KALYANI

# BHARAT FORGE

TURN YOUR FACE INTO THE SUN AND
THE SHADOWS FALL BEHIND YOU

# 08-09

48TH ANNUAL REPORT

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KALYANI

BHARAT FORGE

# 2008-09

48TH ANNUAL REPORT

## TURN YOUR FACE INTO THE SUN AND THE SHADOWS FALL BEHIND YOU

MAORI PROVERB

Bharat Forge has always been a company with a strong sense of clarity and vision. We had started seeing the early signs of slowdown towards the end of 2007-08 and therefore begun to take corrective actions quite early in the day.

OUR FOCUSED VISION IS THE ONE THAT SHAPES OUR PURPOSE, SHOWS US DIRECTION AND MOULDS OUR DECISIONS. WE HAVE PUT OUR THOUGHTS INTO ACTIONS, GUIDED BY THE LIGHT TO LOOK THROUGH THE TIMES AND BEYOND.

08-09

# HIGHLIGHTS

Entered in to agreements for future JVs with Alstom & Areva for manufacture of power plant equipment & heavy forgings.

Commencement of new non-auto facilities at Mundhwa and Baramati.

Performance severely affected in H2 2008-09 due to unprecedented global recession

Consolidated Revenues grew by 1.9% while PAT after minority interest declined by 80.7%.

In 2008-09, exports crossed the Rs 1,000 crore mark.

## BOARD OF DIRECTORS

Mr. B.N. Kalyani
Chairman & Managing Director

Mr. S.M. Thakore

Mr. S.D. Kulkarni

Mr. Pratap G. Pawar

Prof. Dr. Uwe Loos

Mr. P.C. Bhalerao

Mrs. Lalita D. Gupte

Mr. P.H. Ravikumar

Mr. Alan Spencer

Mr. G.K. Agarwal
Deputy Managing Director

Mr. Amit B. Kalyani
Executive Director

Mr. B.P. Kalyani
Executive Director

Mr. S.E. Tandale
Executive Director

Mr. P.K. Maheshwari
Executive Director

Mr. Sunil K. Chaturvedi
Executive Director

## BANKERS & AUDITORS

### BANKERS

Bank Of India

Bank Of Baroda

Bank Of Maharashtra

Canara Bank

State Bank Of India

HDFC Bank Ltd.

ICICI Bank Ltd.

Citibank N A

Standard Chartered Bank

Axis Bank Ltd.

ABN Amro Bank N V

Calyon Bank

### AUDITORS

Dalal & Shah, Chartered Accountants

### REGISTERED OFFICE

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Mundhwa, Pune Cantonment,
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2008-09 HAS BEEN THE MOST DIFFICULT YEAR FOR THE GLOBAL ECONOMY IN THE LAST 75 YEARS. IT BEGAN WITH GLOBAL INFLATION, AND ENDED WITH THE SHARPEST DECLINE IN GLOBAL TRADE AND GDP SINCE THE GREAT DEPRESSION OF THE 1930s.

Dear Shareholder,

2008-09 has been the most difficult year for the global economy in the last 75 years. It began with global inflation, and ended with the sharpest decline in global trade & GDP since the Great Depression of the 1930s.

April 2008 saw the world witnessing sharp and concerted growth of all major commodity prices, which included crude oil, gas, coal, steel, as well as other minerals and metals. Remember that in the first week of July 2008, the spot price of West Texas crude was being quoted at over US$ 145 per barrel, with pundits expecting it to soon cross the US$ 200 mark.

Then came the change - starting from August 2008, and accelerating with the bankruptcy of Lehman Brothers on 14 September 2008. The global financial crisis that followed sucked out all available liquidity from the system. This financial meltdown continued unabated through October, November and December of 2008. With it came a sharp fall in demand and GDP of all developed nations.

The financial crisis is showing signs of abating, thanks to unprecedented monetary and fiscal interventions by governments and central banks across the globe. But the economic slowdown continues - indeed deepening in the US, the Euro zone, the UK and Japan. Today, every economy is either suffering from shrinking GDP or rapidly reduced growth.

As I write this letter, the US economy has been hit by three successive quarters of negative GDP growth, and is looking at yet another quarter of falling GDP. Here are some estimates:

**While some believe that the US economy will bottom out by the third quarter of 2009, the estimated GDP growth for the year will be -2.8%. Unemployment as of April 2009 was at 8.9%, and rising. The first four months of 2009 has seen 2.7 million net job losses, on the back of 1.7 million in the last quarter of 2008.**

**The Euro area is in a deep recession which, in many ways, is worse than that of the US. GDP growth of 2009 is estimated at -4.2%.**

**The UK is reeling under depression and its GDP growth for 2009 is forecasted at -4.1%.**

**Japan is in crisis, with a decline in industrial output in excess of 30%; and GDP growth for 2009 being estimated at -6.5% to -7%.**

**With an estimated 11% fall in the real value of world trade in 2009, China's growth may reduce to 6.5%.**

**India's growth is down from the 9% plus range of the last three years to 6.7% in 2008-09 and will probably be the same in 2009-10.**

Being a global player with close to 80% of its revenues coming from the automotive industry, both within and outside India, your Company has been affected by this unprecedented downturn.

We had started seeing the early signs of a slowdown towards the end of 2007-08, and had begun to take corrective action quite early in the day.Indeed, your company did reasonably well in the first half of 2008-09. But nothing could have helped in the short run with what happened to global automotive demand and production in the second half of 2008-09.

To put it simply, automotive demand fell off the cliff. In India, M&HCV production in H2 of FY 2009 was down by more than 60% YoY. European CV production after registering a growth of 5% in the first 9 months of CY 2008 declined by 33% YoY in October - December 2008. Similar sharp declines were witnessed in other major markets such as USA, Brazil & Japan.The situation was so bad that even strong companies have posted losses. With such a sharp fall in automotive demand in the US and Europe - your company's major geographies outside India - order books fell between 60% and 75%.

Not surprisingly, therefore, your company's profits have fallen in 2008-09. Here are the key consolidated financials:

**Net sales grew by only 2.6% to Rs.4, 774 crore. The increase in sales also includes pass thru on account of raw material price increases.**

**Profit before depreciation, interest and taxes (PBDIT) fell by 35% to Rs.521 crore.**

**Profit before interest and taxes (PBIT) fell by 53% to Rs.270 crore.**

**Profit after tax (PAT), net of minority interests, fell by 81% to Rs.58 crore.**

There is no doubt that 2008-09 has been an extremely difficult and stressful year for your company. Two questions arise. First, what have we done in the short run to deal with this crisis? Second, and more importantly, what are we going to do over the medium and long run? In the short run, we focused on determinedly cutting cost,

BEING A GLOBAL PLAYER WITH CLOSE TO 80% OF ITS REVENUES COMING FROM THE AUTOMOTIVE INDUSTRY, BOTH WITHIN AND OUTSIDE INDIA, YOUR COMPANY HAS BEEN AFFECTED BY THIS UNPRECEDENTED DOWNTURN.

IN THE SHORT RUN, WE FOCUSED ON DETERMINEDLY CUTTING COST, REDUCING WORKING CAPITAL AND ALIGNING CAPACITIES TO DEMAND. IN INDIA, WE SHARPLY REDUCED OPERATIONS TO MEET CURRENT DEMAND. WE FOCUSED ON REDUCING INVENTORIES, RECEIVABLES AND PUT A FREEZE ON ALL CAPITAL EXPENDITURES.

reducing working capital and aligning capacities to demand. In India, we sharply reduced operations to meet current demand. We focused on reducing inventories, receivables and put a freeze on all capital expenditures. We focused in a single-minded way on cash flows and increased productivity. We identified wastages, howsoever small, and eliminated them from the system.

In short, your company's management worked at double the speed to create a tight, cost-effective, lean organisation - one that is stronger than ever before and even better placed to leverage the upturn. Indeed, we are already seeing the beginnings of a gradual build-up, and expect the auto business to be on the growth track by Q3 2009-10. It will not be growth like what we saw in the earlier years. The environment will continue to be challenging.

Our longer term initiatives are even more significant. We have taken a conscious decision to move aggressively into the non-automotive forgings space.

If you will recall, your company embarked on building dedicated non-auto forging capacities in India, which included the 4,000T Open die press at Mundhwa, the 80 Mtr Ton Hammer at the Centre for Advanced Manufacturing (CAM) in Baramati, and the Ring rolling facility at Baramati.

Installation of these facilities, except the Ring rolling, was completed in 2008-09. The facilities at CAM went into commercial production in Q4 2008-09 and full-fledged production is expected to start in 2009-10. A lesson of 2008-09 is that we must move even more swiftly into the non-auto space.

Today, our non-auto business contributes 21% of the consolidated revenues. We want it to rise to at least 40% by 2011-12. We will be getting into supplying specialised forgings for the energy sector - wind, thermal, hydro, nuclear and for marine and railways.

As part of our strategy of moving into capital goods, your company has entered into agreements for proposed Joint Ventures with market leaders like NTPC, Alstom and Areva.

The JV with NTPC will manufacture Balance of Plant (BoP) for the power sector. The proposed JV with Alstom will manufacture Turbines and Generators for sub and super critical power plants while the proposed JV with Areva will manufacture heavy forgings for power sector applications.

I am confident of the future growth of your company's non-automotive business. And I intend to ensure that it accounts for 40% of revenue, by the end of 2011-12. Our move to non-auto is not a defensive move of de-risking the company from automotive business cycles. It is a proactive move to be a significant player in the high growth areas of the future.

Those who have observed Bharat Forge for the last decade will note that your company has made key strategic moves at the right time. The first move was made in the second half of 1990s - that of going global by rapidly increasing the share of exports, and reduce our dependence on Indian markets. The second move was to acquire facilities overseas in Europe, North America and China, and thus become a technologically advanced, multi-shored organisation operating in close proximity of our key customers. This is our third strategic move - that of focusing on high growth non-auto businesses. You will see the positive results of this strategic transition soon enough, just as you saw of the other two in the past.

Bharat Forge has the ability to change with the times, and the entrepreneurial drive to implement these changes at a rapid pace. I am, therefore, confident that your company will come out as a much stronger and better diversified global entity in the near future.

My thanks to the employees of your company for the outstanding work that they have done in an extremely difficult year. And to you for your continued support.

Yours sincerely,

Baba Kalyani
Chairman and Managing Director

I AM CONFIDENT OF THE FUTURE GROWTH OF YOUR COMPANY'S NON-AUTOMOTIVE BUSINESS. AND I INTEND TO ENSURE THAT IT ACCOUNTS FOR 40% OF REVENUE, BY THE END OF 2011-12.

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

A decade ago, Bharat Forge (referred to as 'BFL' or 'the company') embarked on an aggressive growth journey with focus on expanding its global footprint in the forging industry. The emphasis was on aggressive growth with a de-risked business model. While the vision was ambitious, the company relied on its ability to analyse evolving business environments and strategically position itself to best leverage the opportunities.

The business ethos focused on implementation excellence that created value over a sustained period of time. Consequently, the company adopted a well structured strategic growth plan that selectively chose markets, product portfolios & customer profiles with clearly distinguishable phases of development. These phases can be broadly summarised as below:

**First, the company focused on expanding its customer base with a specific focus on growing exports. In the process, it developed world-class facilities, incorporated "best in class" practices and adopted technology to produce quality products at costs that were good value propositions.**

**Second, on realising the need to be closer to international OEM customers and to widen the company's reach with global automotive companies, BFL embarked on a series of acquisitions across geographies. This established Bharat Forge as a truly international entity and cemented long term relationships with an even larger number of customers while offering the company greater access to technology.**

**Third, during this period, the company has been focusing on effectively integrating its global operations and actively focussed on:**

**a. Sharing "best practices" across its facilities.**

**b. Leveraging different customer relationships and offering them a wider portfolio of products.**

**c. Integrating research and development activities to enhance product development scope and reduce product development time.**

**d. Cross-fertilising different plants with enhanced products & production capabilities.**

By 2007-08, BFL had clearly achieved its mission of extending its global position across several domains with significant presence in engine and chassis components with a customer base comprising several of the world's marquee OEMs. During this period of growth, the company primarily focused on automotive forgings.

After establishing itself in this market, BFL decided to diversify by focusing on non-automotive forgings. While, on one hand this move further de-risked the business, on the other hand it opened up several opportunities of growth in a large global market segment. Consequently, large investments were made and capacity creation plans were rolled out for non-automotive forging operations at Baramati (Maharashtra-India) and at Mundhwa (Maharashtra-India).

This had been supplemented by an aggressive marketing drive to promote BFL's non-auto forging operations especially in the transportation, oil & gas, power generation and wind energy sectors. The new non-auto facilities have come on line and have initiated commercial production. The two new facilities will start contributing to the top line in FY 2010.

While it has made an aggressive foray into the non-auto segment, this business is at a development phase for BFL. The major part of the company's revenues continue to come from the automobile industry across the globe. Both these business segments were adversely affected by the macro-economic conditions prevailing across different geographies during 2008-09. It is therefore important, at this stage, to look at the key economic developments and their repercussions on BFL's markets.

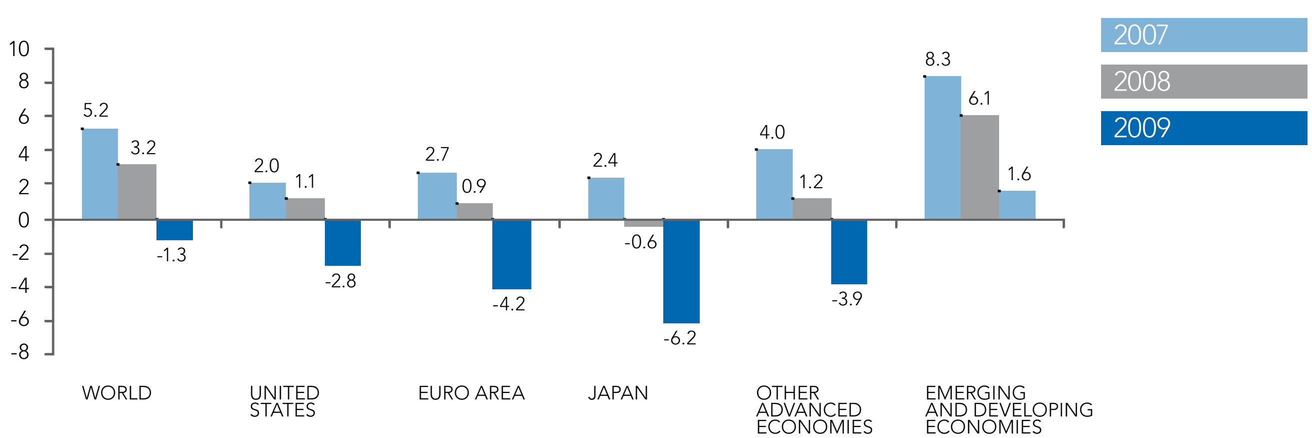
THE EMPHASIS IN THE GLOBAL FINANCIAL SYSTEM WAS ON DELEVERAGING. AND, THIS SYSTEMIC REDUCTION IN CREDIT IN THE SYSTEM LED TO A COMPLETE COLLAPSE IN LIQUIDITY IN SEPTEMBER 2008.

## GLOBAL BUSINESS ENVIRONMENT

On the back of the sub-prime led financial crisis, the US economy had slowed down in 2007. The financial crisis deepened further in 2008 with several leading financial institutions (FIs) having to write-off asset losses in their books. As a result, some of the FIs went bankrupt, others were bailed out by national governments and the remaining ones needed to go through restructuring. The emphasis in the global financial system was on deleveraging. And, this systemic reduction in credit in the system led to a complete collapse in liquidity in September 2008. The liquidity crunch further increased the existing negative sentiments in global economies and the global real economy took a turn for the worse.

Chart A shows that global output growth declined from 5.2% in 2007 to 3.2% in 2008 and is estimated to be negative 1.3% in 2009. Much of the slowdown has been in the advanced economies of USA and EU. USA growth reduced to 1.1% in 2008 and is estimated to be negative 2.8% in 2009. EU growth became almost stagnant at 0.9% in 2008 and in 2009 it is expected to be negative 4.2%. Such real sector contractions of major economic blocks translated into a significant contraction in aggregate demand globally.

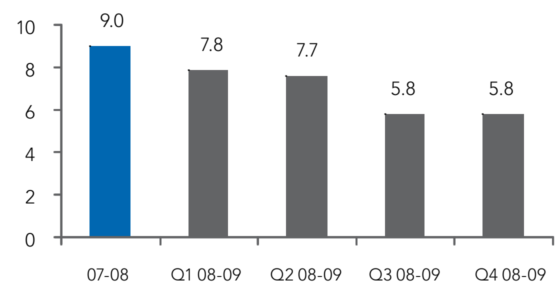
**CHART A** - WORLD OUTPUT GROWTH (%)




Source: IMF (April 2009)

Even emerging economies witnessed reduction in growth to 6.1% in 2008 and is expected to grow at an even lower rate of 1.6% in 2009. Naturally, the Indian economy has also slowed down. After growing by 9% in 2007-08, India continued to grow by over 7.5% in the first half of 2008-09. However, as chart B shows, there has been a significant reduction in growth from the third quarter of 2008-09. And, Central Statistical Organisation (CSO) advance estimates suggest that GDP growth for India in 2008-09 will be 6.7%. While compared to the global economy this is much better growth, however compared to the last four years of over 9% growth, this is a slowdown.

**CHART B** - REAL GDP GROWTH (%) - INDIA




Source: CSO

Being a part of a long supply-chain, BFL relies primarily on its customers for demand estimates. Many of these customers also misread the market developments. They built up stocks in expectations of continued growth throughout the year. Consequently, BFL witnessed good demand in the first half and had to operate in an environment where focus was on fulfilling demand from end customers.

The situation became diametrically opposite in the second half. Within a few days, in line with the economic developments of severe liquidity crunch and indications of severe recession in the US and EU, automotive components demand came to a standstill and orders virtually evaporated.

The non-automotive segment too was affected by issues like credit crunch and negative sentiments amongst promoters of the large projects that these forgings cater to.

Clearly, BFL faced a very challenging business environment during 2008-09. And, the developments and performance of the company have to be evaluated in light of the prevailing business environment.

## BHARAT FORGE'S PERFORMANCE HIGHLIGHTS

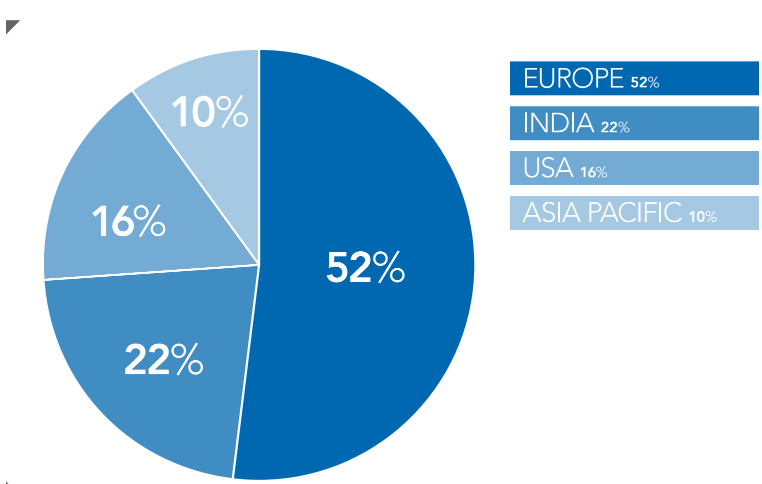
In the beginning of 2008-09, BFL had geared for a slowdown in the automotive industry but it was very difficult to have anticipated the scale, size and impact of the slowdown. The sheer systemic slowdown across sectors from the financial to the automotive sector and to the real economy happened over a short span of few weeks in October & November 2008.

