



Rise to challenges

12th Annual Report 2010-11



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

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

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

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

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

Today, we will set an example for the world.

**With boldness.
With confidence.
With relentless optimism.**

GOOD MORNING.

TODAY IS ANOTHER PERFECT DAY...

TO *Rise.*



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

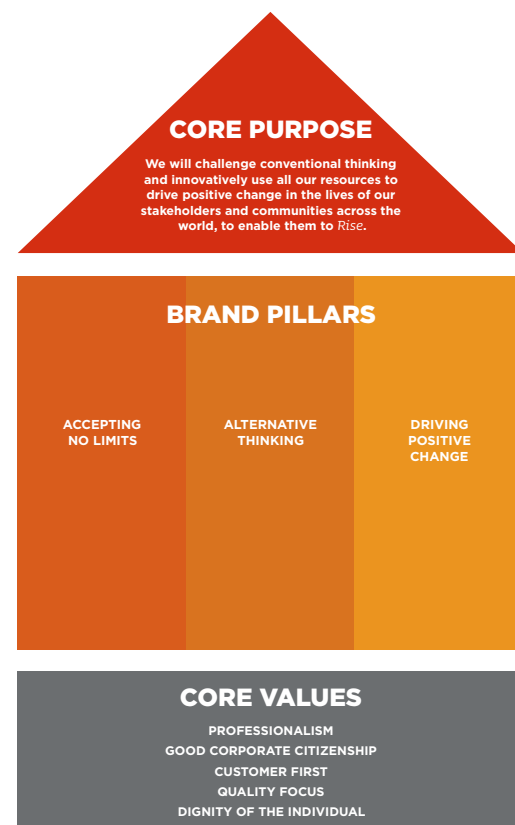
Rise captures a sense of optimism about the future and a determination to shape one’s own destiny. It means that our products and services empower our customers to achieve their aspirations. From providing farmers in rural India with equipment and agri-services that help them raise farm productivity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

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

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

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

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



Mahindra Systech

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

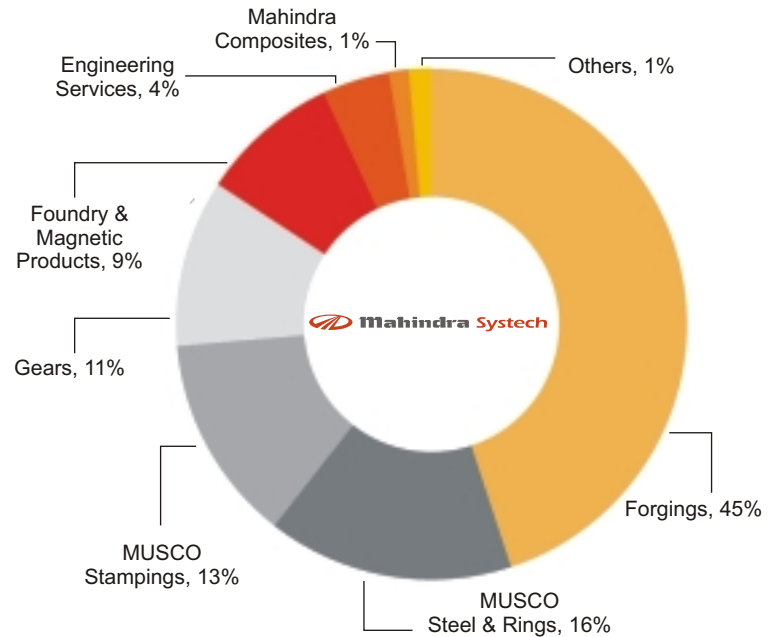
With the promise of creating an automotive supplier that could lead in "Systems and Technologies", Systech was formed by combining a few Mahindra group companies with a series of acquisitions in India and around the world.

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

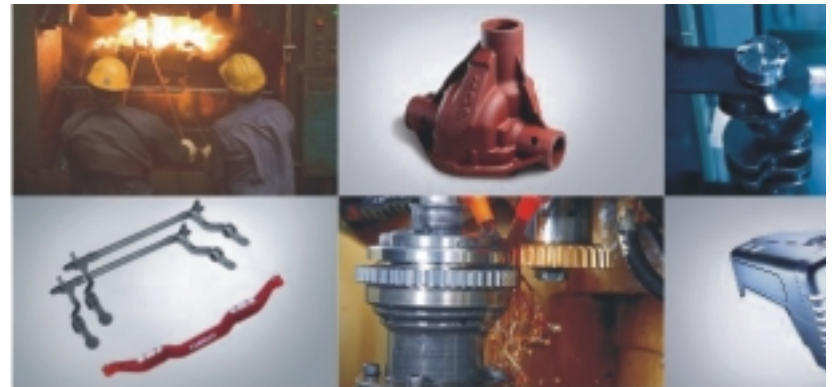
Today, Systech offers a variety of components and services to the automotive and other ground-based mobility industries around the world. Our portfolio includes Castings, Forgings, Stampings, Gears, Rings, Magnetic products, Steel, Composites, Engineering and Contract Sourcing services. Our network of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

