or longer payment schedules. These factors may result, or have resulted, in increases in the amount of our receivables and short-term borrowings. Continued increases in our working capital requirement may have an adverse effect on our business, financial condition and results of operations.

As a result of the recent crisis in the credit markets worldwide and challenging economic environment, we cannot assure you that we will be able to raise the full amount we believe is necessary to fund our capital expenditure and working capital requirements, or that such amounts will be available at costs acceptable to us. Further, our ability to raise financing from lenders outside India will depend upon the regulatory environment in India with regard to external commercial borrowing and our ability to raise such funds under the automatic route. Our failure to obtain sufficient financing could result in the delay or abandonment of our development and expansion plans or disruption in our operations and have an adverse effect on our business, financial condition and results of operations.

We are subject to interest rate risks, which could adversely affect our business, financial condition and results of operations.

As of March 31, 2009, all of our debt facilities, both secured and unsecured, carried interest at floating rates or at a fixed rate that is subject to adjustment at specified intervals. We are exposed to interest rate risk as we do not currently enter into any swap or interest rate hedging transactions in connection with our loan agreements, although we may decide to engage in such transactions in the future. Any such increase in interest expense may have an adverse effect on our business, financial condition and results of operations. Furthermore, if we decide to enter into agreements to hedge our interest rate risk, there can be no assurance that we will be able to do so on commercially viable terms, that our counterparties will perform their obligations, or that these agreements, if entered into, will protect us fully against our interest rate risk. If the interest rates of our existing or future borrowings increase significantly, our cost of funds will increase. This may adversely affect our planned expenditures, results of operations and cash flows.

We regularly work with hazardous materials and activities in our operation can be dangerous, which could cause injuries to people or property.

Our business requires individuals to work under potentially dangerous circumstances or with flammable materials. For example, if improperly handled, hot metal can seriously hurt or even kill employees or other persons, and cause damage to our properties and the properties of others. Despite compliance with requisite safety requirements and standards, our operations are subject to significant hazards, including:

- explosions;
- fires;
- earthquakes;
- mechanical failures, operational problems, transportation interruptions;
- inclement weather and natural disasters;
- discharges or releases of hazardous substances, chemicals or gases; and
- other environmental risks.

These hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment as well as environmental damage, which could result in a suspension of operations and the imposition of civil or criminal liabilities. The loss or shutting down of our facilities could disrupt our business operations and adversely affect our results of operations, financial condition and reputation. We could also face claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances or other hazards at our facilities. If these claims and lawsuits, individually or in the aggregate, are resolved against us, our business, financial condition and results of operations could be adversely affected.

Our operating results may be adversely affected by environmental and safety regulations to which we are subject to.

We are required to comply with extensive laws and regulations governing the protection of the environment and occupational health and safety, including laws regulating the generation, storage, handling, use and transportation of waste materials, the emission and discharge of waste materials into soil, air or water, and the health and safety of employees. We are also required to obtain and comply with environmental permits for certain of our operations. Compliance with current and future environmental regulations may require us to bear substantial capital expenditures or other obligations and liabilities. In certain cases, we may be required to close down non-compliant plants. We may therefore be required to incur additional expenditures for establishing additional infrastructure for monitoring pollution impacts and effluent discharge. If the operation of any of our plants results in any contamination of the environment, we could be subject to substantial civil and criminal liability and other regulatory consequences.

The liabilities, costs and obligations and requirements associated with these laws and regulations may be significant. In addition, the relevant governing regulations and the manner of their implementation are subject to change. We cannot assure you that we will be able to obtain and comply with all the requirements for all the necessary approvals, licenses and permits required for our business operations, or that change in the governing regulations or the methods of implementation will in our favour occur, or not occur, at all. In addition, these requirements may become more stringent over time and there can be no assurance that we will not incur significant environmental costs or liabilities in the future. If we fail to comply with all applicable regulations or if the regulations governing our business or their implementation change against our interest, we may incur additional costs or be subject to fines and penalties or be required to take corrective action, which could disrupt our operations and adversely affect our business and results of operations.

We may face conflicts of interest in transactions with related parties.

Certain decisions concerning our operations or financial structure may present conflicts of interest among our controlling shareholder, other shareholders, directors, executive officers and the holders of the Equity Shares. We maintain trade accounts receivable and short and long-term payables with some of our affiliates. These accounts receivable and accounts payable balances are due mainly to purchases and sales of goods at prices and on terms equivalent to the average terms and prices of similar transactions that we enter into with third parties. Commercial transactions between us and these affiliates could result in conflict of interests. For example, MUSCO is the largest steel supplier for our Indian operations. In the event MUSCO is unable to fulfil its obligations under the terms of our agreements with them, our ability to renegotiate the terms of such agreements or seek remedy may be limited because of this conflict of interest. Also, our shareholders, directors, and executive officers may have an interest in pursuing transactions that, in their judgment, enhance the value of their equity investment, even though such transactions may involve risks to the holders of the Equity Shares. We cannot assure you that our directors and executive officers will be able to address these or other conflicts of interests in an impartial manner. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Liquidity and Capital Resources – Related Party Transactions" and "Board of and Directors and Management — Related Party Transactions". This could have an adverse effect on our business, financial condition and results of operations.

Our loan agreements contain restrictions that limit our flexibility in operating our business.

We are bound by restrictive covenants in our loan agreements with domestic and foreign banks and financial institutions. Such covenants, among other matters, prevent us from changing our capital structure, modifying our constitutive documents, declaring dividends in certain cases or undertaking material changes in our business without prior notification to and/or the approval of such lenders and, furthermore, require our compliance with certain financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. Moreover, the consent of our lenders for incurring additional debt or issuing equity may be required, and there can be no assurance that such consent will be granted, or that we will be successful in obtaining any such consents in the future, including consents that may be necessary for us to implement our business and expansion plans.

A breach of any of these covenants could result in a default (and resulting cross-defaults) under one or more of our loan agreements. Upon the occurrence of an event of default under any of our loan agreements, the respective lenders could elect to declare all amounts outstanding under our loan agreements to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, those lenders could proceed against any collateral granted to them to secure such indebtedness. If any of our lenders accelerate the repayment of our borrowings, we cannot assure you that we will have sufficient assets to repay amounts outstanding under our loan agreements or continue our business.

Most of our facilities are staffed by a unionized workforce, and union disputes and other employee relations issues could adversely affect our financial results.

A large majority of our employees are represented by labour unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, any strike or work stoppage at our facilities in the future may have an adverse effect on our business, financial condition and result of operations.

Our success depends on our ability to attract and retain our key personnel.

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our management team were unable or unwilling to continue in their present positions, those persons could be difficult to replace and our business could be adversely affected. Competition for senior management is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. In addition, our success in expanding our business will also depend, in part, on our ability to attract, retain and motivate appropriately qualified management personnel. As such, any loss of our senior management personnel or key employees or failure to attract talents would require us to devote substantial time, cost and energy to find a suitable replacement and could adversely affect our business, financial condition and results of operations.

Our continued operations are critical to our business and any shutdown of our manufacturing facilities may have an adverse effect on our business and financial results.

Our manufacturing facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. Any shutdown may result in loss of revenue and customers. The assembly lines of our customers rely significantly on the timely delivery of our components and our ability to provide an uninterrupted supply of our products is critical to our business. Also, if one or more of our customers were to experience a work stoppage, that customer may halt or limit purchases of our products which could result in the shut down of the related manufacturing facilities. Our business and financial results may be adversely affected by any disruption of operations of our product lines, including as a result of any of the factors mentioned above.

Our insurance does not cover all of the risks we face, and the occurrence of events that are not covered by our insurance could cause us losses, which if significant, could adversely affect our business financial condition and results of operations.

We may not have sufficient insurance coverage to cover our economic losses as well as certain other risks including those pertaining to claims by third parties and litigation. Our business involves many risks and hazards which may adversely affect our profitability, including breakdown, failure or substandard performance of equipment, third party liability claims, labour disturbances, employee frauds, infrastructure failure and terrorist activities. Our facilities are vulnerable to operational risks, such as equipment failure, fire, facility obsolescence or disrepair, labour disputes, natural disasters and industrial accidents. The occurrence of any of these risks could affect our operations by causing production at one or more facilities to shutdown or slowdown.

Currently, we maintain insurance which we believe is typical in our industry and in amounts which we believe to be commercially appropriate. Our insurance coverage may not cover the extent of any claims against us, including for environmental or industrial accidents or pollution or for loss of business. Further, we cannot assure you that we will be able to continue to maintain insurance with adequate coverage for liability or risks arising from our operations on commercially acceptable terms, or at all. Even if the insurance is adequate, our costs may rise significantly due to increased insurance premiums. Depending on the development of the industry, certain potential liabilities may be excluded from coverage under the terms of our insurance policies in the future. The occurrence of events that are not covered by our insurance could cause us losses, which if significant, could adversely affect our business, financial condition and results of operations.

Our inability or failure to protect our intellectual property rights may significantly and materially impact our business, financial condition and results of operations.

Protection of our proprietary processes, methods and other technology is important to our business. We generally rely on a combination of the patent, trade secret, trademark and copyright laws of India, Germany and the UK in which we operate, as well as licenses and nondisclosure and confidentiality agreements, to protect our intellectual property rights.

We currently hold three patents and have applied for 11 patents. Failure to protect our intellectual property rights may result in the loss of valuable proprietary technologies. Even if all reasonable precautions, whether contractual or otherwise, are taken to protect the confidential technical knowledge of our products and business, there is still a danger that such information may be disclosed to others or become public knowledge in circumstances beyond our control. Additionally, some of our technologies are not covered by any patent or patent application and, even if a patent application has been filed, it may not result in an issued patent. If patents are issued to us, those patents may not provide meaningful protection against competitors or against competitive technologies. In addition, upon the expiration of patents issued to us, we will be unable to prevent our competitors from using or introducing products using the formerly-patented technology. As a result, we may be faced with increased competition and our results of operations may be adversely affected. We cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable.

We also rely upon unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally enter into confidentiality or non-disclosure agreements with our employees and third parties to protect our intellectual property, we cannot assure you that our confidentiality or non-disclosure agreements will not be breached, that they will provide meaningful protection for our trade secrets and proprietary manufacturing expertise or that adequate remedies will be available in the event of an unauthorized use or disclosure of our trade secrets or manufacturing expertise.

We might infringe the intellectual property rights of others, any misappropriation of which, could harm our competitive position.

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing any existing third-party intellectual property rights which may force us to alter our technologies, obtain licenses or cease some of our operations. Although we have not received any claims from third parties asserting infringement and other related claims, there is not assurance that we will not receive such claims in the future. If such claims are raised, those claims could: adversely affect our relationships with current or future customers; result in costly litigation; cause product shipment delays or stoppages; divert management's attention and resources; subject us to significant liabilities; require us to enter into potentially expensive royalty or licensing agreements and require us to cease certain activities. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. Any of the foregoing could adversely affect our business, results of operations and financial conditions.

In addition, in certain cases, our customers share their intellectual property rights in the course of the product development process that we carry out for them. If our customer's intellectual property rights are misappropriated by our employees in violation of any applicable confidentiality agreements, our customers may seek damages and compensation from us. This could have an adverse effect on our business, financial condition and results of operations and damage our reputation.

Our Company may not meet the export obligations under the Export Promotion Capital Goods Scheme.

Our Company has imported capital goods under the Export Promotion Capital Goods Scheme (the "EPCG Scheme"), of the Government of India. This scheme permits imports of new capital goods at concessional rates of custom duties and requires the importer to fulfill its export obligation which will be equal to eight times the CIF (cost, insurance and freight) value of imported capital goods over a period of time and to maintain an average quantity of export per year. Non-fulfillment of such obligations may result in confiscation of capital goods imported under this scheme and other penalties as set out in this scheme. As of December 31, 2009, the total outstanding export obligations of our Company under the EPCG Scheme was US$ 87.1 million. There is also a requirement to maintain an annual average export as specified under the respective licenses. We have not been subject to any penalties on account of failure to meet our export obligations in the past, since the value of exports undertaken by us has exceeded our export commitments. If any default under the EPCG Scheme occurs, our results of operations may be adversely affected.

We have significant energy requirements and any disruption to these power sources could increase our production costs.

We require substantial electricity for our manufacturing facilities, and energy costs represent a significant portion of the production costs for our operations. For the nine months ended December 31, 2009 and the financial year 2009, power and fuel costs constituted 8.2% and 6.1% of our consolidated total income. Our plants source almost all the electricity requirements for our manufacturing facilities from local utilities. supply is not available for any reason, we will need to rely on alternative sources, which may not be able to consistently meet our requirements. The cost of such purchased electricity would be significantly higher, thereby adversely affecting our cost of production and profitability. Further, if for any reason such electricity is not available, we may need to shut down our plants until an adequate supply of electricity is restored. Interruptions of electricity supply can also result in production shutdowns, increased costs associated with restarting production and the loss of production in progress. If energy costs were to rise, or if electricity supplies or supply arrangements were disrupted, our profitability could decline.

Our Promoters will continue to retain majority shareholding in us after this Issue, which will allow them to exercise significant influence over us. We cannot assure you that our Promoters will always act in our or your best interest.

The majority of our issued and outstanding Equity Shares are currently beneficially owned by our Promoters. Upon completion of this Issue, our Promoters will own 4,15,26,339 million Equity Shares, or 48.96% of our post-Issue Equity Share capital. In addition, we propose to allot 7,299,270 warrants to our promoter M&M, on a preferential basis, wherein each warrant entitles M&M to apply for one equity share of our Company, within a period of 18 (eighteen) months from the date of allotment of such warrants. Accordingly, our Promoters will continue to exercise significant influence over our business policies and affairs and all matters requiring shareholders' approval, including the composition of our Board of Directors, the adoption of amendments to our certificate of incorporation, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. This concentration of ownership also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of these shareholders. The interests of the Promoters as our controlling shareholders could conflict with our interests or the interests of our other shareholders. We cannot assure you that our Promoters will act to resolve any conflicts of interest in our or your favour.

Risks Related to India

A slowdown in economic growth in India could cause our business to suffer.

Our performance and growth are dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy may adversely affect our business and financial performance and the price of our Equity Shares.

Any downgrading of India's debt rating by an independent agency may harm our ability to raise financing.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our capital expenditure plans, business and financial performance and the price of our Equity Shares.

Force majeure events, terrorist attacks and other acts of violence or war involving India, Germany, United Kingdom, the United States or other countries could adversely affect the financial markets, result in a loss of investor confidence and adversely affect our business, results of operations, financial condition and cash flows.

Certain events are beyond our control, such as:

- force majeure events, including earthquakes, cyclones, floods and other natural disasters, such as the tsunami which affected several parts of South and South East Asia, including India and Sri Lanka on December 26, 2004;
- terrorist attacks, such as those that occurred in Mumbai on November 27, 2008, New Delhi on December 13, 2001 and New York and Washington, D.C., on September 11, 2001; and
- other acts of violence or war (including civil unrest, military activity and hostilities among neighbouring countries, which may involve India, Germany, United Kingdom, the United States or other countries.

Any such event could happen at or otherwise affect one or more of our businesses, which would adversely affect our business, results of operations and financial condition. Moreover, these and other similar events may adversely affect worldwide financial markets and could lead to global economic recession. Such events may also result in a loss of business confidence or have other consequences that could adversely affect our business, results of operations and financial condition. Any of such events could lower the customer confidence in India, as well. The occurrence of any of the foregoing could therefore adversely affect our financial performance or the market price of the Equity Shares, even if unrelated to any of our operations.

An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have an adverse effect on our business and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative effect on the economies, financial markets and business activities in the countries in which our end markets are located, which could have an adverse effect on our business. The outbreaks of the H1N1 virus globally in 2009, Severe Acute Respiratory Syndrome in Asia in 2003 and the outbreak of avian influenza, or bird flu, across Asia and Europe, have adversely affected a number of countries. We can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have an adverse effect on our business.

We are subject to regulatory, economic and political uncertainties in India.

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. India has a mixed economy with a large public sector and an extensively regulated private sector. The role of the central and the state governments in the Indian economy and the effects on producers, consumers, service providers and regulators has remained significant over the years. The Government of India has traditionally exercised and continues to exercise influence over many aspects of the economy. Governments in the past have, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Our business and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. The Government of India has in recent years sought to implement economic reforms and the current government has implemented policies and undertaken initiatives that continue the economic liberalization policies pursued by previous governments. There can be no assurance that liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting the automotive and automotive components sectors, foreign investment and other matters affecting investment in our securities could change as well. Any significant change in such liberalization and deregulation policies could adversely affect business and economic conditions in India, generally, and our results of operations and financial condition, in particular.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely affect our financial conditions.

According to a report released by the Reserve Bank of India, India's foreign exchange reserves totalled US$ 252 billion as at March 31, 2009. A decline in this reserve could impact the valuation of the local currency and could result in reduced liquidity and higher interest rates which could adversely affect our future financial performance and the market place of our Equity Shares.

Changes in trade policies may affect us.

Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which our suppliers import their raw materials, components and/or countries to which we export our products, may have an adverse effect on our profitability.

Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar.

Our consolidated financial statements included in this Placement Document are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to these financial statements. As there are significant differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP, there may be substantial differences in the results of operations, cash flows and financial positions discussed in this Placement Document if the relevant financial statements were prepared in accordance with IFRS or U.S. GAAP instead of Indian GAAP. The significant accounting policies applied in the preparation of these financial statements are as set forth in notes to the audited financial statements included in this Placement Document. Prospective investors are advised to review the accounting policies applied in the preparation of these financial statements and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Placement Document.

The Institute of Chartered Accountants of India, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with, IFRS, pursuant to which all public companies in India, such as our Company, will be required to prepare their annual and interim financial statements under IFRS beginning with fiscal period commencing April 1, 2011. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. As we transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2011 could have an adverse effect on our stock price.

There may be less company information available in Indian securities markets than securities markets in more developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than that of markets in other more developed economies. SEBI is responsible for monitoring disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries, which could adversely affect the market for our Equity Shares.

Investors may have difficulty enforcing foreign judgments against us or our management.

Our Company is a limited liability company incorporated under the laws of India. Most of our directors and our executive officers are Indian residents. A substantial portion of the assets of the directors and executive officers resident in India are located in India. As a result, it may be difficult for investors to effect service of process upon us or such persons outside India or to enforce judgments obtained against us or such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil Procedure, 1908 of India (as amended) (the "Code") on a statutory basis. Section 13 of the Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India. Under the Code, a court in India shall, upon production of any document purporting to be a certified copy of a foreign judgment presumes that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments.

Section 44A of the Code provides that where a foreign decree or judgment has been rendered by a superior court within the meaning of Section 44A in any country or territory outside India which the Government of India has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty. For the purposes of this section, foreign judgment means a decree which is defined as a formal expression of an adjudication which, so far as regards the court expressing it, conclusively determines the rights of the parties with regard to all or any of the matters in controversy in the suit.

The United Kingdom has been declared by the Government of India to be a reciprocating territory but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy or if the judgments are in breach of or contrary to Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered.

Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

The Companies Act and related regulations, the Company's Articles of Association and the Equity Listing Agreements govern the corporate affairs of our Company. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder than as a shareholder of a corporation in another jurisdiction.

A third party could be prevented from acquiring control of us because of the takeover regulations under Indian law.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. These provisions may discourage or prevent a third party from attempting to take control of us, even if a change in control would result in the purchase of the Equity Shares at a premium to the market price or would otherwise be beneficial to the holders of the Equity Shares. For more information, see "Indian Securities Market — Takeover Code".

You may be restricted in your ability to exercise pre-emptive rights under Indian law and be diluted in your ownership position.

Under the Companies Act, 1956, a company incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the equity shares which would be affected, unless the company has obtained government approval to issue without such rights. If the law of the jurisdiction you are in does not permit you to exercise your pre-emptive rights without us filing an offering document or registration statement with the applicable authority of such jurisdiction, you will be unable to exercise your pre-emptive rights unless we make such a filing. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, your proportional interest in us may be reduced.

Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/ tax clearance certificate from the income tax authority. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

Risks Relating to this Issue

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.

We are subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The maximum movement allowed in the price of the Equity Shares before the circuit breaker is triggered is determined by the Stock Exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The Stock Exchanges do not inform us of the triggering point of the circuit breaker in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

There is no guarantee that the Equity Shares being issued in this Issue will be available for trading on the BSE or the NSE in a timely manner or at all, and any trading closure at the BSE or the NSE may adversely affect the trading price of our Equity Shares.

Pursuant to Indian regulations, certain actions must be completed before the Equity Shares being issued in this Issue can be listed and trading may commence. In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuance of Equity Shares to be submitted. There could be a delay or failure in listing the Equity Shares in BSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

Our stock price may be volatile, and you may be unable to resell your Equity Shares at or above the Issue price or at all.

The market price of our Equity Shares after this Issue will be subject to significant fluctuations in response to, among other factors:
- variations in our operating results and the performance of our business;
- adverse media reports about us or our industry;
- regulatory developments in our target markets affecting us, our clients or our competitors;
- market conditions and perception specific to our industry;
- changes in financial estimates by securities research analysts;
- loss of one or more significant clients;
- the performance of the Indian and global economy;
- significant developments in India's economic liberalization and deregulation policies and the fiscal regime; and
- volatility in the Indian and global securities markets.

Many of these factors are beyond our control. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future.

Any future issuance of equity shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of equity shares by us including in a primary offering or pursuant to a preferential allotment may dilute your shareholding in our Company, adversely affect the trading price of our equity shares and could impact our ability to raise capital through an issue of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our equity shares.

Additionally, the disposal of equity shares by any of our major shareholders, any future issuance of equity shares by us or the perception that such issuance or sales may occur may significantly affect the trading price of the Equity Shares. We cannot assure you that we will not issue equity shares or that such shareholders will not dispose of, pledge or encumber their equity shares in the future.

Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Further, the Indian stock exchanges have experienced recent volatility, with the BSE index declining by almost 50.0% over the second half of 2008 and early part of 2009 and showing significant increases thereafter. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

The price of the Equity Shares has historically fluctuated and may continue to fluctuate, which may make future prices of the Equity Shares difficult to predict.

The price of the Equity Shares, like that of other forging and automotive component companies, can be volatile. Some of the factors that could affect our share price are:

- speculation in the press or investment community about, or actual changes in, our business, strategic position, market share, organizational structure, operations, financial condition, financial reporting and results, value or liquidity of our investments, exposure to market volatility, prospects, business combination or investment transactions, or executive team;

- the announcement of new products, innovations or acquisitions by us or our competitors;

- quarterly increases or decreases in revenue, gross margin, earnings or cash flow from operations, changes in estimates by the investment community or guidance provided by us, and variations between actual and estimated financial results; and

- announcements of actual and anticipated financial results by our competitors and other companies in the forging and automotive component industry.

General or industry-specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also may affect the price of our Equity Shares. In particular, the stock market as a whole recently has experienced extreme price and volume fluctuations that have affected the market price of many steel and steel product companies in ways that may have been unrelated to those companies' operating performance. For these reasons, investors should not rely on recent trends to predict future share prices, financial condition, results of operations or cash flows.

An investor will not be able to sell any of the Equity Shares purchased in this Issue other than across a recognized Indian stock exchange for a period of 12 months from the date of the allotment of the Equity Shares.

As provided in the SEBI Regulations, QIBs purchasing Equity Shares in the Issue may only sell such Equity Shares on the Stock Exchanges and may not enter into any off-market trading in respect of these shares for a period of 12 months from the date of the issue of the Equity Shares in the Issue. We cannot assure you that this restriction will not have an effect on the selling price of the Equity Shares issued in this Issue.

Holders may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Sale of Equity Shares by any holder may give rise to tax liability in India, as discussed in *"Taxation"*.

MARKET PRICE INFORMATION

The Equity Shares of our Company are listed on the BSE and NSE. Our Company's Equity Shares were listed on the NSE on August 30, 2007 and on the BSE on August 29, 2006. The tables below set forth, for the periods indicated the high, low and average market prices and the trading volumes on BSE and NSE for our Company's Equity Shares.

As of the date of the Placement Document, 68,567,736 Equity Shares of face value of Rs. 10 each is issued, and subscribed.

1. The following tables set forth the reported high, low and average of market prices of our outstanding Equity Shares (of face value of Rs 10 each) on the BSE and the NSE and the number of Equity Shares traded on the days of such high and low prices were recorded, for the Fiscal years 2007, 2008, 2009 and 2010 (upto February 17, 2010). The high, low and average prices shown are of the daily closing prices.

BSE

Fiscal Year	High (Rs.)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (Rs. In Million)	Low (Rs.)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. In Million)	Average price for the year (Rs.)*
2007#	280.05	09-Nov-06	85,662	23.77	180.05	01-Sep-06	66,214	11.94	241.18
2008	336.00	08-Jan-08	77,973	28.05	137.55	24-Mar-08	2,969	0.42	233.36
2009	195.00	30-Apr-08	815	0.16	37.00	25-Mar-09	2,838	0.11	101.11
2010 (Upto (17-Feb-10)	138.85	18-Jan-10	128,784	17.97	37.80	01-Apr-09	11,500	0.44	80.16

** Average of the daily closing prices*
 # Our Equity Shares were listed and started trading on BSE on and from August 29, 2006

NSE

Fiscal Year	High (Rs.)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (Rs. In Million)	Low (Rs.)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. In Million)	Average price for the year (Rs.)*
2008#	336.65	08-Jan-08	90,337	32.24	140.55	27-Mar-08	940	0.13	221.55
2009	191.50	02-May-08	766	0.15	36.95	25-Mar-09	3,893	0.15	100.89
2010 (Upto (17-Feb-10)	138.80	18-Jan-10	185,800	26.10	37.90	01-Apr-09	8,699	0.33	80.29

** Average of the daily closing prices*
 # Our Equity Shares were listed and started trading on NSE on and from August 30, 2007

2. The following tables set forth the reported high and low closing prices of our Equity Shares on the NSE and the BSE, the number of Equity Shares traded on the days such high and low prices were recorded and the volume of securities traded in each month during the last six months preceding the date of filing of the Placement Document.

BSE

Month, Year	High (Rs.)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (Rs. In Million)	Low (Rs.)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. In Million)	Average price for the month (Rs.)*
August 2009	76.70	26-Aug-09	48,708	3.73	60.80	07-Aug-09	4,220	0.26	68.27
September 2009	83.85	07-Sep-09	85,018	6.97	70.15	01-Sep-09	14,178	1.01	78.17
October 2009	80.35	20-Oct-09	35,265	2.81	71.20	30-Oct-09	54,936	4.05	76.81
November 2009	126.65	30-Nov-09	202,524	25.16	73.95	10-Nov-09	10,006	0.75	95.76
December 2009	134.05	09-Dec-09	520,783	71.51	118.55	07-Dec-09	20,837	2.51	126.19
January 2010	138.85	18-Jan-10	128,784	17.97	111.80	28-Jan-10	26,553	3.04	131.03
February 2010**	115.05	01-Feb-10	24,340	2.82	101.50	05-Feb-10	24,171	2.46	108.42

* Average of the daily closing prices
** Data upto February 17, 2010

NSE

Month, Year	High (Rs.)	Date of High	Number of Equity Shares traded on date of high	Volume on date of high (Rs. In Million)	Low (Rs.)	Date of Low	Number of Equity Shares traded on date of low	Volume on date of low (Rs. In Million)	Average price for the month (Rs.)*
August 2009	76.85	26-Aug-09	45,973	3.51	60.60	12-Aug-09	16,738	1.02	68.03
September 2009	83.45	07-Sep-09	102,048	8.36	69.85	01-Sep-09	15,819	1.12	78.18
October2009	80.70	20-Oct-09	78,439	6.22	71.50	30-Oct-09	33,962	2.53	76.68
November 2009	128.20	24-Nov-09	2,020,657	268.79	71.75	03-Nov-09	25,600	1.82	94.86
December 2009	134.05	09-Dec-09	829,800	113.98	118.75	07-Dec-09	51,244	6.19	126.20
January 2010	138.80	18-Jan-10	185,800	26.10	130.05	04-Jan-10	158,454	20.53	130.78
February 2010**	114.65	01-Feb-10	48,454	5.61	101.20	05-Feb-10	46,918	4.75	108.44

* Average of the daily closing prices
** Data up to February 17, 2010
Source: Market Price Information is sourced from www.bseindia.com and www.nseindia.com.
Notes: High and low prices are of the daily closing prices. In case of two days with the same closing price, the date with higher volume has been considered.

3. Details of the number of equity shares and volumes of business transacted during the last six months and for the Fiscal years 2007, 2008, 2009 and 2010 (upto February 17, 2010) on the Stock Exchanges are given below.

Month	BSE		NSE	
	Volume (No. of Shares)	Turnover (in INR mn)	Volume (No. of Shares)	Turnover (in INR mn)
February 2010**	405,111	44.60	608,704	66.99

January 2010	1,657,351	220.92	2,735,182	365.69
December 2009	1,888,388	248.07	3,546,944	464.75
November 2009	4,650,328	541.35	6,693,809	785.62
October 2009	416,379	31.66	506,058	38.79
September 2009	542,187	43.07	627,686	49.73
August 2009	424,200	29.92	414,493	29.13
Fiscal 2010**	15,987,397	1,524.64	20,880,517	2,161.80
Fiscal 2009	2,020,877	238.69	1,305,841	170.59
Fiscal 2008#	2,413,726	636.46	624,237	160.92
Fiscal 2007#	7,467,296	1,632.36	-	-

Source: www.nseindia.com; www.bseindia.com
*** Data upto February 17, 2010*
#Our Equity Shares have been listed on BSE from August 29, 2006 and on NSE from August 30, 2007

4. The following table sets forth the market price of our Equity Shares on the Stock Exchanges on January 22, 2010, the first working day following the day of the Board meeting approving the Issue.

Date	**BSE**						**NSE**					
	Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (Rs. In Million)**	**Open**	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (Rs. In Million)**
January 22, 2010	132.10	133.00	120.10	121.15	133,794	16.66	131.00	133.05	121.00	122.20	159,647	19.98

Source: www.nseindia.com; www.bseindia.com

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. 1,750 million.

Subject to compliance with applicable laws and regulations, the net Issue proceeds after deducting Issue Expenses are proposed to be used by our Company for capital expenditure, investment / capitalisation of Subsidiaries, working capital, repayment of debt and general corporate purposes, including but not restricted to strategic initiatives, partnerships, joint ventures, investments, acquisitions and meeting exigencies, which our Company in the ordinary course of business may face, or any other purposes as approved by the Board of Directors.

Our main objects clause and objects incidental or ancillary to the main objects clause of our Memorandum of Association enables us to undertake our existing activities.

In accordance with the policies approved by our Board of Directors and as permissible under applicable laws and government policies, our management will have flexibility in deploying the proceeds received by our Company from the Issue. Pending utilisation for the purposes described above, our Company intends to temporarily invest funds in interest or dividend bearing liquid instruments including money market mutual funds and deposits with banks, financial institutions and corporates. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

CAPITALISATION

The Board of Directors has at its meeting on January 21, 2010, approved the Issue and our Company's shareholders, pursuant to a resolution passed at the EGM held on February 18, 2010 approved the Issue. Upon the completion of the Issue, the Board of Directors or a committee thereof shall pass a resolution authorizing the Allotment of the Equity Shares pursuant to this Issue.

The following table sets forth our capitalization and debt on a consolidated basis as of December 31, 2009 and as adjusted to give effect to the issuance of the Equity Shares under this Issue. This table should be read in conjunction with the section "*Selected Financial Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Factors*" in this Placement Document and the other Financial Statements and information.

(Rs. in million)

	Pre Issue (as of December 31, 2009)	**Post Issue**
Shareholders' Funds		
Share capital	685.7	848.1[2]
Employees Stock Options outstanding	40.9	40.9
Reserves and Surplus[(1)]	7,524.5	9,112.1
Total Shareholders' Funds	**8,251.1**	**10,001.1**
Indebtedness		
Secured Loans	6,211.4	6,211.4
Unsecured Loans	2,628.6	2,628.6
Total Indebtedness	**8,840.0**	**8,840.0**
Total Capitalisation	**17,091.1**	**18841.1**

(1) Reserves and Surpluses excluding revaluation reserve

(2) The Company vide its shareholders resolutions dated 18 February 2010, proposes to issue 72,99,270 warrants at a price of Rs. 137 per warrant to Mahindra and Mahindra Limited, entitling the holder of the warrant to apply for and be allotted 1 equity share of face value Rs. 10 each against 1 warrant in one or more tranches.

DIVIDEND POLICY

Under Indian law, a company pays dividend upon a recommendation by its Board of Directors and approval by a majority of the shareholders at the annual general meeting of shareholders. The shareholders have the right to decrease but not to increase the dividend amount recommended by the Board of Directors. Dividend is generally declared as a percentage of the par value of our Company's Equity Shares. The dividend recommended by the Board of Directors of our Company and approved by the shareholders at a general meeting, is distributed and paid to shareholders in proportion to the paid-up value of their Equity Shares as on the record date for which such dividend is payable. In addition, the Board of Directors of our Company may declare and pay interim dividend as it is permitted by our Company's Articles of Association. Under the Companies Act, 1956, dividend can only be paid in cash to shareholders listed on the register of shareholders including the list of shareholders submitted by National Securities and Depositories Limited ("NSDL") or Central Depositary Services (India) Limited ("CDSL") for the shares held in electronic form on the date, which is specified as the "record date" or "book closure date". No dividend may be paid except out of the profits of our Company pursuant to section 205 of the Companies Act, 1956. No shareholder is entitled to dividends in respect of unpaid calls on any of its Shares that are outstanding. The Company does not have a formal dividend policy. The declaration and payment of dividends will be recommended by the Board of Directors and approved by the Company's shareholders, at their discretion, and will depend on a number of factors, including but not limited to the Company's profits, capital requirements and overall financial condition. The Equity Shares to be issued in connection with this issue shall qualify for any dividend that is declared after the Closing Date.

Our Company has not distributed any cash dividend on its Shares in respect of each of the last three fiscal years.

Under the current Indian tax laws, dividends are not subject to income tax in India in the hands of the recipient. However, the Company is liable to pay a "dividend distribution tax" currently at the rate of 15.0 per cent. (plus a surcharge of 10.0 per cent. on dividend distribution tax and education cess at the rate of 3.0 per cent on dividend distribution tax and surcharge) on the total amount distributed, declared or paid by a Company as dividend. The effective rate of dividend distribution tax is approximately 16.995 per cent. See "Taxation".

Future Dividends

The form, frequency and amount of future dividends will depend on our Company's revenues, cash flows, financial condition (including capital position) and other factors and shall be at the discretion of its Board of Directors and subject to the approval of its Shareholders. Our Company may not declare any dividend that is not recommended by its Board of Directors. No dividend may be paid except out of our Company's profits or pursuant to Section 205 of the Companies Act and subject to other provisions of the Companies Act and rules framed thereunder.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise stated, the following discussion and analysis of our financial condition and results of operations is based on our audited unconsolidated financial statements as of and for the year ended March 31, 2007, our audited consolidated financial statements as of and for the years ended March 31, 2008 and 2009 and our unaudited consolidated financial statements as of and for the nine months ended December 31, 2009. Our audited unconsolidated, audited consolidated and unaudited consolidated financial statements are prepared in accordance with Indian GAAP, the accounting standards prescribed by the ICAI and the relevant provisions of the Companies Act.

Overview

We are one of the leading forging companies in the world. We manufacture and supply engine and chassis forged components for commercial and passenger vehicles, such as crankshafts, steering knuckles, stabilizer bars, gear blanks, front axle beams, levers, flanges, control arms, camshafts, connecting rods, pitman arms and piston rods and other non-automotive products.

We have grown into a global leading forging company through several strategic acquisitions over the last few years. In April 2005, we acquired the Chakan unit of Amforge Industries Limited, a public listed company on the BSE, under a scheme of arrangement sanctioned by the Bombay High Court. We established presence in the European market by acquiring Stokes, Jeco Holdings AG and Schöneweiss in November 2007, under a scheme of arrangement sanctioned by the Bombay High Court. These companies were originally acquired from their former owners by our promoter, Mahindra & Mahindra Limited ("M&M"), in 2005 and 2006.

We have a diversified and complementary product portfolio across geographies. In India, our Company is focused on design, development and machining of crankshafts and steering knuckles for cars and multi-utility vehicles. Schöneweiss, our German subsidiary, is one of the leading axle beam manufacturers in the world. Jeco, GSA and Falkenroth, our other German subsidiaries, are providers of a diverse range of forging products, primarily for heavy commercial vehicles, and collectively manufacture more than 250 products. Stokes, our UK subsidiary, has an expertise in flashless forgings.

We have a diversified customer base, with our top five customers accounting for less than 50.0% of our consolidated sales for each of the nine months ended December 31, 2009 and the financial year 2009. We have manufacturing facilities at seven locations in Germany, at two locations in the UK and at one location in India, with a total net capacity of 260,000 metric tonnes per annum, out of which 200,000 metric tonnes is located in Europe. For the nine months ended December 31, 2009 and financial year 2009, income from our European operations constituted 77.0% and 89.3% of our consolidated total income. We also derive a significant share of our revenues from non-automotive industries such as tractors, marine applications and railways.

For the financial year 2009, our consolidated total income and our consolidated net loss was Rs. 22,656.2 million and Rs. 1,166.0 million, respectively. For the nine months ended December 31, 2009, our consolidated total income and our net loss was Rs. 9,454.1 million and Rs. 1,856.2 million, respectively.

Factors Affecting Our Results of Operations

A number of factors affect our results of operations such as:

Trends and Conditions in the Automotive Industry

The automotive business accounted for more than two-third of our business for each of the last three financial years and the nine months ended December 31, 2009. Automotive sales and production are cyclical in nature and subject to many factors beyond our control, including, but not limited to, consumer confidence, employment levels, fuel prices, interest rates, labour relations issues, technological developments, regulatory requirements, trade agreements and other factors. The automobile industry has witnessed substantial changes in recent years, including continuing consolidation, outsourcing, decreasing profit margins in certain sectors, regulatory and technological changes and other trends. In light of the recent global economic downturn, the North American and European automotive industries are suffering from sharp declines in sales, significant overcapacity, fierce competition, high fixed cost structures and significant employee pension and health care obligations. As a result, several suppliers in North America and Europe are facing significant financial distress, including bankruptcy. The industry is also experiencing further consolidation, thus creating opportunities for the surviving suppliers in Europe and North American to increase their market shares. OEMs and suppliers are implementing various cost-cutting strategies, which include restructuring of operations, relocating production to low-cost regions, vendor rationalization and sourcing on a global basis. The passenger vehicle volumes in Europe have shown signs of revival since the second half of 2009 as a result of various stimulus measures taken by the European Governments, such as the "cash for clunkers" scheme. As a result of factors such as declining interest rates and stimulus packages offered by the Government of India, volumes in the Indian automotive market in the second half of 2009 exceeded the level from before the global economic downturn. However, the current growth of the automotive industry may be affected if the various Governments withdraw the respective stimulus measures. The continuation or worsening of the automotive industry conditions may have an adverse effect on our business, financial condition and results of operations.

Customer Buying Patterns

Our sales, business and results of operations are affected by production and the existing and planned inventory levels of automotive manufacturers. Due to the recent downturn in the economy, many of our customers in Europe significantly slowed down their vehicle production schedules. However, as the industry is showing signs of recovery in recent months, we believe that our customers may not reduce their production and inventory levels further. However, we cannot predict when our customers will decide to either increase or decrease their inventory level, resulting in the variability of our sales. Therefore, new inventory levels might not approximate historical inventory levels. Further, our customers often undertake vendor consolidation to reduce costs related to procurement from multiple vendors. This creates opportunities for suppliers with established relationships with customers to increase their market share. In addition to the general economic climate, sales of automobiles are also affected by various marketing or pricing strategies launched by the OEMs. For example, OEMs' consumer financing programs may accelerate sales that would otherwise occur in the future. We also have historically experienced slump in sales due to manufacturers' scheduled shut-downs or shut-downs resulting from unforeseen events. Typically, manufacturers in Europe have scheduled shut-downs in August and December. As our European operations have a large fixed cost base, even relatively modest declines in our customers' production levels and thus, our production volumes can have a significant adverse impact on our profitability. Such uncertainty and other unexpected fluctuations could have an adverse effect on our business, financial condition and results of operations.

Availability and Costs of our Key Raw Materials

Commodity prices, especially prices for steel, other metals and fuel, have an impact on our results of operations. Steel is the main constituent of our raw materials, which accounted for 48.5% and 48.9% of our consolidated total income for the nine months ended December 31, 2009 and the financial year 2009. Commodity prices are influenced by changes in global economic conditions, industry cycles, demand-supply dynamics, attempts by individual producers to capture market share and also by speculation in the market. In addition to market fluctuations, our average selling prices can be affected by contractual arrangements and hedging strategies, if any.

Our principal raw material is steel. In recent years, worldwide commodity market conditions have resulted in volatile steel and other metal material prices. Currently and historically, we have been able to pass on the increase in cost for steel onto our customers. However, our cash flows may be adversely affected because of a time lag between the date of the procurement of steel and date on which we can reset the component prices for our customers due to increase in steel prices. We cannot assure you that we will be able to continue to pass on the increase in raw materials costs to our customers in the future. The steel procured by our Company for our Indian operations from MUSCO, which is also a Mahindra group company, accounted for more than half of our total steel consumption for the financial year 2009 and the nine months ended December 31, 2009. Our Subsidiaries are also exploring the opportunities of sourcing their steel requirements from MUSCO in order to reduce their raw material costs. At present, our Subsidiaries procure their steel requirements from steel suppliers in Europe. Discontinuation of production by our suppliers, a failure of our suppliers to adhere to the delivery schedule or the required quality or their inability to meet our requirements, could affect our ability to procure steel at reasonable prices and adversely affect our production schedule.

Operating Costs and Efficiency

Given the nature of our business, operating costs and efficiencies are critical to maintaining our competitiveness and profitability. Given the nature of our business, operating costs and efficiencies are critical to maintaining our competitiveness and profitability. Further, there is substantial continuing pressure from major customers to reduce costs, including the cost of products purchased from outside suppliers. Such reductions are subject to risk and uncertainties as they are calculated based on negotiations and other external factors beyond our control. Accordingly, suppliers must be able to reduce their operating costs in order to maintain profitability. Our profitability, especially in case of our European operations, is dependent on our ability to spread fixed production costs over higher production volume. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our gross margin and profitability could be adversely affected.

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Technological Advances and Competition

The development in the automobile components industry is closely linked to technological advances and scientific discoveries. Our success will substantially depend on our ability to anticipate technology development trends and identify, develop and commercialize new and advanced technologies and products that our customers demand in a timely and cost-effective manner. For example, implementation of more stringent emission norms around the world has necessitated the development of lower weight forgings. We intend to leverage our technological capabilities to take advantage of the new opportunities created because of their development.

Our results of operations could also be affected by competition in the automobile component sector. Competitive factors relevant to our business include product reliability, performance, technology and quality, breadth of product lines, product services, customer support and price. In Europe, many automotive components suppliers are facing severe financial distress because of the global economic downturn and thus has presented us another opportunity to increase our market share. In India, we expect competition to intensify due to possible new entrants in the market and existing competitors further expanding their operations. We believe that new competitors in India may adversely affect our market share.

General Economic and Business Conditions

As a company operating in India and Europe, we are affected by the general economic conditions in these regions and in particular the factors affecting the automobile component industry in general. India's real GDP grew 9.0%, 7.4% and 6.1%, respectively in 2007, 2008 and 2009 *(Source: CIA World Factbook)*. Growth in economic activities will further stimulate spending on new vehicles, which translates into the need of automobile components. The overall economic growth will therefore impact the results of our operations. The global credit markets and financial services industry experienced a period of upheaval in the recent past characterized by the bankruptcy, failure, collapse or sale of various financial institutions, severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, uncertainty about economic stability and an unprecedented level of intervention by governments and monetary authorities. Our operations, particularly our European operations, were severely impacted by the global economic downturn. While the ultimate outcome of these events cannot be predicted, recurrence or worsening of this downturn or decline in general economic conditions may continue to have an adverse effect on our business, financial condition and results of operations.

Exchange Rates

We have currency exposures related to buying, selling and financing in currencies other than the local currencies in which we operate. We report our results of operations in the Indian Rupee, which has experienced significant fluctuations in recent years. To the extent that we are unable to match income received in foreign currencies with costs incurred in the same currencies, exchange rate fluctuations in such currencies could have an adverse effect on our results of operations. The table set forth below summarizes the currency denomination of our sales and costs and our foreign exchange or risk management policies:

	Sales	**Costs**	**Foreign exchange/risk management policy**
Our Company	All sales within India are made in Indian Rupees. Sales outside India are primarily in US Dollars.	Almost all costs incurred are in Indian Rupees, except for certain consumables which are in Japanese Yen.	We enter into forward contracts from time to time, in order to cover large exposures, especially in case of capital goods imported by us.
Stokes Group Limited	Sales are made primarily in British Pound Sterling.	Costs are primarily incurred in British Pound Sterling.	Natural hedge
Gesenkschmiede Schneider GmbH	All sales are made in Euros.	All costs are incurred in Euros.	Natural hedge
JECO – Jellinghaus GmbH	All sales are made in Euros.	All costs are incurred in Euros.	Natural hedge
Falkenroth Umformtechnik GmbH	All sales are made in Euros.	All costs are incurred in Euros.	Natural hedge
Schoneweiss & Co. GmbH	Sales are primarily in Euros.	All costs are incurred in Euros.	Natural hedge

Preparation of Consolidated Financial Statements

Our consolidated financial statements for the nine months ended December 31, 2009 and the financial years 2009 and 2008 include the financial statements of the following subsidiaries along with our Company:

- Stokes Group Limited;
- Stokes Forgings Dudley Limited;
- Jensand Limited;
- Stokes Forgings Limited;
- Mahindra Forgings International Limited;
- Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG);
- Gesenkschmiede Schineider GmbH;
- Jeco Jellinghaus GmbH;
- Falkenroth Umfirntechnik GmbH;
- Mahindra Forgings Global Limited; and
- Schöneweiss & Co. GmbH.