In prior years, slowdowns generally happened in a phased manner across various geographies. Usually, it started in the United States and over a period of time spread to Europe, South America, Japan and other parts of Asia and the recovery was also in this order. This time, slow down in these sectors happened in an unprecedented manner - almost simultaneously across the globe.

Due to widespread globally depressed sentiment and the liquidity crisis, the non-automotive sectors i.e. mining, construction, marine, power generation etc, also dipped significantly. These sectors were actually poised for quantum growth on a global scale. Like the automotive sector, these sectors too went into a severe depression with hardly any notice. This is perhaps the first time ever, when almost every industrial sector globally has gone into a near simultaneous serious depression.

BFL has a manufacturing presence in three major continents, North America, Europe and Asia. BFL's Indian operations cater to the domestic market as well as global market through significant exports into USA, EU & other parts of the world. As Chart C shows over 68% of BFL's consolidated product market is in Europe and the US. In earlier years since all market segments were never impacted simultaneously, BFL's de-risked business model protected the company to a large extent. However, in 2008-09 recessionary conditions prevailed globally, consequently BFL faced significant pressures on the business front.

**CHART C** - GEOGRAPHICAL DISTRIBUTION OF BFL'S CONSOLIDATED REVENUES, 2008-09




BFL HAS A MANUFACTURING PRESENCE IN THREE MAJOR CONTINENTS, NORTH AMERICA, EUROPE AND ASIA. BFL'S INDIAN OPERATIONS CATER TO THE DOMESTIC MARKET AS WELL AS GLOBAL MARKET THROUGH SIGNIFICANT EXPORTS INTO USA, EU & OTHER PARTS OF THE WORLD.

In addition, the change in market sentiments was deep and sudden, so while BFL re-aligned its business strategy, operation plans and adapted itself to lower levels of capacity utilization; it could not totally negate the impact that the external environment had on the company's business. Global demand and business conditions are going to be difficult and growth will not be robust for some time. The company clearly recognises that this is a phase for introspection and consolidation of the global operations. The emphasis is on devoting extra energies to restructure the company and create even stronger fundamentals so that it can weather the tide and accelerate growth once the global economy moves to the next phase of business up-turn.

Keeping the above factors in mind, BFL formulated revised business strategy by November 2008 to take the company through its next stage of development. The focus during this phase is on the following areas:

Enhance/revamp the de-risking strategy.

Constantly explore new markets and new customers.

Address new business development from sectors not addressed till date.

Cost reduction, optimization and rightsizing of both Indian and global operations to effectively operate at lower capacity utilisations given demand conditions.

Institutionalize a process to reduce working capital in the system.

Freeze on capacity expansions and focus on cash and cash generation.

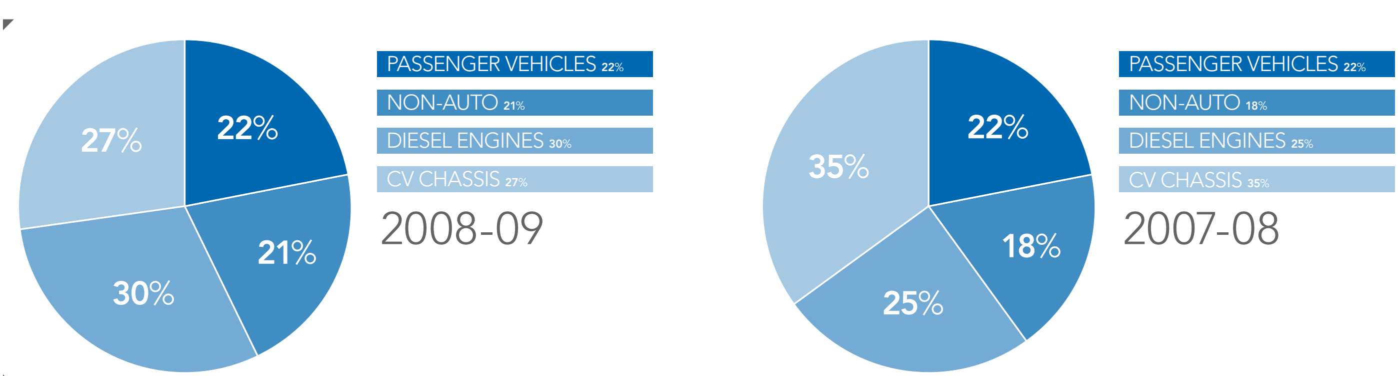
In adverse business conditions, it is often difficult to devise a business strategy. While BFL has launched these new initiatives, they had moderate effect on the financial performance of the company in 2008-09. The highlights of the company's performance, as a consolidated entity in 2008-09 is given in Table 1.

Table 1: Consolidated Performance Highlights (Figures in Million)

| |
|---|
| Net Sales & Operating Income increased by 2.6% from Rs. 46,522.77 in 2007-08 to Rs. 47,740.37 in 2008-09. The increase in sales also includes pass thru on account of raw material price increases. |
| Total income increased by 1.9% from Rs. 47,515.70 in 2007-08 to Rs.48,427.47 in 2008-09 |
| EBIDTA margin in 2008-09 was 10.8%; and EBIDTA was Rs.5,214.43. |
| Consolidated Cash Generation of Rs 4,102 in 2008-09 |

Today, BFL focuses on two clear business segments – automotive forgings and non-automotive forgings. The share of each product in the portfolio is given in Chart D.

**CHART D:** PRODUCT-WISE DISTRIBUTION OF BFL'S CONSOLIDATED REVENUES, 2008-09 AND 2007-08




In the next section, we will analyse the developments in the two business segments with focus on markets.

# AUTOMOTIVE BUSINESS

The Global automotive industry was severely affected by the credit crunch and the global recession in the latter part of 2008-09.

The unprecedented and simultaneous slowdown across segments & geographies caught the entire industry off guard. In the October - December period of 2008, most of the markets witnessed a 40 - 60% YoY drop in volumes especially in the commercial vehicles segment. This forced all major OEMs to undertake a series of block closures to prevent inventory pile-up across the supply chain.

Despite having a de-risked business model in place, BFL's automotive business suffered due to simultaneous slowdown in all geographies & segments. The extent and depth of the slowdown is better understood by revisiting and studying the dynamics of the different markets where BFL operates.

ALL MAJOR OEMs UNDERTOOK A SERIES OF BLOCK CLOSURES TO PREVENT INVENTORY PILE-UP ACROSS THE SUPPLY CHAIN.

## MARKETS: USA

The US CV market has been in a downturn since CY 2007 when volumes dropped by almost 40% on a YoY basis. In the beginning of 2008, there were high expectations for a recovery of the commercial vehicles segment. Most of this positive sentiment was built on the logic of the 'pre-buy' factor. A new emission norm will become applicable in the US in January 2010. Normally, the 'pre-buy' creates an environment of aggressive demand before a new emission norm becomes applicable. This expectation also resulted in an inventory build up in the early part of 2008. However, the market did not witness any pre-buy phenomenon. It had in fact become more volatile. Most OEMs have taken unprecedented shutdowns often at short notice due to depressed demand. Expected recovery did not happen. Industry Sales Forecasts as well as individual OEM plans were modified at an alarming rate and frequency. Table 2 below gives the production data.

**Table 2: US Automobile Production**

| Market Segement | Jan - Dec 08 | Jan - Dec 07 | YoY% |
|---|---|---|---|
| Passenger Vehicles | 3,776,358 | 3,924,268 | (3.8) |
| LCVs | 4,679,925 | 6,548,925 | (28.5) |
| M&HCVs | 225,156 | 279,117 | (19.3) |
| **Total** | **8,681,439** | **10,752,310** | **(19.3)** |

Source: Wards Auto

In fact, two major US based automobile giants - General Motors and Chrysler - went into crisis with the credit squeeze in the market. They have also been affected due to shift in the market to more fuel efficient cars. Both GM & Chrysler have already declared bankruptcy.

The US, was traditionally BFL's largest export market. However, given the market dynamics, exports to US fell by 10.2% from Rs. 4,855 million in 2007-08 to Rs. 4,359 million in 2008-09. Consequently, now Europe has overtaken US as the largest export destination for BFL. As was discussed in last year's Annual Report, BFL has continued to explore opportunities outside the CV chassis space with special emphasis on heavy duty engine parts for commercial vehicles, non-automotive forgings and greater penetration into the passenger vehicle segment.

The company is working closely with all its customers to strengthen its relationships, enhance share of business wherever possible and of course, ensure sustainability.

The company is also trying to expand its presence in new sectors like renewable energy, subsea oil & gas, rail, power generation etc., as well as develop new relationships in traditional business segments.

## MARKETS: EUROPE

Production and commercial vehicle demand in Europe was largely robust till September 2008 (9 months of CY 2008). There were strong projections for sustained growth till CY 2010-11 timeframe. Almost every OEM in Europe was working on aligning its internal capacity as well that of the supplier base with the projected growth.

However, following the liquidity crisis starting September 2008, there was a rapid and sudden drop in orders including incoming orders for future demand. By end October 2008, the market went into a tail spin. As a result, OEMs and suppliers were sitting on large inventories. The passenger car segment also witnessed a reduction in demand. The drop in demand across both sectors will be more pronounced in CY 2009 as the full effect will be evident. There is a huge concern with the volatility and slow rate of incoming orders. Table 3 below shows the European automobile market conditions during CY 2007 and CY 2008.

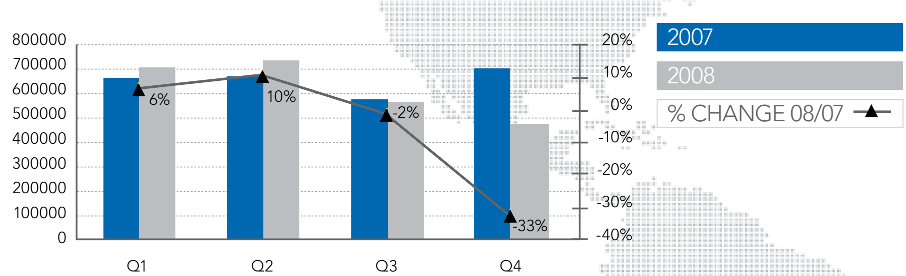
Table 3: Automobile Production in Europe

| Market Segement | Jan - Dec 08 | Jan - Dec 07 | YoY% |
|---|---|---|---|
| LCV | 1,770,219 | 1,908,700 | (7.2) |
| M&HCVs | 711,847 | 704,298 | 1.1 |
| Passenger Vehicles | 15,942,428 | 17,103,687 | (6.8) |
| **Total** | **18,424,494** | **19,716,685** | **(6.6)** |

Source: ACEA

The above table does not bring out the extent of the real collapse in the European CV market. As shown in chart E, OEMs were growing rapidly during the 1st half of CY 2008, which came to a sudden standstill in Q4 CY 2008. All the OEMs undertook prolonged block closures to correct the excess inventory situation across the pipeline.

**CHART E:** COMMERCIAL VEHICLE PRODUCTION IN EUROPE




Source: ACEA

As with the US market, BFL serves the European market through exports from India as well as through local facilities. Bharat Forge Kilsta (BFK) and its subsidiary Bharat Forge Scottish Stampings Limited (BFSSL) were the worst affected as they are predominantly in the CV segment where the European market has crashed. CDP-BF, the German subsidiary has also been affected but to a lesser extent due to presence across CV, Passenger vehicles and Non-Auto. CDP-BF has augmented its product profile by developing new products. In terms of exports from India, BFL managed to record moderate growth of 14.7% from Rs. 4,299 million in FY 2007-08 to Rs. 4,933 million in FY 2008-09.

In the European market, BFL continues to try to convert some of the adversities into opportunities. The focus is on augmenting business share and developing relationships with customers to offer a wider product portfolio. BFL is working closely with key customers on long term programs as development & technology partner. There have also been some inroads made into developing new businesses with new customers. The Company has made considerable progress in addressing new sectors like renewable energy, subsea oil & gas, power generation etc from its Indian operations.

## MARKETS: INDIA

Like the global economy, the Indian automobile industry also witnessed a significant slowdown in the second half of 2008-09. In fact, after a 10.2% growth in passenger cars and commercial vehicle (CV) production in the first half of 2008-09, demand reduced significantly to end the year with a decline of 3%. The 2nd half of the year was characterized by OEMs taking block closures to align production with lower demand levels. The slowdown was mainly in the CV segment, which is BFL's primary market. M&HCV production witnessed a dramatic decline of 61.3% in the 2nd half, as against the same period last year. Table 4 below gives the data for the full year.

Table 4: Vehicle production in India

| Market Segment | Apr - Mar 09 | Apr - Mar 08 | YoY% |
|---|---|---|---|
| LCV | 224,589 | 254,049 | (11.6) |
| M&HCVs | 192,537 | 294,957 | (34.7) |
| **Total Commercial Vehicles** | **417,126** | **549,006** | **(24.0)** |
| Passenger Vehicles | 1,838,697 | 1,777,583 | 3.4 |
| **Total** | **2,255,823** | **2,326,589** | **(3.0)** |

Source: SIAM

## MARKETS: CHINA

BFL caters to the Chinese market through exports from India to a small extent and through its joint venture with First Auto Works (FAW) Corporation. FAW Corporation is the largest automotive group in China – churning out more than 1 million vehicles annually, apart from engines and auto parts – in international cooperation with Volkswagen, Toyota and Mazda. BFL holds a 52% stake in this JV.

China is a large market for automobiles. The total automobile sales volumes reached 9.36 million in 2008, rising by 6.6% over 2007. It has already surpassed Japan and is poised to overtake USA to become the largest automobile market in the world. However, even though there has been growth, the market has been volatile.

The international financial crisis and its fallout have also affected China. With early estimates suggesting that the real GDP growth will be in single digit for the first time in many years, the automobile industry also witnessed a slowdown. In fact, for 2008 the growth rate is down by 16 percentage points.

Having said that, the sheer size and opportunities in the market warrants a global automotive forgings manufacturer like BFL to have a firm presence in this market. So while in these initial development years, BFL's Chinese JV continues to incur losses, its development is critical for the company's long term strategy.

BFL has taken steps to revitalize the operations in China through a series of measures aimed at improving operational efficiency, reducing cost and diversifying product portfolio and customer base.

# NON-AUTOMOTIVE BUSINESS

The company has been addressing the non-automotive segment for a long time. However, the company's presence was largely limited to Indian markets. In 2005-06, the company decided to enter the global non-automotive forgings market in a focused manner with an aim to tap global and domestic potential in various non-automotive segments that were poised for quantum growth.

For this purpose, the company had embarked on building dedicated capacities for non-auto forgings. This included the 4,000T open die press at Mundhwa, 80 Mtr Ton Hammer at the Centre for Advanced Manufacturing (CAM) in Baramati and the Ring Rolling facility at Baramati. The installation of these facilities, except the Ring Rolling facility, with its ancillary machining lines was completed in 2008-09. The facilities at CAM went into commercial production in Q4 2008-09 and serial production is expected to start in 2009-10.

With the global economic slowdown and the financial tightness of banks and FIs, new investments in the non-automotive sector have also showed signs of slowing down. And, given market pressures, companies are holding back on replacement investment. Consequently, even the non-auto forging sector is affected by the global slowdown.

As such, BFL's ramp up in this segment is progressing at a slower pace. All the end-customer industries be it shipping, power generation, construction, mining and oil & gas are witnessing some slowdown. BFL currently has a negligible presence in these segments, so gaining even a small market share will help raise significant revenues.

The company is trying to penetrate every major sector and there have been several positive developments in both conventional & renewable energy sector. BFL has already created some alignment with several customers - domestic and global.

IN 2005-06, THE COMPANY DECIDED TO ENTER THE GLOBAL NON-AUTOMOTIVE FORGINGS MARKET IN A FOCUSED MANNER WITH AN AIM TO TAP GLOBAL AND DOMESTIC POTENTIAL IN VARIOUS NON-AUTOMOTIVE SEGMENTS THAT WERE POISED FOR QUANTUM GROWTH.

Some of the focus areas include the following sectors:

Critical components such as rotors and shafts for gas and steam turbines.

Engine and structural components for off-highway, diesel and gas engines.

Products for high pressure applications in oil and gas sector – particularly sub-sea, including in fully machined condition.

High technology components such as gearbox components and main shafts for wind turbines.

Engine and Structural components for the aerospace sector.

Critical components such as crankshafts and connecting rods for marine and railways.

## NEW FORAYS

As part of its strategy to migrate from a component manufacturer to a supplier of components & systems for the capital goods sector, BFL has identified the Energy Sector (Wind, Thermal, Hydro & Nuclear) as a huge opportunity.

BFL will address this sector through proposed Joint Ventures with market leaders like NTPC, Alstom & Areva.

A brief of the various JVs is given below

NTPC: The JV with NTPC will manufacture Balance of Plant (BoP) for the power sector.

ALSTOM: The proposed JV with Alstom will manufacture Turbines & Generators for sub & super critical power plants. It will also manufacture the auxiliaries required for these plants.

AREVA: The proposed JV with Areva will involve the manufacture of heavy forgings required for both nuclear & conventional power plants and other capital goods sectors.

BHARAT FORGE HAS MANUFACTURING OPERATIONS WITH FOUR PLANTS IN INDIA, THREE PLANTS IN GERMANY, TWO PLANTS IN CHINA AND ONE PLANT EACH IN SWEDEN, SCOTLAND AND USA.

## OPERATIONS

At present, Bharat Forge has manufacturing operations with four plants in India, three plants in Germany, two plants in China and one plant each in Sweden, Scotland and USA.

In earlier years, the challenge was of getting right skilled manpower. Today, subsequent to the slowdown, the primary task has been to right-size manpower at the facilities while retaining skilled personnel. This included revisiting machine layouts and processes. There have been efforts at reducing crew sizes and undertaking effective shift management to improve productivity. Particular focus has been laid on effectively managing indirect manpower and increase productivity of white collared employees.

The entire exercise has laid emphasis on effective utilisation including increased application of multi-tasking. In order to improve labour productivity and adaptability to working on different machines, BFL has focussed on improving the visualization on the shop floor. This has created much better understanding of processes and improved quality.

During periods of high growth, the focus is primarily on production and increasing productivity, while during such market depressions as today, all efforts are towards removing operational bottlenecks and focusing on streamlining processes. There is also significant emphasis on improving material yields and reduction in variable costs such as energy, subcontracting, stores, spares and consumables.

In an environment focussed on cost reduction, the technology department at BFL continues to stress on its VAVE (Value Added Value Engineering) activities.

## HUMAN RESOURCES

Over the years, BFL has always stressed on developing and nurturing its people pool. In 2008-09, given the changes in the external environment there was a significantly different challenge on the human resource management front.

On the shop-floor, focus was laid on rightsizing personnel at all levels and there has been a freeze on recruitments and vacancies are being filled up through internal transfers. Using dual responsibility methodology, scope of existing employee roles is being widened. During the year, all the company's management staff undertook salary cuts in a graded manner in their fixed pay as well as substantial reduction in the variable component.