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

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



Products



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

Vision

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



Our Brands

SCHÖNEWEISS & CO. GmbH

Jeco

Falkenroth
Umformtechnik

stokesforgings

MUSCO



GSA

MC Metalcastello

Engines Engineering

FACTS

15 Patents in FY11

21

Manufacturing Plants
in India and Europe

6 countries
of presence

INR 4232 Cr
sales

12000+
employees globally

Products - India



• Crankshaft



• Stub Axles



• Steering knuckles



• Suspension / Chassis Parts

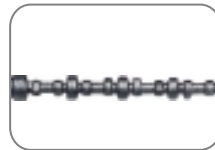
Products - Europe



• Front Axle Beams



• Stabiliser Bars

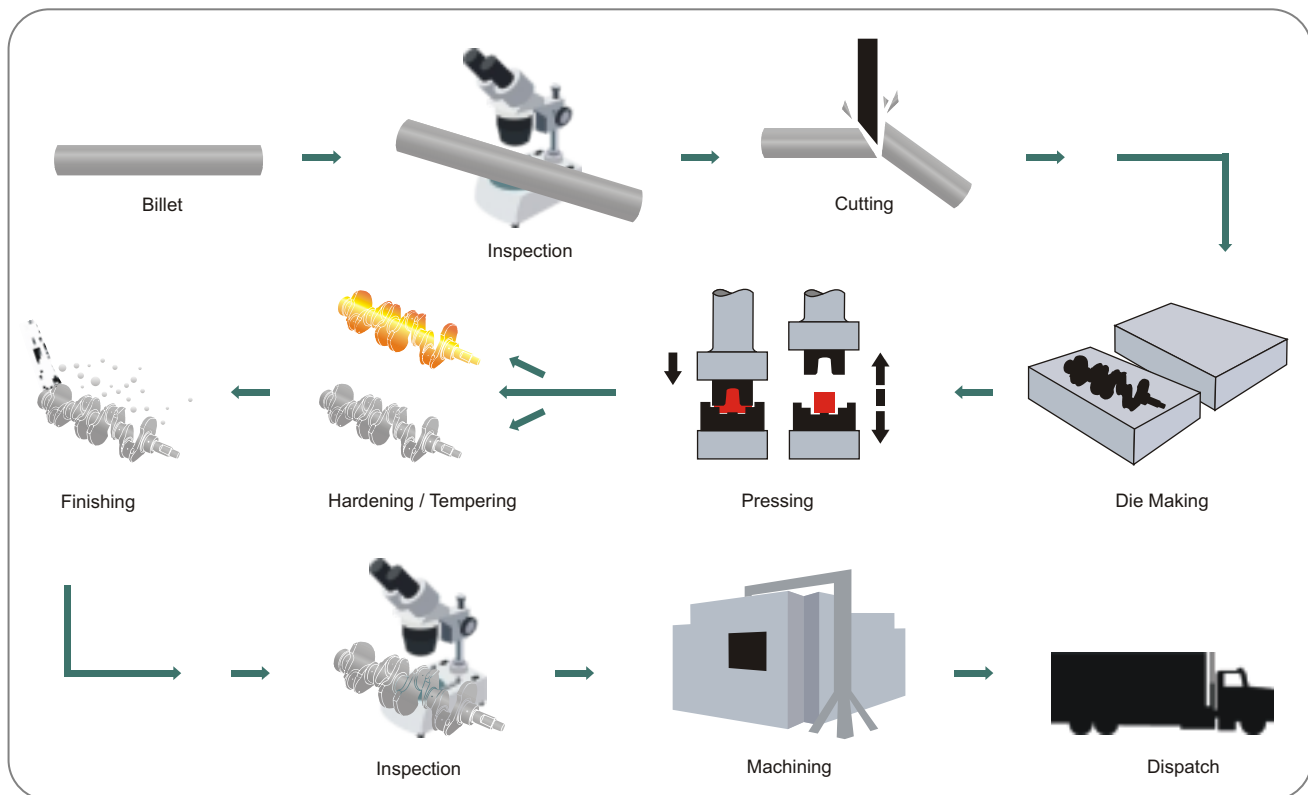


• Camshafts



• Valves

Processes



Board of Directors

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

Chairman
 Managing Director

Ajay Mantry
Krishnan Shankar

Chief Financial Officer
 Company Secretary & Head - Legal

Committees of the Board

Audit Committee

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

Remuneration / Compensation Committee

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

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

Daljit Mirchandani
 V. K. Chanana
 Fali P. Mama

Registered Office

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

Factory

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

Auditors

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

Registrar and Share Transfer Agents

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

Bankers

State Bank of India
 Axis Bank Limited
 HDFC Bank Limited

Index

Contents	Page No.
Directors' Report	3
Management Discussion and Analysis	12
Corporate Governance	23
Accounts	37
Statement pursuant to Section 212	64
Consolidated Accounts	65

DIRECTORS' REPORT TO THE SHAREHOLDERS

To The Members,

Mahindra Forgings Limited

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

Financial Highlights

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

Financials

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

Operations

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

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

Changes in Share Capital and Issue of Shares

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

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

Management Discussion and Analysis

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

Corporate Governance

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

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

Dividend

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

Stock Options

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

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

Industrial Relations

Industrial Relations generally remained cordial and harmonious throughout the year.

Safety, Health and Environment Performance

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

Health and Safety

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

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

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

New Certification

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

Environmental Initiatives

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

Waste and Waste Water Management

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

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

Corporate Social Responsibility

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

'Sustainability' Initiatives

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

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