We did not have any subsidiaries prior to the April 1, 2007. The High Court of Judicature at Mumbai, sanctioned a scheme of arrangement and amalgamation of Mahindra Stokes Holding Company Limited, the holding company of the Stokes group of companies, Mahindra Forgings Overseas Limited, the holding company of the Jeco group of companies and Mahindra Forgings Mauritius Limited, the holding company of the Schöeneweiss group of companies, with our Company through its order dated November 23, 2007 (the “Amalgamation”). This scheme of arrangement and amalgamation was operative from April 1, 2007. All the assets, estates, title, interests, authorities, debts, outstanding amounts, credits and liabilities of these companies were transferred to and vested in our Company, retrospectively, with effect from April 1, 2007.

The financial statements of our Company and our Subsidiaries are consolidated on the basis of the following accounting policies:

- Our Company's financial statements and our Subsidiaries' financial statements are 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 are fully eliminated.
- The difference between the costs of investment in our Subsidiaries over our Company's portion of equity of the Subsidiary is recognised in the financial statements as goodwill or capital reserve.
- The difference between the proceeds from disposal of investment in a Subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the profit and loss account as profit or loss on disposal of investment in Subsidiary.
- Minority interest in the net assets of consolidated Subsidiaries consist of the following:
    - the amount of equity attributable to minorities at the date on which investment in a Subsidiary is made; and
    - the minorities' share of movements in equity since the date the parent-subsidiary relationship comes into existence.
- The financial statements of our Subsidiaries are drawn to March 31 of the respective year, which is the financial year end followed by our Company.

Our consolidated financial statements are presented in Indian Rupees. The financial statements of each of our Subsidiaries is prepared on an unconsolidated basis in their respective local currency, Euro (EUR) for Jeco-Jellinghaus GmbH, Falkenroth Umformtechnik GmbH, Schöneweiss & Co. GmbH, Gesenkschmiede Schneider GmbH, Mahindra Forgings Global Limited, Mahindra Forgings International Limited, Mahindra Forgings Europe A.G., British Pounds (£) for Stokes Group Limited, which are converted into Indian Rupees for the purposes of consolidation with the financial statements of our Company. In accordance with Accounting Standard 21 - Consolidated Financial Statements issued by Institute of Chartered Accountants of India, at the time of conversion of the financial statements during the consolidation process, line items of the profit and loss account are converted using an average exchange rate for the period or year under consideration except for opening and closing stock which are converted at the opening and closing exchange rate respectively and depreciation which is converted using the exchange rate at the date of purchase of the assets, where as items of the balance sheet are converted using the closing exchange rate for the period or calendar year under consideration.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in India, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act. Critical accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, work in progress and cost. In each case, the determination of these items requires management's judgment based on information and financial data that may change in future periods. Set out below are our critical accounting policies, which we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Fixed Assets

- All Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of purchase price, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Exchange difference arising on payment of liabilities for purchase of fixed assets from outside India and the conversion at the end of the year of such liabilities are charged or credited to the profit and loss account, as required under the Companies (Accounting Standards) Rules, 2006.

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

- Freehold land is stated at cost.

- Leasehold land is amortized over the period of lease.

- Depreciation on assets is calculated based on the straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act except for the following class of assets where depreciation is calculated at rates set out below which are based on useful life of the assets. These rates are not lower than the rates specified in Schedule XIV to the Companies Act:

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

Intangible Assets

All intangible assets are initially measured at cost and amortized so as to reflect the pattern in which the asset's economic benefits are consumed:

- Software expenditure:
  The expenditure incurred is amortized over three financial years equally commencing from the year in which the expenditure is incurred.

- Goodwill and non-compete fees:
  Until the financial year 2008, goodwill and non-compete fees were being amortized over five years. During the financial year 2009, we have adjusted unamortized balance in these accounts against the securities premium account as permitted by Bombay High Court. Further, during the nine months ended December 31, 2009, Stokes Group Limited, one of our Subsidiaries, incurred losses and its the net worth was eroded. Accordingly, during the nine months ended December 31, 2009, provision for impairment was made of goodwill arising on consolidation of Stokes Group Limited of Rs. 181.6 million. Such amount was also recorded under Exceptional Items.

Investments

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

Inventories

Inventories are stated at the lower cost or net realizable value. Stores and spares are valued on a weighted average method. In case of work-in-progress and finished goods, cost includes material cost, labour, manufacturing overheads and excise duty.

Foreign Exchange Transactions

- Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Realized gains and losses and exchange differences arising on translation of outstanding current assets and liabilities at the exchange rates at the end of the financial year are recognized in the profit and loss account.

- The premium or discount arising at the inception of forward exchange contract is amortized as income or expense over the life of such contract.

- In the case of monetary items the exchange differences are recognised in the profit and loss account.

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

Revenue Recognition

- Sale of products and services are recognized when the products are shipped or services rendered. Sales are exclusive of sales tax and net of sales return and trade discounts.

- Dividends from investments are recognized in the profit and loss account when the right to receive dividend is established.

Export Benefits

We recognize the export incentives as and when accrued.

Employee Benefits

- Defined contribution plan. Our contributions paid or payable during the financial year to provident fund, ESIC and labour welfare fund are recognised in the profit and loss account.

- Defined benefit plan or long term compensated absences. Our liability towards gratuity, compensated absences and post retirement medical benefit schemes are determined by independent actuaries, using the projected unit credit method. Past services are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognised immediately in the profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the market yields at the balance sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

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.

Taxes on Income

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

Government Grants

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

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

Hire Purchase and Leasing Commitments

Assets obtained under hire purchase contracts or finance leases are capitalised on the balance sheet. Assets held under hire purchase contracts are depreciated over their estimated useful lives. Assets held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Segment Information

We have only one business segment, which is forging. We consider the geographical segment as the primary segment for the disclosure of our financial statements. We have identified two segments on the basis of our organisational structure as well as the differing risks and returns from these segments:

- Indian segment comprises sales of forging by operation situated in India.
- Overseas segment comprises sales of outside India operations.

Set out below is certain key financial information with respect to our two segments for the nine months ended December 31, 2009 and the financial year 2009:

	For the Nine Months Ended December 31, 2009 (Unaudited)				For the Financial Year 2009 (Audited)			
	Indian	**Overseas**	**Eliminations**	**Consolidated Total**	**Indian**	**Overseas**	**Eliminations**	**Consolidated Total**
				(Rs. in millions)				
REVENUE								
Gross External Revenue	**2,356.3**	**7,278.3**	**-**	**9,634.7**	**2,716.9**	**20,235.0**	**-**	**22,951.9**
Less Excise Duty on Sales	180.5	-	-	180.5	295.8	-		295.8
Net External Revenue	**2,175.8**	**7,278.3**	**-**	**9,454.1**	**2,421.1**	**20,235.0**	**-**	**22,656.1**
Inter Segment Revenue	-	-	-	-	-	22.7	(22.7)	-
Total Revenue	**2,175.8**	**7,278.3**	**-**	**9,454.1**	**2,421.1**	**20,257.7**	**(22.7)**	**22,656.1**
RESULTS								
Segment Result before exceptional item	**187.8**	**(1,353.3)**	**-**	**(1,165.6)**	**(84.0)**	**97.8**	**-**	**13.8**
Exceptional Item allocated to Segments	**-**	**221.5**	**-**	**221.5**	**-**	**382.6**	**-**	**382.6**
Segment Result after exceptional items	**187.8**	**(1,574.8)**	**-**	**(1,387.0)**	**(84.0)**	**(284.8)**	**-**	**(368.8)**
Unallocable Corporate Expenses								**(0.1)**
Operating Profit				**(1,387.0)**				**(368.7)**
Less: Interest Expense not allocable to segments				**463.0**				**708.7**
Add: Interest income not allocable to segments				**(4.0)**				**(4.7)**
Add: Exceptional Item unallocable to segments								-
Profit before tax				**(1,846.1)**				**(1,072.7)**
Less: Income Taxes – Current Tax & FBT				**1.7**				**1.1**
-- Deferred Tax				**(8.9)**				**27.9**
-- Prior Period Adjustment of Deferred Tax								**51.4**
Profit for the year before prior year adjustments				**(1,838.8)**				**(1,153.2)**
Less: Adjustments renaming to previous years				**17.4**				**14.2**
Profit for the year before Minority Interest				**(1,856.2)**				**(1,167.4)**
OTHER								

	For the Nine Months Ended December 31, 2009 (Unaudited)				For the Financial Year 2009 (Audited)			
	Indian	Overseas	Eliminations	Consolidated Total	Indian	Overseas	Eliminations	Consolidated Total
				(Rs. in millions)				
INFORMATION								
Segment Assets	**3,554.0**	**14,253.0**	**-**	**17,807.0**	**3,036.5**	**17,715.1**	**-**	**20,751.6**
Segment Liabilities	**834.2**	**2,603.2**	**-**	**3,437.5**	**587.8**	**4,034.3**	**-**	**4,622.1**
Capital Expenditure	**3.2**	**300.7**	**-**	**303.8**	**242.6**	**2,942.5**	**-**	**3,185.2**
Depreciation and Amortization	**158.7**	**945.3**	**-**	**1,103.9**	**195.4**	**1,299.1**	**-**	**1,494.5**
Non Cash Expenditure other than depreciation	**10.2**	**15.6**	**-**	**25.8**	**57.2**	**(33.7)**	**-**	**23.5**

Results of Operations

The following table sets forth select financial data from our unaudited consolidated profit and loss account for the nine months ended December 31, 2009, our audited consolidated profit and loss account for the financial years 2009 and 2008 and our audited unconsolidated profit and loss account for the financial year 2007, respectively, the components of which are also expressed as a percentage of total income for such periods.

	For the Nine Months Ended December 31, 2009 (Consolidated) (Unaudited)		For the Financial Year 2009 (Consolidated) (Audited)		For the Financial Year 2008 (Consolidated) (Audited)		For the Financial Year 2007 (Unconsolidated) (Audited)	
	(Rs. in Millions)	% of Total Income	(Rs. in Millions)	% of Total Income	(Rs. in Millions)	% of Total Income	(Rs. in Millions)	% of Total Income
Income:								
Gross Sales	9,523.4	100.7%	22,720.0	100.3%	23,498.2	100.8%	2,458.8	114.3%
Less: Excise Duty	180.5	1.9%	295.8	1.3%	310.8	1.3%	344.8	16.0%
Net Sales	9,342.9	98.8%	22,424.2	99.0%	23,187.5	99.5%	2,114.0	98.3%
Other Income	111.2	1.2%	232.0	1.0%	122.5	0.5%	37.1	1.7%
Total Income	**9,454.1**	**100.0%**	**22,656.2**	**100.0%**	**23,310.0**	**100.0%**	**2,151.0**	**100.0%**
Expenditure:								
Material Consumption	4,588.8	48.5%	11,075.7	48.9%	11,192.7	48.0%	1,259.9	58.6%
Personnel Expenses	2,647.1	28.0%	5,497.7	24.3%	5,583.9	24.0%	103.5	4.8%
Other Expenses	2,279.9	24.1%	4,574.4	20.2%	4,458.7	19.1%	562.7	26.2%
Interest and Finance costs	459.0	4.9%	704.0	3.1%	465.2	2.0%	56.2	2.6%
Depreciation	1,103.9	11.7%	1,494.5	6.6%	1,048.7	4.5%	89.1	4.1%
Total Expenditure	**11,078.7**	**117.2%**	**23,346.3**	**103.1%**	**22,749.3**	**97.6%**	**2,071.5**	**96.3%**
Profit Before Exceptional items and Tax	(1,624.6)	(17.2%)	(690.1)	(3.1%)	560.7	2.4%	79.6	3.7%
Less: Exceptional items	221.5	2.3%	382.6	1.7%	239.7	1.0%	178.3	8.3%
Profit/(Loss) before tax	**(1,846.1)**	**(19.5%)**	**(1,072.7)**	**(4.7%)**	**321.0**	**1.4%**	**(98.8)**	**(4.6%)**
Provision for	(7.3)	(0.1%)	80.5	0.4%	156.4	0.7%	23.0	1.1%

	For the Nine Months Ended December 31, 2009 (Consolidated) (Unaudited)		For the Financial Year					
			2009 (Consolidated) (Audited)		2008 (Consolidated) (Audited)		2007 (Unconsolidated) (Audited)	
	(Rs. in Millions)	% of Total Income	(Rs. in Millions)	% of Total Income	(Rs. in Millions)	% of Total Income	(Rs. in Millions)	% of Total Income
Taxation								
Profit/(Loss) after Tax	**(1,838.8)**	**(19.4%)**	**(1,153.2)**	**(5.1%)**	**164.5**	**0.7%**	**(121.8)**	**(5.7%)**
Less: Prior Period Expenses (net)	17.4	0.2%	14.2	0.1%	6.6	0.03%	3.5	0.2%
Profit/(Loss) for the year before Minority Interest	**(1,856.2)**	**(19.6%)**	**(1,167.4)**	**(5.2%)**	**157.9**	**0.7%**	**(125.3)**	**(5.8%)**
Less: Minority Share in Profit	-	-	(1.4)	(0.01%)	(0.2)	(0.0%)	-	-
Net Profit/(Loss) for the year	**(1,856.2)**	**(19.6%)**	**(1,166.0)**	**(5.2%)**	**158.0**	**0.7%**	**(125.3)**	**(5.8%)**

* Our Company did not have any Subsidiaries during the financial year 2007.

Income

Our income primarily comprises sales (net of excise duty) of forged and machined components and other income.

Gross Sales. We derive gross sales from the sale of forged and machined components manufactured by us and the sale of scrap generated from our manufacturing process. Our net sales are calculated after deducting excise duty paid by us in India from our gross sales.

Other Income. Our other income primarily includes the following:

- dividend income from investments;
- profit on sale of investments;
- commission received;
- rent received;
- income from sale of raw material;
- net income from export rate fluctuation;
- income from export incentives; and
- miscellaneous income.

Expenditure

Our expenditure consists of material consumption, personal expenses, other expenses, interest and finance cost and expenses on depreciation.

Material Consumption. Our expenditure on material consumption primarily consists of expenditure on raw materials and components consumed in the manufacturing process and an increase or a decrease in stocks.

Personnel Expenses. Our personnel expenses primarily consist of salaries, wages, bonus and other related expenses, contribution to provident fund and staff welfare expenses.

Other Expenses. Our other expenses primarily consist of manufacturing expenses and administrative and selling expenses.

Our manufacturing expenses comprise the following:

- power and fuel expenses;
- dies and tools consumed;
- expenses for stores, spares and oil consumed; and
- repair and maintenance expenses for plant and machinery, buildings and others

Our administrative and selling expenses comprise the following:

- rental expenses, rates and taxes;
- insurance expenses;
- discount allowed;
- freight and packing charges;
- travelling and conveyance charges;
- loss on sale of assets;
- advertisement and sales promotion expenses;
- commission paid;
- professional fees;
- sub-contracting charges;
- administrative expenses;
- amalgamation and restructuring expenses;
- miscellaneous expenses; and
- exchange rate fluctuation.

Interest and Finance Cost. Our interest and finance costs consists of such expenses on term loans and on other loans, which include working capital loans and bill discharge charges and cash discounts, net of interest income.

Minority Interest. Minority interest related to the shareholding of third parties in our subsidiaries in the UK, Stokes Group Limited, Stokes Forgings Dudley Limited, Stokes Forgings Limited and Jesand Limited. As of March 31, 2009 and December 31, 2009, we directly or indirectly held 99.8% and 99.9% of each of these four companies, respectively.

Nine Months Ended December 31, 2009

Total Income. Our total income for the nine months ended December 31, 2009 was Rs. 9,454.1 million. Our gross sales for the nine months ended December 31, 2009 was Rs. 9,523.4 million. The excise duty paid by our Company during this period was Rs. 180.5 million, constituting 1.9% of our total income. Our net sales for the nine months ended December 31, 2009 was Rs. 9,342.9 million.

Our Indian operations showed significant improvement in this period as compared to the same period last year. In addition, we are in the process of undertaking several restructuring initiatives to improve our European operating results. For details of such restructuring initiatives, see "Our Business – Our Strategy –Improve Operational Performance and Competitiveness".

Other Income. Our other income for the nine months ended December 31, 2009 was Rs. 111.2 million, which accounted for 1.2% of our total income. This comprised commission expenses of Rs. 1.2 million, rent received of Rs. 9.1 million, net income form exchange rate fluctuation of Rs. 27.4 million and miscellaneous income of Rs. 73.6 million.

Total Expenditure. Our total expenditure for the nine months ended December 31, 2009 was Rs. 11,078.7 million.

Material Consumption. Our material consumption expenses for the nine months ended December 31, 2009 was Rs. 4,588.8 million, which comprised expenditure on raw material and components consumed of Rs. 3,861.4 million and a decrease in stocks of Rs. 727.5 million. Our material consumption expenses was 48.5% of our total income for the nine months ended December 31, 2009.

Personnel Expenses. Our personnel expenses for the nine months ended December 31, 2009 was Rs. 2,647.1 million, which comprised salaries, wages, bonus and other related expenses of Rs. 2,193.0 million, contribution to provident and other funds of Rs. 40.4 million and staff welfare expenses of Rs. 413.6 million. While the cost-saving initiatives taken by us in Europe reduced our personnel expenses, the decline in such costs was offset by the decrease in sales. Therefore, as a percentage of our total income, our consolidated personnel expenses remained high at 28.0% for the nine months ended December 31, 2009. As of December 31, 2009, the total number of our employees was 2,408.

Other Expenses. Our other expenses for the nine months ended December 31, 2009 was Rs. 2,279.9 million, or 24.1% of our total income, which consisted of manufacturing expenses of Rs. 1,500.2 million and administrative and selling expenses of Rs. 779.6 million. Our manufacturing expenses which was 15.9% of our total income for the nine months ended December 31, 2009 comprised power and fuel expenses of Rs. 774.1 million, expenses for dies consumed or amortized of Rs. 133.9 million, expenses for stores, spares and oil consumed of Rs. 220.0 million, repairs and maintenance expenses for plant and machinery, buildings and others of Rs. 372.2 million. Our administrative and selling expenses which was 8.3% of our total income for the nine months ended December 31, 2009 comprised rental expenses of Rs. 244.0 million, rates and taxes of Rs. 25.1 million, insurance expenses of Rs. 54.1 million, freight and packing expenses of Rs. 124.4 million, travelling and conveyance expenses of Rs. 21.2 million, loss of sale of assets of Rs. 6.0 million, advertisement and sales promotion expenses of Rs. 9.6 million, commission expenses of Rs. 22.5 million, professional fees of Rs. 60.5 million, sub-contracting charges of Rs. 64.4 million, administrative expenses of Rs. 137.4 million and miscellaneous expenses of Rs. 10.2 million.

Interest and Finance Costs. Our interest and finance costs for the nine months ended December 31, 2009 was Rs. 459.0 million, consisting of interest and finance cost on term loans of Rs. 331.8 million, interest and finance cost on other loans of Rs. 124.1 million and cash discounts of Rs. 7.1 million. Our interest and finance costs were partially offset by interest income of Rs. 4.0 million.

Exceptional Item. Our expenses related to exceptional items for the nine months ended December 31, 2009 was Rs. 221.5 million, which included provision of Rs. 181.6 million for impairment of goodwill arising on consolidation of Stokes Group Limited, cost of Rs. 20.0 million incurred in shifting of equipment from the Walsall plant, which was shut down during this period to the Dudley plant and redundancy costs of Rs. 19.9 million.

Loss Before Tax. Our loss before tax for the nine months ended December 31, 2009 was Rs. 1,846.1 million or 19.5% of our total income.

Taxation. During the nine months ended December 31, 2009, our provision for taxation was Rs. 7.3 million or 0.1% of our total income, primarily consisting of a provision for current tax asset of Rs. 1.7 million and deferred tax asset of Rs. 8.9 million.

Net Loss. Our net loss for the nine months ended December 31, 2009 was Rs. 1,856.2 million or 19.6% of our total income.

Financial Year 2009 Compared to Financial Year 2008

Total Income. Our total income decreased by 2.8% to Rs. 22,656.2 million for the financial year 2009 from Rs. 23,310.0 million for the financial year 2008.

Gross Sales. Our gross sales decreased by 3.3% to Rs. 22,720.0 million for the financial year 2009 from Rs. 23,498.2 million for the financial year 2008 as a result of decrease in sales volumes. We recorded an increase in sales in the first half of the financial year 2009 as compared to the first half of the financial year 2008, which was offset by a steep decline in sales in the second half of the financial year 2009 as compared to the second half of the financial year 2008.

Net Sales. Our net sales decreased by 3.3% to Rs. 22,424.2 million for the financial year 2009 from Rs. 23,187.5 million for the financial year 2008. The excise duty paid by our Company decreased by 4.8% to Rs. 295.8 million for the financial year 2009 from Rs. 310.8 million for the financial year 2008, primarily due to a reduction in excise duty rates during the financial year 2009.

Other Income. Our other income increased by 89.4% to Rs. 232.0 million for the financial year 2009 from Rs. 122.5 million for the financial year 2008, primarily due to an increase in miscellaneous income to Rs. 169.8 million for the financial year 2009 from Rs. 66.2 million for the financial year 2008, primarily due to the reversal of the provision of employee-related expenses made in the prior year, and an increase in net income from exchange rate fluctuation to Rs. 38.7 million for the financial year 2009 from Rs. 19.1 million for the financial year 2008. As a percentage of our total income, our other income increased to 1.0% for the financial year 2009 from 0.5% for the financial year 2008.

Total Expenditure. Our total expenditure increased to Rs. 23,346.3 million for the financial year 2009 from Rs. 22,749.3 million for the financial year 2008. As a percentage of our total income, our total expenditure increased to 103.1% for the financial year 2009 from 97.6% for the financial year 2008.

Material Consumption. Our material consumption expenses decreased by 1.1% to Rs. 11,075.7 million for the financial year 2009 from Rs. 11,192.7 million for the financial year 2008, primarily due to a decrease in the raw material and components consumed to Rs. 10,931.0 million for the financial year 2009 from Rs. 11,569.4 million for the financial year 2008, which was partially offset by a decrease in stocks of Rs. 144.8 million in the financial year 2009 as compared to an increase in stocks of Rs. 390.9 million in the financial year 2008. As a percentage of our total income, our material consumption increased to 48.9% for the financial year 2009 from 48.0% for the financial year 2008.

Personnel Expenses. Our personnel expenses decreased by 1.5% to Rs. 5,497.7 million for the financial year 2009 from Rs. 5,583.9 million for the financial year 2008, primarily due to a decrease in salaries, wages and bonus to Rs. 4,816.9 million for the financial year 2009 from Rs. 4,903.9 million for the financial year 2008 and a decrease in contribution to provident and other funds of Rs. 68.9 million for the financial year 2009 from Rs. 140.5 million for the financial year 2008, as a result of the decrease in the total number of our employees to 2,747 as of March 31, 2009 from 3,074 as of March 31, 2008. The total number of employees for our European operations decreased to 1,812 as of March 31, 2009 from 2,201 as of March 31, 2008. These decreases were partially offset by an increase in staff welfare expenses to Rs. 611.9 million for the financial year 2009 from Rs 539.5 million for the financial year 2008. As a percentage of our total income, our personnel expenses increased marginally to 24.3% for the financial year 2009 from 24.0% for the financial year 2008.

Other Expenses. Our other expenses increased by 2.6% to Rs. 4,574.4 million for the financial year 2009 from Rs. 4,458.7 million for the financial year 2008, primarily due to an increase in manufacturing expenses to Rs. 2,959.2 million for the financial year 2009 from Rs. 2,643.2 million for the financial year 2008, an increase in power and fuel expenses to Rs. 1,391.6 million for the financial year 2009 from Rs. 1,281.2 million for the financial year 2008, an increase in expenses for dies and tools consumed to Rs. 309.5 million for the financial year 2009 from Rs. 179.6 million for the financial year 2008 and an increase in expenses for stores, spares and oil consumed to Rs. 330.0 million for the financial year 2009 from Rs. 179.4 million for the financial year 2008. These increases were partially offset by a decrease in administrative and selling expenses to Rs. 1,615.2 million for the financial year 2009 from Rs. 1,815.6 million for the financial year 2008, primarily due to a decrease in the miscellaneous expenses to Rs. 81.8 million for the financial year 2009 from Rs. 253.5 million for the financial year 2008 and a decrease in discount allowed to Rs. 34.0 million for the financial year 2009 from Rs. 103.4 million for the financial year 2008. As a percentage of our total income, our other expenses increased to 20.2% for the financial year 2009 from 19.1% for the financial year 2008. As a percentage of our total income, while our manufacturing expenses increased to 13.1% for the financial year 2009 from 11.3% from the financial year 2008, our administrative and selling expenses decreased to 7.1% from 7.8% over the same period.

Interest and Finance Costs. Our interest and finance costs increased by 51.3% to Rs. 704.0 million for the financial year 2009 from Rs. 465.2 million for the financial year 2008, primarily due to an increase in interest and finance cost on term loans to Rs. 299.3 million for the financial year 2009 from Rs. 28.4 million for the financial year 2008 and an increase in interest and finance cost on others to Rs. 401.7 million for the financial year 2009 from Rs. 328.4 million for the financial year 2008. These increases were partially offset by a decrease in cash discounts to Rs. 7.7 million for the financial year 2009 from Rs. 129.8 million for the financial year 2008. While our principal amount of secured loans outstanding decreased to Rs. 7,741.6 million as of March 31, 2009 from Rs. 7,914.1 million as of March 31, 2008, our principal amount unsecured loans outstanding increased to Rs. 997.9 million from Rs. 199.5

million over the same period. Our interest and finance costs on term loans were higher in the financial year 2009 primarily because such expenses were capitalized during the financial year 2008. As a percentage of our total income, our interest and finance costs increased to 3.1% for the financial year 2009 from 2.0% for the financial year 2008.

Depreciation. Depreciation expenses increased by 42.5% to Rs. 1,494.5 million for the financial year 2009 from Rs. 1,048.7 million for the financial year 2008, primarily due to an increase in gross block to Rs. 28,048.5 million as of March 31, 2009 from Rs. 26,111.7 million as of March 31, 2008, with the commissioning of our 12,800T press during the financial year 2009. The increase in depreciation was also attributable to the depreciation in the value of Indian rupees to Euros to an average of Rs. 67.6 per Euro in the financial year 2009 from an average of Rs. 62.9 per Euro in the financial year 2008. As a percentage of our total income, our depreciation expenses increased to 6.6% for the financial year 2009 from 4.5% for the financial year 2008.

Exceptional Item. Our expenses related to exceptional items increased by 59.6% to Rs. 382.6 million in the financial year 2009 from Rs. 239.7 million in the financial year 2008. While the exceptional items in the financial year 2009 related to the redundancy cost paid to workers of Rs. 382.6 million, the exceptional item in the financial year 2008 related to amortization of goodwill of Rs. 173.9 million, loss of nimonic materials of Rs. 60.4 million and amount paid as redundancy costs to workmen of Rs. 5.4 million.

Loss Before Tax. Our loss before tax was Rs. 1,072.7 million for the financial year 2009 as compared to a profit before tax of Rs. 321.0 million for the financial year 2008.

Taxation. Our provision for taxation decreased by 48.5% to Rs. 80.5 million for the financial year 2009 from Rs. 156.4 million for the financial year 2008, primarily due to current tax asset of Rs. 0.2 million for the financial year 2009 as compared to a provision for current tax of Rs. 283.0 million for the financial year 2008. This decrease was partially offset by an increase in the provision for deferred tax to Rs. 27.9 million as compared to a decrease in the provision for deferred tax asset of Rs. 90.3 million and by an increase in the net provision for prior period adjustments for deferred tax to Rs. 51.4 million as compared to a decrease in the net provision for prior period adjustments of deferred tax of Rs. 38.1 million.

Net Loss. For the reasons mentioned above, our net loss was Rs. 1,166.0 million for the financial year 2009 as compared to a net profit for the year of Rs. 158.0 million for the financial year 2008.

Adjustments to the Securities Premium Account

As approved by our shareholders and the High Court of Judicature at Mumbai under sections 78 and 100 to 103 of the Companies Act, the following items were adjusted against our securities premium account in the financial year 2009:

- Goodwill of Rs. 521.6 million;
- non compete fees of Rs. 15.0 million (gross of deferred tax of Rs. 5.1 million);
- provision for non compete fees of Rs. 25.0 million (gross of deferred tax of Rs. 8.5 million) ; and
- debit balance in profit and loss account as of March 31, 2008 of Rs. 388.2 million and accretion to the same during the period from April to September 2008 of Rs. 82.0 million.

Had such adjustments not been made, the unconsolidated loss for the financial year 2009 would have been Rs. 592.9 million, which is Rs. 179.0 million more than the balance shown in the unconsolidated profit and loss statement for the financial year 2009. The consolidated loss for the financial year 2009 would have increased by the same amount. As a result, securities premium account of Rs. 1,575.5 million was reduced to Rs. 557.4 million.

Financial Year 2008 Compared to Financial Year 2007

We acquired our European operations with effect from April 1, 2007 and prior to financial year 2008, our Company did not have any subsidiary. Unless stated otherwise, the changes in the amounts set out in the discussion below is due to the increase in size of our operations in the financial year 2008 from such acquisitions. See " – Preparation of

Consolidated Accounts”. Income from our European operations constituted 90.5% of our consolidated income for the financial year 2008.

Total Income. Our total income was Rs. 23,310.0 million for the financial year 2008 as compared to Rs. 2,151.0 million for the financial year 2007.

Gross Sales. Our gross sales increased to Rs. 23,498.2 million for the financial year 2008 from Rs. 2,458.8 million for the financial year 2007.

Net Sales. Our net sales increased to Rs. 23,187.5 million for the financial year 2008 from Rs. 2,114.0 million for the financial year 2007 and the excise duty paid by our Company decreased to Rs. 310.8 million for the financial year 2008 from Rs. 344.8 million for the financial year 2007.

Other Income. Our other income increased to Rs. 122.5 million for the financial year 2008 from Rs. 37.1 million for the financial year 2007. As a percentage of our total income, our other income decreased to 0.5% for the financial year 2008 from 1.7% for the financial year 2007.

Total Expenditure. Our total expenditure increased to Rs. 22,749.3 million for the financial year 2008 from Rs. 2,071.5 million for the financial year 2007. As a percentage of our total income, our total expenditure increased marginally to 97.6% for the financial year 2008 from 96.3% for the financial year 2007.

Material Consumption. Our material consumption expenses increased to Rs. 11,192.7 million for the financial year 2008 from Rs. 1,259.9 million for the financial year 2007. As a percentage of our total income, our material consumption expenses decreased to 48.0% for the financial year 2008 from 58.6% for the financial year 2007, primarily because our European operations had a higher proportion of machined products, which generally consume less raw materials.

Personnel Expenses. Our personnel expenses increased to Rs. 5,583.9 million for the financial year 2008 from Rs. 103.5 million for the financial year 2007. As a percentage of our total income, our personnel expenses increased substantially to 24.0% for the financial year 2008 from 4.8% for the financial year 2007, primarily due to the higher salaries and other personnel expenses in our Subsidiaries in Europe.

Other Expenses. Our other expenses increased to Rs. 4,458.7 million for the financial year 2008 from Rs. 562.7 million for the financial year 2007, primarily due to an increase in manufacturing expenses to Rs. 2,643.2 million for the financial year 2008 from Rs. 446.7 million for the financial year 2007 and an increase in administrative and selling expenses to Rs. 1,815.6 million for the financial year 2008 from Rs. 116.0 million. During the same period, our power and fuel expenses increased to Rs. 1,281.2 million from Rs. 187.7 million, our expenses on dies and tools consumed increased to Rs. 179.6 million from Rs. 92.5 million, our expenses for stores, spares and oil consumed increased to Rs. 179.4 million from Rs. 100.2 million, our repairs and maintenance expenses increased to Rs. 1,003.0 million from Rs. 51.1 million, our rental expenses increased to Rs. 262.3 million from Rs. 2.6 million, our expenses on rates and taxes increased to Rs. 35.9 million from Rs. 1.4 million, our insurance expenses increased to Rs. 68.9 million from Rs. 2.7 million, our freight and packing expenses increased to Rs. 253.1 million from Rs. 29.8 million and our travel and conveyance expenses increased to Rs. 42.8 million from Rs. 6.0 million. As a percentage of our total income, our other expenses decreased to 19.1% for the financial year 2008 from 26.2% for the financial year 2007. During the same period, as a percentage of our total income, our manufacturing expenses and our selling and administrative expenses decreased to 11.3% from 20.8% and increased to 7.8% from 5.4%, respectively.

Interest and Finance Costs. Our interest and finance cost increased to Rs. 465.2 million for the financial year 2008 from Rs. 56.2 million for the financial year 2007. As a percentage of our total income, our interest and finance costs decreased to 2.0% for the financial year 2008 from 2.6% for the financial year 2007.

Depreciation. Our depreciation expenses increased to Rs. 1,048.7 million for the financial year 2008 from Rs. 89.1 million for the financial year 2007. As a percentage of our total income, depreciation expenses increased marginally to 4.5 % for the financial year 2008 from 4.1% for the financial year 2007.

Exceptional Item. Our expenses related to exceptional items increased to Rs. 239.7 million for the financial year 2008 from Rs. 178.3 million for the financial year 2007. Our expenses related to exceptional items in the financial year 2008 comprised amortization of goodwill of Rs. 173.9 million, loss of nimonic material of Rs. 60.4 million and amount paid as redundancy costs to workmen of Rs. 5.4 million, while our expenses related to exceptional items in the financial year 2007 comprised amortization of goodwill of Rs. 173.9 million and contingency provision of Rs. 4.5 million. As a percentage of our total income, our expenses related to exceptional items decreased to 1.0% for the financial year 2008 from 8.3% for the financial year 2007.

Profit/Loss before Tax. Our profit before tax was Rs. 321.0 million for the financial year 2008 as compared to a loss before tax of Rs. 98.8 million for the financial year 2007.

Taxation. Our provision for taxation increased to Rs. 156.4 million for the financial year 2008 from Rs. 23.0 million for the financial year 2007. As a percentage of our total income, our provision for taxation decreased to 0.7% for the financial year 2008 from 1.1% for the financial year 2007.

Net Profit/Loss for the Year. For the reasons stated above, our net profit for the financial year 2008 was Rs. 158.0 million as compared to a net loss for the financial year 2007 of Rs. 125.3 million.

Addition to Reserves Arising Out of the Amalgamation

The amalgamation of Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited and Mahindra Forgings Mauritius Limited with our Company was accounted for under the pooling of interest method as prescribed under Accounting Standard 14 issued by Institute of Chartered Accountants of India. For more details on the Amalgamation, see " — Preparation of Consolidated Accounts". Accordingly the assets, liabilities and reserves of these companies as of April 1, 2007, were taken at their book values by our Company. All reserves and surplus of these companies were transferred to and vested in our Company in the same form in which they appeared in the books of these companies.

The difference between the amount recorded as share capital on issue of equity shares to the shareholders of Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited and Mahindra Forgings Mauritius Limited, and the value of net assets taken over from the transferor companies, aggregating to Rs. 5,767.1 million, was credited to the general reserve account in our balance sheet as of March 31, 2008.

Financial Condition, Liquidity and Capital Resources

Liquidity

Our primary liquidity requirements relate to financing our operations, working capital needs, dividend payments, debt servicing and acquisitions and expansions, if any. We have historically funded such capital expenditures through a combination of internal cash flows and borrowings.

Cash Flows

The table below summarizes our consolidated cash flows for the financial years 2009, 2008 and 2007 and the nine months ended December 31, 2009:

	For Nine Months Ended December 31, 2009 (Consolidated) (Unaudited)	For the Financial Year 2009 Consolidated (Audited)	2008 Consolidated (Audited)	2007 Unconsolidated (Audited)
		(Rs. in millions)		
Net cash generated from / (used in) operating activities	679.5	1,421.8	4,773.3	(129.1)
Net cash generated from / (used in) investing activities	(128.8)	(1,676.5)	(3,432.3)	(450.2)
Net cash generated from / (used in) financing activities	(355.4)	166.2	(1,414.3)	(251.7)
Net increase/decrease in cash and cash equivalent	195.3	(88.5)	(73.3)	(831.0)

Operating Activities

Net cash generated from operating activities was Rs. 679.5 million for the nine months ended December 31, 2009, consisting of our loss before tax after prior period adjustments of Rs. 1,863.5 million, as adjusted by non-cash items such as (i) depreciation, amortization and expenditure on employees' stock option scheme of Rs. 1,112.5 million; (ii) interest expenses of Rs. 455.9 million; (iii) losses on sale of fixed assets of Rs. 6.0 million; which were partially offset by interest and dividend income of Rs. 4.0 million and unrealized foreign exchange loss of Rs. 11.3 million. Our operating loss before working capital changes was Rs. 281.8 million. Working capital changes consisted of a decrease in trade and other receivables of Rs. 1,458.5 million and a decrease in inventories of Rs. 704.2 million, which were partially offset by a decrease in trade payables of Rs. 1,184.6 million

Net cash generated from operating activities was Rs. 1,421.8 million for the financial year 2009, consisting of our loss before tax after prior period adjustments of Rs. 1,086.9 million, as adjusted by non-cash items such as (i) depreciation, amortization and expenditure on employees' stock option scheme of Rs. 1,524.5 million; (ii) interest expenses of Rs. 701.0 million; (iii) losses on sale of fixed assets of Rs. 48.6 million; which were partially offset by interest and dividend income of Rs. 4.7 million and unrealized foreign exchange gain of Rs. 55.2 million. Our operating profit before working capital changes was Rs. 1,140.6 million. Working capital changes consisted of a decrease in trade and other receivables of Rs. 368.5 million and a decrease in inventories of Rs. 733.5 million, which were partially offset by a decrease in trade payables of Rs. 749.6 million

Net cash generated from operating activities was Rs. 4,773.3 million for the financial year 2008, consisting of our profit before tax after prior period adjustments of Rs. 314.3 million, as adjusted by non-cash adjustments items such as (i) depreciation, amortization and expenditure on employees' stock option scheme of Rs. 1,224.9 million; (ii) provision for doubtful debts/write offs of Rs. 6.9 million; (iii) interest expenses of Rs. 486.5 million; (iv) losses on sale of fixed assets of Rs. 4.5 million and (v) sundry balances written off of Rs. 0.2 million, which were partially offset by (i) interest and dividend income of Rs. 22.2 million; (ii) profit on sale of investment of Rs. 2.3 million; (iii) credit balances written back of Rs. 7.2 million; and (iv) unrealized foreign exchange gain of Rs. 9.9 million. Our operating profit before working capital changes was Rs. 1,995.7 million. Working capital changes consisted of a decrease in trade and other receivables of Rs. 4,494.6 million, which was partially offset by an increase in inventories of Rs. 619.1 million and a decrease in trade payables of Rs. 841.1 million.

Net cash used in operating activities was Rs. 129.1 million for the financial year 2007, reflecting our loss before tax after prior period adjustments of Rs. 102.3 million, as adjusted by non-cash adjustment items such as (i) depreciation, amortization and expenditure on employees' stock option scheme of Rs. 257.9 million; (ii) provision for doubtful debts and write-offs of Rs. 7.3 million; (iii) interest expenses of Rs. 75.3 million; (iv) loss on sale of fixed assets of Rs. 0.1 million; and (v) sundry balances written off of Rs. 0.5 million, which were partially offset by contingency of Rs. 77.9 million, miscellaneous expense written off of Rs. 20.0 million, interest and dividend income of Rs. 19.4 million, profit on sale of fixed assets of Rs. 6.7 million, profit on sale of investment of Rs. 11.2 million and credit balances written back of Rs. 15.1 million. Our operating profit before working capital changes was Rs. 88.5 million. Working capital changes consisted of an increase in trade and other receivables and loans and advances of Rs. 92.8 million and a decrease in trade payables and other liabilities of Rs. 235.2 million, which were partially offset by a decrease in inventories of Rs. 124.9 million.

Investing Activities

Net cash used in investing activities was Rs. 128.8 million for the nine months ended December 31, 2009, primarily consisting of purchase of fixed assets of Rs. 303.8 million, which was partially offset by sale of fixed assets of Rs. 171.1 million and interest and dividend received of Rs. 4.0 million.

Net cash used in investing activities was Rs. 1,676.5 million for the financial year 2009, primarily consisting of purchase of fixed assets of Rs. 2,531.3 million, and purchase of investment of Rs. 3.2 million, which were partially offset by sale of fixed assets of Rs. 853.3 million and interest and dividend received of Rs. 4.7 million.

Net cash used in investing activities was Rs. 3,432.3 million for the financial year 2008, primarily consisting of purchase of fixed assets of Rs. 3,511.5 million, which was partially offset by sale of investments of Rs. 41.8 million, sale of fixed assets of Rs. 17.2 million and interest and dividend received of Rs. 20.2 million.

Net cash used in investing activities was Rs. 450.2 million for the financial year 2007, primarily consisting of purchase of fixed assets of Rs. 465.8 million and purchase of investment of Rs. 28.3 million, which were partially offset by sale of fixed assets of Rs. 13.3 million, profit on sale of investment of Rs. 11.2 million and interest and dividend received of Rs. 19.4 million.

Financing Activities

Net cash used in financing activities was Rs. 355.4 million for the nine months ended December 31, 2009, primarily consisting of interest payment of Rs. 455.9 million, which was partially offset by proceeds from term loans of Rs. 100.4 million.

Net cash generated from financing activities was Rs. 166.2 million for the financial year 2009, primarily consisting of proceeds from term loans of Rs. 867.2 million, which was partially offset by interest payment of Rs. 701.0 million.

Net cash used in financing activities was Rs. 1,414.3 million for the financial year 2008, primarily consisting of repayment of term loans of Rs. 1,433.4 million and interest payment of Rs. 538.7 million, which were partially offset by proceeds form the issue of share capital of Rs. 557.8 million.

Net cash used in financing activities was Rs. 251.7 million for the financial year 2007, primarily consisting of redemption of preference shares of Rs. 454.5 million, interest payment of Rs. 75.3 million and share issue expenses of Rs. 6.8 million, which were partially offset by the receipt of loans of Rs. 284.9 million.

Contractual Obligations

As of December 31, 2009, the estimated amount of contracts remaining to be executed on capital account and not provided for, was Rs. 57.4 million.

The following table summarizes our significant contractual obligations, on as consolidated basis, as of December 31, 2009:

Contractual obligations	As of December 31, 2009	Less than 1 year	1-5 years
		(Rs. In millions)	
Operating lease obligations	353.8	160.7	193.1
Hire purchase obligations	196.2	57.8	138.3

Indebtedness

The following tables provides our outstanding indebtedness as of December 31, 2009 and March 31, 2009, 2008 and 2007:

Particulars	As of December 31, 2009 (Consolidated) (Unaudited)	As of March 31,		
		2009 (Consolidated) (Audited)	2008 (Consolidated) (Audited)	2007 (Unconsolidated) (Audited)
	(Rs. in millions)			
Secured Loans				
Financial Institution	35.1	45.5	60.5	77.3
Foreign Currency Loan from Banks	4,536. 9	5,538.6	5,406.8	-
Rupee Loans from Banks	1,314.3	1,480.6	1,639.2	543.4
Working Capital Loan from Banks	325.1	676.9	807.7	180.7
	6,211.4	7,741.6	7,914.1	801.4
Unsecured Loans	2,628.6	997.9	199.5	199.5
Total Indebtedness	**8,840.0**	**8,739.6**	**8,113.6**	**1,000.9**

As of December 31, 2009, we had Rs. 8,840.0 million of aggregate amounts of indebtedness outstanding.

The terms of certain of our borrowings contain restrictive covenants, such as requiring lender consent amongst other things for incurring further indebtedness, guarantee obligations on behalf of third parties, removing or dismantling any assets comprised in security, further encumbrances on our assets, sell ,assign , mortgage, charge, pledge, lien, trust, hypothecate or disposing of our assets, declaring dividends or incurring capital expenditures beyond certain limits. Some of these borrowings also contain covenants which limit our ability to make any change or alteration in our capital structure, make investments, effect any scheme of amalgamation or restructuring, undertake any new project, expansion/enlargement, demerger, merger, consolidation, or diversify our scope of business. Further, we are also required to comply with certain financial covenants under our borrowings such as the requirement to maintain a minimum security margin current asset cover, ratio of total term debt to tangible net worth, current ratio, debt service coverage ratio interest coverage ratio, fixed asset cover, total debt gearing, interest cover, leverage and achieve the stipulated net cash accruals for each financial year. There are also management covenants which require the Promoters to maintain certain percentage of shareholding in our Company. Our borrowings are secured by a charge over our immoveable and moveable property, and certain of them are secured by a charge on our current assets.

We are not in compliance with certain financial covenants contained in one of our loan agreements. See "Risk Factors – Certain of our subsidiaries have been granted waiver with respect to compliance with certain of the financial covenants under their debt facilities for the past periods, subject to fulfillment of certain conditions, which they may not be able to fulfill and which could result in an acceleration of payment obligation under such indebtedness".

Contingent Liabilities

From time to time, we grant security over certain of our assets as collateral guarantees as well as issue corporate guarantees in respect of debt incurred by us. In addition, we also provide bank guarantees in respect of our obligations under various contracts. Details about our contingent liabilities for the nine months ended December 31, 2009 and the financial year 2009 are set out below:

- The guarantees given by us, as of December 31, 2009 and March 31, 2009, aggregated to Rs. 32.4 million and Rs. 48.3 million, respectively. These guarantees primarily related to imports made by our Company under the Export Promotion Capital Goods scheme of the Government of India.