While some measures had to be taken to improve work productivity in the BFL system, the company remained resolute in its resolve to continue with developing the human resource pool. The major engineering programmes in collaboration with leading global institutes and universities for BFL's employees are continuing. A new course has been set up with IIT Mumbai offering M. Tech (Materials, Manufacturing and Modelling) that focuses on creating intellectual pool in Metallurgy in the company. 25 degree holders will be selected for this programme. Clearly, the company is focusing on utilising the available time to develop potential of the employees for the future in a much focused way.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

In addition to focusing on maximising long term shareholder value, BFL has always been a responsible corporate citizen and continues to work for other stakeholders and the community at large. BFL's corporate social responsibility initiatives are focussed on employees, the community around its facilities and the environment.

In 2008-09, there was increased energy in the CSR activities with wider participation of BFL employees. In a structured way, every department at Mundhwa has taken up a specified activity. This way the CSR activities have become integral to the work profile of employees at Mundhwa.

Some of the activities include:

Running of 3 community centers which employ the wives of BFL employees, where they are provided vocational training to make them self sufficient. For example, BFL factory at Mundhwa purchases uniforms and hand gloves stitched by them.

CSR activities conducted by the employees of BFL focus on three groups: women, senior citizens & underprivileged children wherein each department in the company has adopted an institution around Pune. The employees visit the institutions regularly. Various institutions adopted include schools, old age homes & remand homes.

BFL continues to actively support the efforts of 'Pratham Pune Education Foundation' (PPEF), which imparts primary education to the children of economically weaker sections of society. The foundation has delivered education programmes to a large number of children during its existence.

On the environment front there have been active drives at tree plantation across Pune and training and lectures were delivered by the company's in-house environment specialists at different forums.

Measures taken by BFL to reduce fossil fuel consumption include improving efficiency of furnaces and recuperation of waste heat. BFL continues to procure significant portion of its energy requirement by way of power generated from wind energy.

BFL HAS ALWAYS BEEN A RESPONSIBLE CORPORATE CITIZEN AND CONTINUES TO WORK FOR OTHER STAKEHOLDERS AND THE COMMUNITY AT LARGE. BFL'S CORPORATE SOCIAL RESPONSIBILITY INITIATIVES ARE FOCUSSED ON EMPLOYEES, THE COMMUNITY AROUND ITS FACILITIES AND THE ENVIRONMENT.

## INFORMATION TECHNOLOGY

Information Technology (IT) has been an integral part of BFL's business strategy and development. Having undertaken several initiatives in earlier years, the focus during 2008-09 was on adding value added services to the existing infrastructure.

An effective employee management tool called "Kronos" was successfully implemented during the year. This tool has helped:

**Increase productivity through better employee tracking.**

**Improve scheduling and managing of shop-floor shifts.**

**Upgrade the level of security.**

**Easier compliance to labour laws.**

**Create workforce visibility on the shop floor.**

In addition a portal has been developed and is being rolled out for information sharing between employees. This portal based on the Microsoft SharePoint tool will act like a virtual office notice board with continuous online access.

Going forward in 2009-10 the company is working on the following activities:

**Storage consolidation, which will compress storage points for the IT data centre and IT design centre.**

**Implement archiving policies including information and emails.**

**Focus on complete information lifecycle management.**

**Stress on server consolidation.**

In addition to these, BFL will focus on completely enhancing the physical security infrastructure at Mundhwa, which will include enhanced surveillance tools, access control and visitor management.

## FINANCIAL REVIEW

We first analyse the financial performance for the year ended 31 March 2009 for BFL as a stand-alone entity, then proceed to the key numbers of BFL and its wholly owned subsidiaries (WOS) and finally take a look at the consolidated Profit and Loss Statement and key ratios.

Table 5 enumerates the stand-alone financial performance of Bharat Forge (which encompasses its Indian operations); Table 6 reflects the consequent key ratios of the stand-alone entity.

Table 5: Abridged Stand-alone Profit & Loss Statement (Rs. Millions)

| | | 2008-09 | 2007-08 |
|---|---|---|---|
| 1 | **Sales and Operating Income** | **21,777.84** | **23,691.04** |
| 2 | Excise Duty | 1,202.33 | 1,726.08 |
| 3 | **Net Sales (1 - 2)** | **20,575.51** | **21,964.96** |
| 4 | Other Income | 488.03 | 884.04 |
| 5 | **Total Revenue (3 + 4)** | **21,063.54** | **22,849.00** |
| 6 | Raw Materials and Components | 9,804.81 | 9,913.11 |
| 7 | Manufacturing Expenses | 3,377.00 | 3,781.56 |
| 8 | Employee Costs | 1,391.57 | 1,448.83 |
| 9 | Other Expenses | 2,415.40 | 1,599.87 |
| 10 | **Total Expenses (6 + 7 + 8 + 9)** | **16,988.78** | **16,743.37** |
| 11 | **PBDIT (5 - 10)** | **4,074.76** | **6,105.63** |
| 12 | Depreciation and Amortisation | 1,494.44 | 1,389.40 |
| 13 | **PBIT (11 - 12)** | **2,580.32** | **4,716.23** |
| 14 | Interest | 1,003.67 | 1,049.91 |
| 15 | **PBT before exceptional items (13 - 14)** | **1,576.65** | **3,666.32** |
| 16 | Exceptional Items | 0.00 | 303.47 |
| 17 | **PBT after exceptional items (15 + 16)** | **1,576.65** | **3,969.79** |
| 18 | Current Tax | 159.60 | 982.00 |
| 19 | Deferred Tax | 488.60 | 183.90 |
| 20 | Less: MAT Credit | (157.40) | 0.00 |
| 21 | Fringe Benefit Tax | 53.00 | 68.00 |
| 22 | **PAT (17 - 18 - 19 - 20 - 21)** | **1,032.85** | **2,735.89** |
| 23 | Basic Earnings per Share in Rs. | 4.51 | 12.25 |
| 24 | Diluted Earnings per Share in Rs. | 4.51 | 12.25 |

Foreign Exchange gain/(loss) are shown in other income / other expenses respectively.

Total revenues declined by 7.8% from Rs. 22,849 million in 2007-08 to Rs. 21,064 million in 2008-09.

PBDIT decreased from Rs. 6,106 million in 2007-08 to Rs. 4,075 million in 2008-09. The PBDIT margins dropped from 26.7% to 19.3% essentially due to substantial volume drop during the year.

Table 6: Key Ratios (Stand-alone)

| | 2008-09 | 2007-08 |
|---|---|---|
| PBDIT / Total Revenue | 19.3 | 26.7 |
| PBIT / Total Revenue | 12.3 | 20.6 |
| PBT / Total Revenue | 7.5 | 17.4 |
| PAT / Total Revenue | 4.9 | 12.0 |

2008-09 saw an unprecedented movement in USD-Rupee exchange rate. Rupee depreciated against the USD by 27%. BFL has currency exposure on the export side as well as on the liability side by way of FCCBs and Foreign Currency Term Loans. Over longer time frame, exposure on both sides offer "natural hedge" but due to substantial depreciation of rupee in a relatively short span of 12 months, there was a significant foreign exchange loss which could not be fully compensated by the gain on exports since large portions of exports were covered by pre-shipment packing credit and simple forward covers. Accordingly the company has accounted for the exchange loss in first 3 quarters.

In Q4 2008-09, AS-11 was amended by National Advisory Committee on Accounting Standards (NACAS). The company has opted to adopt the revised AS-11 amendment. Accordingly the effect of such amendment was accounted for in the last quarter.

Table 7: Financial performance (BFL and wholly-owned subsidiaries) Rs. Million

| | 2008-09 | 2007-08 |
|---|---|---|
| Total Revenue | 45,054 | 44,610 |
| PBDIT | 5,354 | 8,044 |
| PBT | 1,405 | 4,675 |
| PAT | 709 | 3,086 |
| Key Ratios | | |
| PBDIT/Total Revenues | 11.9% | 18.0% |
| PBT/Total Revenues | 3.1% | 10.5% |
| PAT/Total Revenues | 1.6% | 6.9% |

BFL and its wholly owned subsidiaries have managed to grow moderately, however margins have declined.

Tables 8 and 9 highlight the complete consolidated performance of the company, including the Chinese joint venture.

Table 8: Abridged Consolidated Profit & Loss Statement (Rs. Millions)

| | | 2008-09 | 2007-08 |
|---|---|---|---|
| 1 | **Sales and Operating Income** | **48,942.70** | **48,248.85** |
| 2 | Excise Duty | 1,202.33 | 1,726.08 |
| 3 | **Net Sales (1 - 2)** | **47,740.37** | **46,522.77** |
| 4 | Other Income | 687.10 | 992.93 |
| 5 | **Total Revenue (3 + 4)** | **48,427.47** | **47,515.70** |
| 6 | Raw Materials and Components | 24,067.85 | 22,038.99 |
| 7 | Manufacturing Expenses | 7,723.47 | 7,742.15 |
| 8 | Employee Costs | 7,091.59 | 6,780.35 |
| 9 | Other Expenses | 4,330.13 | 2,916.73 |
| 10 | **Total Expenses (6 + 7 + 8 + 9)** | **43,213.04** | **39,478.22** |
| 11 | **PBDIT (5 - 10)** | **5,214.43** | **8,037.48** |
| 12 | Depreciation and Amortisation | 2,517.32 | 2,270.55 |
| 13 | **PBIT (11 - 12)** | **2,697.11** | **5,766.93** |
| 14 | Interest | 1,291.36 | 1,269.38 |
| 15 | **PBT before exceptional items (13 - 14)** | **1,405.75** | **4,497.55** |
| 16 | Exceptional Items | (298.92) | 0.00 |
| 17 | **PBT after exceptional items (15 + 16)** | **1,106.83** | **4,497.55** |
| 18 | Share of Profit in Associate Companies | (4.58) | 1.22 |
| 19 | Current Tax | 311.67 | 1,369.08 |
| 20 | Less: MAT Credit | (157.40) | 0.00 |
| 21 | Deferred Tax | 488.47 | 152.33 |
| 22 | Fringe Benefit Tax | 53.00 | 68.00 |
| 23 | **PAT (17+18 -19-20-21-22)** | **406.51** | **2,909.36** |
| 24 | Less: Minority Interest | (176.14) | (105.87) |
| 25 | **PAT after Minority Interest (23-24)** | **582.65** | **3,015.23** |
| 26 | Basic Earnings per Share in Rs. | 2.62 | 13.44 |
| 27 | Diluted Earnings per Share in Rs. | 2.62 | 13.44 |

Table 9: Key Ratios (Consolidated)

| | 2008-09 | 2007-08 |
|---|---|---|
| PBDIT / Total Revenue | 10.8% | 16.9% |
| PBIT / Total Revenue | 5.6% | 12.1% |
| PBT / Total Revenue | 2.3% | 9.5% |
| PAT / Total Revenue | 1.2% | 6.3% |

Total revenue has grown by 1.9% to Rs. 48,427 million on the back of growth in export business from the Indian operations.

Key ratios have shown a drop compared to previous year due to the global auto sector collapse which has affected BFL & its subsidiaries.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Bharat Forge has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported quickly.

The company's internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and other data, and for maintaining accountability of assets.

## RISK & CONCERNS

In addition to the regular process related risks inherent in global manufacturing companies there are some specific risks facing the company, which are to do with its business model. These risks include

### MARKET RISK

As already discussed, BFL's operations and markets are spread across Asia Pacific, Europe and US. With over 68% of this being in the depressed economies of US and Europe, clearly BFL had to operate under tough market conditions. The markets have also become less predictable. The company continues to take proactive steps to de-risk the business from market vagaries by spreading across geographies and products but there are limits to spreading this risk. Already, a concerted effort has been laid on making internal changes to streamline the company to operate in a depressed market at lower capacity utilisation levels.

### CURRENCY RISK

With a large amount of exports and international business, BFL is always exposed to global currency fluctuations. In addition, the company also has a high exposure to foreign currency debt. Over the years, the company has been successfully following a strategy of "natural" hedging, where the impact of foreign currency rate movements on export collections is balanced out by the opposite movement of the effect on interest and principal paybacks of these loans.

### INTEREST RATE RISK

Since the last few years, the company has been in an expansion mode and has used borrowings to fund its expansion cum acquisition needs. At the same time, BFL has judiciously managed its debt-equity ratio, increasing equity in line with increase in debt levels. The company has been using a mix of loans, GDRs, FCCBs, ECBs, domestic rights issue and internal cash accruals to fund this expansion program. With any increase in interest rates the corresponding interest outgo on such loans increases. The company has put a freeze on further capital outlays and has focused on working capital management to reduce interest cost.

### DEFAULT RISK

In today's business environment, several automobile majors are in financial distress and are close to filing for bankruptcy. The receivables from these companies are then under risk. However, BFL has fairly low direct exposure to these companies and foreign vendors may have a degree of protection towards their receivables from the US majors.

### INSOLVENCY RISKS

BFL operates through several global subsidiaries. While the Indian operations remain strong, some of the foreign subsidiaries may come under severe financial stress and there may even be risks of insolvency in the current environment. BFL's strategy would be guided by a long term view based on market realities. One advantage is that most of the global subsidiaries have low debt leverage. However, on a case to case basis if the situation arises, some asset and investment restructuring may need to be undertaken.

## OUTLOOK

The year 2008-09 has been very challenging and BFL has had to revise business plans accordingly. It is clear that 2009-10 will be even more challenging and the markets are going to be much more volatile. BFL will focus on internal improvements and objectives set out in the new business strategy. By entering new markets and driving non-automotive sales, BFL expects to maintain its significant position and grow its business. However, growth may not match the levels seen in the earlier years. That is the market reality.

In light of the slowdown, focussed restructuring and optimal utilization at the subsidiaries have been undertaken in such a manner that the capacity and business is protected from shifting outside the group. There will be focus on the manpower rationalisation and other cost reduction measures being implemented at all the subsidiaries. The company also expects a turbulent time in the industry and consolidation seems inevitable. The Company will seek further opportunities to improve its position, product offering and alignment with key global customers.

BFL as a company is structurally better equipped to tackle the downturn even if it continues for a prolonged period. When the revival comes, strong companies like BFL, which have technology, scale, global reach, capability and cost structure, will have opportunities to cement its market position.

## CAUTIONARY STATEMENT

*Statements in this Management Discussion and Analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include a downtrend in the forging industry - global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.*

# CORPORATE GOVERNANCE

## OVERVIEW

Bharat Forge believes that it is imperative and non-negotiable for a world-class company to adopt transparent accounting policies, appropriate disclosure norms, best-in-class board practices and consistently high standards of corporate conduct towards its stakeholders.

Bharat Forge has consistently aimed at developing and internalising such policies and implementing best-in-class actions that make it a good model of corporate governance. To that effect, Bharat Forge has adopted practices mandated in Clause 49 of listing agreement and has established procedures and systems to be fully compliant with it.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholders' Information, reports Bharat Forge's compliance with Clause 49.

## BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD

As on 31 March 2009, Bharat Forge's Board comprised Fourteen Directors. The Board consists of the Seven Executive Directors (including Chairman and Managing Director, who is a promoter Director) and Seven non-executive Directors, Six of whom are independent. Details are given in Table 1.

### NUMBER OF BOARD MEETINGS

In 2008-09, the Board of the company met 6 (six) times on 20 May 2008, 31 July 2008, 25 October 2008, 27 December, 2008, 9 January, 2009 and 22 January 2009. The maximum gap between any two Board meetings was less than four months.

## DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS

Table 1: Details of Composition of the Board of Directors, Directors' Attendance Record and Directorships

| Name of the Director | Category | Attendance Particulars | | | No. of other Directorships and Committee Memberships / Chairmanships in other Indian public companies | | |
|---|---|---|---|---|---|---|---|
| | | Number of Board Meetings | | Last AGM | Other Directorships | Committee Memberships | Committee Chairmanships |
| | | Held | Attended | | | | |
| Mr. B.N. Kalyani (Chairman and Managing Director) | Promoter, Executive & Managing Director | 6 | 6 | Yes | 13 | 2 | 2 |
| Mr. P.H. Ravikumar * (Nominee of ICICI Bank Ltd.) | Independent | 6 | 3 | Yes | 4 | 1 | 1 |
| Mr. S.S. Marathe(Late) ** | Independent | 2 | 2 | Yes | 9 | 8 | 1 |
| Mr. S.M. Thakore | Independent | 6 | 3 | No | 3 | NIL | 1 |
| Mr. S.D. Kulkarni | Independent | 6 | 4 | Yes | 3 | 2 | 1 |
| Mr. P.G. Pawar | Independent | 6 | 5 | No | 6 | 1 | NIL |
| Dr. Uwe Loos | Independent | 6 | 3 | Yes | NIL | NIL | NIL |
| Mr. P.C. Bhalerao | Non-Executive | 6 | 5 | Yes | 5 | NIL | NIL |
| Mrs. Lalita D. Gupte | Independent | 6 | 2 | Yes | 5 | 4 | NIL |
| Mr. Alan Spencer | Independent | 6 | 4 | Yes | NIL | NIL | NIL |
| Mr. G.K. Agarwal | Executive | 6 | 6 | Yes | 1 | NIL | NIL |
| Mr. Amit B. Kalyani | Executive | 6 | 6 | No | 13 | 4 | NIL |
| Mr. B.P. Kalyani | Executive | 6 | 6 | Yes | 1 | NIL | NIL |
| Mr. S.E. Tandale | Executive | 6 | 5 | Yes | NIL | NIL | NIL |
| Mr. P.K. Maheshwari | Executive | 6 | 6 | Yes | 3 | NIL | 2 |
| Mr. Sunil K. Chaturvedi | Executive | 6 | 5 | Yes | 1 | NIL | NIL |

Notes:
* Mr. P. H. Ravikumar, Nominee Director of ICICI Bank Limited, resigned and ceased to be Director w.e.f. 26 March 2009, his nomination having been withdrawn by ICICI Bank Limited. He was subsequently appointed as Independent Director w.e.f. 20 May 2009.

**Expired on 28 September, 2008.

As detailed in the table above, none of the Directors is a member of more than Ten Board-level Committees of public companies in which they are Directors, nor is chairman of more than five such Committees.

As mandated by Clause 49, the independent Directors on Bharat Forge's Board:

Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director.

Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.

Have not been an executive of the company in the immediately preceding three financial years.

Are not partners or executives or were not partners or executives during the preceding three years of the:

a) Statutory audit firm or the internal audit firm that is associated with the company.
b) Legal firm(s) and consulting firm(s) that have a material association with the company.

Are not material suppliers, service providers or customers or lessors or lessees of the company, which may affect independence of the Director.

Are not substantial shareholders of the company i.e. do not own two percent or more of the block of voting shares.

Is not less than 21 years of age.

## INFORMATION SUPPLIED TO THE BOARD

Among others, information supplied to the Board includes:

Annual operating plans & budgets and any update thereof.

Capital budgets and any updates thereof.

Quarterly results for the company and operating divisions and business segments.

Minutes of the meetings of the Audit Committee and other Committees of the Board.

Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.

Materially important show cause, demand, prosecution notices and penalty notices.

Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.

Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.

Details of any joint venture or collaboration agreement.

Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.

Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.

Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business.

Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board of Bharat Forge is presented with detailed notes along with the agenda papers well in advance of the meeting. The Board periodically reviews compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

## DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY

There has been no materially relevant pecuniary transaction or relationship between Bharat Forge and its non-executive and/or independent Directors during the year 2008-09.

## REMUNERATION OF DIRECTORS

Table 2: Remuneration paid or payable to Directors for the year ended 31 March 2009 and relationship with each other

| Name of the Director | Relationship with other Directors* | Sitting Fees** (in Rs.) | Salary and Perquisites (in Rs.) | Provident Fund and Superannuation Fund (in Rs.) | Commission*** (in Rs.) | Total **** (in Rs.) |
|---|---|---|---|---|---|---|
| Mr. B.N. Kalyani (Chairman and Managing Director) | Father of Mr. Amit B. Kalyani | NA | 25,764,729 | 5,453,652 | 15,000,000 | 46,218,381 |
| Mr. P.H. Ravikumar (Nominee of ICICI Bank Ltd.) | None | 30,000 | NA | NA | 400,000 | 430,000 |
| Mr. S.S. Marathe***** | None | 55,000 | NA | NA | 400,000 | 455,000 |
| Mr. S.M. Thakore | None | 25,000 | NA | NA | 500,000 | 525,000 |
| Mr. S.D. Kulkarni | None | 50,000 | NA | NA | 650,000 | 700,000 |
| Mr. P.G. Pawar | None | 50,000 | NA | NA | 500,000 | 550,000 |
| Dr. Uwe Loos | None | 15,000 | NA | NA | 300,000 | 315,000 |
| Mr. P.C. Bhalerao | None | 45,000 | NA | NA | 500,000 | 545,000 |
| Mrs. Lalita D. Gupte | None | 10,000 | NA | NA | 450,000 | 460,000 |
| Mr. Alan Spencer | None | 20,000 | NA | NA | 300,000 | 320,000 |
| Mr. G.K. Agarwal | None | NA | 12,297,032 | 2,268,000 | 4,750,000 | 19,315,032 |
| Mr. Amit B. Kalyani | Son of Mr. B.N. Kalyani | NA | 8,809,676 | 1,620,000 | 4,750,000 | 15,179,676 |
| Mr. B.P. Kalyani | None | NA | 4,311,435 | 786,919 | 3,000,000 | 8,098,354 |
| Mr. S.E. Tandale | None | NA | 4,618,817 | 786,919 | 4,500,000 | 9,905,736 |
| Mr. P.K. Maheshwari | None | NA | 4,843,688 | 867,919 | 3,000,000 | 8,711,607 |
| Mr. Sunil K. Chaturvedi | None | NA | 8,638,010 | 1,402,258 | 4,000,000 | 14,040,268 |

Notes:

* Determined on the basis of criteria of Section 6 of the Companies Act, 1956.

** Sitting fees include payment for Board-level Committee meetings.

*** Commission proposed and payable after approval of accounts by shareholders in the AGM.

**** Payments to Non-Executive Directors are decided based on multiple criteria of seniority/experience, number of years on the Board, Board/Committee meetings attended, the number of Committees of which he is a member or the Chairman and other relevant factors.

***** Expired on 28 September, 2008.

## CODE OF CONDUCT

The Board of Bharat Forge has laid down a code of conduct for all Board members and Senior Management of the company. The code of conduct is available on the website of the company: www.bharatforge.com. All Board members and Senior Management personnel have affirmed compliance with the Code of Conduct. The Managing Director has also confirmed and certified the same to the Board of Directors.

## COMMITTEES OF THE BOARD

### AUDIT COMMITTEE

As on 31 March 2009, the Audit Committee of Bharat Forge consisted of Mr. P. G. Pawar (Chairman), independent Director; Mr S.D. Kulkarni, independent Director; Mr S.M. Thakore, independent Director and Mr. P.C. Bhalerao, Non-executive Director. All members of the Audit Committee have accounting and financial management expertise. Annual General Meeting (AGM) held on 6 August 2008 was attended by then Chairman of the Committee, Mr. S.S. Marathe to answer shareholders' queries.

The Committee met 5 (five) times during the year on 20 May 2008, 31 July 2008, 25 October 2008 , 22 January 2009 and 25 March 2009.

**Table 3: Attendance record of Audit Committee members for 2008-09**

| Name of the Director | Category | Status | No. of Meetings | |
|---|---|---|---|---|
| | | | Held | Attended |
| Mr. S.S. Marathe * | Independent | Chairman | 2 | 2 |
| Mr. P.H. Ravikumar (Nominee of ICICI Bank Ltd.) | Independent | Member | 5 | 3 |
| Mr. P.G. Pawar ** | Independent | Chairman | 5 | 5 |
| Mr. S.D. Kulkarni | Independent | Member | 5 | 3 |
| Mr. S.M. Thakore *** | Independent | Member | 2 | 2 |
| Mr. P. C. Bhalerao | Non-executive | Member | 2 | 1 |

* Expired on 28 September 2008.

** Appointed as Chairman of the Audit Committee w.e.f. 25 October 2008 in place of Mr. S.S. Marathe.

*** Appointed as Member of Audit Committee w.e.f. 22 January 2009.

The Director responsible for the finance function, the head of internal audit and the representative of the statutory auditors and internal auditors are regularly invited to the Audit Committee meetings. Mr. Beejal Desai Sr. Vice President (Legal) & Company Secretary, is the Secretary to the Committee.

The functions of the Audit Committee of the company include the following:

Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
b) Changes, if any, in accounting policies and practices and reasons for the same.
c) Major accounting entries involving estimates based on the exercise of judgment by management.
d) Significant adjustments made in the financial statements arising out of audit findings.
e) Compliance with listing and other legal requirements relating to financial statements.
f) Disclosure of any related party transactions.
g) Qualifications in the draft audit report.

Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Discussion with internal auditors on any significant findings and follow up thereon.

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors and

Reviewing any changes in the accounting policies or practices as compared to the last completed financial year and commenting on any deviation from the Accounting Standards.

The Audit Committee is empowered, pursuant to its terms of reference, to:

a) Investigate any activity within its terms of reference and to seek any information it requires from any employee and
b) Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

Management discussion and analysis of financial condition and results of operations.

Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.

Management letters / letters of internal control weaknesses issued by the statutory auditors.

Internal audit reports relating to internal control weaknesses.

The appointment, removal and terms of remuneration of the chief internal auditor.

Whenever applicable, the uses/applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc.) as part of the quarterly declaration of financial results and

If applicable, on an annual basis, statement certified by the statutory auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document/prospectus/ notice.

In addition, the Audit Committee of the company is also empowered to review the financial statements, in particular, the investments made by the unlisted subsidiary companies, in view of the requirements under Clause 49.

The Audit Committee is also apprised on information with regard to related party transactions by being presented:

**A statement in summary form of transactions with related parties in the ordinary course of business.**

**Details of material individual transactions with related parties which are not in the normal course of business and**

**Details of material individual transactions with related parties or others, which are not on an arm's length basis along with management's justification for the same.**

## SHAREHOLDERS'/INVESTORS' GRIEVANCES COMMITTEE

The Committee specifically looks into redressing complaints of shareholders and investors such as transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends and interest on matured debentures. The Committee comprises three members; Mr. S.D. Kulkarni (Chairman), independent Director; Mr. B.N. Kalyani (Managing Director) and Mr. P.C. Bhalerao (non-executive Director). The Committee met twice during the year on 25 October 2008 and 9 January 2009. Table 4 below gives the details of attendance.

**Table 4: Attendance record of Shareholders'/Investors' Grievances Committee for 2008-09**

| Name of the Director | Category | Status | No. of Meetings | |
|---|---|---|---|---|
| | | | Held | Attended |
| Mr. S.D. Kulkarni | Independent | Chairman | 2 | 2 |
| Mr. B.N. Kalyani (Chairman and Managing Director) | Promoter, Executive | Member | 2 | 2 |
| Mr. P.C. Bhalerao | Non-Executive | Member | 2 | 2 |

## REMUNERATION COMMITTEE

Bharat Forge does not have a Remuneration Committee. The Board determines commission payable to Directors. Commission to Non-Executive Directors and performance related bonus to Chairman and Managing Director and Executive Directors, paid in the form of commission, is disclosed in Table 2. Detailed terms of appointment of the Chairman and Managing Director and the Executive Directors are governed by Board and shareholders' resolutions.

## SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS

**Table 5: Details of the shares and convertible instruments* held by the Non-Executive Directors as on 31 March 2009**

| Name of the Director | Category | Number of shares held |
|---|---|---|
| Mr. P.H. Ravikumar (Nominee of ICICI Bank Ltd.) | Independent | 2,000 |
| Mr. S.S. Marathe | Independent | 1,895 |
| Mr. S.M. Thakore | Independent | 24,650 |
| Mr. S.D. Kulkarni | Independent | 2,740 |
| Mr. P.G. Pawar | Independent | NIL |
| Dr. Uwe Loos | Independent | NIL |
| Mr. P.C. Bhalerao | Non-executive | NIL |
| Mrs. Lalita D. Gupte | Independent | NIL |
| Mr. Alan Spencer | Independent | NIL |

Note:
* None of the Non-Executive Directors hold any Convertible Instruments as of 31 March 2009.

## SUBSIDIARY COMPANIES

Clause 49 defines a “material non-listed Indian subsidiary” as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. While Bharat Forge has three direct subsidiaries, two of them are registered outside India and one is in India whose turnover does not exceed the prescribed limit. Thus, these subsidiaries are out of the scope of the above definition.

Though the subsidiaries of the Company are not covered under Clause 49, as explained above, appropriate details of these subsidiaries are reported elsewhere in the Management Discussion and Analysis.

## MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS
This annual report has a detailed chapter on Management Discussion and Analysis.

## DISCLOSURES BY MANAGEMENT TO THE BOARD

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors do not participate in the discussion nor do they vote on such matters.

## DISCLOSURE OF ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

Bharat Forge has followed the guidelines of Accounting Standards as prescribed under the Companies Accounting Standard Amendment Rules, 2006.

## CODE FOR PREVENTION OF INSIDER-TRADING PRACTICES

In compliance with the SEBI regulation on prevention of insider trading, the company has instituted a comprehensive code of conduct for its management staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of company, and cautioning them of the consequences of violations.

## CEO/ CFO CERTIFICATION

The CEO and CFO certification of the financial statements for the year is enclosed at the end of the report.

## SHAREHOLDERS

APPOINTMENT/ RE-APPOINTMENT OF DIRECTORS
Seeking re-appointment at the ensuing Annual General Meeting:

Mr. B.P. Kalyani
Mr. S.E. Tandale
Mr. P.K. Maheshwari
MR. S.M. Thakore

Seeking appointment by shareholders at the ensuing Annual General Meeting:

Mr. P.H. Ravikumar

## MR. B.P. KALYANI

Mr. B.P. Kalyani (46) is Executive Director of the Company. He holds B.E. (Prod. Engg.), M.S. (Mech. Engg.), M.B.A. degrees. He is responsible for Close Die Forge Division (CDFD).

### OTHER DIRECTORSHIPS
Mr. B.P. Kalyani is also Director on the Board of Directors of Kalyani Utilities Development Ltd.

### COMMITTEE MEMBERSHIPS - NIL

Mr. B.P. Kalyani holds 3 130 Equity Shares of Rs.2/- each of the Company.
Mr. B.P. Kalyani is not related to any Director.

## MR. S.E. TANDALE

Mr. S.E. Tandale (40) is the Executive Director of the Company. He holds B.E. (Mech.) Degree. He is responsible for the International Business of the Company.

### OTHER DIRECTORSHIPS
Mr. S.E. Tandale is also Director on the Board of Directors of the Subsidiaries of the Company viz; Bharat Forge America Inc., Bharat Forge Kilsta AB, Bharat Forge Scottish Stampings Ltd., FAW Bharat Forge (Changchun) Co. Ltd. and Tecnica UK Ltd.

### COMMITTEE MEMBERSHIPS - NIL

Mr. S.E. Tandale does not hold Equity Shares of the Company.
Mr. S.E. Tandale is not related to any Director.

## MR. P.K. MAHESHWARI

Mr. P.K. Maheshwari (48) is the Executive Director of the Company. He holds B.Com., C.A., PGDM Degrees. His responsibilities include Strategic financing, Mergers & Acquisitions, Handling of JV relationships etc.

### OTHER DIRECTORSHIPS
Mr. P.K. Maheshwari is also Director on the Board of Directors of Nandi Highway Developers Ltd., Nandi Economic Corridor Enterprises Ltd., Nandi Infrastructure Corridor Enterprises Ltd., and Subsidiaries of the Company viz; CDP Bharat Forge GmbH, Bharat Forge Aluminiumtechnik GmbH & Co. KG, Bharat Forge Hong Kong Ltd., Bharat Forge America Inc., Bharat Forge Kilsta AB, Bharat Forge Scottish Stampings Ltd., FAW Bharat Forge (Changchun) Company Ltd. and Bharat Forge Daun GmbH.

### COMMITTEE MEMBERSHIPS
Chairman & Member of Finance & Audit Committee of Nandi Economic Corridor Enterprises Ltd. and Chairman & Member of Finance & Audit Committee of Nandi Infrastructure Corridor Enterprises Ltd.

Mr. P.K. Maheshwari does not hold Equity Shares of the Company.
Mr. P.K. Maheshwari is not related to any Director.

## MR. S.M. THAKORE

Mr. S.M. Thakore (61) a Solicitor, is a partner of the law firm 'Talwar, Thakore & Associates'. Mr. Thakore is an Independent Director of the Company.

### OTHER DIRECTORSHIPS
Mr. Thakore is also Director on the Board of Directors of Alkyl Amines Chemicals Ltd., Carraro India Ltd., Morarjee Textiles Ltd., Carraro PNH Components (India) Pvt. Ltd., Uni Deritend Ltd., Uni Klinger Ltd. and Carborundum Universal Limited.

### COMMITTEE MEMBERSHIPS
Chairman of Share Transfer & Investor Grievance Committee of Alkyl Amines Chemicals Ltd. and (member) of Audit Committee.

Mr. S.M. Thakore holds 24,650 Equity Shares of Rs.2/- each of the Company.
Mr. S.M. Thakore is not related to any Director.

## MR. P.H. RAVIKUMAR

Mr. P.H. Ravikumar (57) is B.Com. and CAIIB, AIB from London. He has also done a Senior Diploma in French. He has total work experience of 36 years in Banking and financial services.

### OTHER DIRECTORSHIPS
Federal Bank Ltd., Fedbank Financial Services Ltd., Eveready Industries India Ltd., Akruti City Ltd. and United Stock Exchange of India Ltd.

### COMMITTEE MEMBERSHIPS
Federal Bank Ltd. (Chairman – Audit Committee), Eveready Industries India Ltd. (Chairman – Audit Committee), Akruti City Ltd. (Member – Audit Committee)

Mr. P.H. Ravikumar holds 2000 Equity Shares of Rs.2/- each of the Company.

Mr. P.H. Ravikumar is not related to any Director.

*Note:
As per clause 49 of the Listing Agreement, Membership / Chairmanship of only Audit Committee and Shareholders' Grievance Committee has been considered.

## COMMUNICATION TO SHAREHOLDERS

Bharat Forge puts forth vital information about the company and its performance, including quarterly results, official news releases and communication to investors and analysts, on its website: www.bharatforge.com regularly for the benefit of the public at large.

During the year, the quarterly results of the company's performance have been published in leading newspapers such as The Economic Times (All Editions) / Business Standard (All Editions), Times of India (All editions), and Loksatta, Pune, in Marathi as appropriate from time to time.

## INVESTOR GRIEVANCES

The company has constituted a Shareholders'/ Investors' Grievances Committee for redressing shareholders and investors complaints. The status on complaints is reported to the Board of Directors as an agenda item. Details are given in the section on shareholder information. Mr. Beejal Desai Sr. Vice President (Legal) & Company Secretary is the Compliance Officer.

## SHARE TRANSFER

There is an Executive Committee of the Board which meets generally twice a month to look after share transfers. All share transfer work is carried out in-house by the Secretarial Department and there are no Registrars and Share Transfer Agents.

## DETAILS OF NON-COMPLIANCE

Bharat Forge has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to capital market during the last three years.

## GENERAL BODY MEETINGS

Table 6: Details of last three Annual General Meetings

| Financial year | Date | Time | Venue | Special Resolutions Passed |
|---|---|---|---|---|
| 2005-06 | 29 July 2006 | 10.00 A.M. | Regd. office of the Company | None |
| 2006-07 | 24 July 2007 | 10.00 A.M. | Regd. office of the Company | None |
| 2007-08 | 6 August 2008 | 1.30 P.M. | Regd. office of the Company | 1 * |

*Under section 81 of the Companies Act, 1956 to create, issue, offer and allot Non-convertible debentures secured or unsecured with detachable warrants convertible into equity share of the Company on Rights basis to the shareholders.

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS

The Company is fully compliant with the applicable mandatory requirements of the Clause 49 except the composition of Board of Directors. It has not adopted any non-mandatory requirements.

## ADDITIONAL SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

Date: 24 July 2009
Time: 10.00 a.m.
Venue: Registered office of the Company, Mundhwa, Pune Cantonment, Pune 411 036, Maharashtra, India.

FINANCIAL CALENDAR

1 April to 31 March.

For the year ended 31 March 2009, results were announced on:

**31 July 2008 : First quarter**
**25 October 2008 : Half yearly**
**22 January 2009 : Third quarter**
**20 May 2009 : Annual**

BOOK CLOSURE

The books will be closed from 18 July 2009 to 24 July 2009 as annual closure for the Annual General Meeting.

DIVIDEND DATE

**The Board has recommended a Dividend of Rs. 1 per equity share of Rs. 2/- each (50%) for the year ended 31 March 2009 and would be payable on and from 10 August 2009.**

LISTING

Equity Shares of Bharat Forge are listed on the Pune Stock Exchange Limited, Pune, Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

The GDRs and Tranche 1 and Tranche 2 FCCBs of Bharat Forge aggregating to USD 220 million issued in April 2005 are listed on Luxembourg Stock Exchange.

USD 79.90 million 'zero coupon' Tranche A and Tranche B FCCBs, issued in April 2006 are listed on the Singapore Exchange Limited (SGX-ST).

STOCK CODES

Reuters: BSE : BFRG.BO
NSE: BFRG.NS
NSE: BHARATFORG
BSE: 500493

**Code for Luxembourg Stock Exchange for:**

| | |
|---|---|
| GDRs | 021752568 |
| Tranche 1 Bond | 021733946 |
| Tranche 2 Bond | 021734004 |

**Code for Singapore Exchange Limited (SGX-ST) for:**

| | |
|---|---|
| Tranche A Bond | 025180267 |
| Tranche B Bond | 025180321 |

## STOCK DATA

Table 7 below gives the monthly high and low prices and volumes of Bharat Forge Ltd. (Bharat Forge) Equity Shares at Bombay Stock Exchange Limited, Mumbai (BSE) and National Stock Exchange of India Limited, Mumbai (NSE) for the year 2008-09.