- We had claims against us not acknowledged as debts aggregating to Rs. 12.3 million and Rs. 10.2 million as of December 31, 2009 and March 31, 2009, respectively. These claims related to the taxation related claims disputed by us relating to issues of applicability and classification.

- We had outstanding bills which have been discounted, aggregating to Rs. 133.9 million and Rs. 166.6 million, as of December 31, 2009 and March 31, 2009, respectively.

In addition, we had also provisions in respects of product warranties provided by us, aggregating to Rs. 53.8 million and Rs. 94.2 million as of December 31, 2009 and March 31, 2009, respectively.

Our Company imports capital goods under the Export Promotion Capital Goods scheme of the Government of India, at concessional rates of customs duty. Under this scheme, our Company is required to fulfill quantified exports over a period of time, which aggregated to US$ 87.1 million as of December 31, 2009.

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties, including with, our affiliates and certain key management members on an arm's lengths basis. Details of our material related party transactions, for the nine months ended December 31, 2009 and the financial year 2009 are set out below:

	As of December 31, 2009 (Consolidated) (Unaudited)			As of March 31, 2009 (Consolidated) (Audited)		
Nature of Transactions	**M&M**	**M&M's Subsidiaries**	**Key Management Personnel**	**M&M**	**M&M's Subsidiaries**	**Key Management Personnel**
			(Rs. in millions)			
Purchases						
Raw Material	-	1,032.2	-	-	864.0	-
Sales						
Goods	805.7	16.0	-	781.9	1.9	-
Scrap	-	127.1	-	-	190.6	-
Inter-corporate Deposit Accepted	375.0	914.5	-	**440.0**	**-**	**-**
Interest paid on inter-corporate deposits	72.1	29.9	-	**17.1**	**-**	**-**
Receivables Outstandings	58.9	2.8	-	**72.9**	**14.6**	**-**
Payables Outstandings	1.9	434.9	-	**449.8**	**147.8**	**-**
Inter-corporate Deposit Outstanding	815.0	891.9	-	**-**	**-**	**-**

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk and commodities risk. We are exposed to commodity risk, interest rate risk, foreign exchange risk and credit risk in the normal course of our business.

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may affect our debt service obligations and our access to funds. We currently have floating rate indebtedness and also maintain deposits of cash and cash equivalents with banks and other financial institutions and thus are exposed to market risk as a result of changes in interest rates. As of December 31, 2009, all of our indebtedness consisted of floating rate indebtedness. Since we do not have any forward contracts to hedge against interest rate risk, any upward fluctuations in interest rates may increase the cost of both existing and new debts.

Commodity Risk

In the normal course of business, we purchase our raw materials on a purchase order basis. As a result, we are exposed to market risk with respect to the prices of these raw materials. We are exposed to variation in the prices of our raw materials. However, through our commercial agreements with our customers, we are able to pass on the impact of steel prices directly to our customers. See "Risk Factors – We rely on a small number of suppliers for a significant portion of raw materials and do not enter into long-term contracts with our suppliers".

Foreign Exchange Risk

Changes in currency exchange rates influence our results of operations. We report our consolidated financial results in Indian Rupees, while portions of our total income and expenses are generated or incurred in currencies other than Indian Rupees, such as the Euros and British Pounds. Our Company does not have a significant amount of imports other than capital goods, which are incurred from time to time as required. For our Indian operations, we enter into forward contracts from time to time, in order to cover large exposures, especially in case of capital goods imported by us. Currently, we do not have any outstanding forward contract. For more details on foreign exchange risk, see "Factors Affecting our Results of Operations – Exchange Rates".

Credit Risk

We are exposed to credit risk on monies owed to us by our customers. If our customers do not pay us promptly, or at all, we may have to make provisions for or write-off such amounts. As of December 31, 2009 and March 31, 2009, Rs. 1.5 million and Rs. 22.0 million was provided for doubtful debt and advances, respectively.

Significant Events after December 31, 2009

Our shareholders have approved the allotment of 7,299,270 warrants, on a preferential basis, at a price of Rs. 137.0 each to M&M, our promoter, wherein each warrant entitles M&M to apply for one equity share of our Company, within a period of 18 (eighteen) months from the date of allotment of such warrants.

INDUSTRY OVERVIEW

The information in this section has been extracted from various government publications and industry sources. Neither we nor any other person connected with the Issue have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. The information from the external sources may have been re-classified by us for the purpose of presentation.

Overview of the Indian Economy

India is the world's largest democracy by the population size, and one of the fastest growing economies in the world. It has grown at an average rate of 7.5% per annum during the last three years. According to CIA World Factbook, India's estimated population was 1.16 billion people in July 2009. India had an estimated GDP of approximately US$ 3,548.0 billion in 2009, which makes it the fourth largest economy in the world after the United States of America, China and Japan, in purchasing power parity terms. The following table presents a comparison of India's real GDP growth rate with the real GDP growth rate of certain other countries:

Countries*	2007	2008	2009
Australia	4.0%	2.4%	0.8%
Brazil	6.1%	5.1%	0.1%
China	13.0%	9.0%	8.4%
Germany	2.5%	1.3%	(5.0%)
India	**9.0%**	**7.4%**	**6.1%**
Japan	2.3%	(0.7%)	(5.7%)
South Korea	5.1%	2.2%	(0.8%)
Malaysia	6.2%	4.6%	(2.8%)
Russia	8.1%	5.6%	(8.5%)
Thailand	4.9%	2.6%	(3.5%)
United Kingdom	2.6%	0.7%	(4.3%)
United States	2.1%	0.4%	(2.4%)

** Represents calendar year growth rates*
(Source: CIA World Factbook, website: www.cia.gov/library/publications/the-world-factbook/index.html, accessed on February 17, 2010)

The Government of India's Eleventh Five Year Plan, which covers the period from 2007 to 2012, aims to achieve a sustainable growth rate of 9.0% with emphasis on a broad-based and inclusive approach that would improve the quality of life and reduce disparities across regions and communities. *(Source: Government of India, Eleventh Five Year Plan 2007–2012, Volume I*)

Overview of the Global Automotive Industry

The global economic downturn led to a severe slump in the automotive industry worldwide in the second half of 2008 and the first half of 2009. The industry witnesses unprecedented and simultaneous slowdown across segments and geographies. During the last quarter of 2008, most of the markets experienced a 40–60% drop in volumes, especially in the commercial vehicles segment, as compared to the same period previous year. This resulted in significant over-capacity with all manufacturers, because of which, OEMs had to implement a series of cost-cutting measures such as plant closures, delay of production schedules, renewed pricing-pressure on suppliers, low inventory and lower operating expenses. However, the global automotive markets showed signs of revivals during the second half of 2009.

At present, U.S. is the world's biggest automotive market. It was one of the worst affected markets by the economic downturn with sales falling sharply in 2008 as compared to 2007. During this period, the commercial vehicle production dropped drastically by 28.3% to 4,896,000 in 2008 from 6,828,000 in 2007 while the passenger car production dropped by 3.8% to 3,777,000 in 2008 from 3,924,000 in 2007. *(Source: Bureau of Transportation*

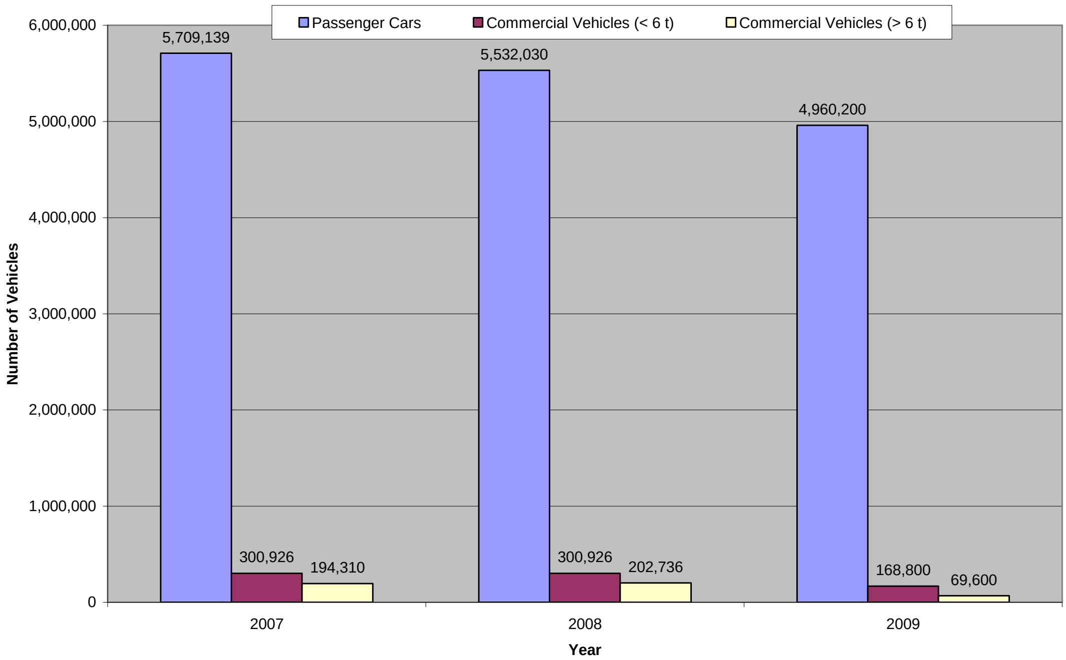
Statistics; Research and Innovation Technology Administrative, website: www.bts.gov/publications/national_transportation_statistics/, accessed on February 17, 2010)

Similar to the U.S., the European automotive market also experienced a turbulent time in the second half of 2008 and the first half of 2009. However, the European market showed greater signs of recovery in the second half of 2009 as compared to U.S.

Germany (which is our largest market) is the largest automotive market in Europe, contributing 26.6% and 27.1% of the total automotive production in Europe in 2008 and 2007, respectively. On a global basis, Germany accounted for 8.8% and 8.6% of the automotive production in 2008 and 2007, respectively. *(Source: Association of German Auto Industry, website: www.vda.de/en/zahlen/jahreszahlen/automobilproduktion/, accessed on February 17, 2010)*

Domestic Production in Germany

The graph set forth below shows the number of passenger cars, commercial vehicles (less than 6 tonnes) and commercial vehicles (more than 6 tonnes) produced in Germany for the periods indicated:

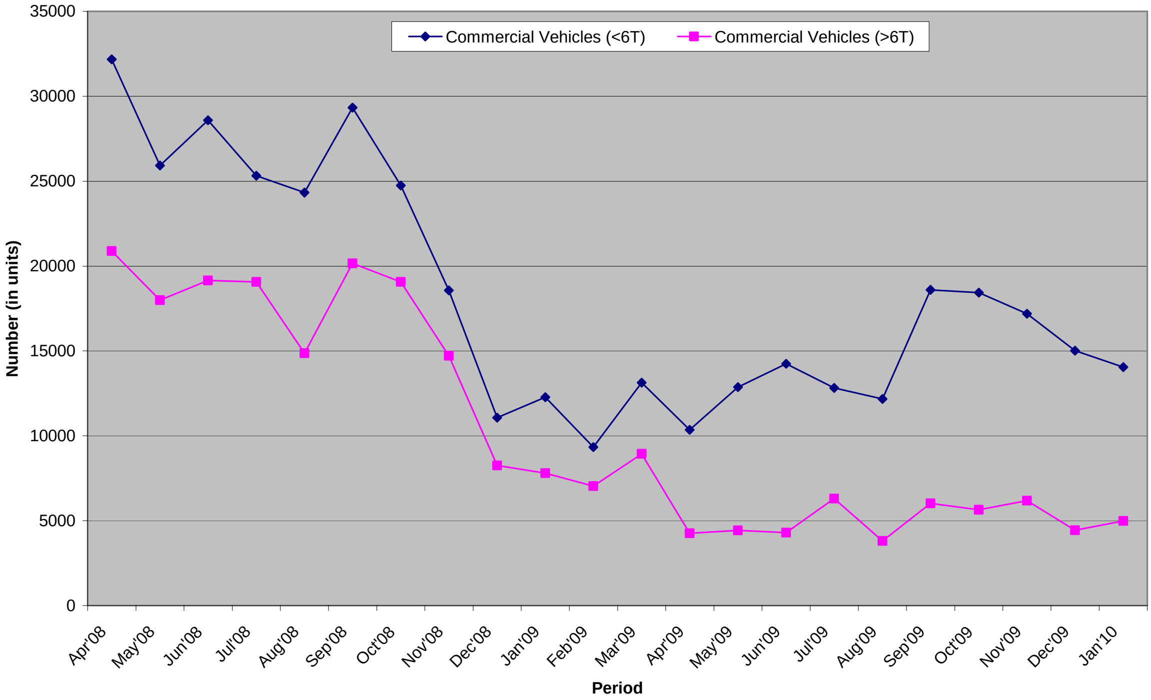


(Source: Association of German Auto Industry, website: www.vda.de/en/zahlen/jahreszahlen/automobilproduktion/, accessed on February 17, 2010)

Commercial Vehicle Production in Germany

Subsequent to April 2008, the number of commercial vehicles (less than 6 tonnes) produced dropped by 71.0% from the peak of 32,175 in April 2008 to a trough of 9,334 in February 2009. Similarly, the number commercial vehicles (more than 6 tonnes) produced dropped by 81.8% from the peak of 20,880 in April 2008 to a trough of 3,804 in August 2009. However, the German market has started to recover gradually. In January 2010, Germany produced 14,040 commercial vehicles (less than 6 tonnes) and 4,990 commercial vehicles (more than 6 tonnes).

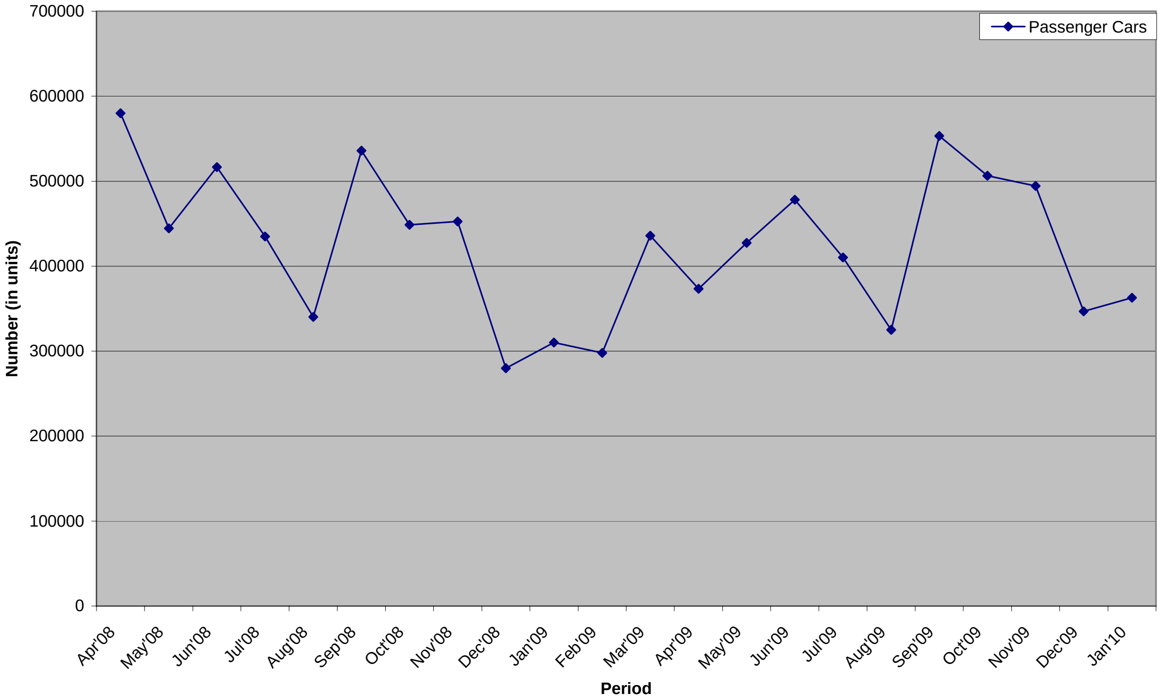
The following graph sets forth the numbers of commercial vehicles (less than 6 tonnes) and commercial vehicles (larger than 6 tonnes) produced in Germany in the stated period:



(Source: Association of German Auto Industry, website: www.vda.de/en/zahlen/jahreszahlen/automobilproduktion/, accessed on February 17, 2010)

Passenger Car Production in Germany

Since April 2008, the number of passenger cars produced in Germany has fluctuated frequently, with a peak of 579,869 in April 2008 and a trough of 279,948 in December 2008. The following graph sets forth the number of passenger cars produced in Germany in the stated period:

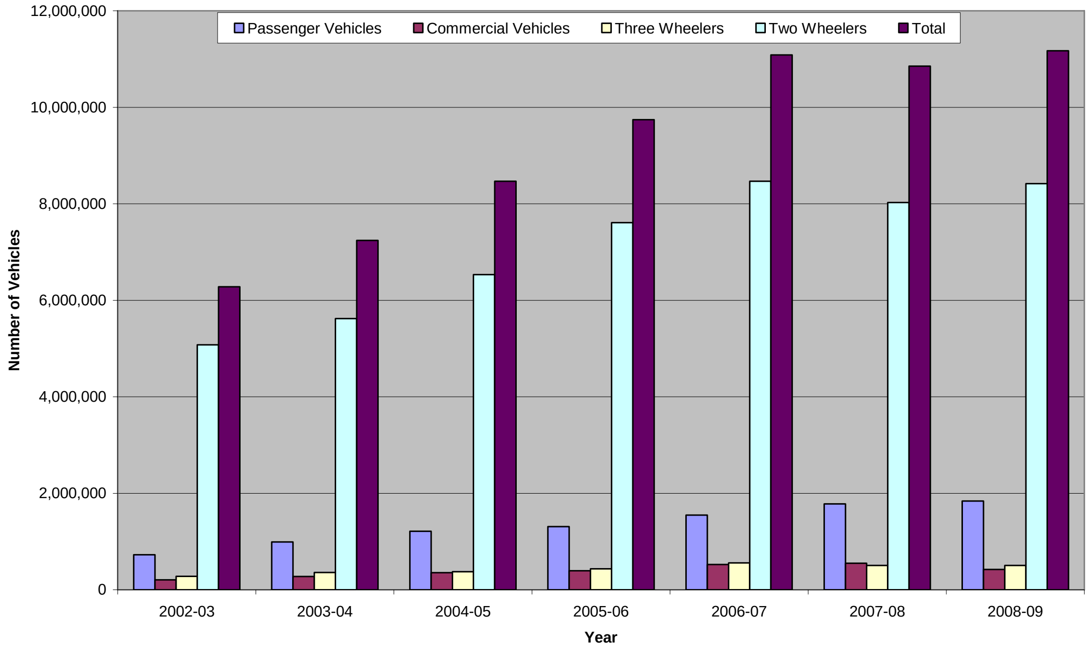


(Source: Association of German Auto Industry, website: www.vda.de/en/zahlen/jahreszahlen/automobilproduktion/, accessed on February 17, 2010)

Indian Automotive Market

The growth of the Indian middle-class with increasing purchasing power and the overall expansion of the economy over the past few years has led to the significant development of the Indian automobile market. Coupled with the stagnation of the automotive sector in European, U.S. and Japanese markets, the Indian automotive industry has witnessed inflows of new capacities and capital. The Indian automotive industry witnessed robust growth with automotive production increasing to over 11.18 million vehicles in the year ended March 31, 2009 from 6.28 million vehicles in the year ended March 31, 2003, implying a CAGR of 10.1%. *(Source: Society of Indian Automobile Manufacturers ("SIAM") website www.siamindia.com, accessed on February 17, 2010)*

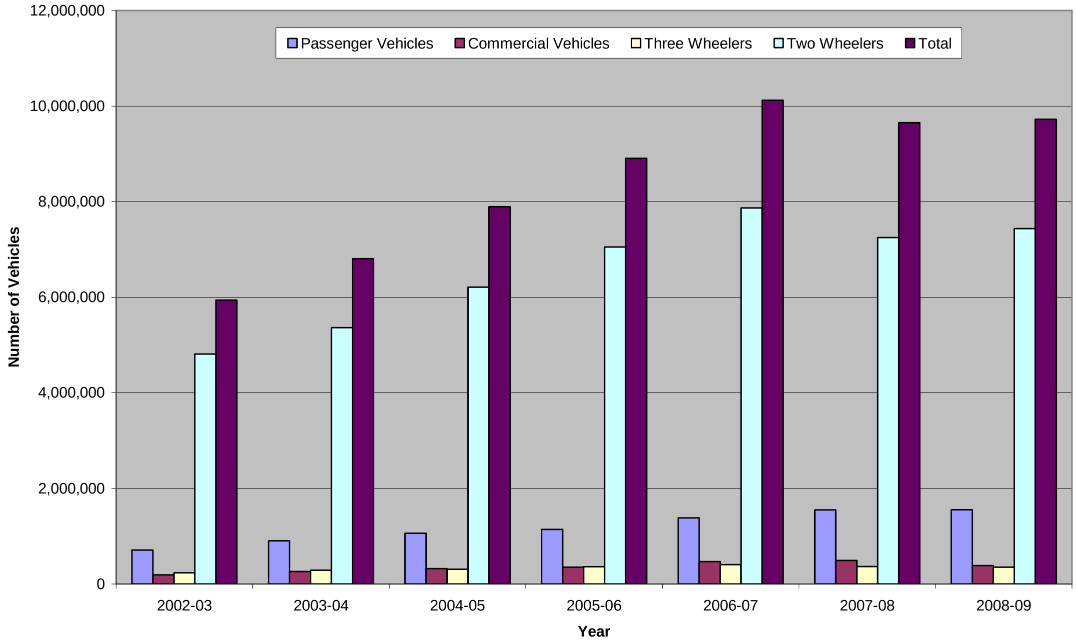
The graph set forth below shows the production figures of different types of vehicles in India for the periods indicated:



(Source: SIAM, website www.siamindia.com, accessed on February 17, 2010)

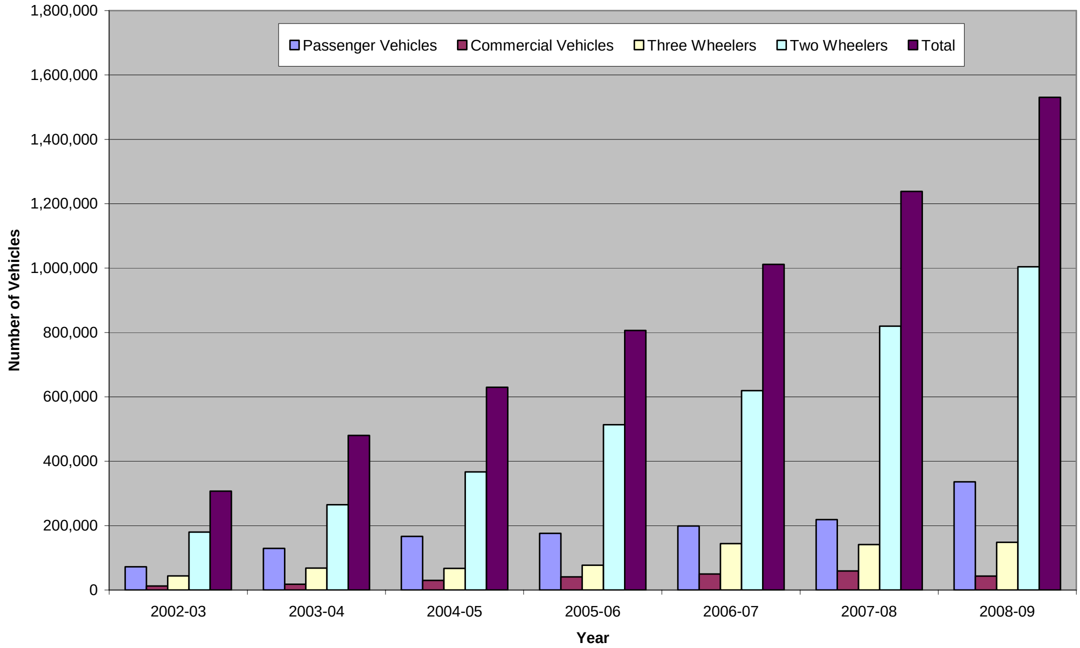
Sales of Passenger Cars and Commercial Vehicles

Sales of passenger cars depend significantly on the per-capita income levels of a country and the demand for commercial vehicles is driven by factors such as the growth rate of GDP, the growth in industrial and agricultural production, the growth in freight movement and the share of roadways in freight movement. Over the previous years, domestic as well as export sales of passenger cars and commercial vehicles in India have shown a steady increase. Despite the marginal growth in domestic sales of passenger vehicles and decline in the sales of commercial vehicles in the year ended March 31, 2009, the domestic sales of passenger cars grew at a CAGR of 14.0% and the domestic sales of commercial vehicles grew by 12.4% over the year ended March 31, 2003 to the year ended March 31, 2009. The graph below sets forth the domestic sales of different types of vehicles in India in the stated periods:



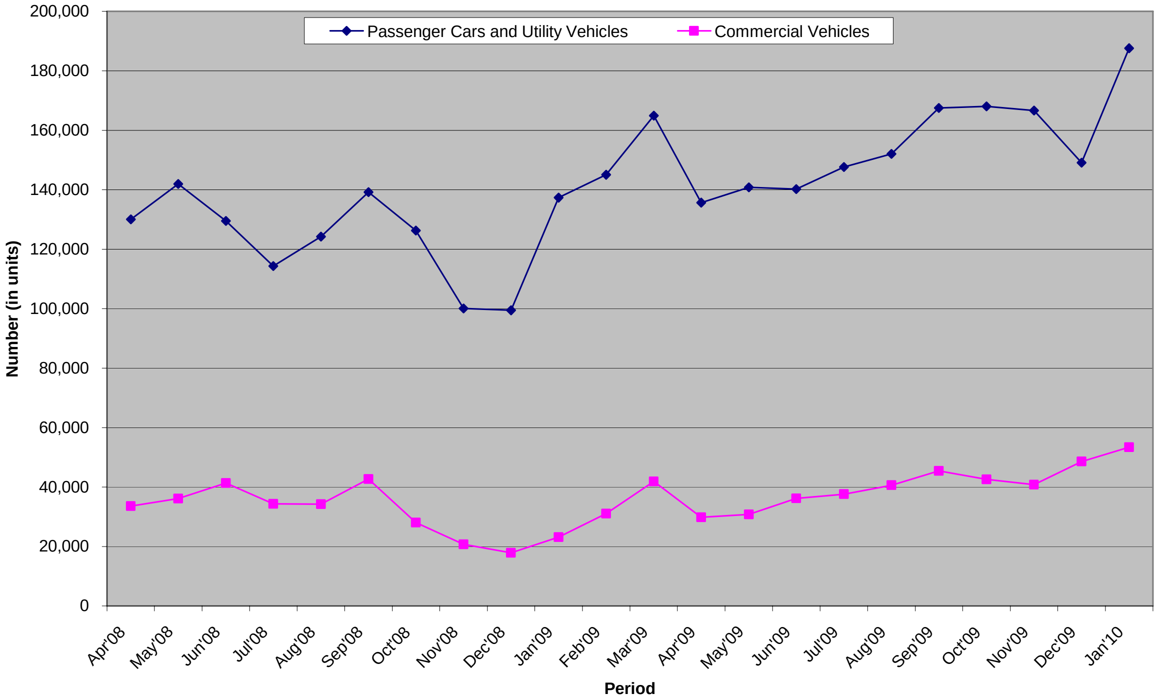
(Source: SIAM, website www.siamindia.com, accessed on February 17, 2010)

Passenger car exports have grown at a CAGR of 29.3% from the year ended March 31, 2003 to the year ended March 31, 2009, with the small car segment being the main contributor of car exports. Major export markets include Algeria, South Africa, Egypt, Italy, Greece, Spain, Columbia and Mexico. The graph below sets forth the export sales of different types of vehicles in India in the stated periods:



(Source: SIAM, website www.siamindia.com, accessed on February 17, 2010)

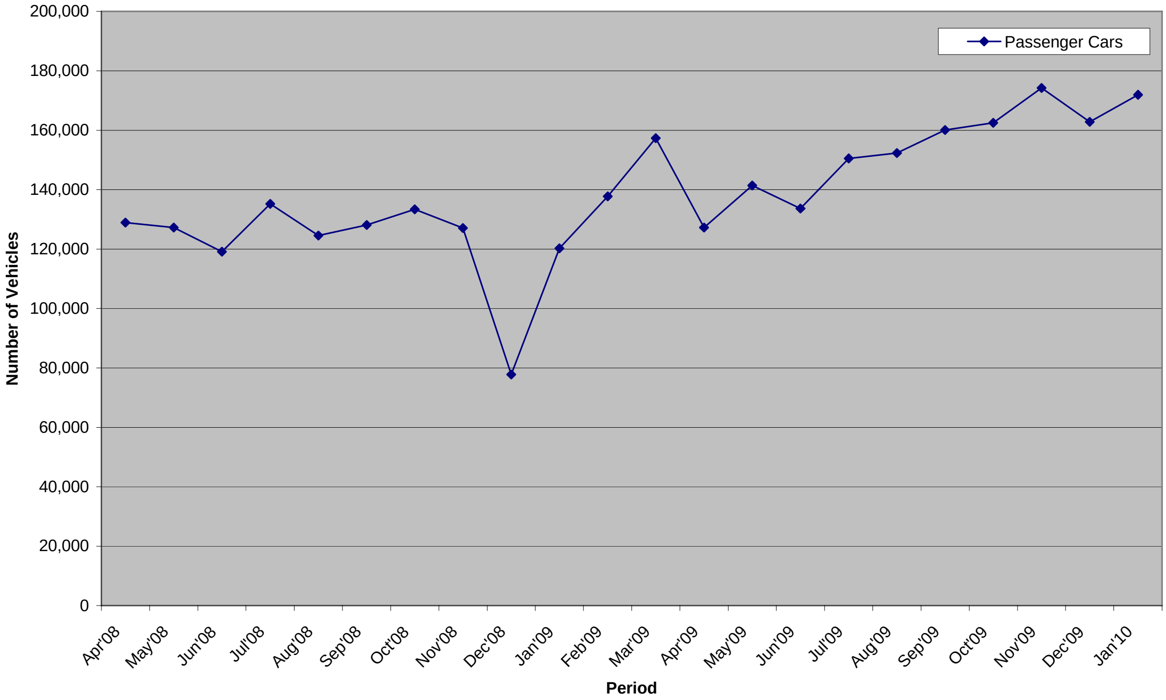
The monthly domestic sale of different types of vehicles in India has largely followed an upward trend in the recent months. The graph set forth below shows the domestic sales of different types of vehicles in India for the periods indicated:



(Source: SIAM)

Passenger Car Production in India

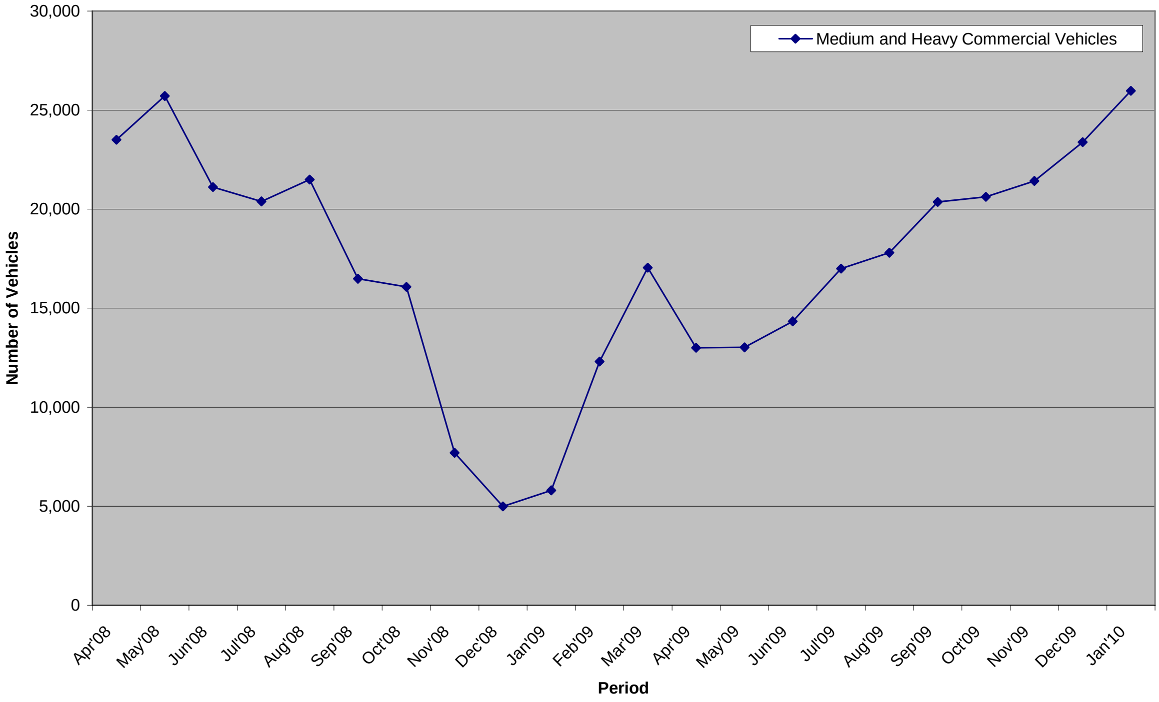
Passenger car production in India was not impacted by the global economic downturn as severely as the European and U.S. markets and has demonstrated a steady growing trend. The graph set forth below shows the number of passenger cars produced in India for the periods indicated:



(Source: SIAM)

Medium and Heavy Commercial Vehicle Production in India

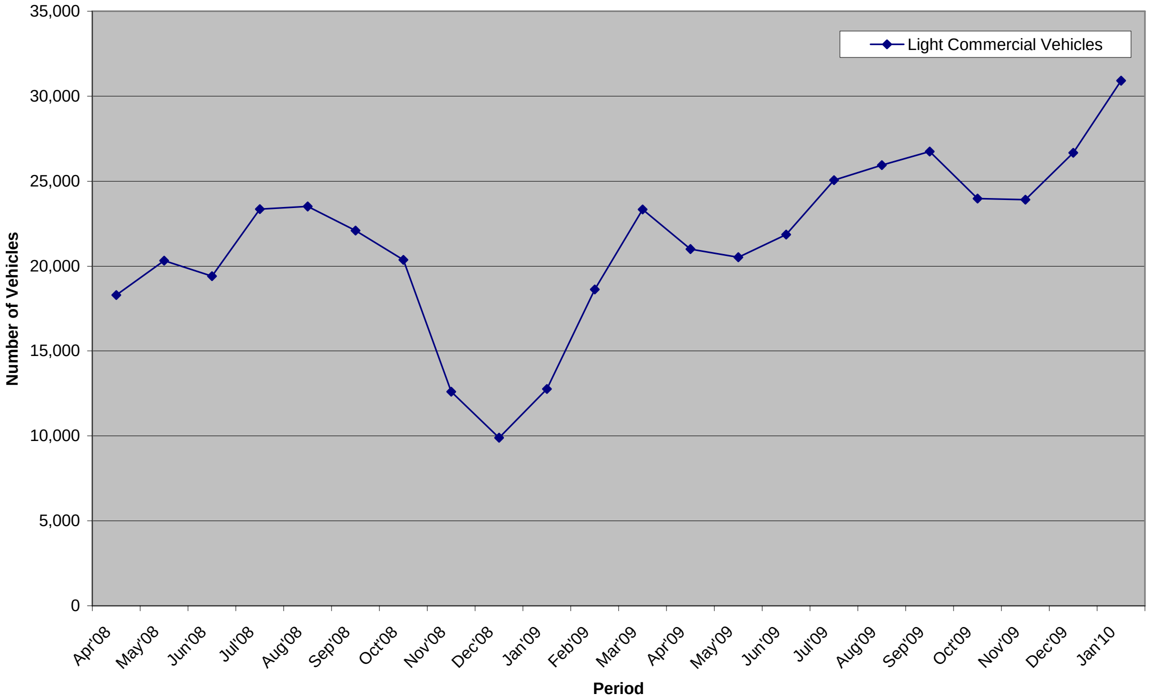
Medium and heavy commercial vehicle production in India witnessed a recovery during 2009. The graph set forth below shows the number of medium and heavy commercial vehicles produced in India for the periods indicated:



(Source: SIAM)

Light Commercial Vehicle Production in India

Despite the global economic recession, light commercial vehicle production in India has largely followed an upward trend. The graph set forth below shows the number of light commercial vehicles produced in India for the periods indicated:



(Source: SIAM)

Global Automotive Components Industry

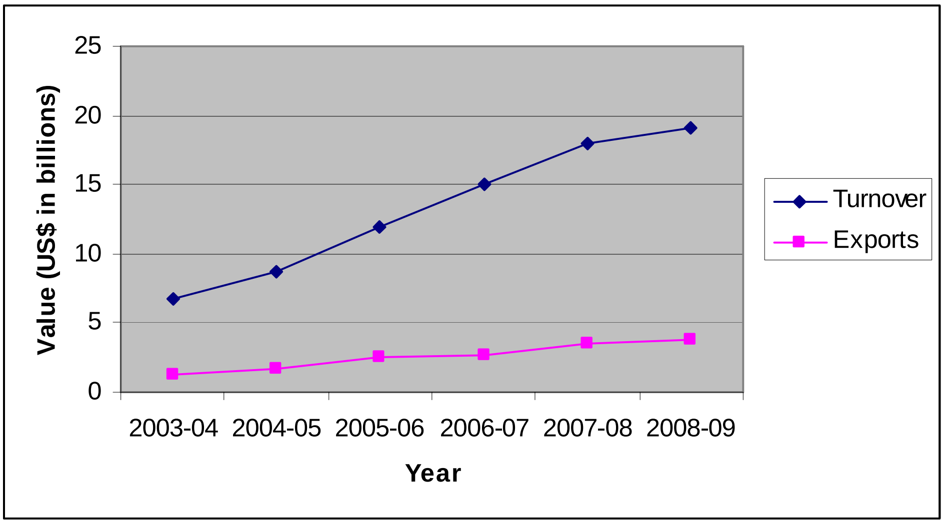
The global automotive industry is the biggest end-user of forged components. Therefore, the business and prospect of the global automotive components industry are highly correlated with those of the automotive industry. As price competition is fierce in the automotive components industry and environmental regulations have become increasingly stringent, there has been a trend of consolidation by spreading fixed production costs over higher production volume. In addition, OEMs are increasingly looking for relationships with financially healthy suppliers that are expected to survive through the current crisis and be stable and long-term partners.

European Automotive Components Industry

In Europe, there is an increasing trend of concentration and globalization among OEMs. The increasing popularity of diesel-powered cars and four-wheel driven sport utility vehicles has increased the demand for forgings, while that of lightweight vehicles with lower energy consumption has increased the demand for lightweight components and non-ferrous forgings. Increased demand for such components may also require development of different technological capabilities. Due to the increased pricing pressures, small suppliers will continue to have a hard time in meeting the requirements of the customers and this may lead to further consolidation in the Industry. In addition, this may also lead to requirements for super-specialist suppliers, which may not be possible for smaller players to achieve.
(Source: Federation of European National Forging Associations ("Euroforge"), website: http://www.euroforge.org/Trends-in-Europe.24.0.html, accessed on February 17, 2010)

Indian Automotive Components Industry

The auto components industry in India has been growing healthily, with the turnover growing at a CAGR of 23.2% between the financial years 2004 and 2009. An export sale has also gradually become more important over the past six years. As a percentage of turnover, exports increased to 19.9% in the financial year 2009 from 18.9% in the financial year 2004. The graph below sets forth the turnover and export figures for the auto components industry in India in the periods stated:



(Source: Auto Component Industry in India, Automotive Component Manufacturers Association of India, website http://acmainfo.com/docmgr/Status_of_Auto_Industry/Status_Indian_Auto_Industry.pdf, accessed on February 17, 2010)

Over the past few years, the Indian automotive components industry has gradually approached towards world-class standards, with 41 companies having annual turnover of more than US$100 million and an increasing number of companies receiving various quality certifications. As for the constituents of export customers, OEMs and Tier 1 suppliers accounted for approximately 80% of export sales in 2008, as compared to 35% in 1990s.

(Source: Auto Component Industry in India, Automotive Component Manufacturers Association of India, website http://acmainfo.com/docmgr/Status_of_Auto_Industry/Status_Indian_Auto_Industry.pdf, accessed on February 17, 2010)

The prospects of the automotive components industry in India remain positive, with the support of an expanding domestic automotive manufacturing business, especially the compact cars segment. In addition, global OEMs are adopting cost-cutting initiatives to source automotive components from countries with lower operating costs, of which India is a prime example.
(Source: Auto Component Industry in India, Automotive Component Manufacturers Association of India, website http://acmainfo.com/docmgr/Status_of_Auto_Industry/Status_Indian_Auto_Industry.pdf, accessed on February 17, 2010)

Outlook for the Indian Automotive and the Automotive Components Industry: Automotive Mission Plan 2015

The turnover of the Indian automotive industry is estimated to grow from US$ 34 billion in 2006, to approximately US$ 122 to 159 billion in 2016, with an incremental investments of approximately US$ 35 to 40 billion during the ten-year period from 2006 to 2016. India is expected to become the world's seventh largest car manufacturer in 2016 and the automotive industry, including the automotive components industry, is projected to account for more than 10% of India's GDP and provide an additional employment (including indirect employment) to more than 25 million people by 2016. *(Source: Automotive Mission Plan 2006-2016, Department of Heavy Industry, Ministry of*

Heavy Industry and Public Enterprise, website http://www.dhi.nic.in/Final_AMP_Report.pdf, accessed on February 17, 2010)

European Forging Industry

According to Euroforge, the automotive industry which is the major end-user of forged products, accounted for approximately 58% of total forgings demand in 2008. In addition, forged products are also used in various non-automotive industries, such as mechanical engineering (excluding agricultural machinery), agricultural machinery, mining machinery, railways, which account for 11%, 8%, 2% and 2%, respectively, of the forgings market. *(Source: The Castings and Forgings Market in the EU, CBI (April 2009))*

Germany is the largest forging producing country in Europe, and it accounted for 48.1% of the total forging production of all Euroforge members in European Union ("EU") in 2007. The German forging industry also outperformed many other member countries of EU, with a CAGR of 7.0% in the period from 2003 to 2007. The table below sets forth the forging production volume of Euroforge members from various EU member countries in the stated periods:

	2003	**2004**	**2005**	**2006**	**2007**	**CAGR**
			(in thousand tonnes)			
EU	**5,242**	**5,551**	**5,528**	**5,810**	**6,361**	**5.0%**
Germany	*2,335*	*2,570*	*2,620*	*2,660*	*3,058*	*7.0%*
Italy	1,210	1,210	1,261	1,236	1,318	2.2%
France	488	515	521	543	543	2.7%
UK	272	294	294	342	345	6.1%
Spain	291	316	321	327	341	4.0%
Czech Republic	234	234	232	267	314	7.6%
Poland	264	264	115	269	298	3.1%
Sweden	81	81	89	91	102	5.9%
Slovenia	21	21	23	23	29	8.4%
Belgium	30	30	32	32	13	(18.9%)
Finland	16	16	20	20	-	-

(Source: Euroforge (2008); The Castings and Forgings Market in the EU, CBI (April 2009))

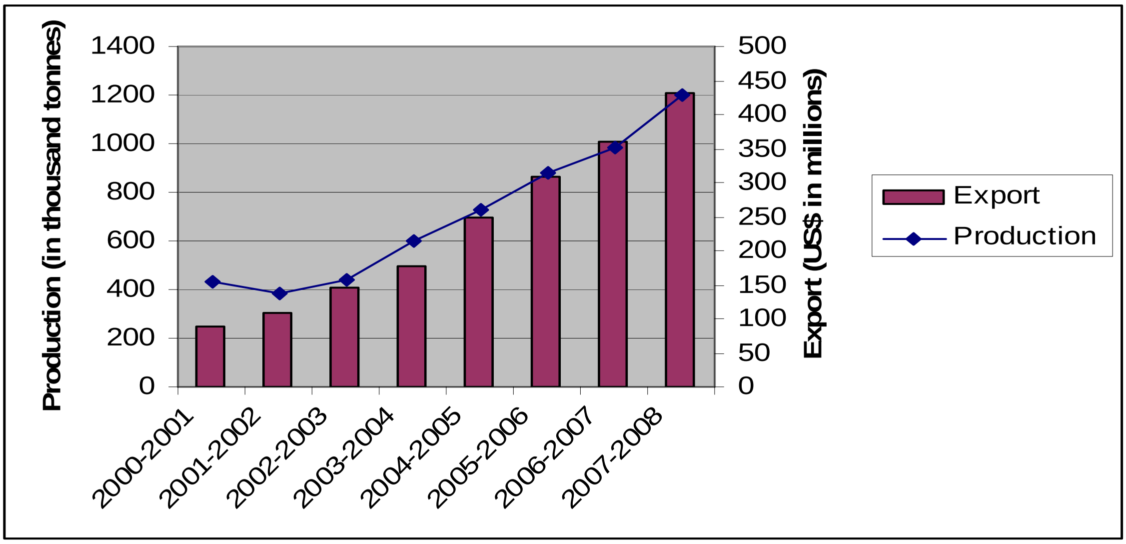
The European forging industry was severely impacted during the global financial crisis, same as the automotive and engineering industry. During the last quarter of 2008 and the first half of 2009, the number of new orders decreased sharply. In particular, the orders of forgings from the automotive industry went down by approximately 20% to 50% during the same period. Some weaker forging companies in Europe have undergone or may go bankrupt amid the difficult economic condition. However, such elimination of the weaker players might create opportunities for the stronger European forging companies as well as the forging companies from developing countries. *(Source: Economic Crisis: Opportunities for Developing Countries on the EU Market-Casting and Forgings Sector, CBI (July 2009))*

Indian Forging Industry

The highly fragmented forging industry in India has around 400 units, with only nine to 10 large units scattered all over the country. The organized sector accounts for about 65-70% of the total forging production in India. The industry was previously more labour intensive. It is closely estimated that the industry provides direct and indirect employment to about 200,000 people. More than 65% of forging companies employ less than 200 people. However, with increasing globalization, the industry is becoming more capital intensive and the high cost of capital and technology remains a major constraint in the forging industry. *(Source: Association of Indian Forgings Industry ("AIFI"), website www.indianforging.com, accessed on February 17, 2010)*

In India, there is an increasing trend for forgings companies to establish their presence in the global markets. Numerous acquisitions have been made in Europe and US to acquire the latest technology and to expand the customer base. *(Source: AIFI, website www.indianforging.com, accessed on February 17, 2010)*

Forging industry tends to grow in a country in relation to the growth rate of its GDP and its automotive industry. The Indian forging industry showed a robust growth in the period between the year ended March 31, 2001 and the year ended March 31, 2008, with a CAGR of 15.6%. During the same period, export sales grew at a CAGR of 25.1%. Details of the forging production and export in India in the stated period are shown in the table below:



(Source: The Indian Forging Industry–A Profile, AIFI, website www.indianforging.com, accessed on February 17, 2010)

Challenges Faced by the Indian Forging Industry

Despite its positive outlook, the Indian forging companies also face challenges ranging from sourcing raw materials at a competitive price to securing financial resources for operations. Some of the challenges faced by Indian forging companies are set out below:

- Volatile international and domestic prices of inputs, such as steel and energy;
- Compliance with stringent environment regulations;
- Practical difficulties associated with consolidation of capacities;
- High attrition rate at all levels; and
- High interest rates.