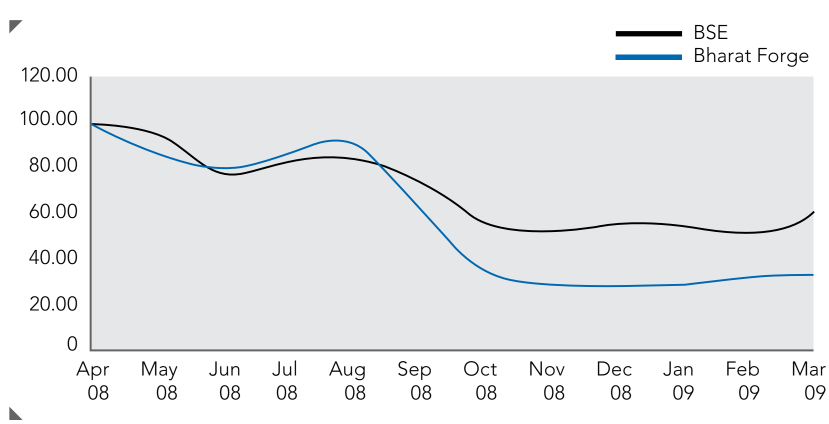
**Table 7: High and Low Prices and Trading Volumes at the BSE and NSE**

| Month | Bombay Stock Exchange (BSE) | | | National Stock Exchange (NSE) | | |
|---|---|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | Volume (Nos.) | High (Rs.) | Low (Rs.) | Volume (Nos.) |
| Apr-08 | 306.40 | 260.00 | 1081007 | 306.90 | 265.50 | 3326167 |
| May-08 | 317.85 | 254.30 | 1420017 | 317.70 | 255.00 | 4172880 |
| Jun-08 | 270.90 | 227.00 | 1015055 | 283.85 | 229.00 | 3809944 |
| Jul-08 | 262.50 | 215.05 | 846235 | 263.25 | 215.40 | 3496648 |
| Aug-08 | 282.90 | 243.50 | 1367907 | 282.50 | 250.00 | 4158039 |
| Sep-08 | 275.00 | 180.25 | 1873939 | 274.00 | 180.05 | 6000427 |
| Oct-08 | 189.00 | 82.20 | 2421622 | 189.40 | 83.00 | 6768389 |
| Nov-08 | 118.00 | 85.00 | 2728809 | 117.40 | 85.25 | 13407785 |
| Dec-08 | 96.40 | 78.00 | 6045243 | 96.50 | 78.00 | 14447414 |
| Jan-09 | 97.90 | 69.15 | 4980603 | 97.95 | 69.55 | 13406926 |
| Feb-09 | 95.00 | 76.30 | 3198191 | 95.90 | 76.55 | 3139135 |
| Mar-09 | 107.15 | 73.60 | 3080316 | 108.80 | 73.60 | 8211286 |

## STOCK PERFORMANCE

**Chart A: Adjusted closing share prices of Bharat Forge versus BSE Sensex for the year ended 31 March 2009**

Chart A: Bharat Forge's Share Performance versus BSE Sensex




Note: Share prices of Bharat Forge and BSE Sensex have been indexed to 100 as on first working day of financial year 2008-09 i.e. 1 April 2008.

## SHARE TRANSFER AGENTS AND SHARE TRANSFER AND DEMAT SYSTEM

Bharat Forge has no share transfer agents. Securities of the Company are transferred in-house by the Secretarial Department of the company. Bharat Forge's equity shares are traded in the stock exchanges compulsorily in Demat mode. The Board's Executive Committee meets twice a month for dealing with matters concerning securities of the company.

In compliance with the SEBI circular dated 27 December 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point. Bharat Forge has established direct connections with CDSL and NSDL, the two depositories. As such, the share registry work relating to both physical and electronic mode is being handled by the Secretarial Department of the company.

**Table 8: Number and nature of complaints received and redressed during the year 2008-09**

| Nature of complaint | No. of complaints received | No. of complaints redressed |
|---|---|---|
| Non-receipt of shares against warrant conversion | NIL | NIL |
| Short receipt of shares against warrant conversion | NIL | NIL |
| Non-receipt of shares lodged for transfer | NIL | NIL |
| Non-receipt of Dividend | 1 | 1 |
| Non-receipt of Sub-divided Shares | NIL | NIL |

## SHAREHOLDING PATTERN

**Table 9: Pattern of shareholding by ownership as on 31 March 2009**

| Category | No. of shares held | Shareholding % |
|---|---|---|
| Promoters | 97,908,905 | 43.97% |
| Financial Institutions | 12,410,185 | 5.57% |
| Mutual Funds (including Unit Trust of India) | 10,012,932 | 4.50% |
| Insurance Companies | 10,701,336 | 4.81% |
| Nationalised Banks | 627,956 | 0.28% |
| Foreign Institutional Investors | 19,430,612 | 8.73% |
| Bodies Corporate | 23,964,060 | 10.76% |
| Non Resident Indians | 580,719 | 0.26% |
| Foreign Nationals (including Foreign Banks and Foreign Corporate Bodies) | 47,757 | 0.02% |
| Indian Public | 46,967,809 | 21.10% |
| **Total** | **222,652,271** | **100.00%** |

## SHARE TRANSFER AGENTS AND SHARE TRANSFER AND DEMAT SYSTEM (cont.)

Table 10: Pattern of shareholding by share class as on 31 March 2009

| Shareholding class | Number of shareholders | Number of shares held | Shareholding % |
|---|---|---|---|
| Up to 2,500 | 69,345 | 13,472,755 | 6.05% |
| 2,501 to 5,000 | 1,229 | 4.350,214 | 1.95% |
| 5,001 to 10,000 | 550 | 3,870,472 | 1.74% |
| 10,001 to 15,000 | 139 | 1,691,862 | 0.76% |
| 15,001 to 20,000 | 86 | 1,514,146 | 0.68% |
| 20,001 to 25,000 | 45 | 1,016,780 | 0.46% |
| 25,001 to 50,000 | 79 | 2,746,528 | 1.23% |
| 50,001 and above | 182 | 193,989,514 | 87.13% |
| **Total** | **71,655** | **222,652,271** | **100.00%** |

DEMATERIALISATION

The Company's Equity Shares are under compulsory demat trading. As on 31 March 2009, dematerialised shares accounted for 59.73% of total Equity.

DETAILS OF PUBLIC FUNDING OBTAINED IN THE LAST THREE YEARS AND ITS IMPLICATIONS ON PAID UP EQUITY SHARE CAPITAL. (Please refer to Table 11 on the next page)

On 12 April 2006, 389,610 Equity Shares of Rs.2 each were issued and allotted on conversion of 3,000, 0.5% FCCBs (Tranche 1) out of 60,000 FCCBs of USD 1,000 each which were issued on 19 April 2005. As a result, the paid up Equity Share Capital increased to 222,652,271 equity shares of Rs.2 each, aggregating to Rs.445,304,542.

Out of total of 120,000, 0.5% FCCBs of USD 1,000 each, which were issued on 19 April 2005, 43,500, 0.5% FCCBs (Tranche 1) and 60,000, 0.5% FCCBs (Tranche 2) aggregating to 103,500, 0.5% FCCBs were outstanding as on 31 March 2009.

On 28 April 2006, 400 Zero Coupon FCCB Tranche A and 399 Zero Coupon FCCB Tranche B of USD 100,000 each were issued aggregating to USD 79.90 million which were outstanding as on 31 March 2009.

Table 11: Details of public funding obtained in the last three years and its implication on paid up Equity Share Capital

| Financial Year | Amount Raised through Public Funding | *Effect on Paid up Equity Share Capital |
|---|---|---|
| 2006-07 | 1. Conversion of 3,000 FCCBs of USD 1,000 each of 0.5 % Tranche 1 series into fully paid Equity Shares. (Amount Raised NIL)<br>2. USD 79.90 Million Zero Coupon FCCB Tranche A and Tranche B | 1. Paid up Equity Share Capital increased to Rs.445.30 Million<br>2. NIL |
| 2007-08 | NIL | NIL |
| 2008-09 | NIL | NIL |

* Details are given in the previous paragraphs.

PLANT LOCATIONS

**Mundhwa, Pune Cantonment, Pune – 411 036**

**Gat No.635, Kuruli Village, Chakan, Tal- Khed, District Pune – 410 501**

**Opposite Jarandeshwar Railway Station, Post - Vadhuth, District Satara – 415 011**

**Kusumbe, Jalgaon-Ajantha Road, Jalgaon – 425 003**

**Tandulwadi & Wanjarwadi, Tal. Baramati, Dist. Pune – 413 206**

INVESTOR CORRESPONDENCE ADDRESS

Secretarial Department, Bharat Forge Ltd., Mundhwa, Pune Cantonment,
Pune - 411 036 Maharashtra, India
Phones : +91.20.2670 2777, 2670 2476
Fax : +91.20.2682 2163
Email : secretarial@bharatforge.com

## TO THE MEMBERS OF BHARAT FORGE LIMITED
## CERTIFICATE BY THE AUDITORS ON CORPORATE GOVERNANCE

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2009.

The compliance of conditions of corporate governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of an opinion on the financial statements of the company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India except that the composition of independent directors has fallen below 50% on account of demise of one of the directors during the year.

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

For and on behalf of
Dalal & Shah
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Pune: 20 May, 2009

## TO THE BOARD OF DIRECTORS OF BHARAT FORGE LIMITED
## CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, the undersigned, in our respective capacities as Chairman and Managing Director and Chief Financial Officer, of Bharat Forge Limited, ("the Company") to the best of our knowledge and belief, certify that:

a) We have reviewed financial statements and the cash flow statement for the year 2008-09 and that to the best of our knowledge and belief:

i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2008-09 which are fraudulent, illegal or violative of the company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) We have indicated to the auditors and the Audit Committee;

i) significant changes in internal control over financial reporting during the year;
ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
iii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

| | |
|---|---|
| S.G.JOGLEKAR | B.N. KALYANI |
| Chief Financial officer | Chairman & Managing Director |

Pune: 20 May, 2009

## Directors' Report for the year ended March 31, 2009 :

To,

The Members,

Your Directors have pleasure in presenting the Forty-Eighth Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2009.

### 1. PERFORMANCE OF THE COMPANY:

#### a) Total Income (on stand-alone basis):

| 2008-09 | 2007-08 | % Decrease |
|---|---|---|
| Rs. 21 064 Million | Rs. 22 849 Million | 8 % |

During the year under review, the total income of the Company touched Rs. 21 064 Million (Rs. 22 849 Million) representing decrease of 8%.

#### b) Exports Revenue (on stand-alone basis) :

| 2008-09 | 2007-08 | 2006-07 | 2005-06 |
|---|---|---|---|
| Rs.10 014 Million | Rs.9 610 Million | Rs.7 513 Million | Rs.6 555 Million |

During the year under review, exports turnover of the Company crossed Rs. 10 billion mark for the first time - Rs. 10 014 Million, an increase of 4% over previous year (Rs. 9 610 Million).

Over the review period, the global economy has started to witness perhaps the most tumultuous economic challenges ever. Almost every country in the world and all industrial sectors are exposed to adverse effects of the slow-down. The Company witnessed enormous challenges due to the sudden and severe slow-down in the auto sector. Most OEMs' globally have witnessed acute contraction of their order-book ranging from 40% to 70% as compared to previous year. Inventory adjustment both for vehicles and components further accentuated the effect of lower demand on component suppliers.

However, the Company has continued its relentless focus on the strategy to enhance its presence in Non-Automotive sectors like Energy (conventional and renewable), Infrastructure, Aerospace, Rail & Marine. The Company is in advanced stages of finalizing new business agreements, for supply of critical forgings for Oil & Gas industry, and rotor turbines for wind & steam energy industry.

The Company is strongly focusing on enhancing opportunities for value addition for existing as well as new customers. Growing revenue from non-automotive business as also aggressive measures for cost control have helped the Company in posting reasonable results despite the difficult market conditions.

#### c) Financials (on stand-alone basis) :

(Rs. in Million)

| | Current Year | Previous Year |
|---|---|---|
| Profit for the year before Taxation & Exceptional item | 1 576.65 | 3 666.32 |
| Exceptional item | - | 303.47 |
| Provision for Taxation : Current including Wealth Tax & FBT | 55.20 | 1 050.00 |
| - Deferred | 488.60 | 183.90 |
| Net Profit | 1 032.85 | 2 735.89 |
| Balance of Profit from Previous Year | 5 570.29 | 4 134.47 |
| | 6 603.14 | 6 870.36 |
| Add/(Less): Tax Refunds and Excess Provisions net of prior year items | (29.04) | - |
| Profit available for appropriation | 6 574.10 | 6 870.36 |
| APPROPRIATIONS: | | |
| Proposed dividend on Preference Shares | - | 7.14 |
| Tax on above dividend | - | 1.21 |
| Proposed dividend on Equity Shares | 222.65 | 779.28 |
| Tax on above dividend | 37.84 | 132.44 |
| Capital Redemption Reserve | - | 100.00 |
| Debenture Redemption Reserve | 26.10 | - |
| Transfer to General Reserve | 120.00 | 280.00 |
| Surplus retained in Profit & Loss Account | 6 167.51 | 5 570.29 |

### 2. DIVIDEND:

Your Directors recommend a Dividend of Re. 1/- per Equity Share of Rs. 2/- each (50%) for the year ended March 31, 2009.

## 3. CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated Financial Statements in accordance with Accounting Standard-21 issued by The Institute of Chartered Accountants of India have been provided in the Annual Report. These Consolidated Financial Reports provide financial information about your Company and its Subsidiaries as a single economic entity. The Consolidated Financial Statements form part of this Annual Report.

## 4. OVERSEAS SUBSIDIARIES OPERATIONS:

The Company has 13 Subsidiaries of which 12 are overseas and 1 is in India. A summary of their performance is given elsewhere in the Annual Report.

In view of the unprecedented downturn in the automotive sectors across the globe, the auditors of Bharat Forge Scottish Stampings Limited (BFSSL) and Bharat Forge America Inc. (BFA), two subsidiaries of the Company, active in the European and North American markets respectively, have, without qualifying their reports, expressed a possibility about these subsidiaries inability to continue as going concerns including the potential closure of BFSSL. These companies have implemented various measures to adapt themselves to lower volumes, which include a significant headcount reduction, a very tight control on costs, development of new products and an efficient working capital management. It is expected that these steps, along with the support provided by the Company would enable these subsidiaries to survive the present downturn and report good performance when the markets recover. Hence, the accounts of these subsidiaries have been prepared on the 'going concern' basis.

A significant portion of the consolidated revenues is generated by the subsidiary companies. Detailed analysis of the working of the subsidiary companies appears in the Management Discussion & Analysis.

## 5. SUBSIDIARY COMPANIES ACCOUNTS:

The Company has received an approval of the Central Government under Section 212(8) of the Companies Act, 1956, vide their letter No. 47/176/2009 – CL- III dated 31st March, 2009 which exempts the Company from attaching to the Balance Sheet, the copies of the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Reports and other documents required to be attached under section 212(1) of the Act of its subsidiary companies, namely:

- i) CDP Bharat Forge GmbH, Germany,
- ii) Bharat Forge Holding GmbH, Germany
- iii) Bharat Forge Aluminiumtechnik GmbH & Co. K.G., Germany
- iv) Bharat Forge Aluminiumtechnik Verwaltungs GmbH, Germany
- v) Bharat Forge Daun GmbH, Germany
- vi) Bharat Forge America Inc., U.S.A.
- vii) Bharat Forge Beteiligungs, GmbH, Germany
- viii) Bharat Forge Kilsta AB, Sweden
- ix) Bharat Forge Scottish Stampings Ltd., Scotland
- x) Bharat Forge Hong Kong Limited (Formerly, Lucrest Limited), Hongkong
- xi) FAW Bharat Forge (Changchun) Company Limited, China.
- xii) BF New Technologies GmbH, Germany and
- xiii) BF NTPC Energy Systems Ltd., India

Accordingly, the said documents are not being attached to the Financial Statements of the Company. A gist of the financial performance of the subsidiaries is given in this Annual Report. The annual accounts of the subsidiary companies are open for inspection by any member/investor and the Company will make available these documents/details upon request by any Member/Investor of the Company/subsidiaries of the Company interested in obtaining the same.

## 6. CAPACITY EXPANSION AND NON-AUTO BUSINESS:

Members are aware of the Expansion Plans underway at Company's factories at Mundhwa, Baramati and Satara. Current status of implementation is as under:

### A. BARAMATI :

The new state-of-art 80 Mtr-T counterblow hammer for production of heavy forgings for large diesel engines and aerospace applications as well as Machining line for heavy duty and medium duty crankshafts both started operations from March, 2009.

The Company has completed installation of a ring rolling mill capable of rolling rings upto 4.5 meter diameter and 500 mm height, along with its Blanking Press. This facility will be operational by the end of June, 2009. The Company has already secured orders from wind turbine and large gear box manufacturers from global OEMs.

### B. MUNDHWA/SATARA :

The new state-of-art 4 000T Open Die Forging press was commissioned in August, 2008 and now is fully operational.

## 7. JOINT VENTURES:

### A. JOINT VENTURE WITH NTPC :

Following signing of a Memorandum of understanding with NTPC Limited, the largest power utility in India, your Company has set up a Joint Venture Company, as its subsidiary, by the name BF-NTPC Energy Systems Limited with 51:49 stake. This venture is aimed at availing enormous opportunities in power sector in India, especially in the Balance of Plant (BoP) space. The Company has preliminarily identified high pressure piping, pumps, valves, related forgings and castings, etc. as potential items of manufacturing. A Joint Business Development Group (JBDG) is now finalizing appointment of consultant to develop a comprehensive business plan of this venture.

### B. JOINT VENTURE WITH ALSTOM :

To sustain an economic growth of 7-8%+, India's power generation capacity has to reach 800 GW by the year 2030 from the current level of 148 GW, as per estimates by the Government of India. This calls for annual capacity addition in the range of 30-32 thousand MW per year. Existing power equipment capacity in the country is only around 8-10 thousand MW. Anticipating this growing shortfall of equipment, Government of India is encouraging major investments in this area with accent on cleaner technologies.

Your Company has accordingly decided to forge a joint venture with Alstom, the global power and transport major, to manufacture sub-critical and supercritical turbines and generators at a port based location in India. A shareholders agreement was accordingly signed between Bharat Forge and Alstom in November, 2008 for setting up of two joint venture companies. The first Company with 51% stake of Alstom and the rest with Bharat Forge will manufacture 5 000 MW of turbines and generators of 300-800 MW+ range annually for coal-based power plants. The second JV Company with majority stake of Bharat Forge will manufacture range of heat exchangers, condensers,

Directors' Report for the year ended March 31, 2009 (Contd.) :

deaeraters and other auxiliaries for these power plants. The partnership aims at further exploring possibilities of manufacturing turbines and generators for gas and nuclear based plants.

Investments and business plan for both the companies have been finalized and the joint venture companies are to be incorporated in the current financial year. The plants of these companies are expected to be ready by the year 2012.

This joint venture will mark a significant capacity creation in growing power sector of India and is expected to richly contribute to the national objectives of 'energy sufficiency' and 'Power for All'.

C. JOINT VENTURE WITH AREVA :

The Company has entered into Memorandum of Understanding with AREVA NP, France, to set up a joint venture (JV) to build a manufacturing facility for heavy forgings in India. AREVA is a Worldwide leader in the nuclear power activities, including the design, manufacture and supply of nuclear power plants, components and fuel to customers all over the World.

Manufacture of non-automotive forgings, including for power sector applications, is a major growth area for the Company. In order to meet the strong energy needs in India and given the exciting opportunities emerging in the country's nuclear power sector, Bharat Forge and AREVA are partnering in the JV. Availability of heavy forgings is a major constraint for global manufacturers of equipment in the energy sector. The JV would secure supply of heavy forgings, especially stainless steel forgings to the customers. Heavy forgings manufactured by the JV would primarily meet indigenous requirements of power generation sector, including manufacture of turbines, generator rotors, steel plant rolls etc. and also of new nuclear power plants in the country.

Bharat Forge and AREVA are presently evaluating various locations in the Country to set up the new facility. The JV will have a state-of-the-art 14 000 Ton open die forging press with associated equipment and an integrated steel making facility.

8. TERM DEPOSITS:

As on March 31, 2009, 45 Depositors having deposits aggregating Rs. 5 73 000/- did not collect the amounts due. However, deposits amounting to Rs. 26 000/- (4 Depositors) has been subsequently transferred to Investor Education & Protection Fund.

9. PARTICULARS OF EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975), forms part of this Report. As per the provisions of Section 219(1)(b)(iv) of the Act, the Directors' Report and Accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217(2A) of the Act.

Any shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the registered office of the Company.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The additional information required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Report is also annexed hereto.

11. DIRECTORS:

Mr. S.S. Marathe, Director expired on September 28, 2008 and vacancy caused by his sad demise has not been filled up by the Board. The Directors place on record their sincere appreciation of the very useful contributions made by him during his long association with the Company.

Mr. P. H. Ravikumar, Nominee Director of ICICI Bank Limited, resigned and ceased to be Director, with effect from March 26, 2009; his nomination having been withdrawn by ICICI Bank Limited and was subsequently appointed as Independent Director with effect from May 20, 2009.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. B. P. Kalyani, Mr. S.E. Tandale, Mr. P. K. Maheshwari and Mr. S. M. Thakore, Directors of the Company, retire by rotation and being eligible, they offer themselves for re-appointment.

12. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that :

(i) in the preparation of the accounts for the financial year ended March 31, 2009; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

(ii) accounting policies selected had been applied consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

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

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

13. AUDITORS:

You are requested to re-appoint Auditors for the current year to hold the office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

Your Directors wish to place on record their appreciation of the positive co-operation received from the Central Government and the Government of Maharashtra, Financial Institutions and the Bankers. The Directors also wish to place on record their thanks to all employees of the Company for their unstinted efforts during the year.

The Directors express their special thanks to MR. B.N. KALYANI, Chairman and Managing Director, for his untiring efforts for the progress of the Company.

For and on behalf of the
Board of Directors

B.N. KALYANI
Chairman and
Managing Director

Pune: May 20, 2009

Directors' Report for the year ended March 31, 2009 (Contd.) :

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2009:

## I. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken:

i) Increasing use of furnace oil.

ii) Electric load management to restrict maximum demand of power supply.

iii) Increasing usage of micro alloyed steel to save on heat treatment energy cost.

iv) Optimum utilization of furnaces.

v) Power factor improvement.

vi) Regenerative Burner technology and

vii) Energy management and monitoring software installation.

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

i) Improving thermal efficiency of furnaces.

ii) Change to more energy efficient motors.

iii) Variable frequency drive application for motors.

iv) High velocity burners technology.

v) Internal energy audits and

vi) Energy conservation awareness training programs.

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

Lower energy consumption.

(d) Total energy consumption and energy consumption per unit of production as Form-A of the Annexure to the Rules in respect of Industries specified in the schedule thereto:

| (A) Power & Fuel consumption for the period : | 2008-09 | 2007-08 |
|---|---|---|
| 1 **Electricity:** | | |
| (a) **Purchased :** | | |
| Units (KWH in thousand) | **146 847** | 187 737 |
| Total Amount (Rs. in Million) | **753.00** | 883.17 |
| Rate / KWH (Rs.) | **5.13** | 4.70 |
| (b) **Own Generation** : | | |
| Through Diesel Generator | **NIL** | NIL |
| Through Steam Turbine / Generator | **NIL** | NIL |
| 2 **Coal :** | **NIL** | NIL |
| 3 **Furnace Oil: (included in Fuel Oil)** | **NIL** | NIL |
| 4 **Others:** | | |
| i) Fuel Oil | | |
| Qty. (KL) | **24 624** | 30 447 |
| Total cost (Rs. in Million) | **746.91** | 694.70 |
| Rate (Rs./KL) | **30 333** | 22 817 |
| ii) LPG: | | |
| Qty. (Kgs. in thousand) | **5 047** | 5 621 |
| Total Cost (Rs. in Million) | **208.99** | 196.12 |
| Rate (Rs./Kg.) | **41.41** | 34.89 |

Directors' Report for the year ended March 31, 2009 (Contd.) :

| | | | Current Year | Previous Year |
|---|---|---|---|---|
| (B) | Consumption per unit of production: | | | |
| | 1. | Steel Forgings (Unit: MT) | | |
| | | Electricity (Unit – KWH) | 802 | 743 |
| | | Fuel Oil (KL) | 0.183 | 0.159 |
| | | LPG (Kgs.) | 38 | 29 |
| | 2 | **Crankshafts and others (Unit: Nos.)** | | |
| | | Electricity (Unit – KWH) | 62 | 48 |
| | 3 | **General Engineering and Material Handling Equipments (Unit – Nos)** | | |
| | | Electricity (Unit – KWH) | 510 974 | 92 974 |

## II. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-A of the Annexure to the rules:

1. Research & Development (R&D) :

a) Specific areas in which R&D carried out by the Company:

i) Development of high-speed processing cluster for compressing computing calculation time required for metal flow simulation.

ii) Establishment of combined trim-cum-piercing process for Front Axle Beam.

iii) Establishment of non-destructive (ultrasonic) method of evaluation of induction hardened case depths for crankshafts.

iv) Re-engineered crankshaft to improve rotating balance and to avoid cranks in the ladder frame at high speed.

v) Development of software for prediction of properties on heat treatment and controlled cooling for steels.

vi) Optimization of Front Axle Beam by using CAE & Fatigue Testing.

vii) Re-engineered control arm design using topology optimization.

viii) Stress distribution study on crankshafts pin diameter and fillet for torsional loading for improvement of torsional strength.

ix) Development of Rear Axle Tube with micro alloy steel and

x) Investigation of effect of crankshaft specimen orientation on strain distribution in torsional fatigue test.

b) Benefits derived as a result of the above R & D :

Customers' satisfaction and new business opportunities because of cost, quality and speed.

c) Future Plan of Action :

i) Development of simulation capability for Aerospace parts.

ii) Manufacturing and fatigue testing of Aerospace forgings.

iii) Optical measurement of dies.

iv) Study the effect of crankshaft test specimen orientation on strain.

v) Study on bending rigidity of crankshaft based on geometry.

vi) Cutting tool life improvement through machinability studies.

vii) Development of hot working steel with high thermal strength with significantly high toughness for hot forging dies and

viii) Micro structural characterization of nitride layer on wear life of hot forging dies.

Directors' Report for the year ended March 31, 2009 (Contd.) :

d) Expenditure on R & D :

| Sr. No. | Particulars | (Rs. in Million) |
|---|---|---|
| i) | Capital | - |
| ii) | Recurring | 36.38 |
| iii) | Total R&D expenditure | 36.38 |
| iv) | TOTAL TURNOVER | 21 063.54 |
| v) | Total R&D expenditure as a percentage of total turnover | 0.17% |

2. Technology absorption, adaptation and innovation :

a) Efforts, in brief, made towards technology absorption, adaptation and innovation:

i) Metal flow simulation and design optimization to improve yield.

ii) Reduction of forces on dies to improve die life and productivity.

iii) 'First time right' for new part development and

iv) Reduction of machining allowance by optimizing the process.

b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

i) 'First time Quality' with reduced development cycle time for new part development.

ii) Improved yield and die life and

iii) Customer satisfaction and new business opportunities.

c) In case of imported technology (imported during the last 5 years from the beginning of the financial year) :

| Technology Imported (product) | Year of import | Has technology been fully absorbed | If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action |
|---|---|---|---|
| Technical know-how and Assistance from MetalArt Corporation, Japan for the manufacture of Forged Products for Toyota's Joint Venture in India | 2004 | Absorbed | — |

## III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:

During the year under review, the Company witnessed enormous challenges due to the sudden and severe slow-down in the auto sector world-wide. Most OEMs' globally witnessed acute contraction of their order-book ranging from 40% to 70% as compared to previous year.

The Company has continued its relentless focus on the strategy to enhance its presence in Non-Automotive sectors like Energy (conventional and renewable), Infrastructure, Aerospace, Rail & Marine etc. The Company's strategy to de-risk its business by expanding in other geographies such as Europe & towards Non-Automotive business has helped to mitigate the adverse impact.

The Company is strongly focusing on enhancing opportunities for value addition for existing as well as new customers.

b) Total foreign exchange used and earned:

USED : Rs. 3 273.93 Million.

EARNED : Rs. 10 595.88 Million.

For and on behalf of the
Board of Directors

B. N. KALYANI
*Chairman & Managing Director*

Pune: May 20, 2009

## Auditors' Report for the year ended 31st March, 2009 :

### REPORT OF THE AUDITORS' TO THE MEMBERS

We have audited the attached Balance Sheet of **BHARAT FORGE LIMITED,** as at 31st March, 2009 and also the annexed the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

(2) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annexe hereto a Statement on the matters specified in paragraphs 4 of the said Order;

(3) Further to our comments in Annexure referred to in paragraph 2 above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;
- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the Books of Account of the Company;
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
- (e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) Without qualifying our report we draw reference to :
  - (i) Note No. 21 in Schedule 'L' of the Financial Statements relating to exercise of option by the Company to recognise gains and losses arising on fluctuation of foreign exchange rates on long term monetary items, to assets or to a reserve as detailed in the note, consequent to the amendment to Accounting Standard (AS11) "The effects of changes in Foreign Exchange Rates", resulting in the profits for the year being higher by Rs.1 686.73 Million and its consequential impact on the Reserves and Surplus and carrying cost of assets as detailed therein.
  - (ii) Note No. 23 in Schedule 'L' of the Financial Statements relating to change in method of recognizing the impact of foreign currency fluctuations on effective hedging instruments in accordance with principles of hedge accounting set out in Accounting Standard 30 – Financial Instruments - Recognition and Measurement (AS 30), having no impact on the profits for the year.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2009,
  - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
  - (iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For and on behalf of
**DALAL & SHAH**
Chartered Accountants

ANISH AMIN
Partner
Membership No: 40451

Pune : May 20, 2009

## Auditors' Report for the year ended 31st March, 2009 (Contd.) :

## ANNEXURE TO THE AUDITORS' REPORT:

**Statement referred to in Paragraph 2 of the Auditors' Report of even date to the Members of BHARAT FORGE LIMITED on the Financial Statements for the year ended 31st March, 2009.**

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, we state that:

i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets;

(b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification schedule adopted by the Company, whereby all the assets are verified, in a phased manner, once in a block of three years. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not material and the same have been properly dealt with in the Books of Account;

(c) As per the information and explanation given to us on our enquiries, the disposal of Assets during the year were not substantial and would neither have an impact on the operations of the Company nor affect its going concern.

ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and partially at the close of the year except inventory lying with third parties, which have been confirmed by them at the close of the year;

(b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;

(c) According to the records produced to us for our verification, we are of the opinion, that the Company is maintaining proper records of its inventory. Further, discrepancies noticed on physical verification of inventories referred to above, as compared to book records have been properly dealt with in the Books of Account;

iii) (a) As per the information and explanation given to us and the records produced to us for our verification, the Company had not granted loans, secured or unsecured, to any Company, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956;

(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services, if any. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal auditors of the Company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the Company;

v) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the particulars of contracts and arrangements required to be entered into the register in pursuance of Section 301 of the Companies Act, 1956 have been so entered;

(b) The transactions effected in pursuance of such contracts and arrangements, as the case may be, aggregating in excess of Rs.500 000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time.

vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956, other relevant provisions of the said Act including the Companies (Acceptance of Deposits) Rules, 1975, where applicable, with regard to the deposits accepted by it from the public. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any other Court or Tribunal, does not arise;

vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;

viii) We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products to which the said rules are made applicable, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;

ix) (a) According to the records of the Company, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;

(b) According to the records of the Company and the information and explanations given to us upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess unpaid as at the last day of the financial year, are as follows :

## Auditors' Report for the year ended 31st March, 2009 (Contd.) :

| | FORUMS BEFORE WHOM PENDING | | | | |
|---|---|---|---|---|---|
| Statutes | Commissioner Appeals | Tribunal | High Court | Supreme Court | Total |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Sales Tax | - | - | - | - | - |
| Income Tax | - | 16 271 462 | - | - | **16 271 462** |
| Wealth Tax | - | - | - | - | - |
| Service Tax | 41 660 000 | - | - | - | **41 660 000** |
| Custom Duty | 302 670 000 | - | - | - | **302 670 000** |
| Excise | 201 396 000 | 11 080 000 | - | - | **212 476 000** |

x) The Company has not defaulted in repayment of dues to banks, financial institutions or debenture holders during the year;

xi) As per the records produced for our verification and the information and explanations given to us, in our opinion, the Company has maintained proper records of transactions and contracts entered into for investing temporarily idle funds in investments in units of Mutual Funds, into which timely entries have been made. The said investments were held in the name of the Company;

xii) As per the information and explanations given to us on our enquiries and on the basis of the legal opinions obtained by the Company specifically in this regard, the terms and conditions at which guarantees have been given by the Company for loans taken from financial institutions and/or banks by others, are, in our opinion, not prejudicial to the interest of the Company;

xiii) The Company has applied the funds raised by way of term loans towards the purposes for which they have been raised. Unutilised funds have been temporarily deployed in Fixed Deposits with Banks and/or Investments in debt oriented Mutual Funds, in terms of the offering circulars;

xiv) The Company has not applied any short term funds for long term investments.

xv) The Company has not made any preferential allotment of shares to any of the parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956;

xvi) The Company has created securities and registered charges in respect of debentures issued, in the current year. The details of security are disclosed in Note No. 12(a)(i) in Schedule "L" to the financial statements;

xvii) The Management of the Company has disclosed the end use of money raised by way of Foreign Currency Convertible Bonds and Equity Shares evidencing Global Depository Receipts detailed in Note No. 18 in Schedule "L" and Foot Note A (iv) to Schedule "A" to the Financial Statements respectively, during the year, which have been verified by us;

xviii) As per the information and explanations given to us on our enquiries on this behalf there were no material frauds on or by the Company which have been noticed or reported during the year.

In view of the nature of business carried on by the Company Clause No. (xiii) of CARO, 2003 is not applicable to the Company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (iii) (b), (c), (d), (f), (g), (x) and (xii), the said clauses are, at present, not applicable.

For and on behalf of
**DALAL & SHAH**
Chartered Accountants

ANISH AMIN
Partner
Membership No: 40451

Pune : May 20, 2009

## Balance Sheet as at 31st March, 2009 :

(Rs. in Million)

| | Schedule | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **I. SOURCES OF FUNDS:** | | | | |
| **1. Shareholders' Funds:** | | | | |
| (a) Share Capital | "A" | 445.40 | | 445.40 |
| (b) Reserves and Surplus | "B" | 14 423.88 | | 14 287.37 |
| | | | 14 869.28 | 14 732.77 |
| **2. Loan Funds:** | | | | |
| (a) Secured Loans | "C" | 8 706.59 | | 4 615.81 |
| (b) Unsecured Loans | "D" | 9 372.06 | | 8 259.05 |
| | | | 18 078.65 | 12 874.86 |
| **3. Deferred Tax Adjustment: ( See Note 13)** | | | | |
| (a) Deferred Tax Liabilities | | 1 833.73 | | 1 385.33 |
| (b) Deferred Tax Assets | | (217.02) | | (202.85) |
| | | | 1 616.71 | 1 182.48 |
| | Total | | 34 564.64 | 28 790.11 |
| **II. APPLICATION OF FUNDS:** | | | | |
| **1. Fixed Assets:** | | | | |
| (a) Gross Block | | 26 840.19 | | 20 292.16 |
| (b) Less: Depreciation | | 8 530.71 | | 7 117.74 |
| (c) Net Block | "E" | 18 309.48 | | 13 174.42 |
| (d) Capital work-in-progress, (See Note 14 ) | | 2 322.81 | | 4 271.36 |
| | | | 20 632.29 | 17 445.78 |
| **2. Technical Know-how:** | "F" | | 2.10 | 4.18 |
| **3. Investments:** | "G" | | 3 671.99 | 5 936.72 |
| **4. Current Assets, Loans and Advances:** | "H" | | | |
| (a) Inventories | | 3 642.42 | | 3 381.18 |
| (b) Sundry Debtors | | 2 601.07 | | 3 562.89 |
| (c) Cash and Bank Balances | | 3 667.02 | | 1 649.85 |
| (d) Other Current Assets | | 839.34 | | 881.06 |
| (e) Loans and Advances | | 6 432.91 | | 6 785.02 |
| | | 17 182.76 | | 16 260.00 |
| **Less: Current Liabilities and Provisions:** | "I" | | | |
| (a) Liabilities | | 3 913.38 | | 6 343.31 |
| (b) Provisions | | 3 011.12 | | 4 513.26 |
| | | 6 924.50 | | 10 856.57 |
| Net Current Assets | | | 10 258.26 | 5 403.43 |
| | Total | | 34 564.64 | 28 790.11 |
| **NOTES FORMING PART OF THE FINANCIAL STATEMENTS** | "L" | | | |

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

## Profit and Loss Account for the year ended 31st March, 2009 :

(Rs. in Million)

| | Schedule | | | Previous Year |
|---|---|---|---|---|
| **INCOME:** | | | | |
| Sales, Gross | "J (a)" | 20 949.56 | | 22 932.06 |
| Less : Excise Duty | | 1 202.33 | | 1 726.08 |
| Net Sales | | 19 747.23 | | 21 205.98 |
| Operating Income | "J (b)" | 828.28 | | 758.98 |
| | | | 20 575.51 | 21 964.96 |
| Other Income | "J (c)" | | 488.03 | 884.04 |
| | | | 21 063.54 | 22 849.00 |
| **EXPENDITURE:** | | | | |
| Manufacturing and other expenses | "K" | 17 992.45 | | 17 793.28 |
| Depreciation and amortisation | "K (a)" | 1 494.44 | | 1 389.40 |
| | | | 19 486.89 | 19 182.68 |
| Operating Profit | | | 1 576.65 | 3 666.32 |
| Exceptional Item of Income / (Expenditure) | | | - | 303.47 |
| Profit for the year before taxation | | | 1 576.65 | 3 969.79 |
| Provision for Taxation: | | | | |
| Current Tax (Including Wealth Tax Rs 2.20 Million Previous year Rs.2.00 Million) | | 159.60 | | 982.00 |
| Less: MAT credit available for Set off in subsequent years | | (157.40) | | - |
| Deferred Tax ( See Note 13) | | 488.60 | | 183.90 |
| Fringe Benefit Tax | | 53.00 | | 68.00 |
| | | | 543.80 | 1 233.90 |
| Net Profit after taxation | | | 1 032.85 | 2 735.89 |
| As per last Account | | | 5 570.29 | 4 134.47 |
| | | | 6 603.14 | 6 870.36 |
| Adjustments relating to earlier years : | | | | |
| Excess/ (Short) provision for taxation and tax payments | | | (29.04) | - |
| Profit available for Appropriation | | | 6 574.10 | 6 870.36 |
| **APPROPRIATIONS:** | | | | |
| Capital Redemption Reserve Account | | | - | 100.00 |
| Debenture Redemption Reserve ( See Note 19) | | | 26.10 | - |
| General Reserve | | | 120.00 | 280.00 |
| Dividend on Preference Shares | | - | | 7.14 |
| Tax on above Dividend | | - | | 1.21 |
| | | | - | 8.35 |
| Proposed Dividend | | 222.65 | | 779.28 |
| Tax on Proposed Dividend | | 37.84 | | 132.44 |
| | | | 260.49 | 911.72 |
| Balance carried to Balance Sheet | | | 6 167.51 | 5 570.29 |
| **Earning Per Share ( See Note 20)** | | | | |
| (Face value of Rs. 2/-) | | | | |
| Basic | | | 4.51 | 12.25 |
| Diluted | | | 4.51 | 12.25 |
| **NOTES FORMING PART OF THE FINANCIAL STATEMENTS :** | "L" | | | |