(Source: The Indian Forging Industry–A Profile, AIFI, website www.indianforging.com, accessed on February 17, 2010)

In addition to the above, Indian forging companies also face certain challenges in export sales, some of which are set out below:

- Impact on export realisation by a rising rupee;
- Reluctance of suppliers and end-users to compensate for the increasing costs; and
- Inadequate investment in technological advancement.

(Source: The Indian Forging Industry–A Profile, AIFI, website www.indianforging.com, accessed on February 17, 2010)

Competitors in the Forging Industry

The global forging industry is highly competitive. Major players in the forging industry include:

- International forging companies such as ThyssenKrupp Gerlach GmbH (forging division), Germany, Sumitomo Metal Industries Limited (forging division), Japan, Ràba Automotive Group, Hungary and SIFCO Industries, Inc., United States.

- India based forging companies such as Bharat Forge Limited and Amtek Auto Limited and forging companies from other developing countries such as China, Hungary, Mexico and Brazil.

Outlook for Indian Forging Industry

India is increasingly attractive to global automotive OEMs and Tier 1 companies for sourcing forged products. The liberalization of automotive industry has resulted in greater opportunities and greater demand potential in the future, with the turnover of Indian automotive component industry expected to reach US$ 30 to 40 billion by 2015. Besides the consumption of forged products domestically, the growth is also expected to be led by exports which are estimated to be worth US$ 20 to 25 billion by 2015. *(Source: The Indian Forging Industry–A Profile, AIFI, website www.indianforging.com, accessed on February 17, 2010)*

Forged products in the Non-Automotive Industry

In addition to the automotive industries, forged products are widely used in non-automotive industries such as railways, marine, construction, petrochemical industry, power, diesel engines, aviation, defence, agriculture, mining, oil and gas, industrial machinery, shipping and aerospace. *(Source: The Indian Forging Industry–A Profile, AIFI, website www.indianforging.com, accessed on February 17, 2010)*
Railways and Marine are key non-automotive sectors.

Railways

The growth in the railways network is expected to lead to a rise in demand for forged products. As a result of the growing international trade and domestic cargo, the exiting Delhi-Mumbai and Delhi-Kolkata rail tracks in India are under a great strain. Therefore, the Government of India has decided to build dedicated freight corridors in the Western (Delhi-Mumbai) and Eastern (Delhi-Howrah) high-density routes. The investment is expected to be approximately Rs. 220.0 billion. The overall investment for the railway sector during the 11th Plan is estimated at Rs. 2,510.0 billion. *(Source: Committee on infrastructure www.infrastructure.gov.in; Planning Commission, Government of India, accessed on February 17, 2010)*

Marine

The marine sector had been growing steadily over the past five years primarily driven by international sea borne trade based upon the growth in economies of emerging companies such as India and China, higher freight rates which resulted in new shipbuilding orders.

OUR BUSINESS

Overview

We are one of the leading forging companies in the world. We manufacture and supply engine and chassis forged components for commercial and passenger vehicles, such as crankshafts, steering knuckles, stabilizer bars, gear blanks, front axle beams, levers, flanges, control arms, camshafts, connecting rods, pitman arms and piston rods and other non-automotive products.

We are a part of the Mahindra group, one of the leading business conglomerates in India, which has a significant presence in the automobiles, tractors and farm equipments, automobile components, financial services, trade and logistics, IT and infrastructure sectors. Within the Mahindra group, we are a part of a group of companies referred to as 'Mahindra Systech'. The Mahindra Systech group comprises companies engage in a diverse range of businesses in the automobile components sector, including, forgings, castings, composites, ferrites, steel manufacturing, stamping and gear manufacturing, engineering and design services and contract sourcing. The Mahindra group entered the automobile components sector to take advantage of the competitiveness offered in India in designing and manufacturing of automotive components, as a result of the low cost structure and the presence of superior engineering expertise in India. The Mahindra Systech group also aims to take advantage of the synergies and cross selling opportunities across various businesses in the group. Our forgings business is the largest constituent of the Mahindra Systech.

We have grown into a global leading forging company through several strategic acquisitions over the last few years. In April 2005, we acquired the Chakan unit of Amforge Industries Limited, a public listed company on the BSE, under a scheme of arrangement sanctioned by the Bombay High Court. We established presence in the European market by acquiring Stokes Group Limited ("Stokes"), Jeco Holdings AG and Schöneweiss & Co. GmbH ("Schöneweiss") in November 2007, under a scheme of arrangement sanctioned by the Bombay High Court. These companies were originally acquired from their former owners by our promoter, Mahindra & Mahindra Limited ("M&M"), in 2005 and 2006.

We have a diversified and complementary product portfolio across geographies. In India, our Company is focused on design, development and machining of crankshafts and steering knuckles for cars and multi-utility vehicles. Schöneweiss, our German subsidiary, is one of the leading axle beam manufacturers in the world. Jeco-Jellinghaus GmbH ("Jeco"), Gesenkschmiede Schneider GmbH ("GSA") and Falkenroth Umformtechnik GmbH ("Falkenroth"), our other German subsidiaries, are providers of a diverse range of forging products, primarily for heavy commercial vehicles, and collectively manufacture more than 250 products. Stokes, our UK subsidiary, has an expertise in flashless forgings.

We have strong design and engineering capabilities with in-depth knowledge of design and engineering of highly critical automotive and non-automotive components. Our German operations currently hold three patents and have applied for 11 patents. We are co-development partners for new engine programmes of many of our customers.

Our customers include some of the most recognised automobile original equipment manufacturers ("OEMs") in the world, such as AGCO/Fendt, AMG, BMW, Daimler/Mercedes-Benz, Jost-Werke, JUNGHEINRICH, Kessler & Co., Mahindra & Mahindra, MAHLE, MAN and Stihl. We have a diversified customer base, with our top five customers accounting for less than 50.0% of our consolidated sales for each of the nine months ended December 31, 2009 and the financial year 2009.

We have manufacturing facilities at seven locations in Germany, at two locations in the UK and at one location in India, with a total net capacity of 260,000 metric tonnes per annum, out of which 200,000 metric tonnes is located in Europe. For the nine months ended December 31, 2009 and financial year 2009, income from our European operations constituted 77.0% and 89.3% of our consolidated total income. We also derive a significant share of our revenues from non-automotive industries such as tractors, marine applications and railways.

For the financial year 2009, our consolidated total income and our consolidated net loss was Rs. 22,656.2 million and Rs. 1,166.0 million, respectively. For the nine months ended December 31, 2009, our consolidated total income and our net loss was Rs. 9,454.1 million and Rs. 1,856.2 million, respectively.

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Strong Manufacturing Capabilities

We have diverse and complementary manufacturing facilities at ten locations across three countries, with seven plants in Germany, two plants in the UK and one plant in India, with a total net capacity of 260,000 metric tons per annum, out of which 200,000 metric tonnes is located in Europe. We have production facilities with a diverse range of manufacturing capabilities such as press lines ranging from 400 metric tonnes to 12,800 metric tonnes and hammers ranging from 30 kJ to 250 kJ. Our European plants have been operating for more than 100 years. Our forging capabilities in Europe include hammer forgings, press forging, hot extrusion, horizontal upset forging, precision forging and friction welding. We also have two machining lines in India for three and four cylinder crankshafts with a capacity of 50,000 pieces at Chakan in Pune, India. Recently, we commissioned a 12,800 tonnes press at Hagen, Germany with an aim of acquiring full-service capability for the commercial vehicle segment. In India, we recently doubled our capacity so that almost every category of our press lines have a back-up to avoid any loss of production in the event of a breakdown. We also have strong tooling and die capabilities, with our well-equipped die shop consisting of computer-numerical-control ("CONC"), electro-discharge machining ("EDAM"), hydraulic and electric discharge die shrinking capacities.

Well-Developed Engineering and Design Abilities

Over the years, we believe that we have developed extensive technology and product design capabilities. We believe that we have in-depth knowledge in design and engineering of highly critical automotive and non-automotive components. We continuously innovate to meet out customers' requirements. Our German operations currently hold three patents, including one for friction welded piston and have applied for 11 patents. We have developed new products focused on lighter weight forgings required to meet the stringent emission norms being adopted by the European OEMs. We are also the co-development partners for new engine programs with many of our customers because of our engineering and design abilities. We are also working closely with leading German engineering institutes on projects in new areas of forging technology, such as light-weight forgings. We believe that our metallurgical and material testing capabilities, coupled with our design centre which is well equipped with computer-aided design and manufacturing facilities, allow us to meet our customers' demand in developing new products.

Diversified Product and Established Customer Base

Our diverse range of products include automotive chassis and engine components such as crankshafts, steering knuckles, stabilizer bars, gear blanks, front axle beams, levers, flanges, control arms, camshafts, connecting rods, pitman arms and piston rods and other non-automotive products. For the nine months ended December 31, 2009, sales from our non-automobile business constituted more than 30.0% of the sales of our European operations and 22.6% of the sales of our Indian operations (including tractors). For the same period, sales from commercial vehicles components constituted more than half of the sales of our European operations. In addition, more than one-third of the sales our European operations and 23.3% of the sales of our Indian operations comprised machined components for the same period.

We have a large and established customer base, with our top five customers accounting for less than 50.0% of our consolidated sales for each of the nine months ended December 31, 2009 and the financial year 2009. Our important customers include AGCO/Fendt, AMG, BMW, Daimler/Mercedes-Benz, Deutsche Bahn (German Railways), Jost-Werke, JUNGHEINRICH , Kessler & Co., Mahindra & Mahindra, MAHLE, MAN, Stihl, ThyssenKrupp Bilstein Suspension, ThyssenKrupp Gerlach, ThyssenKrupp Umformtechnik, ThyssenKrupp Presta and ZG. We believe that our long-standing relationship with our customers and an understanding of their requirements is the key to our success in the highly fragmented and specialized forgings markets.

Synergies within the Mahindra Systech Group

We are part of the Mahindra Systech group of companies in the Mahindra group, which aims to leverage the global competitiveness of Indian companies in the automobile component sector. Companies within the Mahindra Systech group forming part of this vertical are present in complementary businesses such as steel manufacturing, castings, stampings, ferrites, composites and gear manufacturing, and provide engineering and design services, and contract sourcing services. We believe that we derive significant advantages of synergies and cross selling because of presence of the Mahindra group in these businesses. We have also put in place a key account management structure for certain key customers of various companies in the Mahindra Systech group, which facilitates cross selling. For example, our Company improved the existing design for a three-cylinder crankshaft in collaboration with Mahindra Engineering Services in 2009. Mahindra Engineering Services has also deputed one of its engineers to assist us in the product development process. While we source majority of our domestic steel requirements from Mahindra Ugine Steel Company Limited ("MUSCO"), our European operations are also in the process of sourcing steel from MUSCO at lower prices.

Strong Parentage and Brand Value

Mahindra group is one of the leading industrial houses in India. Forbes has ranked the Mahindra group in its Top 200 list of the World's Most Reputable Companies in 2009. It is a widely recognised brand name in India and has operations in the several key sectors of the Indian economy. Some of the Mahindra group companies have been operating in India for over 60 years and are involved in certain key sectors of the India economy such as automobile ,tractor and farm equipments, automobile components, financial services, trade and logistics, IT and infrastructure. M&M, our parent company and the flagship company of the Mahindra group is one of the leading automotive manufacturers in India. As of March 31, 2009, M&M had a net worth of Rs. 70.3 billion. M&M has also provided us financial assistance from time to time. It is also one of our major customers, with sales to M&M group companies accounting for 37.5% of our sales from our Indian operations for the nine months ended December 31, 2009. We believe that our association with the Mahindra group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We also believe that our association with the Mahindra Group aids us in winning new businesses and obtaining financial assistance.

Our Strategy

Our vision is to be one of the world's leading forging companies that leverages an 'art to part', or design to manufacturing competence and synergies with the Mahindra Systech group. The key elements of our strategy are segregated into short term, or reboot to reduce costs, medium term, or reinvent to move up the value chain, and long term, or reignite to pursue growth, as follows:

<u>Short-Term Strategy</u>

Improve Operational Performance and Competitiveness

In light of the difficult conditions being faced by our operations as a result of the global economic downturn, our immediate focus is on improving our operating performance through a series of rationalisation measures. With respect to our European operations, we have implemented, or are in the process of restructuring, our cost structure through the following steps:

- Closure of one of our plants at Walsall, U.K.;
- Reduction of personnel costs;
- Reduction of fixed operating costs to improve cash flow, including introduction of a centralised administration structure; and
- Better working capital management.

With respect to our Indian operations, our focus is on the following steps to improve our operational efficiencies:

- Improvement of yields from our manufacturing process;
- Lowering rejections during the manufacturing process;
- Better working capital management;
- Better use of technology by leveraging the capabilities of our Subsidiaries; and
- Increase capacity utilization.

Medium-Term Strategy

Strengthen our Relationship with Our Customers

There is an increasing trend for the automobile OEMs to engage forgings companies, which can participate in different stages of their product cycles. We intend to position ourselves as a "one-stop shop", where we can be a preferred product development partner with our customers. The key element of this strategy is to focus on increasing our business from our customers, through the following steps:

European Operations

- Further strengthen our co-development partnerships;
- Leverage the existing and enter into tie-up with key German engineering institutes to develop engineering and design capabilities; and
- Develop our capabilities in light-weight forged products to meet European emission standards.

Indian Operations

- Expand our machining facilities to offer a wider range of value added products;
- Take advantage of cross-selling opportunities through the Mahindra Systech vertical;
- Increase exports by targeting global OEMs; and
- Develop relationships with OEMs who are establishing a presence in India.

Further Integrate our European and Indian Operations

We plan to take advantage of our dual-shore presence in Europe and India through greater integration of these operations by means of the followings:

- Leverage our low-cost production facilities in India;
- Utilise our European die-making and die-designing know how and experience in our Indian operations; and
- Leveraging the low-cost designing and tool-making capabilities of our operations in India to support our European product offerings.

We have established an integration team led by the chief financial officer of our Indian operations and the chief operations officer of our European operations with representatives from different functions such as marketing, engineering, operations, finance and human relations to further integrate our operations.

Further Diversify our Revenue Stream from our Indian Operations by Increasing the Share of the Machined Products and Products for Non-automotive Sector in Our Portfolio

We intend to diversify our revenue stream further by increasing the proportion of machined and non-automobile products in our product portfolio. In addition to the two machining lines which are in operation since September 2007, we also plan to double our machining capacity in India and install additional presses to further expand our product range. We expect to complete these additional lines in the next two to three years.

The non-automotive industries are expected to experience increased demand and growth due to various factors such as new investments in emerging economies such as India and China. We plan to capitalize on our design, engineering and manufacturing capabilities and our technical know-how and leverage our relationships with our existing automotive customers to expand our business further in the non-automotive sectors.

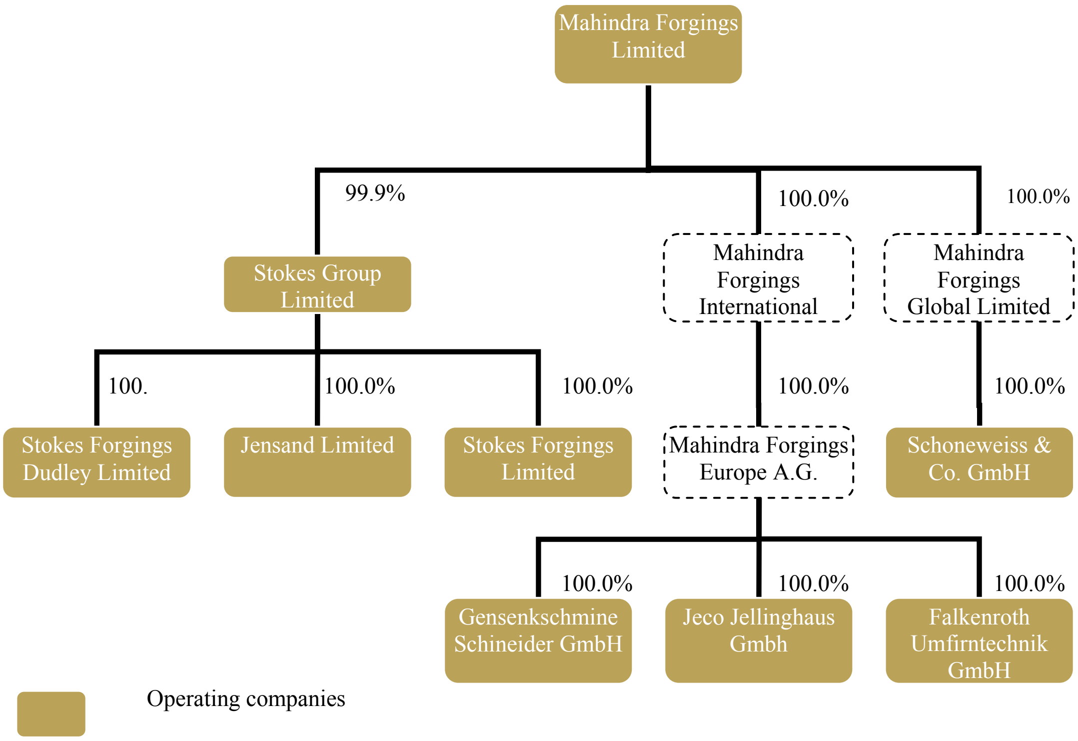
Long-Term Strategy

Leverage our Core Capabilities

Our European operations have established leadership position in forged components for commercial vehicles. Our Indian operation is one of the domestic market leaders in crankshafts and steering knuckles. We intend to leverage and strengthen these core capabilities further to increase our businesses in these products. We also intend to increase our production capabilities by investing in higher tonnage presses and additional machining lines.

Our Operations

Our Company has direct and indirect operating subsidiaries in Germany and the UK. The following chart shows the current corporate structure of our Company and our ownership interest in our Subsidiaries:



Our facilities include a range of press and hammer lines, hot extrusion presses, upsetters, rotary swaging and friction welding machines. We have expertise in the production of forged safety parts, components and assemblies for automotives as well as for general engineering and large diesel engines. Our products range from a weight of 1.5 kg to 120.0 kg. Our key products include:

- Chassis: front axle beams, steering knuckles and suspension brackets
- Engine: pistons, camshaft, connecting rods and counter parts
- Steering mechanism: sector shafts and pitman arms
- Draw bar eyes: draw bar eyes for welding, draw bar eyes with flange and screwed draw bar eyes
- Mechanical engineering: working piston, hemisphere and safety parts for cable cars
- Gear parts: differential side gear, double wheels and valves

We have a diversified and complementary product portfolio in both the passenger and commercial vehicle segments. We classify our operations into two segments based on the geographic location, i.e., India and Europe.

Our European Operations

Our European operations account for a substantial majority of our production and revenues. For the nine months ended December 31, 2009 and the financial year 2009, 77.0% and 89.3% of our consolidated gross sales came from our European operations, respectively. During the same period, our European operations derived more than half of their revenues from the commercial vehicle segment. Our European operations also derive a significant share of revenues from the sale of non-automotive components, and from value-added products like complex and machined forgings. The total capacity of our European operations is 200,000 MT per annum.

Our main Subsidiaries include:

Gesenkschmiede Schneider GmbH: Located in Aalen in the province of Baden-Württemberg, Germany, GSA has an annual capacity of 80,000 MT and produces forged parts for trucks and agricultural machinery and also provides general engineering services. GSA has 18 presses, ranging from 600 MT to 4,000 MT, and four hammers, ranging from 30 kJ to 200 kJ. Certifications obtained by GSA include DIN EN ISO 14001:2005 (environment), OHSAS 18001:1999 (occupational health and safety), Certificate of Manufacturing from Deutsche Bahn, TÜV AD 2000 and TÜV Pressure Equipment Directive. GSA is also recognised by Bureau Veritas in steel forgings and certified by Det Norske Veritas as an approved manufacturer of steel forgings.

Schöneweiss & Co. GmbH: Located in Hagen in the province of Westfalia, Germany, Schöneweiss has an annual capacity of 50,000 MT and specializes in complex geometric parts, both forged and machined, as well as ready-to-build modules and components for the international car and truck industry. In addition, Schöneweiss has a second forge shop and a machining plant, which are both located in Gevelsberg, Germany. Schöneweiss has more than 140 years of operational history. Schöneweiss has 15 presses, ranging from 400 MT to 12,800 MT and two hammers, ranging from 50 kJ to 250 kJ. Certifications obtained by Schöneweiss include ISO 14001:2004 (environment), ISO/TS 16949:2002 (quality) and SKF Quality Standard for Suppliers v.4 (quality). Schöneweiss is also certified by Det Norske Veritas as an approved manufacturer of steel forgings.

Stokes Group Limited: With it's headquarter located in Walsall and two other plants in the West-Midlands, Stokes has a total annual capacity of 37,000 MT with more than 100 years of operational history. Stokes specializes in the production of drive components and parts with complex geometric shapes. Stokes is also a supplier for the motor-sport industry as well as non-automotive sectors including forestry, defence and the construction industry. Stokes has 10 presses ranging from 500 MT to 2,500 MT and nine hammers ranging from 1.8 MT to 11.0 MT. Certifications obtained by Stokes include ISO/TS 16949:2009 (quality), ISO 9001:2008 (quality) and ISO 14001:2004 (environment).

Jeco-Jellinghaus GmbH: Located in Gevelsberg in the province of Westfalen, Germany, Jeco has an annual capacity of 15,000 MT and specialises in modern die forging and shape cutting of high quality parts and components. In addition, Jeco has expertise in manufacturing of fully machined and partly assembled components for the chassis of commercial vehicles. Jeco has four hammers, ranging from 40 kJ to 80 kJ. Certifications obtained by Jeco include ISO/TS 16949:2002 (quality), ISO 14001:2004 (environment), DIN EN ISO 14001:2005 (environment) and BS OHSAS 18001:2007 (occupational health and safety).

Falkenroth Umformtechnik GmbH: Located in Schalksmühle in the Sauerland region, Germany, Falkenroth has an annual capacity 18,000 MT. It produces high-quality forging parts, such as hinge, flow press and bulge parts with the highest precision at weights from 0.5 kg to 50.0 kg. Falkenroth mainly focuses on customers in industrial trucks, rail-mounted transport and trailers, and has six presses, ranging from 1,000 MT to 5,000 MT and one hammer of 50 kJ. Certifications obtained by Falkenroth include ISO/TS 16949:2002 (quality), ISO 14001:2004 (environment), OHSAS 18001:2007 (occupational safety and health) and TÜV Nord AD 2000.

Main Products

Our European operations are capable of producing most of the forging components in a passenger car or a truck, some of which are further described as follows:

Front Axle Beams. A front axle beam supports the two front wheels of a vehicle. We are one of the leading suppliers of front axle beams. We manufacture front axle beams in a weight range of 35 kg to 120 kg for a wide range of applications, such as light commercial vehicles, trucks and buses.

Stabilizer Bars. Stabilizer bars usually include forgings, bars and tubes that are welded together to form a complex assembly. We also assemble the complete bar for some of our customers.

Levers. Levers usually include pitman arms, steering arms and tie rod arms that are crucial in the front axle assembly. We manufacture levers in a weight range of 3 kg to 15 kg for major truck manufacturers.

Flanges. We manufacture flanges in a weight range of 1 kg to 30 kg for cars and trucks.

Steering Knuckles. A steering knuckle usually includes a spindle and steering arm that allows the front wheels to pivot. We manufacture steering knuckles in a weight range of 5 kg to 130 kg for passenger cars, trucks and buses.

Control arms. Control arms are part of the axle assembly in cars and trucks. We manufacture control arms in a weight range of 0.8 kg to 5 kg.

Camshafts. Camshafts control the valves in engines. We manufacture camshafts in a weight range of 5 kg to 80 kg for cars, trucks, buses, marine and stationery engines.

Connecting Rods. A connecting rod is a rod which transmits motion or power from one moving part to another, such as the rod connecting the piston to the crankshaft. We are a major supplier of connecting rods for the diesel engine industry, including automobiles and power generation applications. Our connecting rods are usually in a weight range of 20 kg to 60 kg, and we have the capability of manufacturing connecting rods of up to 100 kg.

Piston. Piston usually include an upper part (referred to as the crown) and a lower part that requires forging, machining and fiction welding. We manufacture piston ranging from 5 kg to 80 kg.

Our Indian Operations

Our Indian operations accounted for 23.0% and 10.7% of our consolidated sales for the nine month ended December 31, 2009 and the financial year 2009. Our Company is a leading manufacturer of crankshafts and steering knuckles for cars, multi-utility vehicles and tractors in the Indian domestic market.

Plant

Our principal Indian production facility is located in Chakan, Pune. Our Chakan plant currently has nine mechanical presses, ranging from 1,000T to 6,300T, details of which are set out below:

Press size	Weight Range (KG)	Installed capacity (MT)
1000 T	0.50 - 3	1,251
1600 T	1 – 9	1,251
2500 T	5 – 12	3,576
5000 T	18 – 48	18,355
3000 T	12 – 17	15,017
2500 T	5 - 12	3,576
4000 T Smeral	15 – 30	12,946
4000 T Hasanclever	10 – 25	11,562
6300 T	35 – 50	18,874
TOTAL		**86,000***

* The plant has a net capacity of 60,000 MT

In addition, our Company has two machining lines for three and four cylinder crankshafts with a capacity of 120,000 pieces per annum, which became operational in September 2007.

Main products

Our Indian operations focus on the manufacturing of crankshafts and steering knuckles, each of which are further elaborated below:

Crankshafts. A crankshaft transmits the power generated in the engine's cylinders through the connecting rod to the main drive of the vehicle. We have the capability to manufacture a wide variety of crankshafts for various applications such as passenger cars, multi-utility vehicles, light commercial vehicles and tractors. We manufacture crankshafts in both raw and machined form in a weight range of 5 kg to 50 kg.

Steering Knuckles. We manufacture steering knuckles in a weight range of 4 kg to 30 kg.

In addition to the above, we also manufacture gear blanks, stabiliser bars and other chassis or suspension parts at our manufacturing facility at Chakan, Pune, India.

Our Production Process

We have full-service capabilities across the product cycle including product design and engineering, die manufacturing, engineering, tool and die shop, forging, heat treatment, machining and assembly, metallography and material testing. Set forth below is a summary of our major production steps:

Manufacturing Program & Equipment

Our manufacturing program encompasses advanced simulation software and a wide range of equipments for computer-based engineering, manufacturing of the required dies in our in-house tool shops through computer aided design ("CAD"), computer aided manufacturing ("CAM") and computer aided engineering ("CAE") technologies, to use high-tech forging and machining lines and process monitoring that focus on the delivery of safety critical parts. Our knowledge about suitable materials, manufacturing and machining processes as well as various services and co-development programs with OEMs help us to accommodate a wide range of customer specifications.

Engineering

We are development partners for many of our customers and cooperate closely with the specialists of the individual production areas, from the design, engineering to the definition of forging procedures for particular parts. We staff our engineering to some of our customers' sites for developing new products. Advanced CAD and simulation software are used to ensure the ideal flow and optimal use of materials. Other features of our engineering facilities include CAD workstations, diverse interfaces and simulation of material flow by finite elements method.

Tool and Die Shop

We are capable of manufacturing dies in our in-house tool shops, which ensures direct feedback from the manufacturing department. This knowledge and practical experience can also be used to optimize the tools and to enable a continuous improvement process. In addition, our dies are manufactured with modern CONC milling and drilling machines as well as high speed cutting machines. Other features of our die shop include numerical control programming, machining of blocks, electro-discharge machining, hydraulic and electric discharge die shrinking, filter-run welding, milling and turning of dies, forming of dies by electro-erosion, manufacturing of trimming tools, die maintenance, die heat treatment and quality assurance of the tool shop.

Forging

Our manufacturing program includes press and hammer forging, hot extrusion, rotary swaging, horizontal upset forging, partly or completely transformed as well as machining.

Heat Treatment

Certain forged components have to be subjected to heat treatment to achieve the required specifications. Our heat treatment facilities, which include various types of furnaces such as pusher type furnace, toploader furnace and roller hearth furnace, are used in the process of normalizing, soft annealing, hardening and tempering heat treatment and other special treatments.

Machining and Assembly

Machining is the process of removing excess materials from forging to meet the dimensions required by our customers. The process of machining converts the forged part into a fully finished and ready-to-install component, such as pitman arms, steering levers, axle stubs and sector shafts. We offer technologies for highly specialized applications in various industries and technical sectors. By using advanced CONC milling and drilling machines, we are capable of manufacturing finished machined parts within the product specifications. In addition, we use modern CONC measuring machines for checking the assembly parts.

Metallography and Material Testing

Our quality assurance system conducts an examination of our products at various steps. We test the standards through laboratory testing, inspection of incoming components, inspection of process and final inspection of the products.

We have also invested in establishing facilities for the metallography and material testing, which includes steps such as chemical analysis by spectrometer, notched bar impact, grain tests by micro and macro-grinding, percentage purity determination, size grading, grain flow corrosion, tests for granular corrosion, accurate carbon and sulphur analysis, US test and hardening depth, Charpter V and expertise by outside auditors.

Raw Materials

Carbon and alloy steel are the primary raw materials in our operation. The quality of our forged product depends on the quality of the carbon and alloy steel used. For the nine months ended December 31, 2009 and the financial year 2009, expenditure on raw materials accounted for 41.4% and 47.4% of our total expenditure on a consolidated basis.

In India, our Company purchases steel at spot market prices primarily from our affiliate, MUSCO. Purchases from MUSCO constituted more than 60.0% of our Company's total steel purchases for both the nine months ended December 31, 2009 and the financial year 2009. The key steel suppliers for our European operations include Arcelor Mittal, Corus, Sidenor and Georgsmariehuette in Europe. Our Subsidiaries in Europe generally enter into one-year contracts with their suppliers. Currently and historically, we have been able to pass on the increase in cost for steel onto our customers.

Utilities

Our operations at our facilities require significant amounts of electricity. In the nine months ended December 31, 2009 and the financial year 2009, power and fuel cost constituted 8.2% and 6.1% of our consolidated total income, respectively. Each of our plants in Europe purchase power from their respective local utility company. In India, our Company currently purchases power from the Maharashtra State Electrical Distribution Company Limited.

In addition, we have entered into a share subscription and supply agreement as well as a power delivery agreement with Wardha Power Company Limited, a special purpose vehicle formed as a joint venture company by KSK Energy Venture Limited, a private sector power company, and certain other companies, for the supply of power up to five MW at a predetermined rate for 25 years. As of December 31, 2009, we have invested Rs. 20.0 million into Wardha Power Company Limited and are expected to invest a further Rs. 12.5 million. We expect to start receiving power supplies from Wardha Power Company Limited from the beginning of the financial year 2011. Furthermore, our Company has constructed a power station in the premises of our Chakan plant to ensure continuous supply of power.

We source water from local utility companies in both Europe and India.

For our European operations, our suppliers are typically responsible for the transportation of the raw materials to our manufacturing locations and our customers are responsible for the transportation of our products from our plants. In India, while our suppliers are responsible for the transportation of the raw materials to our manufacturing location, our Company enters into annual contracts with Mahindra Logistics, one of our affiliates, for transporting products to some of our customers in India.

Sales and Marketing

Most of our customers are OEMs or Tier 1 suppliers. OEMs are the name-brand car and truck makers which produce fully assembled vehicles, while Tier 1 suppliers manufacture assemblies and aggregates which are to be installed in vehicles for the OEMs.

Our customers include some of the most recognised OEMs in the world, such as AGCO/Fendt, AMG, BMW, Daimler/Mercedes-Benz, Jost-Werke, JUNGHEINRICH, Kessler & Co., Mahindra & Mahindra, MAHLE, MAN and Stihl and non-automotive customers such as Deutsche Bahn, ThyssenKrupp Bilstein Suspension, ThyssenKrupp Gerlach, ThyssenKrupp Umformtechnik, ThyssenKrupp Presta and ZF.

We have set up a key account management structure to facilitate service to our key customers. Under this structure, each marketing head of the companies in the Mahindra Systech group is designated as the key account manager for major customers in order to take advantage of cross-selling opportunities and establish a stronger relationship with the customers.

We believe that our sales and marketing capacity enables us to enhance our customer relationships by leveraging our global strengths in the areas of technology, cost and manufacturing capabilities. As of December 31, 2009, our sales and marketing team consisted of 30 employees.

Competition

Forgings industry is highly competitive and we compete with global competitors to retain our existing business and to win new businesses. Our main competitors are:

- International forging companies such as ThyssenKrupp GmbH, Germany; Sumitomo Metal Industries Ltd. (forging division), Japan; Ràba Automotive Group, Hungary; SIFCO Industries, Inc., the United States;

- India-based forging companies such as Bharat Forge Limited and Amtek Auto Limited; and

- Forging companies from other regions with comparable or comparatively lower labour costs, such as China, Hungary, Mexico and Brazil.

Research and Development

We have strong design and engineering capabilities with in-depth knowledge of design and engineering of highly critical automotive and non-automotive components. Our research and development efforts seek to reduce costs, make improvements in products and processes, develop new product capabilities, achieve higher value addition, enhance quality, speed-to-market and safety benchmarks and achieve higher levels of productivity. In respect of product development, we work closely with Mahindra Engineering Services, one of our affiliates which is part of the Mahindra Systech group and which has also deputed one of its engineers to our Chakan plant.

Intellectual Property

We have not registered the logo "Mahindra Forgings" with the Trademark Registry at Mumbai for use in relation to our forgings business. We currently hold three patents, including one for friction welded pistons and have applied for 11 other patents.

Pursuant to a trademark license agreement, dated October 22, 2009, between our Company and M&M, M&M has granted us a worldwide, non-exclusive and non-assignable right to use the 'Mahindra' logo as part of its corporate or trade name or trading style, domain name and its product services. The trademark license agreement also authorises us to allow the use of this trademark by our subsidiaries. The trademark license agreement shall remain valid unless terminated and once our Company ceases to be a subsidiary of M&M.

Environment

As a manufacturing company, we are required to comply with various laws, rules and regulations relating to the environment. We comply in all material respects with all environmental regulations that are applicable to us and we have licenses for our operations from the various government agencies necessary to carry on our business. There are currently no proceedings pending or, to the best of our knowledge, threatened against us or any of our directors, officers or employees in relation to environmental regulations.

We are committed to minimizing the environmental impact of our operations and products and we have therefore subscribed to the principles of sustainable development in all of our business activities. Our operations are subject to environmental laws and regulations of India, such as the Environment (Protection) Act, 1986, the Forest Conservation Act, 1980, the Water (Prevention and Control of Pollution) Act, 1974, the Water (Prevention and Control of Pollution) Cess Act, 1977 and the Air (Prevention and Control of Pollution) Act, 1981, which govern, among other things, air emissions, waste water discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, natural resource damages, and employee health and safety. With respect to our European operations, we are required to comply with similar laws, for example, our German subsidiaries are required to comply with specific laws governing water pollution, emission control, soil and nature conservation and waste recycling and treatment. We practice pollution prevention principles in all of our manufacturing activities and in the development of new products.

We have established procedures for regularly evaluating the applicability of environmental legislation and our compliance with such legislation. At present, we have obtained all material environmental consents and licenses necessary for the operation of our business. Our Company has obtained ISO 14001: 2004 certification for environment management in both Europe and India.

Human Resources

We believe that the effective and efficient management of our human capital will be the critical differentiator. We believe that a well-trained and satisfied employee base is key to our competitive advantage. As at January 31, 2010, we had 2,408 employees, a breakdown of whom, according to responsibilities, is set out below:

	Our European Operations	**Our Indian Operations**	**Total**
Managers	238	47	285
Operational staff (upto supervisors)	0	303	303
Permanent workers	1,030	173	1,203
Contract workers	2	325	327
Trainees and apprentices	54	236	290
Total	**1,324**	**1,084**	**2,408**

With an objective of achieving an optimal effectiveness, we have been focusing on four areas of human resource management - organisation structure, performance management system, reward and recognition system and communication framework with employees.

We also have implemented an employee stock option scheme for certain of our eligible employees as well as for certain designated employees of M&M. See "Our Management – Employee Stock Option Scheme"

Insurance

We have insurance coverage which we consider reasonably sufficient to cover general risks associated with our operations. We maintain a range of insurance policies to cover our assets, risks and liabilities. At present, our operating assets, including our plants, machineries and buildings, are insured against a range of risks, including fire, explosion, and acts of nature such as storms and earthquakes, on the basis of the reinstatement value of such assets, calculated on the basis of the cost of replacing or reinstating. In Europe, we also have insurance coverage for our product liability. For the nine months ended December 31, 2009 and the financial year 2009, we incurred a cost of Rs. 54.1 million and Rs. 72.6 million towards insurance premiums, respectively.

Properties

Our registered office occupies the premises located at Mahindra Towers, P. K. Kurne Chowk, Worli, Mumbai – 400 018. Currently, we do not have any agreement with M&M for the use of this premises. Our manufacturing plant in India is located at Chakan, Pune. For our manufacturing plants in Europe, see "Our European Operations".

REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to our Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

General

The Contract Act

The Indian Contract Act, 1872 (the "Contract Act") lays down general principles relating to formation, performance and enforceability of contracts, including provisions as to circumstances under which contracts are considered void, voidable, illegal or *void ab initio*. The Contract Act also contains provisions governing certain special contracts, including indemnity, guarantee, bailment, pledge, contingent, and agency.

The rights and duties of parties and the specific terms of agreement are decided by the contracting parties, under the general principles set forth in the Contract Act.

Intellectual Property Laws

The Patents Act, 1970

The Patents Act, 1970 governs the patent regime in India. Historically, India granted patent protection only to processes and not to products in respect of food, medicine or drugs. However, as a signatory to the Trade Related Agreement on Intellectual Property Rights ("TRIPS"), India was required to ensure that its patent laws were in compliance with the TRIPs by January 1, 2005. Under this new patent regime, India is required to recognise product patents as well as process patents. The new regime provides for:

- Recognition of product patents in respect of food, medicine and drugs;
- Patent protection period of 20 years as opposed to the earlier seven year protection for process;
- Patent protections allowed on imported products; and
- Under certain circumstances, the burden of proof in case of infringement of process patents may be transferred to the alleged infringer.

India was granted a ten-year grace period to comply with product patent laws. Accordingly, the actual product patent regime came into force from 2005. However, during the transition period, India had to provide a pipeline protection to drugs patents after 1995. The validity period of patent for these products is calculated from the date of applying for the patent and since the implementation of product patents, the patent will be granted for the balance of the 20 year patent term from the date of filing of the application for pipeline protection.

The Patents (Amendment) Act, 2005 passed by Indian Parliament on March 17, 2005, has made certain changes to the Patents Act, 1970 ("Patents Act"). The definition of inventive step in the Patents Act has been amended to exclude incremental improvements or ever greening of patents. Under the amended Patents Act, an inventive step must involve a technical advance as compared to the existing knowledge or must have economic significance or both. Further, the invention must be non-obvious to a person skilled in the art. Another amendment, with a view to reducing ever greening of patents, is the expansion of the section 3 which determines what are not patents. Section 3(d) of the Patents Act has been amended such that the following are not patents:

- the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance, or
- the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.

The proviso to section 11A (7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005, for which a patent has been granted through an application made under section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprise.

Trademarks Act, 1999

A trademark is used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor or user to use the mark. A mark may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The Trademarks Act, 1999 governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of ten (10) years but can be renewed in accordance with the specified procedure.

The Copyright Act, 1957

A copyright is an exclusive right to do or authorizes to do certain acts in relation to literary, dramatic, musical and artistic works, cinematographic films and sound recordings. The Copyright Act, 1957 provides for registration of copyrights, transfer of ownership and licensing of copyrights, and infringement of copyrights and remedies available in that respect. Depending upon the subject, copyright is granted for a certain period of time, up to a maximum of seventy (70) years, subsequent to which the work falls in the public domain and any act of reproduction of the work by any person other than the author would not amount to infringement.

Labour Regulations

Depending on the nature of work and number of workers employed at any unit, the following labour legislations may apply:

The Factories Act, 1948

The Factories Act, 1948 (the "**Factories Act**") regulates occupational safety, health and welfare of workers of the industries, in which ten (10) or more workers are employed on any day of the preceding twelve (12) months and are engaged in the manufacturing process being carried out with the aid of power. The ambit of the Factories Act includes provisions as to the approval of factory building plans before construction or extension, investigation of complaints, maintenance of registers and the submission of yearly and half-yearly returns.

The Payment of Wages Act, 1936

The Payment of Wages Act, 1936 applies to persons employed in factories and industrial or other establishments where the monthly wages payable are less than Rs 10,000. It requires the persons responsible for payment of wages to maintain certain registers and display of the abstracts of the rules made their under. The Minimum Wages Act, 1948 provides for minimum wages in certain employments. The Central and the State Governments stipulate the scheduled employment and fix minimum wages, calculated based on the basic requirement of food, clothing, housing required by an average Indian adult.

Minimum Wages Act, 1948

The Minimum Wages Act, 1948, as amended, provides a framework for State governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to Rs.500 or both.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus. Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment or a fine, against persons in charge of, and responsible to the company for the conduct of the business of the company at the time of contravention.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948, as amended (the "ESI Act"), provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ, or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour. The CLRA requires the principal employer of an establishment to which it applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. To ensure the welfare and health of contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended, provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. The entitlement to gratuity in the event of death or disablement is not contingent upon an employee having completed five years of continuous service

Environmental laws

We are required under applicable law to ensure that our operations are compliant with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974, as amended (the "Water Act"), the Air (Prevention and Control of Pollution) Act, 1981, as amended (the "Air Act") and the Environment Protection Act, 1986, as amended (the "Environment Act"). The Water Act aims to prevent and control water pollution. It provides for the constitution of a Central Pollution Control Board ("CPCB") and State Pollution Control Boards ("SPCBs").

The functions of the CPCB include coordination of activities of the SPCBs, collecting data relating to water pollution and the stipulation of measures for the prevention and control of water pollution and prescription of standards for streams or wells. The SPCBs are responsible for the planning for programs for, among other things, the prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; and laying down standards for treatment of trade effluents to be discharged. This legislation prohibits any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluents into a stream, well or sewer without the prior consent of the relevant SPCB.

The CPCB and the SPCBs constituted under the Water Act are to perform functions under the Air Act for the prevention and control of air pollution. The Air Act aims to prevent and control air pollution. It is mandated under the Air Act that no person may, without the prior consent of the relevant SPCB, establish or operate any industrial plant in an air pollution control area.

The Environment Act has been enacted for the protection and improvement of the environment. It empowers the Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants. The Government may make rules for regulating environmental pollution.

Environment Impact Assessment Notifications

The Environment Impact Assessment Notification S.O.60(E), issued on January 27, 1994 (the "1994 Notification") under the provisions of the Environment (Protection) Act, 1986, as amended (the "EPA"), prescribes that for the construction of certain power projects specified in the 1994 Notification, in the case of new projects, if the investment is more than Rs.100 crore and in the case of expansion or modernization projects, if the investment is more than Rs.50 crore, the prior environmental clearance of the MoEF is required. The environmental clearance must be obtained from the MoEF according to the procedure specified in the 1994 Notification. No construction work, preliminary or other, relating to the setting up of a project can be undertaken until such clearance is obtained.

The application to the MoEF is required to be accompanied by a project report which should include, *inter alia*, an Environmental Impact Assessment Report and an Environment Management Plan. The Impact Assessment Authority evaluates the report and plan submitted. Such assessment is required to be completed within a period of 90 days from receipt of the requisite documents from the project developer/manager. Thereafter, a public hearing has to be completed and a decision conveyed within 30 days.

The clearance granted is valid for a period of five years from the commencement of the construction or operation of the project. The project developer/manager concerned is required to submit a half yearly report to the Impact Assessment Authority to enable it to effectively monitor the implementation of the recommendations and conditions subject to which the environmental clearance has been given.