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

## Cash Flow Statement for the year ended 31st March, 2009 :

(Rs. in Million)

| Sr. No. | Particulars | | 2008-09 | 2007-08 |
|---|---|---|---|---|
| A | CASH FLOW FROM OPERATING ACTIVITIES : | | | |
| | Profit before tax | | 1 576.65 | 3 969.79 |
| | Adjustments For : | | | |
| | Interest / Depreciation / Other Non Cash Expenses : | | | |
| | i) Depreciation and Amortisation | | 1 494.44 | 1 389.40 |
| | ii) Amount written off against Technical Knowhow | | 2.08 | 2.08 |
| | iii) Loss on Assets sold,demolished, discarded | | 1.99 | 7.50 |
| | iv) Adjustments in respect of earlier years - | | | |
| | - Excess/ (short) provision for taxation and tax refunds | | (29.04) | - |
| | v) Bad debts, irrecoverable advances, and Sundry balances written off | | 52.05 | 39.48 |
| | vi) Proportionate deferred revenue expenses written off | | 5.06 | 3.30 |
| | vii) Interest paid | | 1 003.67 | 1 049.91 |
| | viii) Exchange Loss | | 740.82 | - |
| | | Total | 3 271.07 | 2 491.67 |
| | Interest / Dividend / Other Income Adjustments : | | | |
| | i) Interest Received | | (109.51) | (279.79) |
| | ii) Dividend | | (217.02) | (260.55) |
| | iii) Profit on sale of investments | | (23.14) | (305.53) |
| | iv) Surplus on sale of assets | | (0.89) | (0.49) |
| | v) Provisions no longer required | | (68.33) | (10.26) |
| | | Total | (418.89) | (856.62) |
| | OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES | | 4 428.83 | 5 604.84 |
| | Changes in Working Capital : | | | |
| | (Increase) / Decrease in Current Assets : | | | |
| | i) Inventories | | (261.24) | (353.29) |
| | ii) Sundry debtors | | 909.77 | (1 062.85) |
| | iii) Other current assets and loans and advances | | 30.31 | (710.93) |
| | | | 678.84 | (2 127.07) |
| | Increase / (Decrease) in Current Liabilities : | | | |
| | Liabilities | | (2 505.20) | 953.17 |
| | | | (2 505.20) | 953.17 |
| | | Total | (1 826.36) | (1 173.90) |
| | CASH GENERATED FROM OPERATIONS | | 2 602.47 | 4 430.94 |
| | Direct taxes paid | | (421.83) | (985.22) |
| | NET CASH FROM OPERATING ACTIVITIES | (A) | 2 180.64 | 3 445.72 |

## Cash Flow Statement for the year ended 31st March, 2009 (Contd.) :

(Rs. in Million)

| Sr. No. | Particulars | | 2008-09 | 2007-08 |
|---|---|---|---|---|
| B | CASH FLOW FROM INVESTMENT ACTIVITIES : | | | |
| | i) Investment in Subsidiary Companies | | (717.35) | (520.49) |
| | ii) (Increase) / Decrease in Investment in Mutual Funds | | 2 982.08 | (909.17) |
| | iii) Capital expenditure | | (3 267.26) | (5 407.76) |
| | iv) Interest Capitalised | | 51.72 | (8.22) |
| | v) Sale proceeds of assets | | 3.58 | 227.21 |
| | vi) Loan to Wholly Owned Subsidiaries | | (91.71) | (414.91) |
| | vii) Non Operating Income - Interest, Dividend etc. | | 349.67 | 845.87 |
| | | Total | (689.27) | (6 187.47) |
| | NET CASH USED IN INVESTING ACTIVITIES | (B) | (689.27) | (6 187.47) |
| C | CASH FLOW FROM FINANCING ACTIVITIES : | | | |
| | Increase / (Decrease) in Share Capital / Borrowings : | | | |
| | i) Preference Shares | | - | (100.00) |
| | ii) Secured Loans - Term Loans | | 4 166.24 | (801.59) |
| | iii) FCCBs, Fixed deposits and other unsecured loans | | (587.96) | (665.57) |
| | iv) Cash credit & other borrowings from banks | | (533.11) | 925.13 |
| | | Total | 3 045.17 | (642.03) |
| | Adjustments to net worth : | | | |
| | i) Transitional Adjustments on adoption of Accounting Standard (AS 15) Revised - Employee Benefits | | - | (380.25) |
| | ii) Debenture Issue Expenses | | (23.22) | - |
| | iii) Exchange (Gain) / Loss adjusted to Carrying cost of asset | | (297.80) | - |
| | iv) Foreign Currency Monetary Item Translation Difference Account | | (340.16) | - |
| | | Total | (661.18) | (380.25) |
| | Interest Paid : | | | |
| | i) Interest Paid | | (896.91) | (1 039.22) |
| | ii) Capitalised | | (51.72) | 8.22 |
| | | Total | (948.63) | (1 031.00) |
| | Dividend including tax thereon | | (909.56) | (917.87) |
| | NET CASH USED IN FINANCING ACTIVITIES | (C) | 525.80 | (2 971.15) |
| | Net change in cash and cash equivalents | (A+B+C) | 2 017.17 | (5 712.90) |
| | Cash and cash equivalents as at 01.04.08 (opening balance) | | 1 649.85 | 7 362.75 |
| | Cash and cash equivalents as at 31.03.09 (closing balance) | | 3 667.02 | 1 649.85 |

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*
Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

Schedule "A" to "L"

Schedule "A" to "L" annexed to and forming part of the Financial Statements for the year ended on 31st March, 2009

(Rs.in Million)

## Schedule "A" Share Capital:

| | | | As at 31st March, 2008 |
|---|---|---|---|
| **Authorised:** | | | |
| 300 000 000 | Equity Shares of Rs.2/- each | 600.00 | 600.00 |
| 43 000 000 | Cumulative Preference Shares of Rs.10/- each | 430.00 | 430.00 |
| 2 000 000 | Unclassified Shares of Rs.10/- each | 20.00 | 20.00 |
| | | 1 050.00 | 1 050.00 |
| **Issued :** | | | |
| 222 828 621 | Equity Shares of Rs.2/- each (See Note A & B below) | 445.66 | 445.66 |
| | | 445.66 | 445.66 |
| **Subscribed:** | | | |
| 222 652 271 | Equity Shares of Rs.2/- each fully paid | 445.31 | 445.31 |
| 172 840 | Add: Forfeited Equity Shares (amount paid up) | 0.09 | 0.09 |
| | Total | 445.40 | 445.40 |

**Notes: Of the above Shares**

A Prior to Sub-division of Share Capital :

(i) 47 600 Equity Shares of Rs.10/- each were issued as fully paid up for consideration other than cash, pursuant to a contract.

(ii) 8 682 500 Equity Shares of Rs.10/- each were issued as fully paid Bonus Shares by way of capitalisation of Share Premium Account and Reserves.

(iii) 1 568 600 Equity Shares of Rs.10/- each were issued at a premium of Rs.186.93 per Share, under Senior Executives Stock Cum Share Option Scheme .

(iv) The Company had issued 3 636 500 Equity Shares of Rs.10/- each ( later sub-divided into 18 182 500 Equity Shares of Rs.2/- each) in April and May, 2005 represented by 3 636 500 Global Depository Receipts (GDRs) ( on sub-division 18 182 500 GDRs ) evidencing "Master GDR Certificates" at a price of U.S.$ 27.50 per GDR (including premium). GDRs outstanding at the close of the year are 9 200. Out of the total amount of Rs.4 235 Million net of expenses, Rs. 3 425 Million has been utilised towards the object of the issue and balance of Rs. 810 Million have been temporarily deployed by Investments in Fixed Deposits with Banks at the close of the year.

(v) The Company had also issued Foreign Currency Convertible Bonds aggregating U.S.$.199.90 Million optionally convertible at an initial price specified in offering circular (See Note 18). As the initial price is subject to adjustments specified in the offering circular and inability to assess the proportion of conversion, no amounts have been shown under issued Equity Share Capital, in respect of Equity Shares deemed to be issued on exercise of conversion by bondholders. Outstanding Bonds at the close of the year aggregated Rs.9 302.05 Million.

B Subsequent to Sub-division of the Equity Share Capital :

(i) 2 340 Equity Shares of Rs. 2/- each out of the previous issue of Equity Shares on a Right basis together with 234 detachable warrants entitled to subscription of 1 170 Equity Shares of Rs. 2/- each, have been kept in abeyance pending adjudication of title to the pre right holding.

(ii) 389 610 Equity Shares were issued and allotted on April 12, 2006 at a premium of Rs. 334.105 per share on Conversion of U.S.$ 3 000 000, 0.50% Foreign Currency Convertible Bonds (FCCBs) Tranche-1 in terms of Offering Circular dated 15th April, 2005.

## Schedule "B" Reserves and Surplus:

(Rs.in Million)

| | | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **Capital Reserve :** | | | | |
| i) Special Capital Incentive (Under the 1988 Package Scheme of Incentives) | | | | |
| As per last Account | | 2.50 | | 2.50 |
| ii) Capital Surplus arising from early retirement of Sales tax deferral liability/ Loan under package Scheme of Incentive of Government of Maharashtra ( See Note 10 ) | | | | |
| As per last Account | 78.56 | | | 88.67 |
| Less: Transferred to General Reserve | 8.64 | | | 10.11 |
| | | 69.92 | | 78.56 |
| | | | 72.42 | 81.06 |
| **Capital Redemption Reserve Account :** | | | | |
| As per last Account | | 300.00 | | 200.00 |
| Set aside from Profit & Loss Account on redemption of Preference Shares | | - | | 100.00 |
| | | | 300.00 | 300.00 |
| **Securities Premium Account :** | | | | |
| As per last Account | | 7 042.57 | | 7 042.57 |
| Less: Debenture Issue Expenses, in terms of Section 78 of the Companies Act,1956 | | 23.22 | | - |
| | | | 7 019.35 | 7 042.57 |
| **Debenture Redemption Reserve:** | | | | |
| Set aside during the year (See note 19) | | | 26.10 | - |
| **General Reserve:** | | | | |
| As per last Account | | 1 293.45 | | 1 254.34 |
| Add: Transferred from Capital Reserve | | 8.64 | | 10.11 |
| | | 1 302.09 | | 1 264.45 |
| Less: Transitional Adjustment on Adoption of Accounting Standard (AS-15) Revised Employee Benefits | | - | | 251.00 |
| Less: Adjustment on account of exercise of option on Amendment to Accounting Standard (AS-11) - "The effects of changes in foreign exchange rates" (See Note 21) - Exchange differences (Gain) adjusted against the carrying cost of the assets | | 297.80 | | - |
| Exchange differences (Gain) transferred to FCMITDA | | 105.88 | | - |
| Add: Tax effect adjustment | | 54.37 | | - |
| Add: Set aside from Profit & Loss Account | | 120.00 | | 280.00 |
| | | | 1 072.78 | 1 293.45 |
| **Foreign Currency Monetary Item Transalation Difference Account (FCMITDA) :** | | | | |
| Exchange differences relating to long term Monetary items (See note 21) | | | | |
| Transferred from General Reserve | | 105.88 | | - |
| Add: Arising during the year | | (525.60) | | - |
| Less : Amortised during the year | | 185.44 | | - |
| | | | (234.28) | - |
| **Surplus as per Annexed Account :** | | | | |
| Surplus as per Annexed Account | | | 6 167.51 | 5 570.29 |
| Total | | | 14 423.88 | 14 287.37 |

## Schedule "C" Secured Loans :

(Rs.in Million)

| | | | As at 31st March, 2008 |
|---|---|---|---|
| **Debentures :** | | | |
| 2 500 (-) 11.95% Redeemable Secured Non-Convertible Debentures (2009-2017) of Rs.1 000 000/- each (For Security - See Note 12(a)(i)) | | 2 500.00 | - |
| **Foreign Currency Term Loans :** | | | |
| From Bank of Baroda, London (For Security See Note 12 (b) (i)) | | 253.60 | 398.10 |
| From Bank of India, London (For Security See Note 12 (b)(ii)) | | 507.20 | 497.63 |
| From Bank of Baroda, London (Charge satisfied, since Repayment) | | - | 132.70 |
| From Bank of India, New York (Charge satisfied, since Repayment) | | - | 199.05 |
| From Calyon, Singapore (For Security See Note 12 (b)(iii)) | | 2 536.00 | - |
| From Standard Chartered Bank (For Security See Note 12 (b)(iv)) | | 811.52 | 756.39 |
| **Others :** | | | |
| From Banks, against hypothecation of Stocks of Semi finished and Finished goods, Raw Materials, Finished Dies and Die Blocks, Work-in-Progress, Consumable Stores and Spares, Book Debts etc. | | | |
| Cash Credit | 197.22 | | 56.26 |
| Preshipment Packing Credit-Foreign Currency | 328.82 | | 2 574.84 |
| Preshipment Packing Credit - Rupee | 1 571.95 | | - |
| Interest accrued and due on above | 0.28 | | 0.84 |
| | | 2 098.27 | 2 631.94 |
| Total | | 8 706.59 | 4 615.81 |

## Schedule "D" Unsecured Loans:

| | | | |
|---|---|---|---|
| Foreign Currency Convertible Bonds (FCCBs) (See Note 18) | | | |
| 0.5% Tranche 1 FCCBs, outstanding U.S. $ 43.5 Million | 2 206.32 | | 1 731.74 |
| 0.5% Tranche 2 FCCBs, outstanding U.S. $ 60.0 Million | 3 043.20 | | 2 388.60 |
| 0% Tranche A FCCBs, outstanding U.S. $ 40.0 Million | 2 028.80 | | 1 592.40 |
| 0% Tranche B FCCBs, outstanding U.S. $ 39.9 Million | 2 023.73 | | 1 588.41 |
| | | 9 302.05 | 7 301.15 |
| Sales tax deferral liability under Government of Maharashtra Package Scheme of Incentives ( See Note 11) | | 69.44 | 69.08 |
| Short Term Loans from Banks under a buyers line of Credit for import of goods, etc. | | - | 888.17 |
| Fixed Deposits matured but unclaimed : | | | |
| From Public | 0.56 | | 0.63 |
| From Shareholders | 0.01 | | 0.02 |
| | | 0.57 | 0.65 |
| Total | | 9 372.06 | 8 259.05 |

## Schedule "E" Fixed Assets :

(Rs.in Million)

| FIXED ASSETS | GROSS BLOCK (a) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As At 31/03/2008 | Additions & Adjustments | Deductions | As at 31/03/2009 | Up to 31/03/2008 | Recoupments and Adjustments | For the year | Upto 31/03/2009 | As at 31/03/2009 | As at 31/03/2008 |
| 1 Land, Free hold (d) | 9.50 | - | - | 9.50 | - | - | - | - | 9.50 | 9.50 |
| 2 Land, Lease hold (e) | 82.17 | 7.45 | 0.95 | 88.67 | - | - | - | - | 88.67 (g) | 82.17 |
| 3 Buildings (b) (e) | 1 178.04 | 901.98 | - | 2 080.02 | 207.69 | - | 42.00 | 249.69 | 1 830.33 | 970.35 |
| 4 Plant & Machinery | 16 017.13 | 5 399.81 | 70.15 | 21 346.79 | 6 312.83 | 68.12 | 1 188.25 | 7 432.96 | 13 913.83 | 9 704.30 |
| 5 Railway Sidings | 0.45 | - | - | 0.45 | 0.43 | - | - | 0.43 | 0.02 | 0.02 |
| 6 Electrical Installations | 297.70 | 35.51 | - | 333.21 | 122.20 | - | 25.33 | 147.53 | 185.68 | 175.50 |
| 7 Factory Equipments | 367.88 | 91.09 | - | 458.97 | 131.57 | - | 72.75 | 204.32 | 254.65 | 236.31 |
| 8 Engineering Instruments | 0.09 | - | - | 0.09 | 0.09 | - | - | 0.09 | - | - |
| 9 Furniture & Fittings | 213.91 | 30.08 | 0.34 | 243.65 | 102.55 | 0.14 | 21.82 | 124.23 | 119.42 | 111.36 |
| 10 Office Equipments | 48.38 | 2.69 | - | 51.07 | 22.71 | - | 3.78 | 26.49 | 24.58 | 25.67 |
| 11 Vehicles & Aircraft | 2 069.77 | 165.57 | 14.71 | 2 220.63 | 210.53 | 12.26 | 139.56 | 337.83 | 1 882.80 | 1 859.24 |
| 12 Power Line (f) | 7.14 | - | - | 7.14 | 7.14 | - | - | 7.14 (g) | - | - |
| Total | 20 292.16 | 6 634.18 | 86.15 | 26 840.19 | 7 117.74 | 80.52 | 1 493.49 | 8 530.71 | 18 309.48 | 13 174.42 |
| Previous Year's Total | 17 344.30 | 3 285.04 | 337.18 | 20 292.16 | 5 831.30 | 102.53 | 1 388.97 | 7 117.74 | 13 174.42 | |

NOTES:

(a) At cost, except lease hold land which is at cost less amounts written off.

(b) Buildings include premises on ownership basis in Co-operative Societies Rs.32.81 Million and also cost of hangar jointly owned with other Companies Rs.0.12 Million.

(c) See Note 31 in Schedule "L" to the Financial Statements - Accounting Policy -2.

(d) Includes 25 acres land given on lease.

(e) Documents for the ownership premises at Sai Nagari & Surajban Apartments, Lullanagar at Pune, Antriksha Bhawan at New Delhi and Lease deed for Land at Baramati & Jejuri still continue to be under execution.

(f) Cost incurred by the Company. Ownership vests with Maharashtra State Electricity Distribution Company Ltd.

(g) Represents amount amortised upto 31st March, 2009.

(h) Additions include interest capitalised aggregating Rs 39.68 Million (Previous year Rs.8.22 Million)

(i) Additions include (gains)/ lossess on fluctuations of foreign exchange rates in respect of foreign currency borrowings consequent to amendment to AS-11 aggregating Rs.950.92 Million (See Note 21).