If no comments from the Impact Assessment Authority are received within the time limits specified above, the project will be deemed to have been approved by the project developer/manager.

On September 14, 2006, the Environmental Impact Assessment Notification S.O.1533 (the "2006 Notification") superseded the 1994 Notification.

Under the 2006 Notification, the environmental clearance process for new projects consists of four stages – screening, scoping, public consultation and appraisal. After completion of public consultation, the applicant is required to make appropriate changes in the draft Environment Impact Assessment Report and the Environment Management Plan. The final Environment Impact Assessment Report has to be submitted to the concerned regulatory authority for appraisal. The regulatory authority is required to give its decision within 105 days of the receipt of the final Environment Impact Assessment Report.

Hazardous Waste (Management and Handling) Rules, 1989

The Hazardous Waste (Management and Handling) Rules, 1989, as amended, impose an obligation on each occupier and operator of any facility generating hazardous waste to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous waste is required to obtain an approval from the relevant state pollution control board for collecting, storing and treating the hazardous waste.

Public Liability Insurance Act, 1991

The Public Liability Insurance Act, 1991, as amended (the "Public Liability Act") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of 'hazardous substances' covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the Environment Relief Fund, a sum equal to the premium paid on the insurance policies. This amount is payable to the insurer.

FEMA Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Government of India, the implementation of which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("**FEMA Regulations**") to prohibit, restrict or regulate, the transfer by or issue of a security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the FIPB and/or the RBI.

BOARD OF DIRECTORS AND OUR MANAGEMENT

Board of Directors

Our Board of Directors is responsible for our overall management and supervision. Our Managing Director is responsible for our day-to-day management under the supervision, direction and control of our Board of Directors.

The Articles of Association of the Company provide that the Company shall not have less than three Directors and not more than twelve Directors, unless otherwise determined by a general meeting of the company and subject to the provision of Section 252 of the Act.

Pursuant to the Companies Act, not less than two-thirds of the total number of Directors shall be persons whose period of office is subject to retirement by rotation and one third of such Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office at every annual general meeting. The Articles provide that the Directors to retire are those who have been the longest in the office since their last appointment but as between persons who become Directors on the same day those to retire shall in default of and subject to any agreement among themselves, be determined by lot. A retiring director is eligible for re-election. The Articles provide that any trust deed for the securing of any debentures or debenture stock and/or any mortgage deed or other bond for securing payment of moneys borrowed by or due by the Company and/or any contract or any agreement made by the Company with any person, firm, body corporate, financial institutions, banks who may render or agree to render any financial assistance to the Company by way of loans or guaranteeing any loans borrowed or other obligations of the Company, may provide for the appointment from time to time of one or more persons to be Director or Directors of the Company by such lender, trustee, holders of debentures or contracting party. However, the Articles of Association of the Company states that Directors who are appointed as nominees of lenders or nominees of person, bodies corporate or firm from whom financial assistance has been availed would not be liable to retire by rotation or be removed by the Company. The Company's Directors are not required to hold any shares of the Company by way of qualification shares, unless otherwise determined by the Company in general meeting.

The Board of Directors are authorised by the Articles to appoint any person as a Director as an addition to the Board so that the total number of Directors shall not at any time exceed the maximum number fixed by the Articles. Such Director so appointed shall hold office only up to the date of the next AGM of the Company and shall be eligible for re-election. The Articles of Association, subject to the Companies Act, 1956 allow the Board of Directors to appoint any person to act as an alternate Director for a Director during the latter's absence from the State in which meetings of the Board are ordinarily held.

The following table sets forth details regarding the Board of Directors as at the date of this Placement Document:

Name	Designation	Age (Years)	DIN	Director since
Mr. Anand G Mahindra	Non-Executive, Chairman, Non-Independent	55	00004695	April 28, 2006
Mr. Deepak Dheer	Managing Director	59	00837140	September 1, 2008
Mr. Zhooben Bhiwandiwala	Non-Executive, Non-Independent Director	51	00110373	April 28, 2006
Mr. V K Chanana	Non-Executive, Independent Director	71	00069599	April 28, 2006
Mr. Fali P Mama	Non-Executive, Independent Director	74	00012636	April 28, 2006
Mr. Harald Korte	Non-Independent Director	76	01481842	April 26, 2007
Mr. Daljit Mirchandani	Non-Executive, Independent Director	63	00022951	July 29, 2008
Mr. Hemant Luthra	Non-Executive, Non-Independent Director	60	00231420	March 24, 2005

Name	Designation	Age (Years)	DIN	Director since
Mr. Mohit Burman	Non-Executive, Independent Director	42	00021963	April 28, 2006
Mr. Nikhilesh Panchal	Non-Executive, Independent Director	42	00041080	August 18, 2005
Mr. Oliver Scholz	Non-Independent Director	50	02472642	May 9, 2008
Mr. Piyush Mankad	Non-Executive, Independent Director	69	00005001	July 29, 2008

Brief Biographies of the Directors

Mr. Anand G Mahindra is the Chairman of our Company. He is also the Vice Chairman and Managing Director of Mahindra & Mahindra Ltd. – the flagship company of the US $6.3 billion Mahindra Group, which is among the top 10 industrial houses in India. He graduated from Harvard College, Cambridge, Massachusetts, Magna cum Laude. In 1981 he secured an MBA degree from the Harvard Business School, Boston, Massachusetts. He returned to India that year and joined Mahindra Ugine Steel Company Ltd (MUSCO) as Executive Assistant to the Finance Director. In 1989 he was appointed the President and Deputy Managing Director of their company.

During his stint at MUSCO, he initiated the Mahindra Group's diversification into the new business areas of real estate development and hospitality management. In the summer of 1991, he was appointed Deputy Managing Director of Mahindra & Mahindra Limited, a dominant producer of off-road vehicles and agricultural tractors. In April 1997, he was appointed Managing Director of Mahindra & Mahindra Ltd and in January 2003 given the additional responsibility of Vice Chairman.

Mr. Mahindra was a co-promoter of Kotak Mahindra Finance Limited, which in 2003 was converted into a bank. Kotak Mahindra Bank is one of the foremost private sector banks today. Mr. Mahindra frequently shares his views and ideas on Indian economy and business through his writings in some of India's leading business magazines.

Mr. Mahindra is the recipient of the following awards:

- Knight of the Order of Merit' by the President of the French Republic.
- Rajiv Gandhi Award 2004 for outstanding contribution in the business field
- 2005 Leadership Award from the American India Foundation for his, and the Mahindra Group's commitment to corporate social responsibility.
- Person of the Year 2005 from Auto Monitor.
- CNBC Asia Business Leader Award for the year 2006.
- The Most Inspiring Corporate Leader of the Year 2007 from NDTV Profit.
- Business Man of the Year 2007 from Business India.
- Harvard Business School Alumni Achievement Award 2008.
- National Statesman for Excellence in Business Practices – Qimpro Platinum Standard 2008 Award by Qimpro Foundation.
- CNBC TV18 Outstanding Business Leader of the Year 2009
- Business Leader of the Year 2009 by Economic Times.

Other Activities

Mr. Mahindra is the co-founder of the Harvard Business School Association of India, an association dedicated to the promotion of professional management in India. The association has grown substantially over the years. He is Past President 2003-04 of the Confederation of Indian Industry and has also been President of the Automotive Research Association of India (ARAI). Mr. Mahindra is one of the director's of The National Stock Exchange of India Limited appointed under the "Public Representatives" category. He takes a keen interest in matters related to education and apart from being a Trustee of the K.C. Mahindra Education Trust, which provides scholarships to students, he is also on the Board of Governors of the Mahindra United World College of India. Mr. Mahindra is the Founder Chairman of the Mumbai Festival, which was launched in January 2005. The event was the first comprehensive festival to celebrate the rich cultural diversity of the city. He is the Co-Chairman of the International Council of the Asia Society, New York.

Mr. Mahindra also serves on the following Boards and committees:

1. Harvard Business School - Asia–Pacific Advisory Board
2. Harvard Business School - Member of the Board of Dean's Advisors
3. Harvard University Asia Centre - Advisory Committee
4. Asia Business Council
5. National Sports Development Fund (NSDF), Government of India – Council and Executive Committee
6. The Nehru Centre, Mumbai - Executive Committee
7. National Council of Applied Economic Research
8. India Council for Sustainable Development – Member

Mr. Deepak Dheer is the Managing Director of our Company. Mr. Deepak Dheer is a Graduate in Mechanical Engineering from IIT Chennai, and has done his Post Graduation Diploma in Business Management from IIM, Ahmedabad. He has a vast experience of 36 years in various industries. Mr. Dheer has held various senior positions in several reputed companies. He has been a member of the Board since September 1, 2008.

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

Mr. V K Chanana is an Independent Director of our Company. He was appointed on the Board on April 28, 2006. 2008. Mr. V. K. Chanana is a retired IAS officer. He was nominated by Unit Trust of India as a Director on the Board of Mahindra & Mahindra Limited in 2002. Mr. Chanana has worked with UNIDO for ten years at its Head Quarters at Vienna. His responsibilities included formulation and implementation of programmes for strengthening private sector development, investment promotion and development of industrial infrastructure in developing countries. He was earlier working in the field of industrial development in the state of UP and Ministry of Industries for nearly twenty five years.

Mr. Fali P Mama is an Independent Director of our Company. He was appointed on the Board on April 28, 2006. Mr. Fali P. Mama is a graduate in science and law. He has over 43 years experience in the Indian Automotive and Engineering Industries in the area of Material Management and Plant Level operation.

Mr. Harald Korte is a Non-Independent Director of our Company. He was appointed on the Board in on April 26, 2006. Mr. Harald Korte is an engineer of the Technical High school, Hagen. Mr. Korte joined Daimler Benz Stuttgart in 1957 and worked in their Forge shop until 1960. Thereafter in 1960 he joined Hesterberg & Sohne, Ennepetal where he was responsible for production, planning and quality control. He has undergone a training program from 1967 to 1968 in SIFCO, USA and Brazil.

Mr. Daljit Mirchandani is an Independent Director of our Company. He was appointed on the Board on July 29, 2008. Mr. Daljit Mirchandani is a Graduate Engineer from Birla Institute of Technology. He is currently the Chairman of Ingersoll-Rand (India) Limited. Prior to his current employment, Mr Mirchandani has held several key positions in the Kirloskar Group. He was the Chairman of the Karnataka State Council of the Confederation of Indian Industries (CII) in 2005 the premier industry body that interfaces with the State and Central Government bodies. In 2007. Mr Mirchandani was been nominated by the CII to be a member of the National Horticulture Board and the Task Force formed by the Ministry of Agriculture, to examine policy interventions for the formation of the Cold Chain Infrastructure in India for fresh fruits and vegetables.

Mr. Hemant Luthra is a Non-Independent Director of the Company. He was appointed on the Board on March 24, 2005. Mr. Hemant Luthra is a graduate of the Indian Institute of Technology. He is also an alumni of the Advanced

Management Programme at the Harvard Business School. He has 36 years of varied and rich work experience in Operations, Finance, Business Development and Private Equity.

Mr. Mohit Burman is an Independent Director of our Company. He was appointed on the Board on April 28, 2006. Mr. Mohit Burman has a Master's Degree in Business Administration. Mr. Burman started his career in 1989 in Welbeck Property Partnership in London, England. Since then he has held senior positions in Dabur Finance Ltd. and helped in developing Dabur Group's financial services business into Asset Management, Life Insurance and Pension with UK's largest insurance Company CGNU by setting up Aviva Life Insurance Company and was later responsible for Dabur Group's acquisition of Balsara Home Products Limited.

Mr. Nikhilesh Panchal is an Independent Director of our Company. He was appointed on the Board on August 18, 2005. Mr. Nikhilesh Panchal has Master's Degree in Law and is a Solicitor and Advocate by profession. He is a partner of Messrs Khaitan & Co., Advocates & Solicitors. He has been practicing as a Solicitor and Advocate in India for over 15 years. Mr. Panchal has vast legal experience with particular emphasis on corporate and commercial law, and legislation related to securities.

Mr. Oliver Scholz is a Non-Independent Director of our Company. He was appointed on the Board in May 9, 2008. Mr. Oliver Scholz is a graduate and holds the qualification of Master of Business Administration (BA). Oliver Scholz joined Scholz AG in 1993. Initially he was responsible for the development and integration of the newly acquired operations in Eastern Germany.

Mr. Piyush Mankad is an Independent Director of our Company. He was appointed on the Board in July 29, 2008 .Mr. Piyush Mankad is a retired civil servant with a distinguished career of over forty years in the prestigious Indian Administrative Service, which he joined in 1964. He was educated at Delhi University, India and later at Cambridge, U.K., where he obtained a postgraduate Diploma in Development Studies, with distinction. Some of the important positions that he has held include Counselor (Economic) in the Indian Embassy, Tokyo; Controller of Capital Issues, Ministry of Finance; Finance Secretary, Government of India; and Executive Director for India and four other countries and Board Member, Asian Development Bank, Manila, which was his last assignment till July, 2004.His areas of experience and expertise include, among others, public finance and policy; capital market regulation and development; promotion of industry, F.D.I. and infrastructure; and public administration.

Borrowing Powers of the Directors of the Company

Pursuant to a resolution passed by the shareholders of the Company at their AGM held on July 25, 2007 and in accordance with provisions of the Companies Act, the Board has been authorised to borrow up to Rs. 5,000 Million, apart from temporary loans obtained or to be obtained from Company's bankers in the ordinary course of business, notwithstanding that such borrowings may exceed the aggregate of the paid-up share capital and free reserves of the Company.

Corporate Governance

The Company has been complying with the requirements of the applicable regulations, including the listing agreement with the Stock Exchanges and the SEBI Guidelines, in respect of corporate governance including constitution of the Board and Committees thereof. The corporate governance framework is based on an effective independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and constitution of the committees of the Board of Directors, as required under applicable law.

The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of the Company provides the Board of Directors with detailed reports on its performance periodically.

Currently the Board of Directors comprises 12 Directors. Consequently, in compliance with the requirements of Clause 49 of the Equity Listing Agreement, the Board of Directors consists of 6 independent Directors.

As per the mandatory requirements of Clause 49 of the Listing Agreement, the Company has constituted the following Committees of the Board and brief details of each of such Committee, its scope and composition are given below:

1. Audit Committee

The Audit Committee was re-constituted by the Board of Directors through its resolution dated August 26, 2008

The Audit Committee currently comprises the following Directors:

(i). Mr. V.K.Chanana (Chairman)
(ii). Mr. Mohit Burman
(iii). Mr. Nikhilesh Panchal
(iv). Mr. Fail P Mama
(v). Mr. Zhooben Mirchandani
(vi). Mr. Daljit Mirchandani

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

2. Remuneration / Compensation Committee

The Remuneration/Compensation Committee was re-constituted by the Board of Directors at its meeting held on August 26, 2008 The Compensation Committee consists of the following Directors:

1. Mr. Mohit Burman (Chairman)
2. Mr. Anand Mahindra
3. Mr. Hemant Luthra
4. Mr. V K Chanana
5. Mr. Nikhilesh Panchal
6. Mr. Daljit Mirchandani

The terms of reference of this Committee are to look into the entire gamut of remuneration package for the executive Director(s) and revise their remuneration suitably within the limits prescribed under the Companies Act, 1956 with the powers to consider fixing/re-fixing salaries, perquisites and other terms of remuneration of the working Director(s) of the Company subject to approvals of shareholders, where necessary, to decide on the commission payable to Directors within the prescribed limits and as approved by the shareholders of the Company, to formulate and administer Employees Stock Option Scheme, if proposed and as and when introduced by the Company and to attend to such other matters and functions as may be prescribed from time to time.

3. Share Transfer and Shareholders' / Investors' Grievance Committee

The Share Transfer and Shareholders'/ Investors' Grievance Committee was re-constituted by the Board of Directors through its resolution dated January 28, 2009.

The Share Transfer and Shareholders'/ Investors' Grievance Committee currently consists of the following directors:

a. Mr. Daljit Mirchandani (Chairman)
b. Mr. V K Chanana
c. Mr. Fali Mama

The terms of reference of this Committee are to attend to transfer/transmission of Shares, issue of duplicate share certificates, redressal of shareholders and investor complaints such as transfer of shares, non- receipt of Balance Sheets, non-receipt of declared dividends etc. and such other matters as may be prescribed from time to time.

4. QIP and Issue Committee

The QIP and IssueCommittee was constituted by the Board of Directors through its resolution dated January 21, 2010

The QIP and Issue Committee currently comprises the following Directors:

(i). Mr. Hemant Luthra (Chairman of the Committee)
(ii). Mr. Deepak Dheer
(iii). Mr. Zhooben Bhiwandiwala
(iv). Mr. Fali P. Mama
(v). Mr. Daljit Mirchandani
(vi). Mr. Nikhilesh Panchal

The terms of reference of this committee include (1) to finalise the terms of the issue of equity shares and/or securities including the timing of the issue(s) / offering(s), the price at which equity shares either directly or on conversion and/or securities convertible into equity shares are to be issued, the investors to whom equity shares / securities are to be allotted and accept any modifications to the terms of the issue as may be required and any other matter in connection with or incidental to the issue; (2) Offer document / Placement document in consultation with the Merchant Bankers and Legal advisors and to arrange for submission of the Prospectus / Offer document / Placement document, and any amendment(s) and supplement(s) thereto, with the stock exchanges, where the shares of the company are listed, government, and regulatory authorities, institutions or bodies, as may be required; (3) finalise, approve and authorize execution of various agreements, deeds, writings, confirmations, undertakings, indemnities or other documents, if necessary, under the Common Seal of the Company, with any party including managers, merchant bankers, legal advisers, accountants, underwriters, registrars, share transfer agents, depositories, custodians, bankers, printers or others who may be related to the issue and accept modifications, changes and amendments to any such documents / agreements; (4) appoint bankers to the Issue and such other intermediaries as may be required to be appointed for the purpose of the Issue; decide the terms of their appointment including fees, commissions etc. (5) Open the proposed issue(s); and closing of the Issue(s); (6) allot securities; and (7) To do all such acts, deeds, matters and things as the Committee may, in its absolute discretion, consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any question, query, doubt or difficulty that may arise in this regard including the power to allot under subscribed portion, if any, in such manner and to such persons(s) as the Committee, may deem fit and proper in its absolute discretion to be most beneficial to the Company.

Interest of Directors of the Company

All the Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. The Managing Director and the Executive Director is interested to the extent of remuneration paid to them for services rendered as officers or employees of the Company.

The Directors, including independent Directors, may also be regarded as interested in the Equity Shares, if any, held by them and also to the extent of any dividend payable to them and other distributions in respect of the Shares. The Directors, including independent Directors, may also be regarded as interested in Shares held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners and trustees. The shareholding of directors is mentioned in section titled 'Shareholding of Directors'.

All of the Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by the Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective capacity. Except as otherwise stated in this Placement Document and statutory registers maintained by the Company in this regard, the Company has not entered into any contract, agreements, arrangements during the preceding two years from the date of this Placement Document in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them. The Directors have not taken any loans from the Company.

Shareholding of Directors

The following table sets forth the shareholding of the Directors in the Company as on February 9, 2010:

Sr. No.	Name	No. of Equity Shares	Shareholding (%) of Pre issue Equity Share Capital
1.	Mr. Zhooben Bhiwandiwala	1507	0.00
5.	Mr. Fali P Mama	2220	0.00
9.	Mr. Mohit Burman	12805	0.01

Remuneration of the Directors

A. Non-Executive Directors

The non-executive Directors are paid remuneration by way of sitting fees and other expenses (travelling, boarding and lodging incurred for attending the Board/Committee meetings). The remuneration of the Managing Director is fixed by the Remuneration / Compensation Committee which is subsequently approved by the Board of Directors, shareholders at a general meeting and Central Government (if applicable).

The Company pays sitting fees of Rs. 2,500 per meeting to the non-executive Directors for attending meetings of the Board or any of the Committees.

The following table sets forth all compensation paid by the Company to the non-executive Directors for the Financial Year 2009:

Name	Sitting Fees	Commission	Total
Mr. Anand G Mahindra	NA	Nil	NA
Mr. Hemant Luthra	27,500	Nil	27,500
Mr. Zhooben Bhiwandiwala	22,500	Nil	22,500
Mr. Mohit Burman	22,500	Nil	22,500
Mr. V.K.Chanana	40,000	Nil	40,000
Mr. Nikhilesh Panchal	27,500	Nil	27,500
Mr. Fail P Mama	35,000	Nil	35,000
Mr. Harald Korte	10,000	Nil	10,000
Mr. Piyush Mankad	2,500	Nil	2,500
Mr. Daljit Mirchandani	15,000	Nil	15,000
Mr. Oliver Scholz	5,000	Nil	5,000
Mr. R R Krishnan	15,000	Nil	Nil

B. Managing Director

The present remuneration structure of Managing Director consists of fixed salary, commission and other perquisites. The following table sets forth all compensation paid to the Executive Directors for Financial Year 2009:

Name	Salary and perquisites	Contribution to provident fund	Performance linked incentive	Total
Mr. Deepak Dheer (Managing Director)[1]	28,70,992	2,48,322	12,19,167	43,38,481

(1) The Company vide its letter dated 3 October 2008 sought approval, under sections 198(4) and 269 of the Companies Act, 1956, from the Central Government of India for the appointment of Mr Deepak Dheer and payment of remuneration to him as the Managing Director of the Company for a period of three years with effect from September 1, 2008. The Government of India vide its letter dated 10 June 2009, approved the remuneration payable to Mr Deepak Dheer effective from September 1, 2008 to August 31, 2011.

Option granted to the Directors including the Managing Director

We have granted options to our Directors under our current Employee Stock Option Scheme the details of which are set out below. See "Board of Directors and Our Senior Management - Employee Stock Option Scheme"

Name	No. of options granted in October 2007	No. of options granted in February 2008	No. of options granted in August 2008
Mr. Anand G Mahindra	NA	NA	NA
Mr. Hemant Luthra	NIL	2,00,000	NIL
Mr. Zhooben Bhiwandiwala	8,000	2,000	10,000
Mr. Mohit Burman	8,000	2,000	10,000
Mr. V.K.Chanana	8,000	2,000	10,000
Mr. Nikhilesh Panchal	8,000	2,000	10,000
Mr. Fail P Mama	8,000	2,000	10,000
Mr. Harald Korte	NIL	NIL	10,000
Mr. Piyush Mankad	NA	NA	10,000
Mr. Daljit Mirchandani	NA	NA	10,000
Mr. Oliver Scholz	NA	NA	10,000
Mr. Deepak Dheer (Managing Director)	NA	NA	75,000

Key Managerial Personnel of the Company

Mr. Shankar Urolagin is a General Manager (Engineering) of our Company. He holds a Bachelor in Mechanical Engineering from the University of Karnataka. He is responsible for all Engineering activities including design, development and yield improvement. He has about 17 years of experience out of which two and a half years have been spent with our Company. Prior to this he was working with V Cube Forge, Aurangabad and prior to that in Amforge Industries Limited for 9 years.

Mr. Y Y Chaudhari is a General Manager (Quality and Assurance) of our Company. He is responsible for Quality Management System of the Company. He holds a diploma in Mechanical Engineering and a Bachelor in Mechanical Engineering from the Nagpur University. He has about 26 years of experience out of which three years have been spent with our Company. Prior to this he was working with Automotive Stampings and Assemblies Limited, Pune.

Mr. Advait Halbe is a Vice President – CRM of our Company. He is responsible for Marketing and Export of Company's products. He holds a diploma in Mechanical Engineering and a Post Diploma in Auto Engineering from the Board of Technical Education, Mumbai. He has about 25 years of experience out of which four and a half years have been spent with our Company. Prior to this he was working with ZF Steering Gears India Limited, and Bajaj Tempo Limited, Pune.

Mr. I D Singh is a General Manager (Operations) with our Company. He is responsible for manufacturing operations of the Forging Division of the Company . He holds Bachelor in Science from the University of Ranchi and an Advance Diploma in Forging Technology from National Institute of Foundry & Forge Technology . He has more than 28 years of experience out of which two years have been with our Company. Prior to this he was working with Bharat Forge Limited.

Mr. Krishnan Shanker is a Company Secretary & General Manager (Legal) with our Company. He is responsible for the Legal and Secretarial requirements of the Company. He is a Fellow of the Institute of Company Secretaries of India. He also holds a Bachelors in Law and Science from the University of Bombay. He has about 36 years of experience out of which three years have been with our Company. Prior to this he was working with Deepak Fertilisers and Petrochemicals Corp. Ltd.

Mr. Ajay Mantry is a Chief Financial Officer (CFO) of our Company. He is responsible for Finance and Accounts functions of the Company. He is a member of the Institute of Chartered Accountants of India and a qualified Cost Accountant. He has about 17 years of experience out of which one and a half year has been with our Company. Prior to this he was working with MUSCO-Stampings division. .

Mr Atul Kale is a General Manager (Materials) of our Company. He is responsible for the entire material functions which includes purchases and stores. He holds a diploma in Mechanical Engineering from the University of Pune. He has about 19 years of experience out of which three and a half years have been with our Company. Prior to this he was working with Carraro India Limited.

Mr Vijay Deogaonkar is a General Manager (MCD) of our Company. He is responsible for Machining Division of the Company .He holds a diploma in Mechanical Engineering from the Board of Technical Education, Bombay. He has about 20 years of experience out of which four and a half years have been with our Company. Prior to this he was working with Bharat Forge Limited.

Mr. Pradeep Zoting is a General Manager (Human Resource) of our Company. He is responsible for Human Resource Department of the Company including Industrial relations and administration. He also a holds a Masters in Industrial Relation & Personnel Management from the University of Nagpur and a Bachelor in Commerce from the University of Nagpur. He has about 20 years of professional experience out of which one year has been with our Company. Prior to this he was working with ACSI, Taco Group, Tata Automotive Component Group, Pune.

Shareholding of Key Managerial Personnel

None of the Key managerial personnel hold any shares in the Company.

ESOPs held by the of Key Managerial Personnel

We have granted options to our Key managerial personnel under our current Employee Stock Option Scheme the details of which are set out below. See "Board of Directors and Our Senior Management - Employee Stock Option Scheme".

Name	No. of options granted in October 2007	No. of options granted in February 2008	No. of options granted in August 2008
Mr. Shankar Urolagin	12,000	Nil	13,000
Mr. Y Y Chaudhari	12,000	Nil	13,000
Mr. Advait Halbe	12,000	Nil	17,000
Mr. I D Singh	Nil	Nil	13,000
Mr. Krishnan Shanker	12,000	Nil	13,000
Mr. Ajay Mantry	Nil	Nil	Nil
Mr Atul Kale	6,000	Nil	10,000
Mr Vijay Deogaonkar	Nil	Nil	Nil

Name	No. of options granted in October 2007	No. of options granted in February 2008	No. of options granted in August 2008
Mr. Pradeep Zoting	Nil	Nil	Nil

Interests of Key Managerial Personnel

The key managerial personnel of the Company do not have any interest in the Company other than the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

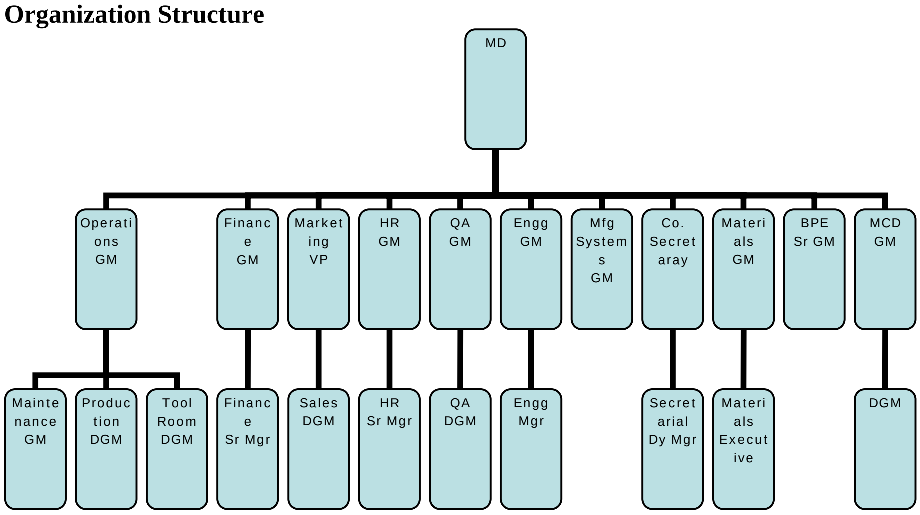
None of our key managerial personnel have been paid any consideration of any nature from our Company, other than their remuneration.

Employees Stock Option Scheme

The Remuneration /Compensation Committee of Directors of the Company approved the Employee Stock Option Scheme on 26 October, 2007. The Shareholders of the Company at the Annual General Meeting held on 25th July, 2007 approved the issue and allotment of Equity Shares under ESOS not exceeding 14,01,029 equity shares (i.e. 5% of the issued and paid up share capital as on 31st March, 2007). Thereafter at the Annual General Meeting held on 29th July, 2008 the previous resolution was modified by raising the limit from 14,01,029 Equity Shares to 34,28,387 equity shares, since the issued and paid up capital was increased. The maximum number of options to be granted per eligible employees shall not exceed 2,00,000 options which would entitle such employees to subscribe to not more than 5% of the issued and outstanding equity share capital of the Company. Further, the Stock Option Scheme also enumerates that the number of options to be granted to the non-executive directors including independent directors should not exceed 3,00,000 and total number of options to non-executive directors shall not exceed 5,00,000 in aggregate in any financial year. The options would vest as soon as they are granted subject to minimum vesting period of one year. Eligible employee can exercise options vested immediately on the date of vesting. The Options vested can be exercised anytime over a period of 5 years from the date of vesting. The Employee Stock Option Scheme constitutes 5% of the issued and paid up share capital of the company on a fully diluted basis. As of date none of the vested options have been exercised by the eligible employees or to the directors of the Company.

ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

Organization Structure



The Company's registered office is situated at Mahindra Towers, P.K.Kurne Chowk, Worli, Mumbai-400 018, Maharashtra, India.

The Equity Shares have been listed on the NSE since 30 August, 2007 and the BSE since 29 August, 2006.The following table presents information as of December 31, 2009 regarding the ownership of the Equity Shares by the Promoters and each person who beneficially owns one per cent or more of the Equity Shares:

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares: As a % of (A+B)	Total Shareholding as a % of total No. of Shares: As a % of (A+B+C)	Shares pledged or otherwise encumbered: Number of shares	Shares pledged or otherwise encumbered: As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
(2) Foreign							
Bodies Corporate	1	41,526,339	41,526,329	60.56	60.56	-	-
Sub Total	1	**41,526,339**	**41,526,329**	**60.56**	**60.56**	-	-
Total shareholding of Promoter and Promoter Group (A)	1	**41,526,339**	**41,526,329**	**60.56**	**60.56**	-	-
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	10	60,210	55,970	0.09	0.09	-	-
Financial Institutions / Banks	3	90	65	-	-	-	-
Insurance Companies	2	24,649	24,649	0.04	0.04	-	-

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
Foreign Institutional Investors	1	945,748	945,748	1.38	1.38	-	-
Sub Total	**16**	**1,030,697**	**1,026,432**	**1.50**	**1.50**	-	-
(2) Non-Institutions							
Bodies Corporate	563	7,720,274	7,698,231	11.26	11.26	-	-
Individuals						-	-
Individual shareholders holding nominal share capital up to Rs. 1 lakh	20,160	2,469,736	2,053,266	3.60	3.60	-	-
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	52	3,955,265	3,872,665	5.77	5.77	-	-
Any Others (Specify)	475	11,865,425	8,397,863	17.30	17.30	-	-
Clearing Members	80	25,130	25,130	0.04	0.04	-	-
Non Resident Indians	391	147,879	114,274	0.22	0.22	-	-
Foreign Corporate Bodies	3	11,691,916	8,257,959	17.05	17.05	-	-
Trusts	1	500	500	-	-	-	-
Sub Total	21,250	26,010,700	22,022,025	37.93	37.93	-	-
Total Public shareholding (B)	21,266	27,041,397	23,048,457	39.44	39.44	-	-
Total (A)+(B)	21,267	68,567,736	64,574,786	100.00	100.00	-	-
(C) Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-	-	-
Total (A)+(B)+(C)	21,267	68,567,736	64,574,786	-	100.00	-	-

Each person or entity known to the Company other than the Promoters and Promoter group entities which beneficially own more than 1% of its outstanding Equity Shares as of December 31, 2009 is listed below. Each shareholder identified below is both the holder on record and the beneficial owner with sole power to vote and invest the Equity Shares listed next to its name below:

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Scholz AG	8,257,959	12.04
2	Viniyog Investment & Trading Company Pvt Ltd	2,934,700	4.28
3	Promethean 1 Ltd	2,258,447	3.29

4	Nainesh Invest Trading Company Pvt Ltd	2,208,211	3.22
5	Puneet Makar	1,830,802	2.67
6	Thomas Korner GMBH	1,175,510	1.71
7	HSBC Bank (Mauritius) Ltd	945,748	1.38
	Total	19,611,377	28.60

The following table contains information as of December 31, 2009. Shareholding belonging to the category Shareholding belonging to the category: "Promoter and Promoter Group"

Sl. No.	Name of the Shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number	As a % of grand total (A)+(B)+(C)	Number	% of Total shares held	As a % of grand total (A)+(B)+(C)
1.	Mahindra & Mahindra Ltd.	41,526,339	60.56	-	-	-
	Total	41,526,339	60.56	-	-	-

The following table contains information as of December 31, 2009. Shareholding belonging to the category: 'Locked-in Shares'

Sl. No.	Name of the Shareholder	No. of Shares	Locked-in Shares as % of Total No. of Shares
1	Mahindra & Mahindra Limited	10136788	14.78%
	Total	10136788	14.78%

ISSUE PROCEDURE

Set forth below is a summary intended to present a general outline of the procedure relating to the bidding, payment, Allocation and Allotment of Equity Shares in the Issue. The procedure followed in the Issue may differ from the one mentioned below and prospective investors are assumed to have apprised themselves of such procedure from the Company or the GC-BRLMs. Prospective investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Investors that apply in the Issue will be required to confirm and will be deemed to have represented to our Company, the GC-BRLMs and their respective directors, officers, agents, advisors, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the GC-BRLMs and their respective directors, officers, agents, advisors, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company. For further details, see the sections entitled "Distribution and Solicitation Restrictions" and "Transfer Restrictions".

Summary of SEBI Regulations for a Qualified Institutions Placement

Under Chapter VIII of the SEBI Regulations, pursuant to which this Issue is being made, a listed Issuer ("Issuer" or the "Company") in India may issue and allot equity shares, non-convertible debt instruments with warrants and convertible securities other than warrants in a Qualified Institutions Placement ("QIP") to Qualified Institutional Buyers ("QIBs"), as defined sub-Regulation 2(1) (zd) of the SEBI Regulations, provided that:

- the shareholders of the Issuer have passed a special resolution approving the QIP. Such special resolution must specify (a) that the Allotment is proposed to be made through the mechanism of a QIP and (b) the relevant date (as defined below);

- equity shares of the same class of such Issuer, which are proposed to be Allotted through the QIP, are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the abovementioned special resolution; and

- such Issuer complies with the minimum public shareholding requirements set out in the listing agreement with the stock exchange referred to above.

At least 10% of the equity shares issued to QIBs must be allotted to mutual funds, provided that, if this portion or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other QIBs.

The applicants in the QIP are not allowed to withdraw their Bids after the closure of the Issue.

There is a minimum pricing requirement under the SEBI Regulations. The QIP must not be at a price lower than the average of the weekly high and low of the closing prices of the equity shares of the same class quoted on the stock exchange during the two weeks immediately preceding the relevant date.

The "relevant date" referred in the above paragraphs means the date on which the meeting of the Board of Directors of the Issuer or the committee of directors duly authorized by the Board of Directors of the Issuer decides to open the proposed issue and "stock exchange" as referred in the above paragraph means any of the recognized stock exchanges on which the equity shares of the Issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Equity shares must be allotted within twelve months from the date of the shareholders resolution approving the QIP. The equity shares issued pursuant to the QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations. The placement document shall be circulated to not more than 49 investors through serially numbered copies and is required to be placed on the websites of the concerned Stock Exchanges and of the Issuer with a disclaimer to the effect that it is in connection with a QIP and no offer is being made to the public or to any other category of investors. A copy of the placement document is required to be filed with the SEBI for record purposes within 30 days of the allotment of the securities. Additionally, the Issuer shall, while seeking in-principle approval from the Stock Exchanges, furnish a copy of the Placement Document to the concerned Stock Exchange.

Pursuant to the provisions of Section 67 of the Companies Act, for a transaction that is not a public offering, an invitation or offer may not be made to more than 49 persons.

The minimum number of allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to Rs.2.5 billion; and
- five, where the issue size is greater than Rs.2.5 billion.

No single allottee shall be allotted more than 50% of the issue size.

QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee.

The aggregate of the proposed QIP and all previous QIPs made by the Issuer in the same financial year shall not exceed five times the net worth of the Issuer as per the audited balance sheet of the previous financial year.

The Issuer shall furnish a copy of the Placement Document to each of the stock exchanges on which its Equity Shares are listed.

Securities allotted to the QIBs pursuant to a QIP shall not be sold for a period of one year from the date of Allotment except on a recognized stock exchange in India.

The Issuer has applied for and received the in-principle approval of the Stock Exchanges under Clause 24(a) of the listing agreements. The Issuer has also filed a copy of Preliminary Placement Document with the Stock Exchanges.

Issue Procedure

1. The Issuer and the GC-BRLMs shall circulate the serially numbered copies of the Preliminary Placement Document either in electronic form or physical form to a maximum of 49 QIBs.

2. The GC-BRLMs shall deliver to the QIBs a Bid cum Application Form. The list of QIBs to whom the Bid cum Application Form is to be delivered will be provided by the GC-BRLMs and shall be determined by the Company. Unless the Preliminary Placement Document and the Bid cum Application Form is numbered serially and addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.

3. QIBs may submit the Bids through the Bid cum Application Form during the bidding period to any of the GC-BRLMs.

4. QIBs will be required to indicate the following in the Bid:

   a) Complete official name of the QIB to whom Equity Shares are to be Allotted;

   b) Number of Equity Shares Bid for;

   c) Price at which they offer to apply for the Equity Shares, provided that the QIBs may also indicate that they are agreeable to submit a Bid in respect of the Equity Shares at "Cut-off Price", which shall be any price as may be determined by the Issuer and the GC-BRLM at or above the Floor Price, which for this Issue is Rs. 107.74 per Equity Share; and

   d) Depository account details to which the Equity Shares should be credited.

Note: **Each eligible sub account of an FII will be considered as an individual QIB and separate forms would be required from each such sub account for submitting Bids. It may be noted that a sub-account which is a foreign corporate or a foreign individual is not a "QIB" in terms of SEBI ICDR Regulations.**

5. Once a duly filled Bid cum Application Form is submitted by a QIB, such Bid cum Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. The Bid may be revised till Bid Closing Date, for which the QIB will have to revise the Bid in a Revision Form available with each of the GC-BRLMs. Revision Forms received after the closure of the Issue on Bid Closing Date shall not be considered as valid and the original Bid will stand. Upon the receipt of duly completed Bid cum Application Form, the GC-BRLMs shall issue the CAN to the applicants.

6. The Bid Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Bid cum Application Form.

7. Based on the Bids received, the Issuer, in consultation with the GC-BRLM, shall determine the Issue Price for the Equity Shares which shall be at or above the Floor Price and the number of Equity Shares to be issued. The Issuer shall notify the Stock Exchanges of the Issue Price. On determining the Issue Price and the QIBs to whom Allocation shall be made, such QIBs shall be sent the Confirmation of Allocation Note ("CAN") along with a serially numbered Placement Document either in electronic form or through physical delivery. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares allocated to the QIB, the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. The decision of our Company and the GC-BRLMs in this regard shall be at their sole and absolute discretion, and may not be proportionate to the number of Equity Shares applied for.

7. QIBs shall make payment of the entire application monies to the designated bank account of the Issuer through electronic transfer to such designated bank account, by the Pay-In-Date as specified in the CAN sent to the respective QIBs.

8. Upon receipt of the application monies from the QIBs, the Board of Directors or a duly constituted committee thereof (the "Board") of the Issuer will approve Allotment of the Equity Shares pursuant to a Board resolution. The Issuer shall not allot Equity Shares to more than 49 QIBs to whom an invitation or offer has been made. The Issuer will inform the Stock Exchanges of the details of the Allotment.

9. After adopting the Allotment resolution and prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs, the Issuer shall apply for in-principle approval of the Stock Exchanges for listing of the Equity Shares.

10. After receipt of the in-principle approval from the Stock Exchanges, the Issuer shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs in accordance with the details submitted by the QIBs in the Bid cum Application Form.

11. The Issuer shall then apply for the final trading and listing permissions from the Stock Exchanges.

12. The Equity Shares that have been Allotted and credited to the Depository Participant accounts of the QIBs, shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing permissions from the Stock Exchanges.

13. Upon receipt of intimation of final listing and trading approval from the Stock Exchanges, which is ordinarily available on their websites, the Issuer shall communicate the receipt of the final trading and listing permissions from the Stock Exchanges to the QIBs who have been Allotted the Equity Shares.

The Issuer and the GC-BRLMs shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Issuer.

Qualified Institutional Buyers

Only QIBs as defined under Regulation 2(1)(zd) of the SEBI Regulations and not otherwise excluded pursuant to paragraph (1)(b) of Regulation 86 of Chapter VIII of the SEBI Regulations, are eligible to invest. Currently, under Regulation 2 (1)(zd) of the SEBI Regulations, the definition of a QIB includes:

- a mutual fund, venture capital fund and foreign venture capital investor registered with the SEBI;
- a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the SEBI;
- a public financial institution as defined under Section 4A of the Companies Act;
- a scheduled commercial bank;
- a multilateral and bilateral development financial institution;
- a state industrial development corporation;
- an insurance company registered with the Insurance Regulatory and Development Authority;
- a provident fund with minimum corpus of Rs. 250 million;
- a pension fund with minimum corpus of Rs. 250 million; and
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the GOI published in the Gazette of India;

Under paragraph (1)(b) of Regulation 86 of Chapter VIII of the SEBI Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the promoter(s) of the Issuer. For this purpose, any QIB who has all or any of the following rights shall be deemed to be a person related to the promoters:

- rights under a shareholders' agreement or voting agreement entered into with promoters or persons related to the promoters;
- veto rights; or
- the right to appoint any nominee director on the Board of the Company,

provided however, if a QIB has acquired any of these rights in its capacity as a lender to the Issuer and such QIB does not hold any Equity Shares in the Company, then such a QIB shall not be deemed to be a person related to promoters.

FIIs are permitted to participate in this Issue subject to compliance with all applicable laws and such that the shareholding of such persons does not exceed specified limits as prescribed under applicable laws in this regard

No single FII can hold more than 10% of the post Issue paid-up capital of the Company. In respect of an FII investing in the Company's Equity Shares on behalf of its sub accounts, the investment on behalf of each sub account shall not exceed 10% of the Company's total issued capital.

Currently the aggregate FII holding in the Company can not exceed 40 % of the Company's total issued capital.

The Issuer and the GC-BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after this Placement Document is filed with the Stock Exchanges. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code and the QIB shall be solely responsible for compliance with tender offer and disclosure obligations under the Takeover Code, SEBI (Prohibition of Insider Trading) Regulations, 1992 and other applicable laws, rules, regulations, guidelines and circulars.

As per the SEBI Regulations, a minimum of 10 per cent of the Equity Shares in this Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the GC-BRLMs who are QIBs may participate in the Issue in compliance with applicable laws.

Application and Bidding

Bid cum Application Form

QIBs shall only use the specified Bid cum Application Form supplied by the GC-BRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of this Placement Document. Revisions to the Bid shall only be made in the Revision Form.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, SUBACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

IF SO REQUIRED BY THE GC-BRLMs, THE QIB SUBMITTING A BID, ALONG WITH THE BID CUM APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE GC-BRLMs TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE GC-BRLMs, COLLECTION BANK(S) OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

By making a Bid (including the revision thereof) for Equity Shares pursuant to the terms of this Placement Document, each QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections and paragraphs "Notice to Investors – Representation by Investors", "Distribution and Solicitation Restrictions" and "Transfer Restrictions":

1. The QIB confirms that it is a QIB in terms of sub-Regulation 2 (1)(zd) of the SEBI Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly, and its Bid does not directly or indirectly represent the Promoters or Promoter group or persons related to the Promoters of the Issuer;

3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of the Issuer other than such rights acquired in the capacity of a lender (not holding any Equity Shares) which shall not be deemed to be a person related to the Promoters;

4. The QIB has no right to withdraw its Bid after the Bid Closing Date;

5. The QIB confirms that if it is Allotted Equity Shares pursuant to the Issue, the QIB shall, for a period of one (1) year from the date of Allotment, sell the Equity Shares so acquired only on a recognized stock exchange;

6. The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that the Bids would not eventually result in triggering a tender offer under the Takeover Code;

8. That to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

   a) The expression “belongs to the same group” shall be interpreted by applying the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act; and

   b) “Control” shall have the same meaning as is assigned to it by clause (1)(c) of Regulation 2 of the Takeover Code.

9. The QIB shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

Bids by MFs

The Bids made by the asset management companies or custodian of MFs shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme/fund of a mutual fund will have to submit separate Bid-cum-Application Form.

In case of a MF, a separate Bid can be made in respect of each scheme of the MF registered with SEBI and such Bids in respect of more than one scheme of the MF will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by MFs:

No MF scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No MF under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. We and the GC-BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Placement Document. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under the applicable laws and regulations.

Submission of Bid cum Application Form

All Bid cum Application Forms shall be duly completed with information including the name of the QIB, the price and the number of Equity Shares bid. The Bid cum Application Form shall be submitted within the Bidding period to the GC-BRLMs either through electronic form or through physical delivery at either of the following addresses:

Name: **Kotak Mahindra Capital Company Limited**
Address: 1st Floor, Bakhtawar
229 Nariman Point
Mumbai 400 021
Contact Person: Karl Sahukar
Email: Karl.Sahukar@Kotak.com
Tel: (91 22) 6634 1100
Fax: (91 22) 2283 7517

Name: **Anand Rathi Advisors Limited**
Address: 11th Floor, Times Tower,
Senapati Bapat Marg
Lower Parel,
Mumbai – 400 013.
Contact Person: V Prashant Rao/ Akshay Bhandari
E-mail: mfl.qip@rathi.com
Tel: (91 22) 4047 7000
Fax: (91 22) (4047 7070)

The GC-BRLMs shall not be required to provide any written acknowledgement of the Bid.

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Application Form within the bidding period to the GC-BRLMs who shall maintain the book.

Price discovery and allocation

The Issuer, in consultation with the GC-BRLMs, shall finalize the Issue Price of the Equity Shares which shall be at or above the Floor Price.

After finalization of the Issue Price, the Issuer shall update the Preliminary Placement Document with the Issue details and file the final Placement Document with the Stock Exchanges.

Method of Allocation

The Issuer shall determine the Allocation for the purposes of inviting CANs, in consultation with the GC-BRLMs, in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be determined by the Issuer and the GC-BRLMs, at their sole and absolute discretion, to a maximum of 49 QIBs. Allocation to Mutual Funds for up to a minimum of 10% of aggregate amount of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE ISSUER AND THE GC-BRLMs IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE ISSUER AND THE GC-BRLMs AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE

ISSUE PRICE. NEITHER THE ISSUER NOR THE GC-BRLMs ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of Equity Shares shall not be less than:

(a) two, where the issue size is less than or equal to Rs.2.5 billion;
(b) five, where the issue size is greater than Rs.2.5 billion.

Provided that no single allottee shall be Allotted more than 50% of the aggregate amount of the Issue Size.

Provided further, that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control", see the section "Application and Bidding – Bid cum Application Form".

An invitation or offer shall not be made to more than 49 QIBs.

Confirmation of Allocation Note

Based on the Bids received, the Issuer and the GC-BRLMs, in their sole and absolute discretion, shall decide the list of QIBs to whom the serially numbered CAN shall be sent, containing details of the Equity Shares allocated to them and the details of the amounts payable by them by the Pay-In Date for Allotment of the Equity Shares in their respective names. Additionally, the CAN would include details of the bank account for transfer of funds if done electronically, address where the application money needs to be sent, the Pay-In Date as well as the probable designated date ("**Designated Date**"), being the date of credit of the Equity Shares to the QIB's account, as applicable to the respective QIBs.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Issuer and the GC-BRLMs and to pay the entire Issue Price for all the Equity Shares allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allocated/Allotted to them pursuant to this Issue.

Bank Account for Payment of Application Money

The Issuer has opened a special bank account in the name of "Mahindra Forgings Limited – Escrow Account" (the "Escrow Account") with Kotak Mahindra Bank Limited (the "**Escrow Agent**") in terms of the Escrow Agreement. The QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in their respective CANs.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Bid and the CAN of the QIB is liable to be cancelled.

In case of cancellations or default by the QIBs, the Issuer and the GC-BRLMs have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion subject to the compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

QIBs may make payment through cheques, demand drafts or electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected. Payments should only be made through electronic transfer.

Designated Date and Allotment of Equity Shares

(a) The Issuer will endeavour to complete the allotment of Equity Shares by the probable Designated Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

(b) In accordance with the SEBI Regulations, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act, 1996.

(c) The Issuer reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

(d) Following Allotment and credit of Equity Shares into the QIBs Depository Participant account, the Issuer would apply for final trading/listing approvals from the Stock Exchanges.

(e) The Escrow Agent shall not release the monies lying to the credit of the Escrow Account to the Issuer until such time that the Issuer delivers to the Escrow Agent the approval of the Stock Exchanges for the listing and trading of the Equity Shares offered in this Issue.

(f) In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by the Issuer or the GC-BRLMs. This Placement Document which includes the Issue Price finalized by the Company in consultation with the GC-BRLMs shall be filed with the Stock Exchanges.

Submission to SEBI

The Issuer shall submit the Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card, PAN allotment letter or PAN application form is required to be submitted with the Bid cum Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Bid cum Application Form is liable to be rejected on this ground.**

Our Right to Reject Bids

The Issuer, in consultation with the GC-BRLMs, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of the Issuer and the GC-BRLMs in relation to the rejection of a Bid shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

(a) A QIB applying for Equity Shares must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.

(b) Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

(c) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with the NSDL and the CDSL. All the stock exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(d) The trading of the Equity Shares of the Issuer would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.

(e) The Issuer will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Bid cum Application Form or on part of the QIBs.

Release of funds to our Company

The Collection Bank shall not release the monies lying to the credit of the "Mahindra Forgings Limited – Escrow Bank" till such time, that it receives an instruction in pursuance to the Escrow Agreement, alongwith the listing approval of the Stock Exchanges for the Equity Shares offered in the Issue.

PLACEMENT

Memorandum of Understanding

The GC-BRLMs have entered into a placement agreement with the Company (the "**Placement Agreement**"), pursuant to which the GC-BRLMs have agreed to use their reasonable efforts to procure QIBs to subscribe for the Equity Shares to be issued pursuant to the Issue, outside the US in reliance on Regulation S.

The Placement Agreement contains customary representations and warranties, as well as indemnities from the Company and is subject to certain conditions and termination provisions in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs.

In connection with the Issue, the GC-BRLMs (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the GC-BRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the GC-BRLMs may purchase Equity Shares and be allocated Equity Shares. See also the section "Notice to Investors — Off-shore Derivative Instruments (P-Notes)".

From time to time, the GC-BRLMs and their affiliates have provided, and continue to provide, commercial banking, financial advisory, investment banking and other services to us, our shareholders and our affiliates in the ordinary course of their business, for which they have received and may continue to receive fees and commissions.

Lock-up: The Company will not, for a period of 30 days from the date of the Final Placement Document, without the prior written consent of the Placement Agents, (A) directly or indirectly, issue, offer, or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (A) or (B) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any transaction. However, the foregoing shall not apply to: (i) any issuance, sale, transfer or disposition of Equity Shares by the Company to the extent such issuance, sale, transfer or disposition is required by Indian law; (ii) any issuance of Equity Shares by the Company upon exercise of the employee stock options issued by the Company outstanding as at the date hereof; (iii) any issuance of Equity Shares by the Company upon exercise of the convertible securities or preference securities or warrants issued or to be issued by the Company and (iv) the Placement.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

General

No action has been or will be taken in any jurisdiction by the Company or the GC-BRLMs that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating in us or the Equity Shares in this Issue in any jurisdiction where action for the purpose is required. Accordingly, the Equity Shares in this Issue may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Equity Shares imposed no be issued pursuant to this Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the GC-BRLMs. The Issue will be made in compliance with the SEBI ICDR Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or to be deemed to have made, as applicable, the acknowledgments and agreements as described under "Transfer Restrictions".

Australia

This Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "Australian Corporations Act"), has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under the Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) the Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under the Placement Document.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Equity Shares contemplated by this document may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares, which has been approved by a competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member Sate, all in accordance with the Prospective Directive, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

in any other circumstances, which do not require publication of a prospectus pursuant to Article 3 of the Prospectus Directive, provided that no such offer of Equity Shares shall result in a requirement for the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

This Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Equity Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and the Securities and Futures (Professional Investor) Rules made thereunder or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and (ii) no person may issue any invitation, advertisement or other document relating to the Equity Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder.

The GC-BRLMs have not issued, or had in their possession for the purposes of issue, and will not issue, or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore ("SFA") and accordingly, the Equity Shares may not be offered or sold, nor may the Equity Shares be the subject of an invitation for subscription or purchase, nor may this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 275 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Equity Shares are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or to a relevant person or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

United Kingdom

The GC-BRLMs:

(a) have not offered or sold, and prior to the expiry of a period of six months from the issue date of any Equity Shares, will not offer or sell any securities of the Company to persons in the United Kingdom except to "qualified investors" as defined in section 86(7) of the Financial Services and Markets Act 2000 ("**FSMA**") or otherwise in circumstances which have not resulted in an offer to the public in the United Kingdom;

(b) have complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom; and

(c) in the United Kingdom, will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to persons that are "qualified investors" and who are (a) "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("**Order**") or (b) high net worth entities and/or other persons to whom it may lawfully be communicated falling within Article 49(2)(a) to (d) of the Order in circumstances in which section 21(1) of the FSMA does not apply to the Company.

Switzerland

This Placement Document does not constitute an Offering Memorandum within the meaning of Article 652a or Article 1156 of the Swiss Code of Obligations (Schweizerisches Obligationenrecht) and is for the use of the direct recipient as addressed only, and is to be treated confidentially. The recipient must not forward this Offering Memorandum to any third party.

United Arab Emirates

This Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "UAE"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. The Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

United States of America

The Equity Shares are being offered and sold outside of the United States in reliance on Regulation S. The Equity Shares have not been and will not be registered under Securities Act and may not be offered or sold within the

United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each purchaser of the Equity Shares will be deemed to have made the acknowledgements, representations and agreements described in the section titled "Transfer Restrictions".

India

The Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India and the Equity Shares will not be offered or sold directly or indirectly, to the public or any members of the public in India or any other class of investors other than QIBs.

TRANSFER RESTRICTIONS

Purchasers of the Equity Shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of allotment, except through the Stock Exchanges. Investors are advised to consult their legal advisors prior to making any resale, pledge or transfer of the Equity Shares and also to refer to the section "Distribution and Solicitation Restrictions".

Subject to the foregoing, each purchaser of the Equity Shares issued pursuant to this Issue, by accepting delivery of this document, will be deemed to have represented and agreed as follows:

- you have received a copy of the Placement Document and such other information as you deem necessary to make an informed decision and that you are not relying on any other information or the representation concerning the Company or the Equity Shares and neither the Company nor any other person responsible for this document or any part of it or the GC-BRLMs will have any liability for any such other information or representation;

- you are purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S and you agree that you will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;

- you are authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

- you acknowledge (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges) that such Equity Shares have not been and will not be registered under the Securities Act;

- you certify that either (A) you are, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and are located outside the United States (within the meaning of Regulation S) or (B) you are a broker-dealer acting on behalf of your customer and your customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S); and

- the Company, GC-BRLMs, their respective affiliates and others will rely upon the truth and accuracy of your representations, warranties, acknowledgements and undertakings set out in this document, each of which is given to (a) the GC-BRLMs on their own behalf and on behalf of the Company, and (b) to the Company, and each of which is irrevocable and, if any of such representations, warranties, acknowledgements or undertakings deemed to have been made by virtue of your purchase of the Equity Shares are no longer accurate, you will promptly notify the Company.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above stated restrictions will not be recognised by the Company.

- we and the GC-BRLMs, our respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify us and the GC-BRLMs.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including the SEBI, the BSE and the NSE, and has not been prepared or independently verified by the Company or the BRLM, or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulations

India's stock exchanges are regulated primarily by the SEBI, as well as by the GOI acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956, as amended (the "SCRA") and the Securities Contracts (Regulation) Rules, 1957, as amended (the "SCRR"). The SCRA and the SCRR along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members.

The SEBI has been granted powers to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organizations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants. Additionally, the SEBI has the power to amend the listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges requires the prior approval of the SEBI.

Listing and Delisting of Securities

The listing of securities on recognized Indian stock exchanges is regulated by the Companies Act, the SCRA, the SCRR, the SEBI Act and various regulations and guidelines issued by SEBI and the listing agreements of the respective stock exchanges. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such listing agreement, subject to such company receiving prior notice of such intent of the stock exchange and after being granted an opportunity of being heard in the matter. A company, whose securities have been delisted by a stock exchange, may appeal before the Securities Appellate Tribunal ("SAT") to set aside the suspension.

The provisions of the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended (the "Delisting Regulations") and the SCRR govern voluntary and compulsory delisting of equity shares of listed Indian companies from any of the recognized stock exchanges.

In the event a company seeks to voluntarily delist from all recognized stock exchanges, having nation wide trading terminals, it is required to provide an exit opportunity to the other shareholders (the "Delisting Offer") and seek the in-principle approval of the stock exchange. This exit opportunity involves a price discovery process known as the "book building process". A Delisting Offer can be launched by any promoter seeking to delist the securities of the company. The Delisting Offer needs to be approved, firstly by the board of directors of the company and secondly by a special resolution of the shareholders of the company, passed through postal ballot. However, such a special resolution of the shareholders can be acted upon if, and only if, the votes cast by public shareholders in favour of the proposal amount to at least two times the number of votes cast by public shareholders against it (promoters and holders of depository receipts are considered non-public shareholders). Following the approval of the shareholders, the promoter would make an application form the concerned stock exchange for in-principle approval for the proposed delisting and issue a public

announcement (i.e. a public notice) in relation to the Delisting Offer. The offer price shall have a floor price which shall be determined in the manner provided in the Delisting Regulations.

The Delisting Regulations and the SCRR also provide the stock exchanges the power to delist the securities of companies on certain grounds, including if a company has incurred losses during the preceding three consecutive years and has negative net worth; the trading in the securities of the company has remained suspended for a minimum period of six months; the securities of a company have remained infrequently traded during the preceding three years; the company or any of its promoters or directors have been convicted for failure to comply with any provisions of the Securities and Exchange Board of India Act, 1992, as amended (the "SEBI Act") or the Depositories Act or rules and regulations made thereunder and awarded a penalty of not less than rupees ten million or imprisonment of not less than three years; or there has been failure to raise the public shareholdings within a specified time to the minimum level applicable to the company under its listing agreement. Any order for compulsory delisting can be made only after considering representations received from aggrieved persons. These regulations also provides that in the event that the securities of a company are delisted by a stock exchange, the fair value of securities shall be determined by an independent valuer appointed by the stock exchange from a panel of experts selected by the stock exchange. If a listed company is delisted by the stock exchange, the listed company or an aggrieved investor can file an appeal before the Securities Appellate Tribunal. The Delisting Regulations do not permit the listing of equity shares once delisted for a period of five years (in a voluntary delisting) and ten years (if the stock exchanges initiate the delisting).

Pursuant to the Delisting Regulations a Company is not permitted to delist shares of the company (a) pursuant to a buy back of equity shares or a preferential allotment; (b) where such class of equity shares has been listed on any stock exchange for less than three years; or where it has outstanding instruments convertible into the same class of equity shares sought to be delisted. Further, the Delisting Regulations prohibit the delisting of convertible securities.

The Company has entered into listing agreements with the Stock Exchanges. These agreements require, *inter alia*, that the Company adhere to certain corporate governance requirements, including ensuring the minimum number of independent Directors on the Board, and composition of various committees such as audit committee and remuneration committee and are subject to continuing disclosure requirements. Any non-compliance with the terms and conditions of the listing agreements with the Stock Exchanges may entail the delisting of the Equity Shares from such Stock Exchanges, which will affect future trading of those Equity Shares.

Minimum Level of Public Shareholding

In order to ensure a minimum level of public shareholding in listed companies, SEBI has notified amendments to the listing agreement. All listed companies are required to ensure that their minimum level of public shareholding remains at or above 25%, however, this requirement does not apply to those companies who in the past had offered at least 10% of their issue size to the public pursuant to Rule 19(2)(b) of the SCRR, or to companies that have reached a size of 20 million or more in terms of the number of outstanding listed shares and Rs. 10 billion or more in terms of market capitalization. However such listed companies are required to maintain the minimum level of public shareholding at 10% of the total number of issued ordinary shares of a class or kind for the purposes of listing. Where public shareholding in a company is less than 25% or 10%, as the case may be, the company is only permitted to dilute its public shareholding pursuant to certain extraordinary events with prior approval of the concerned stock exchanges. The term "public shareholding" excludes shares held by promoters and the promoter group as well as shares held by custodians, against which depository receipts have been issued overseas. Failure to comply with this clause in the listing agreement requires such listed company to delist its shares pursuant to the terms of the Delisting Regulations and may result in penal action being taken against such listed company pursuant to the SEBI Act.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10 per cent., 15 per cent. and 20 per cent. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20 per cent. movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Regulations. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in the Company's case is currently the Registrar of Companies located in Mumbai, Maharashtra. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed regulations concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and the SEBI Regulations to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party transactions and the management's discussion and analysis of financial conditions and results of operations, as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Companies Act further requires mandatory compliance with accounting standards issued by the ICAI. The ICAI and SEBI have implemented changes which require Indian companies to account for deferred taxation, consolidate their accounts (subsidiaries only), and provide segment-wise reporting and disclosure of related party transactions from 1 April 2001 and accounting for investments in affiliated companies and joint ventures in consolidated accounts from 1 April 2002.

As of 1 April 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of 1 April 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets. The ICAI has recently announced that all listed companies and public interest entities have to comply with International Financial Reporting Standards from 1 April 2011.

SEBI has replaced the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (the "DIP Guidelines") with the SEBI Regulations, in relation to the issue of capital and related disclosure requirements.

Indian Stock Exchanges

There are currently 23 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualization as a measure of moving towards greater investor protection.

The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members. SEBI has proposed to move to a T+1 settlement system.

To restrict abnormal price volatility, the SEBI has instructed stock exchanges to apply the fol1owing price bands calculated at the previous day's closing price (there are no restrictions on price movements of index stocks):

Market Wide Circuit Breakers. In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed the stock exchanges to apply daily circuit breakers, which do not allow transactions beyond certain price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and the circuit breakers are applied to the market for movement by 10%, 15% and 20% for two prescribed market indices: the BSE Sensex for the BSE and the Nifty for the NSE (the "NSE Nifty"), whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in al1 equity and equity derivatives markets nationwide is halted.

Price Bands. Price bands are circuit filters of 20% movements either up or down, and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products. In addition to the market-wide index based circuit breakers, there are currently in place varying individual scrip wise bands (except for scrips on which derivative products are available or scrips included in indices on which derivative products are available) of 20% either way for all other scrips.

BSE

The BSE is one of the stock exchanges in India on which the Company's equity shares are listed. Established in 1875, the BSE is the first stock exchange in India to have obtained permanent recognition in 1956 from the GOI under the SCRA, and has evolved over the years into its present status as one of the leading stock exchanges in India. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, the BSE has been incorporated and is now a company under the Companies Act.

The BSE has switched over from the open outcry system to an on-line screen based trading network since May 1995 and has expanded this network to over 359 cities and towns in India. As of January, 2010, the BSE has 1,010 members, comprising 173 individual members, 814 Indian companies and 23 FIIs. As of January 31, 2010, there were 4,962 listed companies whose securities were trading on the BSE, the total average daily turnover on the BSE in January, 2010 was Rs. 61.62 billion, and the market capitalization of the BSE as of January, 2010 stood at Rs. 59,243.40 billion. (Source: BSE)

Derivatives trading commenced on the BSE in 2000. The BSE has also wholesale and retail debt trading segments. Retail trading in government securities commenced on the BSE in January 2003. The BSE Sensitive Index, or Sensex, consists of listed shares of 30 companies. The companies are selected based on market capitalization, liquidity and industry representation. Sensex was first compiled in 1986 with the Fiscal Year ended 31 March 1979 as its base year. The BSE 100 Index (formerly the BSE National Index), introduced in January 1989, contains listed shares of 100 companies including the 30 in Sensex with Fiscal Year 1984 as the base year.

NSE

The Company's equity shares are also listed on the NSE. First recognized as a stock exchange under the SCRA in April 1993, the NSE, with a wide network in major metropolitan cities, screen based trading and a central monitoring system, has recorded high volumes of trading. The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities including Government securities, debentures, public sector notes and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. NSE does not categorise shares into groups as in the case of BSE, except in respect of the trade-to-trade category.

On its recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. As of January 31, 2010, there were 1,338 companies listed whose securities were trading on the NSE, the average daily turnover of the NSE in January, 2010 was Rs. 178.13 billion and the market capitalization of NSE as of January 31, 2010 stood at Rs. 57,829.65 billion. (Source: NSE).

Trading Hours

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:00 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays. Pursuant to a circular dated October 23, 2009, the SEBI has permitted the Stock Exchanges to extend their trading hours (in the cash and derivative segments) from 9:00 a.m. to 5:00 p.m.

Trading Procedure

In order to facilitate smooth transactions, in 1995 BSE replaced its open outcry system with the BSE On-line Trading, or BOLT. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted in smoothing settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading, or NEAT, which operates on a strict price / time priority besides enabling efficient trade. NEAT has lent depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Stock Market Indices

S&P CNX Nifty is a diversified 50 stock index accounting for 21 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX Nifty is owned and managed by India Index Services and Products Limited (IISL), which is a joint venture between the NSE and CRISIL.

The two indices which are generally used in tracking the aggregate price movements on BSE are SENSEX and BSE 100 Index. The BSE Sensitive Index, or the Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. Sensex was first compiled in 1986 with the fiscal year ended March 31, 1979. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies including the 30 in Sensex with 1983-84 as the base year. The BSE 100 Index was introduced in 1989.

Internet-Based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' Internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by the SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to certain obligations thereunder.

The takeover code is under constant review by the SEBI and was last amended on November 6, 2009. Since our Company is an Indian listed company, the provisions of the Takeover Code apply to our Company.

Certain provisions of the Takeover Code are as follows:

Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the equity shares or voting rights in a company (together with the company's equity shares or voting rights, if any, already held by such acquirer), in any manner whatsoever, is required to disclose at every stage the aggregate of his equity shareholding or voting rights in that company to the company (which in turn is required to disclose such shareholding to each of the stock exchanges on which the company's equity shares are listed) and to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean, shares in the share capital of a company carrying voting rights and includes any other security which entitles a person to acquire shares with voting rights but does not include preference shares.

An acquirer who, together with persons acting in concert with him, holds 15% or more but less than 55% of the equity shares or voting rights in any company , or who holds 55% or more but less than 75% of the equity shares or voting rights in any company and acquires shares or voting rights under the second proviso to Regulation 11(2) of the Takeover Code, is required to disclose any purchase or sale representing 2% or more of the share capital of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose such shareholding to each of the stock exchanges on which the company's equity shares are listed). The SEBI is considering certain changes in these regulations.

Promoters or persons in control of a company are also required to make annual disclosure of their holding in a specified manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed. Further they are also required to disclose their shareholding within 21 days from the record date fixed for the declaration of dividends. In addition, promoters or persons forming part of the promoter group of the Company are also required to disclose to the company the details of the shares pledged by them within seven days of the creation, or invocation, of the pledge, as the case may be. The Company is in turn , required to disclose the information to the stock exchanges within seven days of receipt of such information, if during any quarter ending March, June, September and December of any year: (i) the aggregate number of pledged shares taken together with the shares already pledged during that quarter exceeds 25, 000, or (ii) the aggregate total pledged shares taken together with the shares already pledged during that quarter exceeds 1 per cent. of the total shareholding or voting rights of the Company, whichever is lower.

An acquirer cannot acquire equity shares or voting rights which (taken together with the existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the voting capital of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.

No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights with post acquisition shareholding not exceeding 55% in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the voting capital of the target company at a price not lower than the price determined in accordance with the Takeover Code.

An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55% or more but less than 75% of the equity shares or voting rights in a company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level of the permitted by the listing agreement with the stock exchanges, may not, either by itself or through persons acting in concert with it, acquire any additional equity shares or voting rights in the company, unless such acquirer makes an open offer to acquire a minimum of 20% of the shares or voting rights which it does not already own in the company, provided that an acquirer together with persons acting in concert may acquire additional shares or voting rights entitling him to up to 5% voting rights in a company without making a public announcement if (i) the acquisition is made through open market purchase in the normal segment on the stock exchange but not through bulk/ block deal/ negotiated deal/ preferential allotment, or the increase in the shares or voting rights is pursuant to a buy-back of shares by the target company and (ii) the post acquisition shareholding of the acquirer and persons acting in concert does not exceed 75%.

Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so by making an open offer, in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding specified in the listing agreement with the stock exchanges.

In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting capital of the company. In addition, the Takeover Code introduces the “chain principle” by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

Further, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are “frequently” or “infrequently” traded (as defined in the Takeover Code). In case the shares of the company are frequently traded, the offer price shall be the higher of:

- the negotiated price under the agreement for the acquisition of shares in the company;

- the highest price paid by the acquirer or persons acting in concert with him for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement;

- the average of the weekly high and low of the closing prices of the shares of the company quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of public announcement, or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfill his obligations.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e., a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the SICA, (7) resulting from transfers between companies belonging to the same group of companies or between certain qualifying promoters, as specified in the Takeover Code and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the GOI controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the GOI or a State Government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. Recent amendments to the Takeover Code provide that where American depository receipts and global depository receipts holders are entitled to exercise voting rights on the shares underlying such American depository receipts and global depository receipts, open offer obligations as aforesaid shall be triggered upon crossing the same threshold limits. An application may also be filed with the takeover panel seeking exemption from the open offer provisions of the Takeover Code.

An application may also be filed with the takeover panel seeking an exemption from the provisions of Chapter III of the Takeover Code, which pertains to disclosure and open offer requirements. Pursuant to a recent amendment, a listed company can apply to the SEBI to relax strict compliance with the provisions of Chapter III of the Takeover Code in relation to an acquisition of a listed company in circumstances where the board of directors of the listed company has been removed and replaced by the GOI for the orderly conduct of the affairs of the company and the replaced board has, *inter alia,* devised a plan for transparent, open and competitive process for the continued operation of the company in the interests of all stakeholders of the company without furthering the interests of any particular acquirer.

Recent amendments to the Takeover Code obligates every promoter and person forming part of the promoter group of a listed company to disclose to the company details of the pledge of shares of that company held by such person and the invocation of the pledge within seven working days from the date of creation of the pledge or the invocation, as the case maybe. Further, the company is required to disclose such information to all the stock exchanges where its shares are listed, if the aggregate number of pledged shares of a promoter or every person forming a part of the promoter group, during any quarter ending March, June, September and December of any year, exceeds the lower of 25,000 or 1% of the total shareholding or voting rights of the company.

Recent amendments to the Takeover Code provide that where American depository receipts and global depositary receipts holders are entitled to exercise voting rights on the shares underlying such American depository receipts and global depositary receipts, open offer obligations as aforesaid shall be triggered upon crossing the same threshold limits.

SEBI is further empowered to relax, upon application by a target company, the provisions of Chapter III of the regulations, which pertain to the disclosure and the open offer requirements, in the event the directors of such company have been removed and replaced by the regulatory authorities for the orderly conduct of the affairs of the company and the replaced board has, amongst others, devised a plan for a transparent, open and competitive process for the continued operation of the company in the interests of all stakeholders of the company without furthering the interests of any particular acquirer. In the event the SEBI has granted such relaxation, no competitive bidding is allowed after a bid has been publicly announced by an acquirer.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the "Insider Trading Regulations"), have been notified by SEBI to prevent insider trading in India by prohibiting and penalizing insider trading in India. The Insider Trading Regulations prohibits any person who (i) is or was connected with a company or is deemed to have been connected with such company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of such company, or (ii) has received or has access to unpublished price sensitive information in relation to such company, from, *inter alia*, (a) dealing in such securities, either on his own account or on behalf of any other person, when in possession of such unpublished price sensitive information, (b) communicating, counseling or procuring, directly or indirectly, any unpublished price sensitive information to any other person; who while in possession of such unpublished price-sensitive information shall not deal in securities.

The terms "unpublished" and "price sensitive information" are defined by the Insider Trading Regulations. Unpublished means information which is not published by the Company or its agents and is not specific in nature. The Insider Trading Regulations clarify that speculative reports in print or electronic media shall not be considered as published information. Price sensitive information means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of the company, including, *inter alia*, the periodical financial results of the company, intended declaration of dividends (both interim and final), issue of securities or buy-back of securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish a code of internal procedures and conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse of such information. To this end, Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies. Recent amendments to the Insider Trading Regulations require that the model code of conduct should not be diluted in any manner and shall be complied with.

The model code of conduct has also been amended to prohibit all directors/officers/designated employees who buy or sell any number of shares of the company from entering into opposite transactions during the next six months following their prior transaction. Under the modified code of conduct, all directors/officers/designated employees have been prohibited from taking positions in derivative transactions involving shares of the company at any time. Further, certain provisions pertaining to, *inter alia,* reporting requirements have also been extended to dependents of directors and designated employees of the company.

The Insider Trading Regulations require any person who holds more than 5% of the outstanding shares or voting rights in any listed company to disclose to the company the number of shares or voting rights held by such person on becoming such holder within two working days of:

- the receipt of intimation of allotment of shares; or
- the acquisition of the shares or voting rights, as the case may be.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5% of the shares or of the voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and any change in shareholding or voting rights, (even if such change results in the shareholding falling below 5%) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2% of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of:

- the receipt of intimation of allotment of the shares; or
- the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the "Depositories Act") which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by an issuer has the option either to receive the security certificate or hold the securities with a depository. The NSDL and CDSL are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India.

Trading of securities in book-entry form commenced in December 1996. In order to encourage "dematerialization" of securities, SEBI has set up a working group on dematerialization of securities comprising foreign institutional investors, custodians, stock exchanges, mutual funds and the NSDL to review the progress of securities and trading in dematerialized form and to recommend scrips for compulsory, dematerialized trading in a phased manner. In January 1998, SEBI notified scripts of various companies for compulsory dematerialized trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialized trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all investors. However, even in the case of scrips notified for compulsory dematerialized trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

SEBI has also provided that the issue and allotment of shares in initial public offerings and/or the trading of shares shall only be in electronic form, and the company gives an option to subscribers, shareholders or investors either to receive the security certificates or to hold the securities in book-entry form with a depository.

Under the Depositories Act, every person subscribing to securities offered by an issuer has an option to either receive the security certificates or hold the securities with a depository

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with Depository Participants registered with the depositaries established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depositary in the Company's books and this depositary shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depositary. Every person holding equity shares of the company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organization under the supervision of the SEBI. Derivatives products have been introduced in a phased manner in India

DESCRIPTION OF SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.

The following description of Equity Shares is subject to and qualified in its entirety by our Company's Memorandum and Articles of Association and by the provisions of the Companies Act, which governs its affairs, and other applicable provisions of Indian law.

General

As of the date of this Placement Document the authorized capital of the Company is Rs.167,94,26,386/- comprising 12,20,00,000 equity shares of Rs.10/- each aggregating to Rs.122,00,00,000/- (Rupees One Hundred Twenty Two Crores only) and 1,48,20,206 - 4% non cumulative, redeemable, non convertible preference shares of Rs.31/- each aggregating to Rs 45,94,26,386/- (Rupees forty five crores ninety four lakhs twenty six thousand three hundred and eighty six only) each. The said authorized share capital was increased from Rs.117,94,26,386 to Rs. 167,94,26,386 vide its shareholders resolution dated February 18, 2010. The company is in the process of completing the requisite formalities.

The Equity Shares have been listed on the BSE and the NSE since August 29, 2006 and August 30, 2007 respectively.

Division of shares

The Companies Act provides that a company may subdivide its share capital if so authorised by its articles of association, by an ordinary resolution passed in its general meeting.

The Articles of Association allow that our Company may in its general meeting, alter the conditions of its Memorandum of Association and subdivide all or any of its shares into shares of smaller amounts than originally fixed by the Memorandum of Association.

Dividends

Under the Companies Act, unless the Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value. Subject to certain conditions laid down by Section 205 of the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of our Company in accordance with the provisions of the Companies Act or out of the profits of our Company for any previous financial year(s) arrived at after providing for unabsorbed depreciation or losses, whichever is lower, in accordance with the provisions of the Companies Act and remaining undistributed or out of both or out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as on the record date for which such dividend is payable. In addition, as is permitted by the Articles of Association, the Board may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date" or to those shareholders registered in NSDL and CDSL. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his shares is outstanding.

Any dividend declared shall be deposited by our Company in a separate bank account within five days from the date of declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against our Company or the said Fund.

Under the Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of the previous Fiscal Years. Our Company may pay a dividend in excess of 10 per cent of paid-up capital in respect of any year out of the profits of that year only after it has transferred to the reserves of our Company a percentage of its profits for that year ranging between 2.5 per cent to 10 per cent., depending on the rate of dividend proposed to be declared in that year in accordance with the rules framed under the Companies Act. The Companies Act further provides that if the profit for a year is insufficient or in the absence of profits in any year, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10 per cent of paid-up capital, whichever is lower; (ii) the total amount to be drawn from the accumulated profits from previous years and transferred to the reserves, may not exceed an amount equivalent to one tenth of the paid-up capital and free reserves, and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares are declared; and (iii) the balance of reserves after withdrawals must not be below 15 per cent of paid-up capital.

Capitalisation of reserves and issue of bonus shares

Our Company's Articles of Association permit our Company by a resolution of the shareholders in a general meeting to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised and distributed by the issue of fully paid bonus shares, in the same proportion and on the footing that such shareholders became entitled to capital or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings.

Any issue of bonus shares would be subject to the guidelines issued by the SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such convertible part of the convertible securities falling due for such conversion. The bonus issue shall be made out of free reserves built out of the genuine profits or share premium collected in cash only. The bonus issue cannot be made unless the partly-paid shares, if any existing are made fully paid-up.

Further, for the issuance of such bonus shares a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures/bonds nor can a bonus be declared unless the partly paid-up shares are fully paid-up. The declaration of bonus shares in lieu of dividend cannot be made. The bonus issue shall be made out of free reserves built out of genuine profits or share premium collected in cash only. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees, such as contributions to provident funds, gratuities, bonuses, etc.

Pre-emptive rights and alteration of share capital

Subject to the provisions of the Companies Act, a company may increase its share capital by issuing new shares on such terms and with such rights as our Company, by action of shareholders in a general meeting, determines. Such new shares shall be offered to existing shareholders listed on the members' register on the record date or to shareholders holding shares in dematerialised form as per the list provided by NSDL and CDSL in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to our Company.

Under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of our Company in a general meeting or where only a simple majority of shareholders present and voting in a general meeting have passed the resolution and the Government's permission has been obtained based on the application made by the board.

Our Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any security of our Company, or individually issued which entitles the holder to subscribe for shares in our Company or upon the conversion of convertible debentures issued. The issue of any convertible debentures or the taking of any convertible loans, other than from the Government and financial institutions, requires the approval of a special resolution of shareholders.

Our Company can also alter its share capital by way of a reduction of capital or by undertaking a buy-back of shares under the prescribed SEBI guidelines. The Articles of Association provide that our Company may, by a resolution passed at the general meeting, from time to time increase its capital by the creation of new shares and may consolidate or subdivide its share capital, convert all or any of its fully paid-up Shares into stock and reconvert that stock into fully paid-up Shares or cancel Shares which have not been taken up by any person. Our Company may also from time to time by special resolution reduce its capital subject to confirmation of the High Court. The Articles also provide that if at any time our Company's share capital is divided into different classes of shares, the rights attached to any one class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution, passed at a separate meeting of the holders of the shares of that class.

Preference shares

Preference share capital is that part of the paid-up capital of a company which fulfils both of the following requirements, namely:

(a) that in respect of dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and

(b) that in respect of capital, it carries, on a winding-up of our Company, a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up subject to the provisions of the Companies Act. The preference shares do not confer any further rights to participate in our Company's profits or assets. Holders of preference shares are not entitled to vote at general meetings of our Company except where the dividend due on such capital has remained unpaid:
   - (i) in the case of cumulative preference shares, in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting; and
   - (ii) in the case of non-cumulative preference shares, either in respect of a period of not less than two years or in respect of an aggregate period of not less than three years comprised in the six years ending with the expiry of the financial year immediately preceding the commencement of the meeting.

In any such case, however, the holders of preference shares have a right to vote only on those resolutions which directly affect the rights attached to their preference shares. Under the Companies Act, a company may issue redeemable preference shares if so authorised by the articles of association of our Company. The Articles of Association of our Company give our Company the power to issue preference shares but: (i) no such shares shall be redeemed except out of profits of our Company which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; (ii) no such shares shall be redeemed unless they are fully paid; (iii) the premium, if any, payable on redemption shall have been provided for out of the profits of our Company or out of our Company's security premium account, before the shares are redeemed; (iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of the profits which would otherwise have been available for Dividend, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed; and the provisions of the Companies Act relating to the reduction of the share capital of our Company shall, except as provided in the Companies Act, apply as if such reserve account were paid-up share capital of such company; (v) the redemption of preference shares by our Company shall not be taken as reduction of share capital; and (vi) the Capital Redemption Reserve Account may be applied by our Company in paying up un-issued shares of our Company to be issued to the members as fully paid bonus shares. Preference shares must be redeemable before the expiry of a period of 20 years from the date of their issue.

General meetings of shareholders

There are two types of general meetings of shareholders: (i) annual general meetings, and (ii) extraordinary general meetings. Our Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and in any event not later than six months after the end of each accounting, period unless extended by the Registrar of Companies at the request of our Company for any special reason, by a period not exceeding three months.

The Board may also, in accordance with its Articles of Association, convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10 per cent of the paid-up capital of our Company carrying voting rights. A general meeting of the shareholders is generally convened by the Secretary of our Company in accordance with a resolution of the Board. Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 clear days (excluding the days of mailing, and receipt, and such service shall be deemed to have been effected on the expiry of 48 hours after the same is posted) prior to the date of the proposed meeting. Shareholders who are registered as such on the date of the general meeting are entitled to attend and vote at such meeting.

A general meeting may be called after giving shorter notice if consent is received from all shareholders entitled to vote, in the case of an annual general meeting, and from shareholders holding not less than 95 per cent. of the paid-up capital of our Company in the case of any other general meeting. Currently, our Company gives written notices to all members and, in addition, gives public notice of general meetings of shareholders in a daily newspaper of general circulation in the region of the registered office of our Company. General meetings are generally held at a place where the registered office of our Company is situated or at such other place within the City or town where the registered office of our Company is situated. The quorum for a general meeting of our Company is five shareholders personally present. Meetings other than an annual general meeting may be held at any other place if so determined by the Board. A company intending to pass a resolution relating to matters such as, but not limited to, amendment to the objects clause of the memorandum, buy-back of shares under the Companies Act, giving loans or extending guarantees in excess of limits prescribed under the Companies Act, and guidelines issued thereunder, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the general meeting of our Company. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the notice.

Quorum

The Articles of Association of our Company provide that a quorum for a general meeting is at least five shareholders entitled to vote and present in person.

Voting rights

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll the voting rights of each shareholder entitled to vote and present in person or by proxy is in proportion to his/her/its share of paid-up equity capital of our Company. Voting is by show of hands, unless a poll is ordered by the Chairman of the meeting or demanded by a shareholder or shareholders holding at least 10 per cent. of the total shares entitled to voting rights in respect of the resolution and present in person or by proxy who has voting rights in proportion to the paid-up capital held by such shareholder. Subject to the Articles of Association, the Chairman of the meeting has a casting vote.

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. Special resolutions require the vote of three-fourths of the members present and voting. Special resolutions require that the votes cast in favour of the resolution by those present and voting must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles of Association a special resolution is required to be passed in a general meeting. Certain instances, including members' voluntary winding-up, dissolutions, merger or consolidation of our Company, preferential allotment of shares, and, in any case where shareholding of public financial institutions and banks exceeds 25 per cent., and the appointment of statutory auditors, require a special resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association of our Company. The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting. Any shareholder of our Company may appoint a proxy. A proxy shall not vote except on a poll and does not have a right to speak at meetings. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings, subject to necessary board resolution passed by the corporate shareholder, who shall not be deemed a proxy. Such an authorized representative can vote in all respects as if a member, including on a show of hands and a poll. A shareholder which is a legal entity may appoint an authorised representative who can vote in all respects as if a member, both by show of hands and by poll. The Companies Act allows for a company to issue shares with differential rights as to dividends, voting or otherwise subject to certain conditions prescribed under applicable law. In this regard, the laws require that for a company to issue shares with differential voting rights (i) our Company must have had distributable profits in terms of the Companies Act for a period of three financial years preceding the year in which it was decided to issue such shares; and (ii) our Company has not defaulted in filing annual accounts and annual returns for the immediately preceding three financial years immediately preceding the year in which it was decided to issue such shares.

Shares with Differential Voting Rights

The Company shall not issue any shares (not being preference shares) which carry voting right or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attached to the holders of other shares (not being preference shares).

Convertible securities/warrants

Our Company may issue from time to time debt instruments that are partly and fully convertible into Shares and/or warrants to purchase Shares.

Register of shareholders and record dates

Our Company is obliged to maintain a register of shareholders at its registered office or with the approval of its shareholders by way of a special resolution and with prior intimation to the relevant Registrar of Companies at some other place in the same city. The register and index of beneficial owners maintained by a depositary under the Depositaries Act, 1996 is deemed to be an index of members and register and index of debenture holders. Our Company recognises as shareholders only those persons who appear on its register of shareholders and our Company cannot recognise any person holding any Share or part of it upon any trust, express, implied or constructive, except as permitted by law. In the case of shares held in physical form, our Company registers transfers of Equity Shares on the register of shareholders upon lodgement of the Share transfer form executed by or on behalf of the transferor and by or on behalf of the transferee duly complete in all respects accompanied by a Share certificate, or if there is no certificate, the letter of allotment in respect of Equity Shares to be transferred together with duly stamped transfer forms. In respect of electronic transfers, the depositary transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, our Company enters the name of the depositary in its records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares that are held by the depositary. Transfer of beneficial ownership through a depositary is exempt from any stamp duty but each depositary participant may have its own depositary charges.

For the purpose of determining the shareholders, our Company may, after giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district where the registered office of our Company is situated, close the register for periods not exceeding 45 days in any one year or 30 days at any one time. In order to determine the shareholders entitled to dividends our Company keeps the register of shareholders closed for approximately 7 to 15 days, generally before the annual general meeting. Under the listing regulations of the stock exchanges on which our Company's outstanding Equity Shares are listed, our Company may, upon at least seven working days' or of as many days as the stock exchanges may from time to time reasonably prescribe, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of Equity

Shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed. Under the Companies Act, our Company is also required to maintain a register of debenture holders.

Postal Ballot

Under the provisions of the Companies Act, certain resolutions such as those listed below are required to be voted on only by a postal ballot:

- amendments of the memorandum of association to alter the objects of our Company;
- the issuance of shares with differential voting rights;
- the sale of the whole or substantially the whole of an undertaking of our Company;
- providing loans, extending guarantees and security in excess of the prescribed limits;
- varying the rights of the holders of any class of shares or debentures; and
- the buy-back of shares.

It is provided that a listed public company may obtain any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of our Company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode. The resolution passed by means of postal ballot shall be deemed to have been duly passed at a general meeting physically convened. The Central Government has framed rules with respect to the voting by postal ballot of listed companies.

Annual report and financial results

Our Company's audited consolidated financial statements for the relevant financial year, the directors' report and the auditors' report (collectively the "Annual Report") must be laid before the annual general meeting. These also include certain other financial information of our Company, a corporate governance section and management's discussion and analysis, and are made available for inspection at our Company's registered office during normal working hours for 21 days prior to the annual general meeting.

Under the Companies Act, our Company must file the Annual Report presented to the shareholders with the RoC, within 30 days from the date of the annual general meeting. Our Company must file an annual return, which includes a list of the shareholders, and other information within 60 days of the conclusion of its annual general meeting. Copies of annual reports are also required to be sent to the stock exchanges where our Company's Shares are listed.

As required under the Listing Agreement, copies are required to be simultaneously sent to the BSE and any other exchanges on which our Company's Equity Shares are listed either of unaudited financial results within 30 days and audited financial results at a later date or audited within three months from the close of the accounting year. Our Company must also furnish quarterly and semi-annual unaudited results within 30 days after the end of each calendar quarter and quarterly followed by limited review reports by the auditors within 60 days of the close of each quarter. Our Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where the registered office of our Company is situated. Our Company files certain information online, including its Annual Report, quarterly financial statements, report on corporate governance and the shareholding pattern statement, in accordance with the requirements of the Listing Agreement.

Transfer of shares

Following the introduction of the Depositaries Act, and the repeal of Section 22A of the SCRA, which enabled companies to refuse to register transfer of shares in some circumstances, the equity shares of a public company became freely transferable, subject only to the provisions of Section 111A of the Companies Act. Since our Company is a public company, the provisions of Section 111A will apply to it. Furthermore, in accordance with the provisions of Section 111A(2) of the Companies Act, the Board may exercise their discretion if they have sufficient cause to do so. If the Board, without sufficient cause, refuse to register a transfer of shares within two months from the date on which the instrument of transfer or intimation of transfer, as the case may be, is delivered to our Company, the shareholder wishing to transfer his, her or its shares may file an appeal with our Company Law Board ("**CLB**") and the CLB can direct our Company to register such transfer.

Pursuant to Section 111A(3), if a transfer of shares contravenes any of the provisions of the SEBI Act, or the regulations used thereunder or the SICA or any other Indian laws, the CLB may, on application made by our Company, a depositary, a participant, an investor or the SEBI, within two months from the date of transfer of any shares or debentures held by a depositary or from the date on which the instrument of transfer or the intimation of the transmission was delivered to our Company, as the case may be, after such inquiry as it thinks fit, direct the rectification of the register of records. The CLB may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Further, the provisions of Section 111A do not restrict the right of a holder of shares or debentures to transfer such shares or debentures and any person acquiring such shares or debentures shall be entitled to voting rights unless the voting rights have been suspended by the CLB.

By the Companies (Second Amendment) Act, 2002, the CLB is proposed to be replaced by the National Company Law Tribunal ("**NCLT**"), which is expected to be set up shortly. All powers of the CLB would then be conferred on the NCLT. Further, the SICA is sought to be repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2003. However, this Act has not yet been brought into force.

Shares held through depositaries are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositaries and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depositary are exempt from stamp duty. Our Company has entered into an agreement for such depositary services with NSDL and CDSL, and MCS Limited are the registrars who maintain all records pertaining to physical transfer and transmission of shares and details of transfers and transmissions in electronic form through electronic connectivity with NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. See "Indian securities market— Depositaries".

Pursuant to the Listing Agreement, in the event our Company has not effected the transfer of Equity Shares within one month or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay.

The Companies Act provides that the shares or debentures of a public listed company (such as our Company) shall be freely transferable. The Articles of Association provide for certain restrictions on the transfer of shares, including granting power to the Board, in certain circumstances, to refuse to register or acknowledge transfer of shares or other securities issued by our Company. However, the applicable case law suggests that *inter se* arrangements between shareholders of a company cannot bind a company in this regard and, therefore, the enforceability of such restrictions under the Companies Act may not be possible.

Acquisition by our Company of its own shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75 per cent. of the shareholders present and voting on the matter and is also sanctioned by the High Court of the city where the registered office is situated. Moreover, subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in our Company or its holding company.

Pursuant to the insertion of Section 77A into the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

(i) the buy-back should be authorised by the articles of association of our Company;
(ii) a special resolution has been passed in the general meeting of our Company authorising the buy-back;
(iii) the buy-back is limited to 25 per cent. of the total paid-up capital and free reserves provided that the buy-back of equity shares in any financial year shall not exceed 25 per cent. of the total paid-up equity share capital in that year;
(iv) the ratio of debt owed by our Company is not more than twice the capital and free reserves after such buy-back;
(v) all the shares or other specified securities for buy-back are fully paid-up; and
(vi) the buy-back is in accordance with the Securities and Exchange Board of India (Buyback of Securities) Regulation, 1998.

The condition mentioned above in (ii) would not be applicable if the buy-back is for less than 10 per cent. of the total paid-up equity capital and free reserves of our Company and provided that such buy-back has been authorised by the board. Further, a company buying back its securities is not permitted to buy back any securities for a period of 365 days reckoned from the preceding buy-back. The aforesaid restriction relating to the 365-day period does not apply to a buy-back authorised by a special resolution of the shareholders in general meeting. Moreover, a company is not permitted to issue new securities of the same kind as those bought back for six months from the buy-back date except by way of a bonus issue or in discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares. Every buy-back shall be completed within 12 months from the date of passing the special resolution or a resolution passed by the Board, as the case may be. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company, including its own subsidiary companies or through any investment company (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of employees of our Company) or if our Company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act.

The buy-back of securities can be from existing security holders on a proportionate basis or from the open market or from odd lots, that is to say, where the lot of securities of a public company, whose shares are listed on a recognised stock exchange, is smaller than such marketable lot, as may be specified by the stock exchange, or by purchasing securities issued to the employees of our Company pursuant to a scheme of stock option or sweat equity.

Liquidation rights

Subject to the provisions of the Companies Act (including in particular the rights of employees, creditors, workmen, the requirement to pay statutory dues as contained in Sections 529A and 530 thereof) and the rights of the holders of any other shares entitled by their terms of issue to preferential repayment over the Equity Shares, in the event of the winding-up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such Equity Shares or in case of shortfall proportionately. All surplus assets after payments due to workmen, statutory dues, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

Disclosure of ownership interest

Section 187C of the Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to that company the details of the holder of record and the holder of record to declare details of the beneficial owner. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any equity share by its registered owner, or any hypothecation by the registered owner of any equity share, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure by a person to comply with Section 187C will not affect our Company's obligation to register a transfer of Equity Shares or to pay any dividends to the registered holder of any Shares in respect of which the declaration has not been made.

Redemption of Equity Shares

Under the Companies Act, equity shares are not redeemable.

Alteration of Shareholder Rights

Under the Companies Act, and subject to the provisions of the articles of association of a company and the relevant rules as issued by the Department of Company Affairs, the rights of any class of shareholders can be altered or varied (i) with the consent in writing of the holders of not less than three-fourths of the issued shares of that class; or (ii) by the special resolution passed at a separate meeting of the holders of the issued shares of that class. In the absence of any such provision in the articles, such alteration or variation is permitted as long as it is not prohibited by the agreement governing the issuance of the shares of that class under the Companies Act, the articles may be amended by a special resolution of the shareholders.

Provisions on Changes in Capital

The authorised capital of our Company can be altered by an ordinary resolution of the Shareholders in a general meeting. The additional issue of equity shares is subject to the pre-emptive rights of the Shareholders. In addition, our Company may increase its share capital, consolidate its share capital into shares of larger face value than its existing shares or sub-divided its shares by reducing their par value, subject to an ordinary resolution of the shareholders in a general meeting.

Employees Stock Option Scheme

Our Company has no Employees Stock Option Scheme.

Board of Directors

Election

The Articles of Association provide that the number of Directors of our Company shall be not less than three and not more than 18. Our Company in its general meeting may by special resolution, subject to provisions of its Articles of Association and Section 259 of the Companies Act, increase or reduce the number of its Directors.

Notice and Quorum

Under our Company's Articles of Association, subject to Section 287 of the Companies Act, the quorum for a meeting of the Board of Directors of our Company shall be one third of its total strength or two directors whichever is higher, provided that where at any time the number of interested directors exceeds or is equal to two thirds of the total strength in number, the remaining Directors, that is to say, the number of Directors, who are not interested, present at the meeting being not less than two, shall be the quorum during such meeting. Notice of every meeting of the board or committee thereof shall be given in writing to every Director for the time being in India and at his usual address in India and to every other Director.

Interested Directors

Interested Directors are not allowed to take part in the discussion of, or vote on, any arrangement if the director is in any way, directly or indirectly, interested in the arrangement. In addition, the director is required to disclose the nature of his interest under Section 299 of the Companies Act.

Under Section 297 of the Companies Act, the consent of the Board of Directors is required where a director of our Company or his relative, firm in which such a director or relative is a partner, any other partner in such a firm, or a private company of which the director is a member or proposes to enter into certain contracts with our Company.

Qualifying Shares

The Directors are not required by the Articles of Association to hold any equity shares to be qualified to serve on the Board of Directors.

Borrowing Powers

The Directors may raise, borrow or secure the payment of any sums of money for our Company's purposes as they deem appropriate, provided that, in accordance with Section 293 of the Companies Act, without the consent of a majority of the Shareholders in a general meeting, the aggregate principal amount outstanding in respect of monies raised, borrowed or secured by our Company may not exceed Rs.5000 Million.

Director Compensation

Each Director, other than the whole time paid directors may be paid such fee as may be prescribed under Indian law and as approved by the board for each meeting of the board or a committee thereof attended by him. The Directors may also be paid the expenses as decided by the board from time to time in attending a meeting of the board or a committee of the board.

Rotation

The Articles of Association of our Company require that not less than two-thirds of the directors shall be liable to retire by rotation. One-third of the Directors who are liable to retirement by rotation and if their number is not three or multiple of three then the number nearest thereto shall retire at each annual general meeting.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

General Tax Benefits

'Non-Resident' means a person who is not a resident in India. For purposes of the IT Act, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

(i) a period or periods amounting to 182 days or more; or
(ii) a period or periods amounting to 60 days or more and within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
(iii) in the case of a citizen of India who leaves India as a member of the crew of an Indian ship or for the purposes of employment outside India, the words '60' days in paragraph (ii) above shall be substituted by words '182' days; or
(iv) in the case of a citizen of India or a person of Indian origin living abroad who visits India, the words '60'days in paragraph (ii) above shall be substituted by words '182' days.

A company is resident in India if it is formed and incorporated in accordance with the Companies Act and has its registered office in India or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

The IT Act is amended by the Finance Act every fiscal year. **The provisions of the tax laws summarized below are based on the Finance Act (No.2) of 2009 .** As per the taxation laws in force, the tax benefits / consequences as applicable, to the QIBs (not being individuals or HUFs) investing in the Equity Shares of the Company (on the assumption that the Equity Shares are not held as stock-in-trade) are stated as follows:

Indian Tax Considerations

1. Benefits available to resident shareholders

1.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the IT Act. However, the Company will be liable to pay dividend distribution tax at the rate of 16.995% (which includes tax rate of 15% plus a surcharge of 10% on dividend distribution tax and various education cess of 3% on the amount of dividend distribution tax and surcharge thereon) on the total amount distributed as dividend. Under Section 14A expenditure incurred in relation to exempted income, which does not form part of the total income shall not be allowed for computing the taxable income.

1.2 Computation of capital gains

1.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units or zero coupon bonds will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

1.2.2 Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital assets, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition /improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.2.3 As per the provisions of Section 112 of the IT Act, long term capital gains as computed above that are not exempt under Section 10(38) of the IT Act would be subject to tax at a rate of 20% (plus applicable surcharge and various education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bonds, calculated at the rate of 20% with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10% without indexation benefit, then such excess shall be ignored for the purpose of computing the tax on capital gains and therefore, would be chargeable to tax at a concessional rate of 10% (plus applicable surcharge and various education cess) without indexation benefits.

1.2.4 As per the provisions of Section 111A of the IT Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to Securities Transaction Tax (“**STT**”) shall be subject to tax at a rate of 15% (plus applicable surcharge and various education cess) in addition to the other requirements, as specified in the section. In case short-term capital gains arise on sale of equity shares, where the transaction of sale is not entered on a recognized stock exchange in India and is not chargeable to STT, such capital gains shall be subject to tax at a rate applicable to the income slabs of the resident shareholder, other than a company, and at 30% plus applicable surcharge and various educational cess in the case of a company or a firm.

1.2.5 *Exemption of capital gain from income tax*

- According to Section 10(38) of the IT Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT shall be exempt from tax. However, in case of shareholders being a company, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of MAT under Section 115JB of the IT Act.

- According to the provisions of Section 54EC of the IT Act and subject to the conditions and investment limits specified therein, long-term capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. The maximum investment permissible for the purpose of claiming the exemption in the above bonds by any person in a financial year is Rs 5 million.

2. Benefits available to Non-residents (Other than Foreign Institutional Investors)

2.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the IT Act. However, the Company will be liable to pay dividend distribution tax at the rate of 16.995% (which includes tax rate of 15% plus a surcharge of 10% on dividend distribution tax and various education cess of 3% on the amount of dividend distribution tax and surcharge thereon) on the total amount distributed as dividend.

2.2 **Computation of capital gains**

2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2 Section 48 of the IT Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in the case of non-residents must be done in the original foreign currency used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. The shareholders are not entitled to indexation benefit. As per the provisions of Section 112 of the IT Act, long term capital gains as computed above that are not exempt under Section 10(38) of the IT Act would be subject to tax at a rate of 20% (plus applicable surcharge and various education cess).

2.2.3 As per the provisions of Section 111A of the IT Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 15% (plus applicable surcharge and various education cess) in addition to the other requirements, as specified in the section. In case the short-term capital gains arise on sale of equity shares, where the transaction of sale is entered on a recognized stock exchange in India and is not chargeable to STT, such capital gains arising to a foreign company shall be subject to tax at a rate of 40% (plus applicable surcharge and various education cess).

2.2.4 *Exemption of capital gain from income tax*

- According to Section 10(38) of the IT Act, long-term capital gains on sale of equity shares or unit of equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax. However, in case of companies, long term capital gains so earned (which are exempt under Section 10(38) of the IT Act) shall be taken into account in computing the book profit for the purposes of computation of MAT.

- According to the provisions of Section 54EC of the IT Act and subject to the conditions and investment limits specified therein, long-term capital gains not exempt under Section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. The maximum investment permissible for the purpose of claiming the exemption in the above bonds by any person in a financial year is Rs 5 million.

3. Benefits available to Foreign Institutional Investors ("FIIs")

3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the IT Act. However, the Company will be liable to pay dividend distribution tax at the rate of 16.995% (which includes tax rate of 15% plus a surcharge of 10% on dividend distribution tax and various education cess of 3% on the amount of dividend distribution tax and surcharge thereon) on the total amount distributed as dividend.

3.2 Taxability of capital gains

As per the provisions of Section 115AD of the IT Act, FIIs will be taxed on the capital gains that are not exempt under Section 10(38) of the IT Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains (other than gains falling under section 111A of IT Act)	30

The above tax rates would be increased by the applicable surcharge and various education cess. According to Section 111A of the IT Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge and various education cess) in addition to the other requirements, as specified in the section.

3.3 Exemption of capital gain from income tax

- According to Section 10(38) of the IT Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax. However, in case of companies, long term capital gain so earned may be required to be taken into account in computing the book profit for the purpose of computation of MAT.

- According to the provisions of Section 54EC of the IT Act and subject to the conditions and investment limits specified therein, long-term capital gains not exempt under Section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. The maximum investment permissible for the purpose of claiming the exemption in the above bonds by any person in a financial year is Rs 5 million.

4. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the IT Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, would be exempt from tax. Further, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Company of India would also be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify on this behalf. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the IT Act.

5. Tax Deduction at Source

No income-tax is deductible at source from income by way of capital gains under the present provisions of the IT Act in case of residents. However, the provisions of Section 195 of the IT Act may apply to non-residents (other than Foreign Institutional Investors and long-term capital gains exempt under Section 10(38) of the IT Act), requiring tax to be deducted at source at the specified rates.

Accordingly income tax may have to be deducted at source in the case of a non resident (other than foreign companies) at the rate of 15% (plus applicable surcharge and various education cess) on short-term capital gains referred to in Section 111A and at the rate of 30% (plus applicable surcharge and various education cess) in case of short-term capital gains (other than under Section 111A), unless a lower withholding tax certificate is obtained from the tax authorities, and at the rate of 20% (plus applicable surcharge and various education cess) in case of long-term capital gains, unless a lower withholding tax certificate is obtained from the tax authorities. In the case of foreign companies the rate of tax to be deducted at source on short-term capital gains referred to in Section 111A would be 15% (plus applicable surcharge and various education cess) and at the rate of 40% (plus applicable surcharge and various education cess) in case of short-term capital gains (other than under Section 111A), unless a lower withholding tax certificate is obtained from the tax authorities, and at the rate of 20% (plus applicable surcharge and various education cess) in case of long term capital gains, unless a lower withholding tax certificate is obtained from the tax authorities.

In case of FIIs, no income-tax is deductible at source from income by way of capital gains arising from transfer of securities u/s 196D of the IT Act.

6. Tax Treaty benefits

The taxation of non-residents in India is governed by the provisions of the Income Tax Act and the tax treaty between India and the jurisdiction of the non-residents ("Tax Treaty"). As per Section 90 (2) of the Income Tax Act, the provisions of the Income Tax Act would apply to the extent they are more beneficial than the provisions of the applicable tax treaty.

7. Benefits available under the Wealth-Tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax. However, as per the Finance (No.2) Act, 2009 any property (which term includes shares and securities) received in excess of Rs.50,000 without consideration or inadequate consideration will be included in total income, except for any property received from relatives.

8. Benefits available under the Gift-tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

9. **Characterization of the Income of the Investor**

It may be noted that there are contradicting judicial rulings on characterization of income of a fund regularly trading in shares and securities in India. Taxability of income on regular trading of securities will depend on facts and circumstances of each case. If the income of the Investor is characterized as business income, it will be subject to tax at a rate applicable to the income slabs of the resident shareholder, other than a company & firm, and at 30% plus applicable surcharge and various educational cess in the case of a company or a firm. If the income of a Foreign Investor is characterized as business income, and it is regarded to have a permanent establishment in India, the income could be taxed at the rate of 42.23%. If trading in securities is carried out without obtaining delivery of securities, such transactions would be deemed to be speculative transactions and consequentially, gains are taxed as 'speculative income' whereas losses are allowed to be set off only against speculative gains.

10. Capital Loss

Generally, long-term loss arising from a transfer of a capital asset in India can only be set off against long-term capital gain. Long term capital loss on sale of listed equity shares in respect of which STT has been paid is allowed to be set off only against long term capital gains on sale of listed equity shares in respect of which STT has been paid, in the year in which it is incurred. A short-term capital loss can be set off against capital gain, whether short-term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for eight subsequent years.

Notes:

1. All the above benefits are in accordance with the current tax law as amended by the Finance Act, 2009.

2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders

3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.

The above sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares held as investment (and not as stock in trade). The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

LEGAL PROCEEDINGS

The following is the summary of material outstanding or pending legal proceedings or suits filed by and against the Company and its subsidiaries.

We are involved in legal proceedings which have arisen in the ordinary course of business. Except as stated hereinbelow, we are not involved in any legal proceedings, which may have, a material adverse effect on our operations, financial position and profitability.

Litigation involving the Company

1. Litigation against the Company

A. *Central Excise matters*

1. The Company filed an appeal before the Customs Excise and Service Tax Appellate Tribunal on December 11, 2006 on being aggrieved of the order dated September, 08, 2006 passed by the Commissioner of Central Excise confirming a liability of Rs 6.7 million plus equal penalty and applicable interest aggregating to approximately Rs 15.6 million in respect of difference between the actual stock and book stock by 691.540 MTS. The appeal was heard on February 7, 2007 wherein the Company was directed to deposit a sum of Rs 0.6 million within a period of 8 weeks. Accordingly, the deposit was made and the matter is pending with The Customs, Excise & Service Tax Appellate Tribunal, (CESTAT) Mumbai.

2. The Commissioner of Central Excise filed an appeal against the Company before the Customs Excise and Service Tax Appellate Tribunal on July, 16, 2007 in relation to an amount of Rs 0.96 million charged as interest and penalty under Section 11 AC of the Central Excise Act, 1984. The appeal, filed in respect of interest on supplementary invoices raised on account of price revision, is currently pending.

3. The Company filed an appeal before the Customs Excise and Service Tax Appellate Tribunal dated May02, 2006 being aggrieved of the order dated January 31, 2006 passed by the Commissioner of Central Excise. The Commissioner had disallowed Cenvat Credit in respect of rejected goods which were not received and claimed Rs 5.95 million as Modified Value Added Tax plus equal penalty and applicable interest aggregating to approximately 14.4 million. The company has paid Rs. 2.96 million under protest and the matter is pending with The Customs, Excise & Service Tax Appellate Tribunal, (CESTAT) Mumbai.

4. The Company filed an appeal before the Customs Excise and Service Tax Appellate Tribunal on 21 July ,2009 on being aggrieved of the order dated April,04,2009 passed by the Commissioner of Central Excise (Appeals) Pune I ,confirming a liability of Rs 2.06 million including interest in respect of penalty for evasion of service tax on consultancy services availed from foreign technical consultants for erection & commissioning of forgings presses. The matter is pending with The Customs, Excise & Service Tax Appellate Tribunal, (CESTAT) Mumbai.

B. *Employee related cases*

The Assistant Provident Fund Commissioner, Regional Office, Pune issued a notice dated September 22, 2006 asking the Company to produce records and give evidence for conducting an enquiry under the Employee Provident Fund Act. An enquiry had been conducted in respect of non enrollment of certain contract laborers by the Chakan Unit of Amforge Industries which was later acquired by the Company. The Company had been ordered on May 31, 2007 by the Provident Fund Authorities to pay a sum of Rs 3.3 million and the same was paid. Further, an interest liability of Rs 2 million has been levied on the Company under section 14B of the Employee Provident Fund Act. The matter is currently pending.

C. Income Tax matter

5. The Assistant Director, International Taxation-Income Tax, Pune issued a demand notice and an order on February 27, 2009 demanding payment of Rs 2.9 million towards non deduction of TDS from foreign parties for erection and commissioning of plant & machinery. The Company, on being aggrieved of the order, filed an appeal on April, 6,2009 before the Commissioner, Income Tax, Pune. The company has paid Rs. 1.7 million under protest and the matter is currently pending with Commissioner of Income Tax (Appeals) – I Pune.

2. Litigation by the Company

6. Amforge Industries (Now, Mahindra Forgings Limited) **("Plaintiff")** filed a civil suit being no. 205 of 2003 on July 10, 2003 before the Nasik Court against M/s. Vishal Engineering and Others **("Defendants")** for recovery of dues amounting to Rs 1.5 million including interest outstanding. Vishal Engineering had purchased forgings from the Plaintiff amounting to Rs 1.05 million and did not pay the same. The Plaintiff has filed an affidavit and the next date of hearing for cross examination is February 18, 2010. The matter is thus currently pending.

3. Criminal Cases involving Company

The Company filed a criminal case being no. S.T.C. 27886/2006 on June, 29,2006 before the Pune Court against the Directors of Umaxe Furnace Private Limited for dishonor of cheques amounting to Rs 8.6 million under the Negotiable Instruments Act, 1881. The court issued arrest warrants against the Directors of the Company.

4. Litigations involving the Subsidiaries of the Company

Labour litigations

There are six (6) labour cases instituted against Schoneweiss & Co. GmbH ("**Schoneweiss**") by six individuals (comprising of present and the past employees of the Schoneweiss) on disciplinary action being taken against them by Schoneweiss. The total claim involved in such legal actions amounts to €1,37,359.

Tax Liability Summary

There is no tax litigation pending against any of our Subsidiaries, however, tax audits for the financial years 2004 to 2007 are in progress in relation to Mahindra Forgings International Overseas Limited AG, Falkenroth Umfirntechnik GmbH, Gensenkschmine Schineider GmbH, Jeco Jellinghaus Gmbh. It is believed that there could be an additional tax demand for a sum of € 860,000 in relation to computation of sales provisions and collections from third parties for the said assessment years.

INDEPENDENT ACCOUNTANTS

M/s B. K. Khare &Co., Chartered Accountants, have audited our unconsolidated financial statements for the financial year 2007 and our consolidated financial statements for the financial years 2008 and 2009 and have reviewed our consolidated financial statements for the nine months ended December 31, 2009.

GENERAL INFORMATION

1. The Company was incorporated under the laws of the Republic of India on August 13, 1999 as a public limited company under the name and style of Mahindra Automotive Steels Limited.

2. Thereafter, the Company became a private limited company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting and a fresh Certificate of Incorporation dated 15th January, 2003 was obtained in the name of Mahindra Automotive Steels Private Limited. The Company entered into a Scheme of Arrangement with Amforge Industries Limited ("Scheme") and the Bombay High Court vide its order dated March 21, 2006 approving the Scheme of Arrangement pursuant to which the entire Chakan unit of Amforge Industries Limited, as a going concern, together with all the assets and liabilities relating to the Chakan unit were transferred to and vested in the Company with effect from April 1, 2005. Thereafter, the Company was converted into a public limited company and the ROC issued a fresh Certificate of Incorporation dated April 4, 2006.

3. Thereafter, the Company entered into a scheme of Amalgamation between Mahindra Stokes Holding Company Limited, Mahindra Forgings Overseas Limited, and Mahindra Forgings Mauritius Limited, ("Scheme II") with the Company, pursuant to Sections 391 to 394 of the Companies Act, 1956. The shareholders and secured creditors approved the said Scheme II on September 12, 2007. The Bombay High Court by an order dated November 23, 2007 sanctioned the Scheme II which envisaged the amalgamation with the Company with effect from April 01, 2007.

4. As of the date of this Placement Document the authorized capital of the Company is Rs.167,94,26,386/- comprising 12,20,00,000 equity shares of Rs.10/- each aggregating to Rs.122,00,00,000/- (Rupees One Hundred Twenty Two Crores only) and 1,48,20,206 - 4% non cumulative, redeemable, non convertible preference shares of Rs.31/- each aggregating to Rs 45,94,26,386/- (Rupees forty five crores ninety four lakhs twenty six thousand three hundred and eighty six only) each. The said authorized share capital which was increased from Rs.117,94,26,386 to Rs. 167,94,26,386 vide its shareholders resolution dated February 18, 2010. The company is in the process of completing the requisite formalities.

5. The Company's registered office is situated at Mahindra Towers, P.K.Kurne Chowk, Worli, Mumbai-400 018, Maharashtra, India.

6. The Issue was authorized and approved by the board of Directors of the Company on January 21, 2010 and the shareholders on February 18, 2010.

7. The Company shall apply for in-principle approvals and final listing and trading permissions to list and trade the Equity Shares on the BSE and the NSE after Allotment in the Issue.

8. Copies of the Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) during the offering period at the Registered Office of the Company.

9. Other than as set forth in this Placement Document, there has been no significant change in the Company's financial position since December 31, 2009, the date of its last published unaudited financial results.

10. Except as disclosed in this Placement Document, the Company is not involved in any legal proceeding and the Company is not aware of any threatened legal proceeding, which if determined adversely, could result in a material adverse effect on the business, financial condition or results of operations of the Company.

11. B.K. Khare & Co., Chartered Accountants, have audited our unconsolidated financial statements as of and for the year ended March 31 2007, our consolidated financial statements as of and for the years ended March 31, 2008 and 2009 and have reviewed our consolidated financial statements as of and for the nine months ended December 31, 2009, and have consented to the inclusion of their report in this Placement Document.

12. The Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.

13. The Floor Price for the Issue is Rs 107.74 per Equity Share.

FINANCIAL STATEMENTS

Limited Review Report

To
The Board of Directors
Mahindra Forgings Limited.
Mumbai

We have reviewed the accompanying statement of unaudited consolidated financial results of **Mahindra Forgings Limited and its subsidiaries** for the period ended December 31, 2009 (the Statement), prepared by the Company for the purpose of inclusion in the Placement Document, which is required to be prepared in accordance with the Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. This Statement is the responsibility of the Company's Management.

The Statement has been prepared by the management of Mahindra Forgings Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

We conducted our review of the Unaudited consolidated financial statements in accordance with the Standard on Review Engagements (SRE) 2400, issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Unaudited consolidated financial statements are free of material misstatements. A review is limited primarily to inquiries of Company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly we do not express an opinion.

We have not carried out a limited review of the financial statements of subsidiaries, whose financial statements reflect the Group's share of total assets of Rs. 11700.59 million as at December, 31, 2009 and the Group's share of total revenues of Rs. 7275.34 million for the period ended on that date and Group's share of net cash outflow of Rs. 714.70 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been reviewed by other auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.

Based on our review conducted as above and on consideration of separate review reports of other auditors on the financial statements of subsidiaries, nothing has come to our notice that causes us to believe that the accompanying statement of unaudited consolidated financial results, have not been prepared in accordance with accounting standards and other recognised accounting practices and policies.

This report is intended solely for your information and for the Company to comply with the provisions of the Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and may not be suitable for any other purpose. The report is not to be used, referred to or distributed for any other purpose without our prior written consent.

For B.K.Khare & Co
Chartered Accountants

Padmini Khare Kaicker
Partner
M.No.44784

Place: Mumbai
Date: February 19, 2010

(i) Unaudited Consolidated Financial Statements for the nine months ended December 31, 2009

Mahindra Forgings Limited (Consolidated)
Balance Sheet as at 31st December 2009

		Schedule	Rupees (Million)
			31st Dec 2009
I	**SOURCES OF FUNDS :**		
	SHAREHOLDERS' FUNDS		
	Share Capital	1	685.7
	Employee Stock Options outstanding	1A	40.9
	Reserve and Surplus	2	7,524.5
			8,251.1
	MINORITY INTEREST		-
	LOAN FUNDS		
	Secured Loans	3	6,211.4
	Unsecured Loans	4	2,628.6
			8,840.0
			17,091.1
II	**APPLICATION OF FUNDS :**		
	FIXED ASSETS		
	Gross Block		28,029.1
	Less : Depreciation		15,389.1
	Net Block		12,640.0
	Capital Work in Progress		386.7
	Total	5	13,026.7
	INVESTMENTS	6	22.6
	DEFERRED TAX ASSET		87.2
	NET CURRENT ASSETS		
	Current Assets, Loans and Advances	7, 8	
	Inventories		2,570.3
	Sundry Debtors		1,486.8
	Cash and Bank Balances		543.3
	Loans and Advances		179.9
			4,780.4
	Less : Current Liabilities and Provisions	9	
	Current Liabilities		2,577.2
	Provisions		889.9
			3,467.1
	Net Current Assets		1,313.3
	Profit & Loss Account		2,641.3
			17,091.1
	Notes to Accounts	15	

Mahindra Forgings Limited (Consolidated)
Profit and Loss account for the Nine months ended 31st December 2009

		Schedule	Rupees (Million)
			Nine Months ended 31st Dec 2009
I	**INCOME**		
	Gross Sales		9,523.4
	Less - Excise duty on Sales		180.5
	Net Sales		9,342.9
	Other Income	10	111.2
			9,454.1
II	**EXPENDITURE**		
	Material Consumption	11	4,588.8
	Personnel Expenses	12	2,647.1
	Other Expenses	13	2,279.9
	Interest and Finance cost	14	459.0
	Depreciation		1,103.9
			11,078.7
	Profit Before Exceptional items and Tax		(1,624.6)
	LESS : Exceptional items		221.5
	Profit / (Loss) before tax		(1,846.1)
	Less - Provision for tax		
	Current Tax }		1.7
	Wealth Tax }		
	Deferred Tax		(8.9)
	Profit / (Loss) after Tax		(1,838.8)
	Less: Prior Period Expenses (net)		17.4
	Profit / (Loss) for the year before Minority interest		(1,856.2)
	Less: Minority Share in Profit		-
	Net Profit/(Loss) for the year		(1,856.2)
	Balance of Profit and Loss Account brought forward		(785.1)
	Balance of Profit and Loss Account carried to Balance Sheet		(2,641.3)
	Earning per Share (Rs.)		
	(Face value of Rs. 10 Per Share)		
	Basic		(27.1)
	Diluted		(27.1)
	Notes to Accounts	15	

Mahindra Forgings Limited (Consolidated)
Consolidated Cash Flow Statement for the Nine month ended 31st December 2009

Rupees (Million)

	Nine months ended 31st Dec 2009
Profit/(Loss) before tax after prior period adjustments	(1,863.5)
Add : Adjustment for	
Depreciation, Amortisation and expenditure on ESOP	1,112.5
Provision for doubtful debts/ Write off's	
Interest (Expenses)	455.9
Loss on sale of Fixed Assets	6.0
Sundry balances written off	
Prior Period Others (Stamp duty on demerger)	-
Sub-Total	(289.1)
Less : Adjustments for	
Interest / Dividend Income	4.0
Profit on sale of Investments	-
Credit Balances Written Back	-
Unrealised Foreign Exchange gain	(11.3)
Sub-Total	(7.3)
Operating Profit before Working Capital changes	**(281.8)**
Adjustments for	
Trade & Other receivables	1,458.5
Inventories	704.2
Trade Payables	(1,184.6)
Cash generated from Operations	**978.1**
Direct Taxes Paid	(16.8)
Net cash from Operating Activities	**679.5**
Cash flow from Investing Activities	
Purchase of Fixed Assets	(303.8)
Sale of Fixed Assets	171.1
Sale / (Purchase) of Investment – Net	-
Interest & Dividend received	4.0
Net Cash from / (used in) investing Activities	**(128.8)**
Cash flow from Financing Activities	
Term Loans	100.4
Issue of Share Capital	-
Interest Paid	(455.9)
Net Cash from / (used in) Financing Activities.	**(355.4)**
Net Increase / (Decrease) in Cash & Cash equivalents	**195.3**
Opening Cash / Bank Balances	**348.0**
Add: Cash & Bank balances taken over from Amalgamated Companies	**-**
Closing Cash / Bank Balances	**543.3**

Notes :

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

Mahindra Forgings Limited (Consolidated)
Schedules annexed to and forming part of financial statements as at 31st December 2009

		Rupees (Million) **31st Dec 2009**
	Schedule – 1	
	Share Capital	
	Authorised Capital	
	7,20,00,000 Equity shares of Rs 10/- each.	720.0
	1,48,20,206 - 4% Non Cumulative Redeemable Non -convertible Preference shares of Rs. 31/- each	459.4
		1,179.4
	Issued, Subscribed and Paid-up	
	6,85,67,736 Equity shares of Rs 10/-each fully paid up. (Of the above shares, 5,53,67,356 are allotted as fully paid up pusuant to a contract without payments being received in cash)	685.7
		685.7
	Schedule - 1A	
	Employee Stock Options outstanding	
	Stock Options Outstanding	58.4
	Less - Deferred Employee Compensation Expenses	(17.6)
		40.9
	Schedule – 2	
	Reserve and Surplus	
1	Capital Reserve on consolidation	
	Opening Balance	1,236.7
	Add: Additions During the year	-
		1,236.7
2	Share Premium Account	
	Opening Balance	557.4
	Add: Additions During the year	-
		557.4
3	General Reserve	
	Opening Balance	5,767.1
	Add: Additions During the year	-
		5,767.1
4	Foreign Exchange Fluctuation Reserve	
	Opening Balance	(47.2)
	Add: Adjustment During the year	10.6
		(36.7)
		7,524.5
5	Profit & Loss account	
	Opening Balance	(785.1)
	Loss in Current Year	(1,856.2)
		(2,641.3)

Mahindra Forgings Limited (Consolidated)
Schedules annexed to and forming part of financial statements as at 31st December 2009

	Rupees (Million)
	31st Dec 2009
Schedule – 3	
Secured Loans	
(Ref Note 5 of Sch 15)	
Financial Institution	35.1
Foreign Currency Loan from Banks	4536.9
Rupee Loans from Banks	1314.3
Working Capital Loan from Banks	325.1
	6211.4
Schedule – 4	
Unsecured Loans	
Other Loans	
From Others	2628.6
	2628.6
Schedule – 6	
Investments (At Cost unless otherwise specified)	
Long Term Investments	
(Non Trade, unquoted)	
Equity Shares	22.6
	22.6
Schedule – 7	
Current Assets	
Inventories	
(Valued at cost or net realisable value whichever is lower)	
Raw Material and Components	612.5
Work-in-progress	1,132.8
Stores and Spares	51.7
Finished Goods	673.5
Dies and Tools	99.7
	2,570.3
Sundry Debtors (Unsecured)	
Outstanding over six months	
Considered Good	504.8
Considered Doubtful	1.5
	506.3
Other Debts Considered Good	982.0
Less - Provision for doubtful debts	1.5
	1,486.8
Cash and Bank Balances	
Cash on Hand	1.1
Balances with Scheduled Banks :	
On Current account	11.8
On Margin money Deposit account	28.4

Balances with Other Banks:	
On current account and Fixed Deposit Account	502.0
	543.3
	4,600.4

Schedule – 5
Fixed Assets

Rupees (Million)

Description	Gross Block				Depreciation				Net Block
	As on 01/04/2009	Additions and Adjustments	Deductions and Adjustments	As at 31/12/2009	As on 01/04/2009	For Nine Months ending 31/12/2009	Deductions and Adjustments	As on 31/12/2009	As on 31/12/2009
Tangible Assets									
Freehold Land	264.8	-	1.9	262.9	-	-	-	-	262.9
Building – Freehold	2,783.8	13.4	36.5	2,760.6	1,571.3	44.2	30.1	1,585.4	1,175.2
Building – Leasehold	43.0	1.2	-	44.3	5.3	2.8	(0.2)	8.3	36.0
Plant and Machinery	15,574.6	308.2	214.2	15,668.5	10,799.8	766.7	243.0	11,323.5	4,345.0
Furniture and Fittings	2,669.4	99.1	160.5	2,608.0	1,794.4	264.3	144.6	1,914.2	693.8
Vehicles	213.4	1.5	3.5	211.4	176.7	7.4	2.8	181.3	30.1
Sub Total (a)	21,548.9	423.4	416.6	21,555.7	14,347.6	1,085.4	420.3	15,012.7	6,543.0
Intangible Assets									
Goodwill	-	-		-				-	-
Goodwill on Consolidation	6,232.9	0.6	(0.9)	6,234.4	-	0.0	(181.6)	181.6	6,052.7
Non Compete fees	-	-	-	-	-	-	-	-	-
Trademarks	89.6	1.3	0.6	90.3	83.4	2.5	0.6	85.4	4.8
Software	177.1	27.1	55.5	148.7	148.8	15.9	55.4	109.3	39.4
Sub Total (b)	6,499.6	29.0	55.2	6,473.4	232.2	18.5	(125.7)	376.4	6,097.0
Grand Total (a +b)	28,048.5	452.4	471.7	28,029.1	14,579.8	1,103.9	294.6	15,389.1	12,640.0

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

Mahindra Forgings Limited (Consolidated)
Schedules annexed to and forming part of financial statements as at 31st December 2009

	Rupees (Million) **31st Dec 2009**
Schedule – 8	
Loans and Advances	
(Unsecured, considered good unless otherwise stated)	
Advances recoverable in cash or kind or for value to be received.	171.9
Balance with Excise/Custom/Sales tax authorities	8.1
	179.9
Schedule – 9	
Current Liabilities and Provisions	
Current Liabilities	
Acceptances	32.0
Sundry Creditors	
a) Total outstanding dues of Micro and Small Enterprises	5.6
b) Total outstanding dues of Creditors other than Micro and Small Enterprises	1,179.7
Other Liabilities	1,359.9
Provisions	
Provisions for Income Tax (Net of Advance Tax)	29.6
Provision for Leave Encashment	450.7
Provision for Contingencies	14.0
Provision for Others	395.6
	889.9
	3,467.1
Schedule - 10	
Other Income	
Commission	1.2
Rent received	9.1
Exchange Rate Fluctuation-(Net)	27.4
Miscellaneous Income	73.6
	111.2
Schedule - 11	
Material Consumption	
Raw Material and Components Consumed	3,861.4
(Increase)/ Decrease in Stocks	
Opening stock - Work in Progress	1,662.6
Finished Goods	871.2
	2,533.8
Closing stock - Work in Progress	1,132.8
Finished Goods	673.5
	1,806.3
(Increase)/ Decrease in Stocks	727.5
	4,588.8

Mahindra Forgings Limited (Consolidated)

Schedules annexed to and forming part of financial statements as at 31st December 2009

	Rupees (Million) 31st Dec 2009
Schedule - 12	
Personnel Expenses	
Salaries, Wages, Bonus etc	2,193.0
Contribution to Provident and other funds	40.4
Staff Welfare expenses	413.6
	2,647.1
Schedule - 13	
Other Expenses	
Manufacturing Expenses	
Power and Fuel	774.1
Dies and Tools Consumed	133.9
Stores,Spares and Oil consumed	220.0
Repairs and Maintenance	
Plant and Machinery	326.9
Buildings	14.8
Others	30.5
Total Manufacturing Expenses	1,500.2
Administrative and Selling expenses	
Rent	244.0
Rates and Taxes	25.1
Insurance	54.1
Freight and Packing	124.4
Travelling and Conveyance	21.2
Loss on Sale of Assets	6.0
Advertisement & Sales Promotion Expenses	9.6
Commission	22.5
Professional Fees	60.5
Sub contracting charges	64.4
Administrative Expenses	137.4
Miscelleneous Expenses	10.2
	779.6
Total Other Expenses	2,279.9
Schedule - 14	
Interest and Finance Cost	
On Fixed period loans	331.8
On Others	124.1
Cash Discounts	7.1
	463.0
Less: Interest income	4.0
	459.0

Schedule 15

Notes on the Consolidated Accounts for the nine months ended 31st December, 2009

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

a) Investments in Subsidiaries :

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

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

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

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

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

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

v. The Financial Statements of the subsidiaries are drawn up to 31st December, 2009.

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

Name of the Subsidiary Company	**Country of Incorporation**	**Proportion of ownership interest**	**Proportion of Voting Power where different**
		as at 31.12.2009	**as at 31.12.2009**
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 Umfirntechnik GmbH	Germany	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-
Schoneweiss & Co. GmbH **	Germany	100.00%	97.28%

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

2. Accounting Policies:

a. Fixed Assets:

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

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

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

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

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

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

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

b. Intangible Assets:

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

In case of Software Expenditure, the expenditure incurred is amortised over three financial years equally commencing from the year in which the expenditure is incurred.

c. Investments:

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

d. Inventories:

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

e. Foreign Exchange Transactions:

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

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

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

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

f. Revenue Recognition:

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

g. Export Benefits:

The company recognises the Export Incentives as and when accrued.

h. Employee Benefits:

(a) Defined Contribution Plan
Group's contributions paid/payable during the year to Provident Fund, ESIC and Labour Welfare Fund are recognised in the Profit and Loss Account.
(b) Defined Benefit Plan/ Long term compensated absences

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

i. Product Warranty:

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

j. Segment Reporting :

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

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

k. Taxes on Income:

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

l. Government Grants:

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

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

m. Hire purchase and leasing commitments:

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

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

3. Goodwill on Consolidation:
The company's subsidiary Stokes Group Limited, UK has incurred losses and the net worth of the said subsidiary company has eroded. Accordingly, during the year, provision for impairment has been considered in respect of Goodwill of Rs. 181.6 Million arising on Consolidation of Stokes Group Limited. The same is included under 'Exceptional items'.

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

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

6. Employee Defined Benefits:

During the nine months period under review, the company has provided an amount of Rs. 25.6 million on account of liability towards gratuity, compensated absences and post retirement medical benefit schemes computed on the basis of actuarially determined valuation at the end of the previous year, adjusted for significant factors.

7. Contingent Liability:
(a) Guarantees given Rs 32.4 million
(b) Claims against the Companies not acknowledged as debts comprise of :
(i) Excise Duty, Customs duty & Income tax claims disputed by the Company relating to issues of applicability and classification aggregating to **Rs. 12.3 Million**
(c) Bills discounted not matured **Rs. 133.89 Million**

8. The company had imported capital goods under the Export Promotion Capital Goods (EPCG) scheme, of the Government of India, at concessional rates of duty on an understanding to fulfil quantified exports against which future obligation of aggregates to USD 87.1 Millions

9. The estimated amount of contracts remaining to be executed on capital account not provided for as at 31st Dec 2009 is Rs.57.4 Million

10. Provisions includes provision for Warranty **Rs. 53.8 Million** This relates to warranty provision made in respect of sale of certain products, the estimated costs of which is accrued at the time of sale.

The movement in above provisions is as follows:

(Rs. Million)

Provisions	Warranty
Balance as at 1st Apr 2009.	94.2
Less: Utilisation/Reversal during the period	40.4
Balance as at 31st Dec 2009	53.8

In the opinion of the management, in view of substantial reduction in sales, no further provision for warranties during the nine month period under review is considered necessary.

11. The Component of Deferred Tax Liability and Assets as at 31st Dec 2009 is as under:

	Rs. Million
Deferred Tax Liability	
i. On Fiscal allowances on Fixed Assets	130.5
ii. Others	6.2
Total	136.7
Deferred Tax Asset	
i. Unasorbed depreciation carried forward	(130.5)
ii. Others	(93.4)
Total	(223.9)
Net Deferred Tax Liability/(Asset)	(87.2)

Note: Net Deferred Tax Asset of Rs. 195.3 Million in respect of the Holding company is not accounted for as a measure of prudence in view of losses incurred during the period and will be recognised on the company making profits.

12. Exceptional Items of **Rs. 221.5** Million comprises of the following items:

	Rs. Million
Provision for write off of Goodwill relating to Stokes Group Ltd.	181.6
Cost for shifting of Equipment from Walsall site to Dudley	20.0
Redundancy Costs	19.9
Total	221.5

13. 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**
1.	Mahindra Ugine Steel Co. Ltd.
2.	Bristlecone Limited
3.	Mahindra Logistics Limited
4.	Mahindra Navistar Automobiles Ltd
9.	Mahindra Vehicle Manufacturers Ltd.
	Mahindra Gear Transmissions P Ltd.

	Mahindra Castings P Ltd.
	Mahindra Overseas Investment Company (Mauritius) Ltd.
	Mahindra Engineering Services (Europe) Ltd.

Key Management Personnel:

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

(b) Details of related party transactions are as under:

Rs. Million

Sr. No	Nature of Transactions	Holding Company	Fellow Subsidiaries	Key Managerial Personnel
1.	Purchases			
	Raw Material		1032.2	
	Capital Goods	0.3	-	
	Services	0.6	39.7	
2.	Sales			
	Goods	805.7	16.0	
	Scrap	-	127.1	
3.	Inter Corporate Deposit Accepted	375.0	914.5	
4.	Inter Corporate Deposit Refunded	-	22.3	
5.	Interest Paid	72.1	29.9	
	Discounting Charges Paid	6.1	-	
6.	Outstandings			
	Receivable	58.9	2.8	
	Payable	1.9	434.9	
	ICD	815.0	891.9	
7.	Reimbursement of Expenses	1.4		
8.	Managerial Remuneration			6.5

14. Obligations under Hire Purchase Contracts & Operating Leases:

Hire Purchase Contracts	(Rs. in Millions)
Net Obligations repayable	
Within one year	57.8
Between one & five years	138.3
Total	196.2

Operating Leases	(Rs. in Million)
Expiring	
Within one year	160.7
Between one and five years	193.1
Total	353.8

15. Segment Information

Segment Report for the Nine Months ended 31st December, 2009

Primary Segment Disclosure - Geographical Segment

Rupees Millions

	Indian	Overseas	Eliminations	Consolidated Total
REVENUE				
Gross External Revenue	**2,356.3**	**7,278.3**	**-**	**9,634.7**
Less Excise Duty on Sales	**180.5**	**-**		**180.5**
Net External Revenue	**2,175.8**	**7,278.3**	**-**	**9,454.1**
Inter Segment Revenue	**-**	**-**	**-**	**-**
Total Revenue	**2,175.8**	**7,278.3**	**-**	**9,454.1**
RESULT				
Segment Result before exceptional item	**187.8**	**(1,353.3)**	**-**	**(1,165.6)**
Exceptional Item allocated to Segments	**-**	**221.5**	**-**	**221.5**
Segment Result after exceptional items	**187.8**	**(1,574.8)**	**-**	**(1,387.0)**
Operating Profit				**(1,387.0)**
Less : Interest Expense not allocable to segments				**463.0**
Add : Interest Income not allocable to segments				**(4.0)**
Profit before tax				**(1,846.1)**
Less : Income Taxes				
- Current Tax & FBT				**1.7**
- Deferred Tax				**(8.9)**
Profit for the year before prior year adjustments				**(1,838.8)**
Less : Adjustments pertaining to previous years				**17.4**
Profit for the year before Minority Interest				**(1,856.2)**

	Indian	Overseas	Eliminations	Consolidated Total
OTHER INFORMATION				
Segment Assets	**3,554.0**	**14,253.0**	**-**	**17,807.0**
Segment Liabilities	**834.2**	**2,603.2**	**-**	**3,437.5**
Capital Expenditure	**3.2**	**300.7**	**-**	**303.8**
Depreciation & Amortisation	**158.7**	**945.3**	**-**	**1,103.9**
Non Cash Expenditure other than depreciation	**10.2**	**15.6**	**-**	**25.8**

Notes :

1. Geographical Segments
   The Group has considered geographical segments as the primary segment for disclosure.
   The segments have been indentified taking into account the organisational structure as well as the differing risks and returns of these segments.
   Indian Segment comprises sales of forging by operation situated in India.
   Overseas Segment comprises sales of outside India operations.

2. Secondary Segments

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

Segment Revenue comprises of:

	(Rs. in Millions) Nine Months ended 31st Dec., 2009
Sales	9523.4
Other allocable income	111.2
Total	9634.6

16. Earnings per share

	31st Dec 2009
Amount used as the numerator- Net Profit / (Loss) Rs. in million	(1856.2)
Weighted Average number of equity shares used in computing basic earnings per share	6,85,67,736
Effect of potential ordinary (equity) shares on conversion of stock options	Nil
Weighted Average number of equity shares used in computing basic earnings per share	6,85,67,736
Basic Earnings per share (Face Value of Rs.10 per share) Rs.	(27.07)
Diluted Earnings per share Rs.	(27.07)

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

(ii) Audited Consolidated Financial Statements For The Financial Year 2009 & 2008 And Audited Unconsolidated Financial Statements For The Financial Year 2007

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To
The Board of Directors
Mahindra Forgings Limited.
Mumbai

In terms of the appointment for the purpose of certification of the financial information of Mahindra Forgings Ltd. ('the Company') annexed to this report, which is required to be prepared in accordance with Chapter VIII read with Schedule XVIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the Guidelines'), issued by Securities and Exchange Board of India ('SEBI') on 26th August 2009 in pursuance of section 30 of the Securities and Exchange Board of India Act, 1992, as amended from time to time, we state as follows:

1. The financial statements referred to in this report are proposed to be included in the Placement Document of the Company in connection with proposed issue of shares to Qualified Institutional Buyers. ('QIBs')

2. The summary financial statements have been extracted from the Consolidated Financial Statements for the years ended March 31, 2009 and March 31, 2008 and Unconsolidated Financial Statements for the year ended March 31, 2007, which were audited by us.

3. The financial statements have been prepared by the management of Mahindra Forgings Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

4. We did not audit the financial statements of the subsidiaries, whose financial statements reflect the Group's share of total assets of Rs. 13,711.8 million as at March 31, 2009 (Rs. 7,256.9 million as at March 31, 2008) and the Group's share of total revenues of Rs.20,231.6 million for the year ended March 31, 2009 (Rs.21,100.4 million for the year ended March 31, 2008) and net cash inflows / (outflows) amounting to Rs. (107.5) million for the year ended on March 31, 2009 (inflow amounting to Rs. 55.5 million for the year ended March 31, 2008) as considered in the consolidated financial statements. These financial statements have been audited by the other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.

5. In accordance with Chapter VIII read with Schedule XVIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, we have examined the following

   a. the Consolidated Balance Sheets of Mahindra Forgings Limited and its subsidiaries as at March 31, 2009 and March 31, 2008 and the Unconsolidated Balance Sheet of Mahindra Forgings Limited as at March 31, 2007

   b. the Consolidated Profit and Loss Accounts and Consolidated Cash Flow Statements for years ended March 31, 2009 and March 31, 2008 and Unconsolidated Profit and Loss Account and Unconsolidated Cash Flow Statement for year ended March 31, 2007

   c. the accompanying notes to accounts along with accounting policies for the years ended March 31, 2009, March 31, 2008 and March 31, 2007

   d. the summary financial statements for the years ended March 31, 2009, March 31, 2008 and March 31, 2007

e. Capitalisation Statement as at December 31, 2009

f. Dividend declared by the Company for the years ended March 31, 2009, March 31, 2008 and March 31, 2007.

6. The Company's management is responsible for the preparation of the financial statements. Our responsibility is to report based on the work done. We have performed such tests and procedures, which, in our opinion, were necessary for our reporting to you. These procedures include comparison of the annexed financial information with the Company's audited financial statements. Based on such procedures carried out by us and review of the records produced to us and the information and explanations given to us by the Company's management, and our comments in the foregoing paragraphs, we confirm that nothing has come to our attention to show non-compliance with the SEBI Guidelines.

7. This report is intended solely for your information and for the Company to comply with the provisions of Chapter VIII read with Schedule XVIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and may not be suitable for any other purpose. The report is not to be used, referred to or distributed for any other purpose without our prior written consent.

For and on behalf of
B. K. Khare and Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
M. No. 44784

Mumbai
Date: February 19, 2010

Mahindra Forgings Limited

Rupees Million

Balance Sheet as at 31st March	Schedule	2009 (Consolidated)	2008 (Consolidated)	2007 (Un-Consolidated)
SOURCES OF FUNDS :				
SHAREHOLDERS' FUNDS				
Share Capital	1	685.7	685.7	280.2
Employee Stock Options outstanding	1A	32.3	2.3	-
Reserve and Surplus	2	7,514.0	8,583.7	1,148.1
Deffered Tax Liability			-	15.8
		8,231.9	9,271.7	1,444.1
MINORITY INTEREST		(0.8)	0.6	-
LOAN FUNDS				
Secured Loans	3	7,741.6	7,914.1	801.4
Unsecured Loans	4	997.9	199.5	199.5
		8,739.6	8,113.6	1,000.9
		16,970.7	17,385.9	2,445.0
APPLICATION OF FUNDS :				
FIXED ASSETS				
Gross Block		28,048.5	26,111.7	1,991.9
Less : Depreciation		14,579.8	13,434.7	565.7
Net Block		13,468.6	12,677.0	1,426.2
Capital Work in Progress		535.2	1,695.3	412.7
Total	5	14,003.9	14,372.4	1,838.9
INVESTMENTS	6	22.6	19.4	55.8
DEFERRED TAX ASSET		79.0	141.2	-
NET CURRENT ASSETS				
Current Assets, Loans and Advances	7, 8			
Inventories		3,274.5	4,008.1	237.0
Sundry Debtors		1,954.6	2,323.1	279.7
Cash and Bank Balances		348.0	436.5	40.7
Loans and Advances		1,170.6	1,411.9	96.5
		6,747.7	8,179.5	653.9
Less : Current Liabilities and Provisions	9			
Current Liabilities		3,556.3	3,859.5	325.1
Provisions		1,110.5	1,555.6	23.3
		4,666.8	5,415.0	348.4
Net Current Assets		2,081.0	2,764.5	305.4
Profit & Loss Account		784.3	88.4	244.8
		16,970.7	17,385.9	2,445.0
Notes to Accounts	15			

Mahindra Forgings Limited
Profit and Loss account for the year ended 31st March

Rupees Million

		Schedule	2009 (Consolidated) Rupees (Million)	2008 (Consolidated) Rupees (Million)	2007 (Un-Consolidated) Rupees (Million)
I	**INCOME**				
	Gross Sales		22,720.0	23,498.2	2,458.8
	Less - Excise duty on Sales		295.8	310.8	344.8
	Net Sales		22,424.2	23,187.5	2,114.0
	Other Income	10	232.0	122.5	37.1
			22,656.2	23,310.0	2,151.0
II	**EXPENDITURE**				
	Material Consumption	11	11,075.7	11,192.7	1,259.9
	Personnel Expenses	12	5,497.7	5,583.9	103.5
	Other Expenses	13	4,574.4	4,458.7	562.7
	Interest and Finance cost	14	704.0	465.2	56.2
	Depreciation		1,494.5	1,048.7	89.1
			23,346.3	22,749.3	2,071.5
	Profit Before Exceptional items and Tax		(690.1)	560.7	79.6
	LESS : Exceptional items		382.6	239.7	178.3
	Profit / (Loss) before tax		(1,072.7)	321.0	(98.8)
	Less – Provision for tax				
	Current Tax		(0.2)	283.0	4.3
	Wealth Tax		0.0	0.1	0.1
	Deferred Tax		27.9	(90.3)	17.7
	Prior period adjustments for Deferred Tax (Net)		51.4	(38.1)	-
	Fringe Benefit Tax		1.3	1.8	1.0
	Profit / (Loss) after Tax		(1,153.2)	164.5	(121.8)
	Less: Prior Period Expenses (net)		14.2	6.6	3.5
	Profit / (Loss) for the year before Minority interest		(1,167.4)	157.9	(125.3)
	Less: Minority Share in Profit		(1.4)	(0.2)	-
	Net Profit/(Loss) for the year		(1,166.0)	158.0	(125.3)
	Balance of Profit and Loss Account brought forward		(88.4)	(244.8)	(119.5)

	Schedule	2009 (Consolidated) Rupees (Million)	2008 (Consolidated) Rupees (Million)	2007 (Un-Consolidated) Rupees (Million)
Amount transferred on Amalgamation		-	(1.7)	-
Amount transferred from share premium account		470.1	-	-
Balance of Profit and Loss Account carried to Balance Sheet		(784.3)	(88.4)	(244.8)
Earning per Share in Rs.				
(Face value of Rs. 10 Per Share)				
Basic		(17.01)	2.30	(4.97)
Diluted		(17.01)	2.30	(4.97)
Notes to Accounts	15			

Mahindra Forgings Limited
Consolidated Cash Flow Statement for the year period 31st March

Rupees Million

	2009 Consolidated	2008 Consolidated	2007 Un-Consolidated
Profit/(Loss) before tax after prior period adjustments	(1,086.9)	314.3	(102.3)
Add : Adjustment for			
Depreciation, Amortisation and expenditure on ESOP	1,524.5	1,224.9	257.9
Provision for doubtful debts/ Write off's	-	6.9	7.3
Interest (Expenses)	701.0	486.5	75.3
Loss on sale of Fixed Assets	48.6	4.5	0.1
Sundry balances written off	-	0.2	0.5
Prior Period Others (Stamp duty on demerger)	13.3		
Contingency			(77.9)
Misc. Expenses write off			(20.0)
Sub-Total	1,200.5	2,037.3	140.9
Less : Adjustments for			
Interest / Dividend Income	4.7	22.2	19.4
Profit on sale of Investments	-	2.3	11.2
Profit on sale of Fixed Assets			6.7
Credit Balances Written Back	-	7.2	15.1
Unrealised Foreign Exchange gain	55.2	9.9	
Sub-Total	59.9	41.6	52.4
Operating Profit before Working Capital changes	1,140.6	1,995.7	88.5
Adjustments for			
Trade & Other receivables & Loans & Advances	368.5	4,494.6	(92.8)
Inventories	733.5	(619.1)	124.9
Trade Payables & Other Liabilities	(749.6)	(841.1)	(235.2)
Cash generated from Operations	352.4	3,034.4	(203.1)
Direct Taxes Paid	(71.2)	(256.8)	(14.5)
Net cash from Operating Activities	1,421.8	4,773.3	(129.1)
Cash flow from Investing Activities			
Purchase of Fixed Assets	(2,531.3)	(3,511.5)	(465.8)
Sale of Fixed Assets	853.3	17.2	13.3
Sale / (Purchase) of Investment - Net	(3.2)	41.8	(28.3)
Profit/(Loss) on sale of Investment			11.2
Interest & Dividend received	4.7	20.2	19.4
Net Cash from / (used in) investing Activities	(1,676.5)	(3,432.3)	(450.2)
Cash flow from Financing Activities			
Loans	867.2	(1,433.4)	284.9
Issue of Share Capital	-	557.8	-
Share Issue Expenses			(6.8)
Redemption of Preference Shares			(454.5)
Interest Paid	(701.0)	(538.7)	(75.3)
Net Cash from / (used in) Financing Activities.	166.2	(1,414.3)	(251.7)
Net Increase / (Decrease) in Cash & Cash equivalents	(88.5)	(73.3)	(831.0)
Opening Cash / Bank Balances	436.5	40.7	871.7

	2009 Consolidated	2008 Consolidated	2007 Un-Consolidated
Add: Cash & Bank balances taken over from Amalgamated Companies	-	469.1	-
Closing Cash / Bank Balances	348.0	436.5	40.7

Notes :

1. The Cash Flow has been prepared under the "Indirect method " as set out in Accounting Standard 3 on Cash Flow statement issued by Institute of Chartered Accountants of India.
2. Cash and cash equivalents represent cash and bank balances only.
3. During year ended 31st Mar 2008, Mahindra Stokes Holding Co. Ltd., Mahindra Forgings Overseas Ltd., Mahindra Forgings Mauritius Ltd. were merged with the Company by issuing the shares to the shareholders of the merged entities. This being a non cash transaction does not form part of the cash flow.

Mahindra Forgings Limited
Schedules annexed to and forming part of financial statements

Rupees Million

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Schedule – 1			
Share Capital			
Authorised Capital			
72,000,000 Equity shares of Rs 10/- each.	720.0	720.0	330.0
14,820,206 - 4% Non Cumulative Redeemable convertible Preference shares of Rs. 31/- each	459.4	459.4	459.4
	1,179.4	1,179.4	789.4
Issued, Subscribed and Paid-up			
68,567,736 Equity shares of Rs 10/-each fully paid up. (Of the above shares, 55,367,356 are allotted as fully paid up pursuant to a contract without payments being received in cash)	685.7	685.7	280.2
	685.7	685.7	280.2
Schedule - 1A			
Employee Stock Options outstanding			
Stock Options Outstanding	65.6	46.2	-
Less - Deferred Employee Compensation Expenses	(33.3)	(43.9)	-
	32.3	2.3	-
Schedule – 2			
Reserve and Surplus			
Capital Reserve on consolidation			
Opening Balance	1,236.7	-	-
Add: Additions During the year	-	1,236.7	-
	1,236.7	1,236.7	-
Share Premium Account			
Opening Balance	1,575.5	1,148.1	717.9
Add: Additions During the year	-	153.8	435.2
Add: Transfer on Amalgamation	-	326.8	
Less: Utilised for writing off -	(1,018.1)	(53.3)	(5.0)
	557.4	1,575.5	1,148.1
General Reserve			
Opening Balance	5,767.1	-	-
Add: Additions During the year	-	-	-
Add: Surplus on Amalgamation	-	5,767.1	-
	5,767.1	5,767.1	-
Foreign Exchange Fluctuation Reserve			
Opening Balance	4.4	-	-
Add: Adjustment During the year	(51.6)	4.4	-
	(47.2)	4.4	-
	7,514.0	8,583.7	1,148.1
Profit & Loss account			

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Opening Balance	(88.4)	(88.4)	(119.5)
Loss in Current Year	(1,166.0)	-	(125.3)
Add: Adjustment against Securities Premium Account	470.1	-	
	(784.3)	(88.4)	(244.8)

Mahindra Forgings Limited
Schedules annexed to and forming part of financial statements

Rupees Million

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Schedule – 3			
Secured Loans			
(Ref Note 5 of Sch 15)			
Financial Institution	45.5	60.5	77.3
Foreign Currency Loan from Banks	5,538.6	5,406.8	
Rupee Loans from Banks	1,480.6	1,639.2	543.4
Working Capital Loan from Banks	676.9	807.7	180.7
	7,741.6	7,914.1	801.4
Schedule – 4			
Unsecured Loans			
Other Loans			
From Others	997.9	199.5	199.5
	997.9	199.5	199.5
Schedule – 6			
Investments (At Cost unless otherwise specified)			
Long Term Investments			
(Non Trade, unquoted)			
Equity Shares	22.6	2.6	0.0
Current Investments			
Units – Unquoted	-	16.9	55.8
	22.6	19.4	55.8
Schedule – 7			
Current Assets			
Inventories			
(Valued at cost or net realisable value whichever is lower)			
Raw Material and Components	607.8	1,167.4	86.0
Work-in-progress	1,662.6	2,109.9	72.6
Stores and Spares	47.0	60.0	27.9
Finished Goods	871.2	568.7	18.6
Dies and Tools	85.9	102.1	32.0
	3,274.5	4,008.1	237.0
Sundry Debtors (Unsecured)			
Outstanding over six months			
Considered Good	812.6	912.5	7.0
Considered Doubtful	22.0	15.7	10.7
	834.6	928.2	17.7
Other Debts Considered Good	1,141.9	1,410.6	272.7
Less - Provision for doubtful debts	22.0	15.7	10.7
	1,954.6	2,323.1	279.7
Cash and Bank Balances			
Cash on Hand	1.1	2.5	0.4
Balances with Scheduled Banks :			
On Current account	36.0	6.7	12.6
in Fixed Deposit account		-	4.8

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
On Margin money Deposit account	27.8	21.5	22.9
Balances with Other Banks:			
On current account and Fixed Deposit Account	283.1	405.8	-
	348.0	436.5	40.7
	5,577.1	6,767.7	557.4

Mahindra Forgings Limited

Schedules annexed to and forming part of financial statements

Schedule – 5 **Fixed Assets**

Rupees Million

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK		
	2009 (Consolidated)	2008 (Consolidated)	2007 (Unconsolidated)	2009 (Consolidated)	2008 (Consolidated)	2007 (Unconsolidated)	2009 (Consolidated)	2008 (Consolidated)	2007 (Unconsolidated)
Tangible Assets									
Freehold Land	264.8	246.8	3.8	-	-	-	264.8	213.3	3.8
Building - Freehold	2,783.8	2,515.2	161.0	1,571.3	1,415.9	23.1	1,212.5	1,132.8	137.9
Building - Leasehold	43.0	46.0	-	5.3	1.8	-	37.7	44.2	-
Plant and Machinery	15,574.6	13,320.4	905.2	10,799.8	9,891.5	357.7	4,774.8	3,277.4	547.4
Furniture and Fittings	2,669.4	2,396.8	15.9	1,794.4	1,397.9	3.5	874.9	1,150.3	12.3
Vehicles	213.4	209.9	7.3	176.7	167.8	0.9	36.6	42.0	6.3
Sub Total (a)	21,548.9	18,735.0	1,093.1	14,347.6	12,875.0	385.3	7,201.3	5,860.1	707.8
Intangible Assets									
Goodwill	-	869.3	869.3	-	347.7	173.9	-	521.6	695.4
Goodwill on Consolidation	6,232.9	6,245.4	-	-	-	-	6,232.9	6,245.4	-
Non Compete fees	-	25.0	25.0	-	10.0	5.0	-	15.0	20.0
Trademarks	89.6	83.2	-	83.4	74.8	-	6.1	8.4	-
Software	177.1	153.8	4.6	148.8	127.2	1.5	28.3	26.6	3.1
Sub Total (b)	6,499.6	7,376.7	898.9	232.2	559.7	180.4	6,267.3	6,817.0	718.5
Total (a+b)	28,048.5	26,111.7	1,992.0	14,579.8	13,434.7	565.7	13,468.6	12,677.0	1,426.2
Capital Work-in-Progress (At Cost)							535.2	1,695.3	412.7
TOTAL							14,003.9	14,372.4	1,838.9

Mahindra Forgings Limited
Schedules annexed to and forming part of financial statements

Rupees Million

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Schedule – 8			
Loans and Advances			
(Unsecured, considered good unless otherwise stated)			
Bills of Exchange	-	100.7	-
Advances recoverable in cash or kind or for value to be received.	1,152.6	1,267.0	76.9
Balance with Excise/Custom/Sales tax autorities	18.0	44.2	19.5
	1,170.6	1,411.9	96.5
Schedule – 9			
Current Liabilities and Provisions			
Current Liabilities			
Acceptances	41.4	83.6	-
Sundry Creditors			
a) Total outstanding dues of Micro and Small Entreprises	5.2	0.0	-
b) Total outstanding dues of Creditors other than Micro and Small Entreprises	1,463.8	2,314.7	214.9
Other Liabilities	2,046.0	1,461.1	110.2
	3,556.3	3,859.5	325.1
Provisions			
Provisions for Income Tax (Net of Advance Tax)	44.7	114.7	
Provision for Leave Encashment	464.8	626.7	2.3
Provision for Contingencies	14.0	14.0	14.0
Provision for Others	587.0	800.1	7.0
	1,110.5	1,555.6	23.3
	4,666.8	5,415.0	348.4
Schedule – 10			
Other Income			
Dividend on other investments	0.1	0.9	0.3
Profit on sale of Investments	-	2.3	11.2
Profit on sale of Assets			6.7
Commission	7.0	10.4	

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Rent received	11.7	10.8	
Sale of Raw Material	-	9.2	
Exchange Rate Fluctuation-(Net)	38.7	19.1	
Export Incentives	4.7	3.7	2.1
Credit Balances written back			15.1
Miscellaneous Income	169.8	66.2	1.7
	232.0	122.5	37.1

Mahindra Forgings Limited
Schedules annexed to and forming part of financial statements

Rupees Million

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Schedule – 11			
Material Consumption			
Raw Material and Components Consumed	10,931.0	11,569.4	1,260.1
(Increase)/ Decrease in Stocks			
Opening stock - Work in Progress	2,109.9	72.6	37.8
Scrap		-	0.3
Finished Goods	568.7	18.6	52.9
Add: Stock taken over on acquisition of subsidiaries			
Work in Progress	-	1,679.0	
Finished Goods	-	517.5	
	2,678.6	2,287.6	91.0
Closing stock - Work in Progress	1,662.6	2,109.9	72.6
Finished Goods	871.2	568.7	18.6
	2,533.8	2,678.6	91.2
(Increase)/ Decrease in Stocks	144.8	(390.9)	(0.2)
Purchases of Traded goods	-	14.3	
	11,075.7	11,192.7	1,259.9

Mahindra Forgings Limited
Schedules annexed to and forming part of financial statements

Rupees (Million)

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Schedule – 12			
Personnel Expenses			
Salaries, Wages, Bonus etc	4,816.9	4,903.9	87.8
Contribution to Provident and other funds	68.9	140.5	5.1
Staff Welfare expenses	611.9	539.5	10.7
	5,497.7	5,583.9	103.5
Schedule – 13			
Other Expenses			
Manufacturing Expenses			
Power and Fuel	1,391.6	1,281.2	187.7
Dies and Tools Consumed	309.5	179.6	92.5
Stores, Spares and Oil consumed	330.0	179.4	100.2
Other Manufacturing Expenses			15.3
Repairs and Maintenance			
Plant and Machinery	838.3	921.4	46.0
Buildings	26.0	31.4	4.0
Others	63.7	50.2	1.1
Total Manufacturing Expenses	2,959.2	2,643.2	446.7
Administrative and Selling expenses			
Rent	332.4	262.3	2.6
Rates and Taxes	25.1	35.9	1.4
Insurance	72.6	68.9	2.7
Discount allowed	34.0	103.4	-
Freight and Packing	253.2	253.1	29.8
Travelling and Conveyance	38.2	42.8	6.0
Loss on Sale of Assets	48.7	4.5	-
Advertisement & Sales Promotion Expenses	24.5	10.8	-
Commission	21.7	19.2	-
Professional Fees	80.0	89.5	-
Sub contracting charges	466.8	483.3	39.3

	Mar-09 (Consolidated)	Mar-08 (Consolidated)	Mar-07 (Un-Consolidated)
Administrative Expenses	122.5	155.4	
Amalgamation & Restructuring Expenses	-	33.0	
Miscelleneous Expenses	81.8	253.5	32.9
Exchange rate fluctuation	13.5	-	1.3
	1,615.2	1,815.6	116.0
Total Other Expenses	4,574.4	4,458.7	562.7

Schedule – 14
Interest and Finance Cost

On Fixed period loans	299.3	28.4	37.2
On Others	401.7	328.4	28.6
Cash Discounts	7.7	129.8	9.5
	708.7	486.5	75.3
Less: Interest income	4.7	21.2	19.1
	704.0	465.2	56.2

Schedule 15

Notes on the Consolidated Accounts for the years ended 31st March, 2009, 2008 and Unconsolidated Accounts for the year ended 31st March, 2007

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

a) Investments in Subsidiaries :

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

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

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

iv. Minority Interest in the net assets of consolidated subsidiaries consist of :
a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and
b) the minorities' share of movements in equity since the date the parent subsidiary relationship comes into existence.

v. The Financial Statements of the subsidiaries are drawn upto 31st March.

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 as at 31.03.2009	Proportion of Voting Power where different as at 31.03.2009	Proportion of ownership interest as at 31.03.2008	Proportion of Voting Power where different as at 31.03.2008
Stokes Group Limited	U.K.	99.78%	-	99.78%	-
Stokes Forgings Dudley Limited	U.K.	99.78%	100.00%	99.78%	100.00%
Jensand Limited	U.K.	99.78%	100.00%	99.78%	100.00%
Stokes Forgings Limited	U.K.	99.78%	100.00%	99.78%	100.00%
Mahindra Forgings International Limited	Mauritius	100.00%	-	100.00%	-
Mahindra Forgings Europe AG (Formerly known as Jeco Holding AG)	Germany	100.00%	-	100.00%	-
Gesenkschmine Schineider GmbH	Germany	100.00%	-	100.00%	-
Jeco Jellinghaus GmbH	Germany	100.00%	-	100.00%	-
Falkenroth Umfirntechnik GmbH	Germany	100.00%	-	100.00%	-
Mahindra Forgings Global Limited	Mauritius	100.00%	-	100.00%	-

Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest as at 31.03.2009	Proportion of Voting Power where different as at 31.03.2009	Proportion of ownership interest as at 31.03.2008	Proportion of Voting Power where different as at 31.03.2008
Schoneweiss & Co. GmbH **	Germany	100.00%	97.28%	100.00%	97.28%

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

The Company did not have any subsidiary for the year ended 31st March, 2007. Hence, all amounts relating to the said financial year represent the unconsolidated amounts and are not comparable with the consolidated amounts for the years ended 31st March 2008 and 2009.

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.

(B) 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. For the year ended 31st March 2007, exchange differences arising on payment of liabilities on purchase of fixed assets from outside India and year end conversion of such liabilities were adjusted to the carrying cost of the respective fixed assets. Consequent to the applicability of the Companies (Accounting Standards) Rules, 2006, such exchange differences are charged/credited to the Profit & Loss Account, with effect from the financial year 2007-08.If such change had not taken place, PBT for the year 2007-08 would have been lower by Rs.15.3 millions. .

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

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

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

(iii) Depreciation on assets is calculated on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except for the following class of assets where depreciation is calculated at rates, based on useful life of the assets, which are in no case lower than the rates specified in Schedule XIV to the Companies Act, 1956:

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

(C) Intangible Assets :

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

(a) Software Expenditure :

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

(b) Goodwill and Non Compete Fees:

Till 31st March, 2008, Goodwill and Non-Compete Fees were being amortised over five years. During 2008-09,unamortised balance in these accounts was adjusted against the Securities Premium Account, consequent to the permission of Honorable High Court of Judicature at Mumbai.

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

(E) Inventories :
Inventories are stated at cost or net realisable value, whichever is lower. During 2007-08, the company has changed the method of valuation of Raw Material and Die Steel Inventory from 'Specific Identification Method' to 'Moving Weighted Average Method' due to implementation of SAP. However, it does not have any material impact on profit/loss of the company. In case of 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. Cost of Dies includes cost of die steel and appropriate labour and manufacturing overheads and cost pf renewal. For the year ended 31st March 2007, the cost of dies was amortised over a period of 2 years. With effect from the year ended 31st March 2008, the cost of dies is written off as and when incurred in view of their short life. If such change had not taken place, profit for the year 2007-08 would have been higher by Rs.48.6 millions.

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

Forward exchange contracts are entered into to hedge foreign exchange exposure. The premium or discount arising at the inception of forward exchange contract is amortised as income or expense over the life of the contract.
In the case of monetary items the exchange differences are recognised in the Profit and Loss Account.

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

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

(H) Export Benefits :
Export Incentives in respect of exports made were recognized at a point of reasonable certainty of ultimate collection for the year ended 31stMarch 2007. With effect from 2007-08, the company recognises the Export Incentives as and when accrued.

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

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

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

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

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

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

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

(M) Government Grants:
Government grants in respect of capital expenditure are credited to a deferred income account and are released to the Profit and Loss Account by equal annual installments over the expected useful lives of the relevant assets.

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

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

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

3. Securities Premium Account

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

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

b. adjustment of the debit balance in the Profit & Loss account as at March 31, 2008 and accretion/ variations thereto during April 1, 2008 to September 30, 2008 (before providing for amortization of Goodwill and Non Compete Fees)

c. allocating, earmarking and crediting to Non Compete Fees Provision Account an amount not exceeding Rs. 25.0 Million to be utilised to write off expenses that may be incurred in future towards Non Compete Fees

A petition was filed under Sections 78 and 100 to 103 of The Companies Act with the Honorable High Court of Judicature at Mumbai for seeking its permission for such utilisation of Securities Premium Account. High Court, vide its order dated January 16, 2009 has sanctioned the petition. Accordingly, a sum total of Rs. 1018.1 Million consisting of Goodwill of Rs. 521.6 Million, Non-Compete fees of Rs 15.0 Million (Gross of Deferred Tax of Rs 5.1 Million), debit balance in Profit and Loss Account as on 31st March 2008 of Rs. 3,88.2 Million, accretion to the same during the period from April to September 2008 of Rs 82.0 Million and provision for Non Compete Fees of Rs. 25.0 Million (Gross of Deferred Tax of Rs. 8.5 Million) has been adjusted against the Securities Premium Account.

Had such adjustments not been made, the loss for the year ended March 2009 would have been Rs. 592.9 Million, higher by Rs. 179.0 Million.
Resultantly Securities Premium Account of Rs. 1575.5 Million has been reduced to Rs. 557.4 Million in the year 2009

4. Employees' Stock Option Scheme (ESOS)

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

5. Loans :

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

6. Employee Defined Benefits:

Defined benefit plans – as per Actuarial valuation.

(Rupees Million)

	Gratuity (Unfunded)	Gratuity (Unfunded)	Gratuity (Unfunded)	Pension (Unfunded)	Pension (Unfunded)
	31-3-2009	**31-3-2008**	**31-3-2007**	**31-3-2009**	**31-3-2008**
I. Expense recognised in the Statement of Profit & Loss Account					
1. Current service cost	2.2	1.9	1.2	15.5	147.9
2. Interest cost	0.6	0.6	0.5	69.3	117.6
3. Actuarial (Gains)/Losses	1.9	0.2	0.7	44.1	(39.2)
4. Total expense	4.6	2.6	2.4	128.8	226.4
II. Net Asset/(Liability) recognised in the Balance Sheet					
1. Present Value of Defined Benefit obligation	12.5	8.3	7.0	1303.9	1197.2
2. Fair value of plan assets		-			-
3. Amount not recognised as an asset		-			-
4. Funded status (surplus/(deficit))	(12.5)	(8.3)	(7.0)	(1303.9)	(1197.2)
5. Net asset/(liability)	(12.5)	(8.3)	(7.0)	(1303.9)	(1197.2)

	Gratuity (Unfunded)	Gratuity (Unfunded)	Gratuity (Unfunded)	Pension (Unfunded)	Pension (Unfunded)
	31-3-2009	31-3-2008	31-3-2007	31-3-2009	31-3-2008
III. Change in the obligations					
1. Present Value of Defined Benefit obligation at the beginning of the year	8.3	7.0	6.5	1286.2	1032.7
2. Current service cost	2.2	1.9	2.4	15.4	147.9
3. Interest cost	0.6	0.6		69.3	117.6
4. Actuarial (Gains)/Losses	1.9	0.2		44.1	(39.2)
5. Benefits paid	(0.5)	(1.3)	1.9	(111.1)	(61.8)
6. Present Value of Defined Benefit obligation at the end of the year	12.5	8.3	7.0	1303.9	1197.2
IV. Actuarial Assumptions					
1. Discount Rate	7%	8.0%	8.0%	5.5 to 7.0 %	5.5 to 8.0 %
2. In-service Mortality	LIC (1994-96) Ultimate, 2005 G				

7. **Contingent Liability:**

(a) Guarantees given:

Rupees Million

	2009	2008	2007
For other companies	**-**	**49.8**	**-**
Others	**48.3**	**16.7**	**17.1**

(b) Claims against the Companies not acknowledged as debts comprise of :
(i) Excise Duty, Sales tax and Service tax claims disputed by the Company relating to issues of applicability and classification

Rupees Million

2009	2008	2007
10.2	12.5	12.5

(c) Bills discounted not matured

Rupees Million

2009	2008	2007
166.6	213.2	102.9

(d) The company has imported capital goods under the Export Promotion Capital Goods (EPCG) Scheme, of the Government of India, at concessional rates of duty on an understanding to fulfil quantified exports against which future obligations aggregates to USD 28.3 millions (for the year ended March 31, 2009), USD 21.5 millions (for the year ended March 31, 2008) and USD 22 millions (for the year ended March 31, 2007), over a period of following eight years. Non-fulfilment of such future obligations, if any, entails options/rights to the Government to confiscate capital goods under the said licences and other penalties under the above referred scheme.

8. (a) Provisions includes provision for Warranty .This relates to warranty provision made in respect of sale of certain products, the estimated costs of which is accrued at the time of sale.

The movement in above provisions is as follows :

Rupees Million

		Warranty	
	Provisions	**2009**	2008
	Balance as at 1st April..	**91.5**	**69.7**
	Add : Provision made during the year……………………………………	*90.5*	**77.3**
	Less : Utilisation/ Reversal during the year	**87.8**	**55.4**
	Balance as at 31st March..	**94.2**	**91.5**

9. The estimated amount of contracts remaining to be executed on capital account and not provided for:

Rupees Million

2009	**2008**	**2007**
85.9	728.9	356.1

10. Research and Development expenditure debited to the Profit and Loss Account, including certain expenditure based on allocations made aggregate to**:**

Rupees Million

2009	2008	2007
8.8	7.1	-

11. The components of Deferred tax liability and assets are as under:

(Rupees Million)

		2009	**2008**	**2007**
	Deferred tax liability :			
(i)	On fiscal allowances on fixed assets	66.7	81.1	48.6
(ii)	Others	5.0	4.8	
		71.7	**85.9**	**48.6**
	Deferred tax assets :			
(i)	Provision for Doubtful debts /Advances	-	5.3	
(ii)	Unabsorbed depreciation carried forward	66.7	89.9	25.4
(iii)	Provision for Pension Accrual	-	47.2	
(iv)	Share issue expenses	-	21.3	1.8
(v)	Unabsorbed fiscal losses	-	54.6	
(vi)	Others	84.0	8.7	5.6
		150.7	**227.1**	**32.8**
	Net Deferred tax liability/(assets)	**(7.9)**	**(141.2)**	**(15.8)**

Note: As at end 31st March 2009 Net Deferred Tax Asset of Rs.198.1 Million (including Rs.51.4 Million derecognised) is not accounted for as a measure of prudence in view of losses incurred during the year and will be recognised on the company making profits.

12. Exceptional items comprise of the following:

(Rupees Million)

		2009	2008	2007
1.	Amortisation of Goodwill	**-**	**173.9**	**173.9**
2.	Loss of Nimonic Material	**-**	**60.4**	**-**
3.	Amount paid as redundancy to workmen	**382.6**	**5.4**	**-**
4.	Contingency Provision			**4.5**
	Total	**382.6**	**2,39.7**	**178.3**

13. (a) Dividends on other investments is in respect of current investments; Details as under

(Rupees Million)

2009	2008	2007
0.1	0.9	.0.3

(b) Profit on sale of investments (net) includes profit on disposal of current investments is as under:

(Rupees Million)

2009	2008	2007
-	2.3	11.2

14. Related Party Transactions:

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

List of Related Parties (2007):

Associate Company:
Mahindra & Mahindra Limited

Fellow Subsidiaires:
1) Mahindra Ugine Steel Company Limited
2) Mahindra SAR Transmission Private Limited
3) Bristlecone India Limited
4) Stokes Forgings Limited

Key Management Personnel:
Mr. Sankaran Ravindran

List of Related Parties (2008):
Holding Company:
Mahindra & Mahindra Limited

Fellow Subsidiaries:
1. Mahindra Ugine Steel Company Limited
2. Bristlecone India Limited
3. Mahindra International Limited
4. Punjab Tractors Limited

Key Management Personnel:
Mr. Sankaran Ravindran

List of Related Parties (2009):
Holding Company:
Mahindra & Mahindra Limited

Fellow Subsidiaries:

1. Mahindra Ugine Steel Company Limited
2. Bristlecone India Limited
3. Mahindra Gujarat Tractor Limited
4. Mahindra Logistics Limited
5. Mahindra Navistar Limited (formerly known as Mahindra International Limited)
6. Mahindra First Choice Wheels Limited
7. Mahindra SAR Transmission Private Limited

(b) Key Management Personnel :

1. Mr. Deepak Dheer (with effect from 01.09.2008)
2. Mr. Sankaran Ravindran (Upto 22.04.2008)

(c) The related party transactions are as under:

(Rupees Million)

		31st March, 2009			31st March, 2008			31st March, 2007		
Sl. No.	**Nature of Transactions**	**Holding Company**	**Fellow Subsidiaries**	**Key Management Personnel**	**Holding Company**	**Fellow Subsidiaries**	**Key Management Personnel**	**Associate Company**	**Fellow Subsidiaries**	**Key Management Personnel**
1.	Purchases									
	Raw Material	-	864.0	-	--	619.8	--	-	501.6	-
	Capital Goods	-	4.4	-	-	1.98	-	16.9	7.6	-
	Discounting Charges	4.1	-	-	-	-	-	-	-	-
	Services	1.1	48.7	-	54.9	4.06	-	53.1	4.2	-
	Professional Fees	-	-	-	-	-	-	0.2	**5.1**	-
2.	Sales									
	Goods	781.9	1.9	-	600.7	0.1	--	563.6	-	-
	Scrap	-	190.6	-	-	121.9	--	-	193.5	-
	Fixed Assets	-	0.2	-	--	--	--	-	-	-
3.	Payment of Rent	-	-	-	-	1.2	-	0.4	1.2	-
4.	Intercorporate Deposit Accepted	440.0	-	-	1	-	-	-	-	-
5.	Intercoproate Deposit Refunded	-	-	-	1	-	-	-	-	-
6.	Loan Refunded	-	-	-	2903.7	-	-	-	-	-
7.	Interest on ICD Paid	17.1	-	-	0	-	-	-	-	-
8.	Interest on Loan Paid	-	-	-	35.2	-	-	-	-	-
9.	Outstandings									
	Receivables	72.9	14.6	-	39.0	0	-	44.9	-	-
	Payables	449.8	147.8	-	13.3	137.8	-	12.0	84.5	-

		31st March, 2009			31st March, 2008			31st March, 2007		
Sl. No.	**Nature of Transactions**	**Holding Company**	**Fellow Subsidiaries**	**Key Management Personnel**	**Holding Company**	**Fellow Subsidiaries**	**Key Management Personnel**	**Associate Company**	**Fellow Subsidiaries**	**Key Management Personnel**
10.	Reimbursement of Expense	-	-	-	1.0	0.1	-	5.7	0	-
11.	Advances for expenses payable	-	-	-	-	.8	-	-	-	-
12.	Managerial Remuneration	-	-	7.3	-	-	6.9	-	-	4.5
13.	Finance (including loans and equity contributions in cash or kind)	-	-	-	415.3	-	-	-	-	-

During the year 2006-07, Mahindra & Mahindra Ltd. was an Associate of the Company. Consequent upon the Amalgamation of Mahindra Stokes Holding Company Ltd., Mahindra Forgings Overseas Ltd. & Mahindra Forgings Mauritius Ltd., in 2007-08, Mahindra & Mahindra became the Holding Company. Hence the figures for 2006-07 transactions with Mahindra & Mahindra Ltd. have been reflected under the head 'Associate Company'

15. Earnings per Share:

(Rupees Million)

	2009	2008	2007
Amount used as the numerator – Net Profit (Rupees Million)	**(11660.11)**	**1580.35**	**(1253.11)**
Weighted average number of equity shares used in computing basic earnings per share	**68,567,736**	**68,567,736**	**25,232,922**
Effect of potential ordinary (equity) shares on conversion of stock options	**Nil**	**47,625**	**Nil**
Weighted average number of equity shares used in computing diluted earnings per share	**6,85,67,736**	**6,86,15,361**	**2,52.32,922**
Basic Earnings per share (Rs.) (Face value of Rs. 10 per share)	**(17.01)**	**2.30**	**(4.97)**
Diluted Earnings per share (Rs.)	**(17.01)**	**2.30**	**(4.97)**

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

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

17. Segment Information:
Segment Report for the year ended 31st March 2008 and 31st March2009:

Primary Segment Disclosure - Geographical Segment

Rupees Million

	Indian		Overseas		Eliminations		Consolidated Total	
	2008	2009	2008	2009	2008	2009	2008	2009
REVENUE								
Gross External Revenue	2,508.1	2,716.9	21,109.5	20,235.0	-	-	23,617.5	22,951.9
Less Excise Duty on Sales	310.8	295.8	-	-	-	-	310.8	295.8
Net External Revenue	2,197.3	2,421.1	21,109.5	20,235.0	-	-	23,306.8	22,656.1
Inter Segment Revenue	-	-	14.4	22.7	(14.4)	(22.7)	-	-
Total Revenue	2,197.3	2,421.1	21,123.8	20,257.7	(14.4)	(22.7)	23,306.8	22,656.1
RESULT								
Segment Result before exceptional item	105.5	(84.0)	917.3	97.8	-	-	1,022.8	13.8
Exceptional Item allocated to Segments	173.9	-	65.9	382.6	-	-	239.7	382.6
Segment Result after exceptional items	(68.4)	(84.0)	851.4	(284.8)	-	-	783.0	(368.8)
Unallocable Corporate Expenses / (Income)							(3.2)	(0.1)
Operating Profit							786.2	(368.7)
Less : Interest Expense not allocable to segments							486.5	708.7
Add : Interest Income not allocable to segments							(21.2)	(4.7)
Add: Exceptional Item unallocable to segments							-	-
Profit before tax							321.0	(1,072.7)
Less : Income Taxes - Current Tax & FBT							284.8	1.1
Deferred Tax							(90.3)	27.9
Prior Period Adjustment of Deferred Tax							(38.1)	51.4
Profit for the year before prior year adjustments							164.5	(1,153.2)
Less : Adjustments pertaining to previous years							6.6	14.2
Profit for the year before Minority Interest							157.9	(1,167.4)

Rupees Million

	Indian		Overseas		Eliminations		Consolidated Total	
	2008	2009	2008	2009	2008	2009	2008	2009
OTHER INFORMATION								
Segment Assets	3,541.5	3,036.5	19,010.4	17,715.1	-	-	22,551.9	20,751.6
Segment Liabilities	548.3	587.8	4,752.0	4,034.3	-	-	5,300.3	4,622.1
Capital Expenditure	1,352.8	242.6	2,585.5	2,942.5	-	-	3,938.3	3,185.2
Depreciation & Amortisation	289.8	195.4	932.8	1,299.1	-	-	1,222.6	1,494.5
Non Cash Expenditure other than depreciation	7.2	57.2	4.4	(33.7)	-	-	11.6	23.5

Notes :

1. Geographical Segments

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

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

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

Overseas Segment comprises sales of outside India operations.

2. Secondary Segments

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

Segment Revenue comprises of :

Rupees Million

	2009	**2008**	**2007**
Sales	**22720.0**	**23498.2**	**2458,8**
Other allocable income	**231.9**	**119.3**	**56.1**
Total	**22951.9**	**23617.5**	**2514.9**

The Company did not have any subsidiary for the year ended 31st March, 2007. Hence, in terms of Accounting Standard 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India, the company operated in only one business segment i.e. Forgings.

18. Obligations under Hire Purchase Contracts & Operating Leases:

Rupees Million

Hire Purchase Contracts	**2009** `	**2008**
Net obligations repayable		
Within one year	59.3	67.5
Between one and five years	176.1	229.8
Total	**235.4**	**297.3**

Rupees Million

Operating Leases	**2009**	**2008**	**2009**	**2008**
	Land & Building		**Others**	
Expiring				
Within one year		0.6	0.2	0.9
Between one and five years	6.3	6.6	1.4	0.8
Total	**6.3**	**7.2**	**1.6**	**1.7**

19. The previous years' figures have been recast / regrouped wherever necessary in order to conform to current year's presentation

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII of the SEBI Regulations and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.

Mr. Deepak Dheer
Managing Director

Date: February 24, 2010
Place: Mumbai

THE ISSUER

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

GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS

Kotak Mahindra Capital Company Limited
1st Floor
Bakhtawar
Nariman Point
Mumbai - 400021

Anand Rathi Advisors Limited
11th Floor, Times Tower, Kamala City
Senapati Bapat Marg, Lower Parel
Mumbai – 400013, India

DOMESTIC LEGAL ADVISORS TO THE ISSUE

Khaitan & Co.
One Indiabulls Centre, 13th Floor
841 Senapati Bapat Marg
Elphinstone Road
Mumbai – 400 013

INTERNATIONAL LEGAL ADVISORS TO THE ISSUE

Jones Day
Church Street
#14-02 Samsung Hub
Singapore 049483

AUDITORS OF OUR COMPANY

M/s. B.K.Khare & Co.
706/708, Sharada Chambers
New Marine Lines
Mumbai – 400 020