## Schedule "F" Technical Know-how:

(Rs.in Million)

| | | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **Acquired by the Company** | | | | |
| As per last Account | | | 4.18 | 6.26 |
| Less: Written Off | | | 2.08 | 2.08 |
| | Total | | 2.10 | 4.18 |

## Schedule "G" Investments at Cost:

| | Face Value | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **Trade** | | | | |
| **Long Term** | | | | |
| **In Equity Shares :** | | | | |
| **In wholly owned subsidiaries:** | | | | |
| **Unquoted:** | | | | |
| i) CDP Bharat Forge GmbH | | | | |
| Subscription to the Equity Share Capital | Euro 5 000 000 | 287.98 | | 287.98 |
| Contribution to Capital Reserve | | | | |
| Credited in favour of Bharat Forge Ltd. | Euro 42 814 428 | 2 653.10 | | 2 414.56 |
| | (Euro 39 299 428) | | | |
| | | 2 941.08 | | 2 702.54 |
| ii) Bharat Forge America Inc. | U.S.$ 16 096 597 | 730.40 | | 252.10 |
| | (U.S.$ 5 846 597) | | | |
| iii) BF NTPC Energy Systems Ltd. 51 000 ( - ) Equity Shares | Rs.10 each | 0.51 | | - |
| | | | 3 671.99 | 2 954.64 |
| **Others** | | | | |
| **Current Investments** | | | | |
| **In Mutual Funds:** | | | | |
| **Unquoted :** | | | | |
| - (5 435 383.52) Units of Rs.10 each of ABN AMRO FTP Series 5 14th Months Plan Inst - Quarterly Dividend Option | | - | | 54.38 |
| - (5 275 137.59) Units of Rs.10 each of ABN AMRO Flexible Short Term Plan Series A - Quarterly Dividend Option | | - | | 52.75 |
| - (9 998 742.19) Units of Rs.10 each of AIG India Treasury Plus Fund - Super Institutional - Daily Dividend | | - | | 100.10 |
| - (3 015 827.55) Units of Rs.10 each of Birla Sun Life Liquid Plus - Institutional - Daily Dividend | | - | | 30.18 |
| - (5 310 640.43) Units of Rs.10 each of Birla Sun Life Quarterly Interval - Series 4 - Dividend Option | | - | | 53.11 |
| - (5 099 691.36) Units of Rs.10 each of Birla Sun Life Quarterly Interval - Series 6 - Dividend Option | | - | | 51.00 |
| - (5 000 901.70) Units of Rs.10 each of DBS Chola FMP Series 6 371 days Plan - Cumulative Option | | - | | 50.01 |
| carried over | | - | | 391.53 |
| carried over | | | 3 671.99 | 2 954.64 |

Schedule "G" Investments At Cost (Contd.):

(Rs.in Million)

| | | | As at 31st March, 2008 |
|---|---|---|---|
| brought over | | 3 671.99 | 2 954.64 |
| brought over | - | | 391.53 |
| - (39 976.01) Units of Rs.1 000 each of DSP Merrill Lynch Liquid Plus - Institutional Daily Dividend | - | | 40.00 |
| - (51 420.39) Units of Rs.1 000 each of DSP Merrill Lynch Fixed Term Plan Series 3 H Institutional - Dividend Option | - | | 51.42 |
| - (10 573 879.89) Units of Rs.10 each of DWS Credit Opportunities Cash Fund - Weekly Dividend | - | | 106.10 |
| - (9 977 245.78) Units of Rs.10 each of HDFC Cash Management Fund - Savings Plus Plan - Daily Dividend | - | | 100.09 |
| - (5 000 000.00) Units of Rs.10 each of HDFC FMP 90D March 2008 VII (3) - Wholesale Plan - Dividend | - | | 50.00 |
| - (4 968 174.71) Units of Rs.10 each of HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Plan - Daily Dividend | - | | 50.08 |
| - (5 584 473.16) Units of Rs.10 each of HDFC Quarterly Interval Fund Plan A - Dividend Option | - | | 55.85 |
| - (5 193 832.99) Units of Rs.10 each of HDFC Quarterly Interval Fund Plan C - Dividend Option | - | | 51.97 |
| - (5 056 580.37) Units of Rs.10 each of HDFC FMP 181 D December 2007 (VI)- - Wholesale Plan - Dividend | - | | 50.57 |
| - (5 108 896.97) Units of Rs.10 each of HSBC Liquid Plus - Institutional Plus - Daily Dividend | - | | 50.95 |
| - (14 716 444.50) Units of Rs.10 each of ICICI Prudential Flexible Income Plan- - Daily Dividend | - | | 155.60 |
| - (5 777 715.04) Units of Rs.10 each of ICICI Prudential Interval Fund II Quarterly - Daily Dividend | - | | 57.78 |
| - (5 392 506.63) Units of Rs.10 each of ICICI Prudential Interval Fund Annual Interval Plan II - Institutional Dividend | - | | 53.93 |
| - (5 003 759.17) Units of Rs.10 each of ING Liquid Plus Fund - Institutional - - Daily Dividend | - | | 50.05 |
| - (5 000 000.00) Units of Rs.10 each of ING Fixed Maturity Fund - XXXII - - Institutional Dividend | - | | 50.00 |
| - (5 475 739.36) Units of Rs.10 each of JM Interval Fund - Quarterly Plan 1 - - Institutional Dividend Plan | - | | 54.76 |
| - (14 248 732.06) Units of Rs.10 each of JM Money Manager Fund - Super Plus Plan Daily Dividend | - | | 142.54 |
| carried over | - | | 1 563.22 |
| carried over | | 3 671.99 | 2 954.64 |

Schedule "G" Investments At Cost (Contd.):

(Rs.in Million)

| | | | As at 31st March, 2008 | |
|---|---|---|---|---|
| brought over | | 3 671.99 | | 2 954.64 |
| brought over | - | | 1 563.22 | |
| - (5 000 981.35) Units of Rs.10 each of Kotak Fixed Maturity Fund 13 Months Series 2 - Institutional - Growth Option | - | | 50.01 | |
| - (9 979 508.99) Units of Rs.10 each of Kotak Flexi Debt Scheme - Daily Dividend | - | | 100.11 | |
| - (5 271 790.50) Units of Rs.10 each of Kotak Quarterly Interval Plan Series 1 - Dividend | - | | 52.72 | |
| - (5 599 650.05) Units of Rs.10 each of Kotak Quarterly Interval Plan Series 2 - Dividend | - | | 56.00 | |
| - (5 739 133.08) Units of Rs.10 each of Kotak Quarterly Interval Plan Series 5 - Dividend | - | | 57.39 | |
| - (2 998 218.79) Units of Rs.10 each of Lotus Liquid Plus Fund - Institutional - Daily Dividend | - | | 30.03 | |
| - (5 091 845.29) Units of Rs.10 each of Lotus Quarterly Interval Fund - Plan E - Dividend | - | | 50.92 | |
| - (5 001 051.63) Units of Rs.10 each of Principal PNB Fixed Maturity Plan - (FMP 37) - 385 Days - Series IV - Institutional Growth Plan | - | | 50.01 | |
| - (9 997 991.19) Units of Rs.10 each of Principal Floating Rate Fund - FMP Institutional Option - Daily Dividend | - | | 100.10 | |
| - (5 002 368.05) Units of Rs.10 each of Reliance Fixed Horizon Fund III - Annual Plan - Series IV - Institutional Growth Plan | - | | 50.02 | |
| - (11 965.40) Units of Rs.1 000 each of Reliance Liquid Plus Fund - Institutional Option - Daily Dividend | - | | 120.10 | |
| - (5 718 427.73) Units of Rs.10 each of Reliance Quarterly Interval Fund - Series II - Institutional - Dividend | - | | 57.18 | |
| - (5 000 000.00) Units of Rs.10 each of SBI Debt Fund Series - 13 Months - 5 ( August 07 ) Dividend Option | - | | 50.00 | |
| - (8 999 082.94) Units of Rs.10 each of SBI SHF - Liquid Plus - Institutional Plan - Daily Dividend | - | | 90.04 | |
| - (9 986 725.68) Units of Rs.10 each of Sundaram BNP Paribas Liquid Plus - Super Institutional - Daily Dividend | - | | 100.11 | |
| - (5 493 526.14) Units of Rs.10 each of Sundaram BNP Paribas Interval Fund - Quarterly Plan - B Dividend | - | | 54.94 | |
| carried over | - | | 2 632.90 | |
| carried over | | 3 671.99 | | 2 954.64 |

Schedule "G" Investments At Cost (Contd.):

(Rs.in Million)

| | | | As at 31st March, 2008 |
|---|---|---|---|
| brought over | | 3 671.99 | 2 954.64 |
| brought over | - | | 2 632.90 |
| - (5 449 837.48) Units of Rs.10 each of Sundaram BNP Paribas Interval Fund - Quarterly Plan C - Dividend | - | | 54.50 |
| - (9 974 381.53) Units of Rs.10 each of Tata Floater Fund - Daily Dividend | - | | 100.10 |
| - (5 189 615.56) Units of Rs.10 each of Tata Fixed Horizon Fund - Series 14 - Scheme A - Institutional Plan - Monthly Dividend | - | | 51.90 |
| - (3 995 684.66) Units of Rs.10 each of Templeton Floating Rate Income Fund - Long Term Plan - Super Institutional Option - Daily Dividend | - | | 40.00 |
| - (50 038.774) Units of Rs.1 000 each of UTI Liquid Plus Fund - Institutional Plan - Daily Dividend | - | | 50.04 |
| - (5 263 894.417) Units of Rs.10 each of UTI Fixed Income Interval Fund - Quarterly Interval Plan - Series I - Institutional Dividend | - | | 52.64 |
| | | - | 2 982.08 |
| Total | | 3 671.99 | 5 936.72 |

NOTES :-

1) All the investments outstanding as on 31st March, 2009 and 2008 are unquoted.

2) Contributions into the Capital Reserves of CDP Bharat Forge GmbH as per the German Commercial Code, forms a part of the Equity Share Capital and accordingly, has been considered as an investment and is redeemable subject to provisions of the code.

## Schedule "G" Investments At Cost (Contd.):

(Rs.in Million)

3) The following Investments in Mutual Funds were Purchased and Sold during the year.

| Name of Scheme | Units Purchased | Purchase Value |
|---|---|---|
| ABN Amro Flexible Short Term Plan Series A Quarterly Dividend | 5 469 475.518 | 54.69 |
| ABN Amro FTPS5 14 Months Plan Institutional Quarterly Dividend | 5 520 653.546 | 55.23 |
| ABN Amro Interval Fund Quarterly Plan I Interval Dividend | 5 643 363.946 | 56.43 |
| ABN Amro Interval Fund Quarterly Plan K Interval Dividend | 5 000 000.000 | 50.00 |
| ABN Amro Interval Fund Series 2 Quarterly Plan M Interval Dividend | 999 530.221 | 10.00 |
| ABN Amro Money Plus Institutional Plan Daily Dividend | 25 132 259.311 | 227.99 |
| ABN Amro Overnight Fund Institutional Daily Dividend | 5 002 410.338 | 50.02 |
| AIG India Liquid Fund Institutional Daily Dividend | 5 054 479.709 | 110.02 |
| AIG India Liquid Fund Super Institutional Daily Dividend | 99 935.840 | 100.02 |
| AIG India Treasury Plus Fund Super Institutional Daily Dividend | 21 373 424.805 | 213.97 |
| Birla Sun Life Cash Plus Institutional Premium Daily Dividend | 31 519 194.428 | 315.81 |
| Birla Sun Life Liquid Plus Institutional Daily Dividend | 19 921 225.501 | 199.34 |
| Birla Sun Life Short Term Fund -Institutional Daily Dividend | 45 724 584.955 | 457.50 |
| BSL Qtly Interval - Series 9 - Dividend -Reinvestment | 5 127 990.045 | 51.28 |
| BSL Qtly Interval Series 4 Dividend | 5 663 959.223 | 56.64 |
| BSL Quarterly Interval - Series 6 - Dividend -Reinvestment | 5 326 739.972 | 53.27 |
| Canara Robeco FMP 3 - Quarterly Plan 2 Institutional Dividend | 5 009 744.200 | 50.10 |
| Canara Robeco Liquid Fund Institutional Daily Dividend | 4 980 511.211 | 50.01 |
| Canara Robeco Liquid Plus Institutional Daily Dividend Fund | 4 037 804.322 | 50.10 |
| DBS Chola FMP Series 6 (371 Days Plan) Cumulative | 5 000 901.697 | 50.01 |
| DBS Chola Freedom Income STP Institutional - Daily Dividend Reinvestment Plan | 5 486 503.738 | 54.89 |
| DSP Blackrock FMP 3M Series 11 Dividend | 5 099 475.642 | 51.00 |
| DSP Blackrock FMP 3M Series 12 Institutional Dividend | 5 198 575.417 | 51.99 |
| DSP Blackrock FMP 3M Series 14 Institutional Dividend | 5 206 129.609 | 52.06 |
| DSP Blackrock FMP 3M Series 15 Institutional Dividend | 5 297 771.355 | 52.98 |
| DSP Blackrock FMP 3M Series 16 Institutional Dividend | 5 225 234.509 | 52.25 |
| DSP Blackrock FMP 6M Series 6 Institutional Dividend | 5 185 669.673 | 51.86 |
| DSP Blackrock FTP - Series 3H - Institutional Dividend | 53 497.535 | 53.50 |
| DSP Merill Lynch Liquid Plus Institutional Plan - Daily Dividend | 40 181.728 | 40.21 |
| DSP Merrill Lynch Liquidity Fund Institutional Daily Dividend | 99 997.930 | 100.02 |
| DSP ML FMP - 3M - Series 10 - Dividend | 5 089 899.227 | 50.90 |
| DSP ML FMP - 6M - Series 5 - Institutional Dividend | 5 178 401.271 | 51.79 |
| DSP ML FMP 3M Series 8 Institutional Dividend | 4 090 514.081 | 40.91 |
| DSP ML FMP 3M Series 9 Institutional Dividend | 5 085 907.882 | 50.86 |
| DWS Credit Opportunities Cash Fund Regular Plan Weekly Dividend | 10 755 363.982 | 107.56 |
| DWS Insta Cash Plus Fund Institutional Plan Daily Dividend | 5 190 689.216 | 52.01 |
| DWS Quarterly Interval Fund - Series 1 - Dividend Plan | 5 893 194.457 | 58.93 |
| DWS Ultra Short Term Fund - Institutional Daily Dividend | 5 214 572.477 | 52.22 |
| Fortis Interval Fund Series 2 Quarterly Plan M Interval Dividend | 4 200 154.305 | 42.00 |
| Fortis Interval Fund Series 2 Quarterly Plan N Interval Dividend | 5 220 327.538 | 52.21 |
| HDFC Cash Management Fund - Saving Plus Plan Wholesale - Daily Dividend | 39 508 415.063 | 396.33 |
| HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment | 22 323 499.137 | 237.44 |
| HDFC Floating Rate Income Fund Short Term Plan Wholesale Option Daily Dividend | 10 706 772.502 | 107.93 |
| HDFC FMP 181D December 2007 (VI) Wholesale Plan Dividend | 10 056 580.371 | 100.57 |
| HDFC FMP 90D July 2008 (IX) (3) - Wholesale Plan Dividend | 5 000 000.000 | 50.00 |
| HDFC FMP 90D June 2008 (VIII) (1) - Whosale Plan Dividend | 5 074 465.827 | 50.74 |
| HDFC FMP 90D June 2008 (VIII) (3) - Wholesale Plan Dividend | 5 718 924.465 | 57.19 |
| HDFC FMP 90D September 2008 (ix) (3) Wholesale Plan Dividend | 5 718 924.465 | 57.19 |
| HDFC Quarterly Interval Fund Plan A Wholesale Dividend | 5 716 769.324 | 57.18 |
| HDFC Quarterly Interval Fund Plan C Wholesale Dividend | 5 388 354.019 | 53.91 |
| HSBC Cash Fund - Institutional Plus Daily Dividend | 29 988 643.929 | 300.05 |
| HSBC Fixed Term Series 48 Institutional Dividend Tenure 6 Months | 5 189 892.970 | 51.90 |
| HSBC Fixed Term Series 55 Instituitonal Dividend Tenure 6 Months | 5 209 384.700 | 52.09 |
| HSBC Liquid Plus Institutional Plus Daily Dividend | 36 920 166.246 | 369.71 |
| ICICI Prudential Flexible Income Plan - Daily Dividend | 39 488 244.331 | 417.53 |
| ICICI Prudential Floating Rate Plan D-Daily Dividend | 45 695 088.587 | 457.05 |
| ICICI Prudential FMP Series 34 3 Months Plan A Retail Dividend | 5 000 000.000 | 50.00 |
| ICICI Prudential FMP Series 44 - Three Month Plan D Retail Dividend- Pay Dividend | 5 768 821.934 | 57.69 |
| ICICI Prudential Institutional Liquid Plan Super Institutional Daily Dividend | 39 065 071.986 | 390.67 |
| ICICI Prudential Interval Fund Annual Interval Plan - II Institutional Dividend | 5 392 506.634 | 53.93 |
| ICICI Prudential Interval Fund II Quarterly Interval Plan E - Retail Dividend | 5 094 100.000 | 50.94 |
| ICICI Prudential Interval Fund II Quaterly Interval Plan F Retail Dividend | 5 902 224.801 | 59.02 |
| IDFC Cash Fund Super Institutional Plan C- Daily Dividend | 6 009 491.101 | 60.01 |
| IDFC Fixed Maturity Plan - Quarterly Series 35 - Dividend | 5 089 700.000 | 50.90 |
| IDFC Floating Rate Fund Long Term Institutional Plan B Daily Dividend | 21 148 436.887 | 211.60 |
| IDFC Quarterly Interval Fund A Institutional Dividend | 6 394 178.802 | 64.15 |

## Schedule "G" Investments At Cost (Contd.):

(Rs.in Million)

3) The following Mutual Fund units were purchased and sold during the year (Contd.) :

| Name of Scheme | Units Purchased | Purchase Value |
|---|---|---|
| ING Fixed Maturity Fund-XXXII Institutional Dividend | 5 000 000.000 | 50.00 |
| ING Interval Fund-Quarterly-C-Institutional Dividend Regular | 5 104 335.622 | 51.05 |
| ING Liquid Fund Super Institutional - Daily Dividend | 13 997 043.631 | 140.04 |
| ING Liquid Plus Fund Institutional Daily Dividend | 20 443 820.915 | 204.51 |
| JM Fixed Maturity Fund Series X Quarterly Plan 3 - Institutional Dividend Plan | 5 094 027.105 | 50.94 |
| JM Fixed Maturity Fund Series X Quarterly Plan 4 - Institutional Dividend Plan | 4 547 595.671 | 45.48 |
| JM Fixed Maturity Fund Series XII Quarterly Plan 3 - Institutional Dividend Plan | 5 212 047.090 | 52.12 |
| JM High Liquidity Fund - Super Institutional Plan Daily Dividend | 4 992 554.358 | 50.01 |
| JM Interval Fund - Quarterly Plan 2 - Institutional Dividend Plan | 5 196 848.543 | 51.97 |
| JM Interval Quarterly Fund Plan 1 Institutional Dividend | 5 832 475.249 | 58.32 |
| JM Interval Quarterly Fund Plan 5 Institutional Dividend | 5 087 371.141 | 50.87 |
| JM Money Manager Fund Super Plus Plan Daily Dividend | 24 813 412.218 | 248.23 |
| Kotak Flexi Debt Scheme - Daily Dividend | 31 714 627.924 | 318.23 |
| Kotak Floater Long Term - Daily Dividend | 20 056 814.936 | 202.17 |
| Kotak FMP 13M Series 2 Institutional Growth | 5 000 981.346 | 50.01 |
| Kotak FMP 3M Series 30 Dividend | 5 088 032.950 | 50.88 |
| Kotak FMP Series 29 Dividend | 5 086 468.205 | 50.86 |
| Kotak Liquid (Institutional Premium) Daily Dividend | 16 388 464.870 | 200.40 |
| Kotak Quarterly Interval Plan Series 1 Dividend | 5 613 982.201 | 56.14 |
| Kotak Quarterly Interval Plan Series 2 Dividend | 5 960 470.048 | 59.61 |
| Kotak Quarterly Interval Plan Series 5 Dividend | 6 004 427.675 | 60.04 |
| Kotak Quarterly Interval Plan Series 6 Dividend | 5 773 393.374 | 57.79 |
| Lotus India FMP-3 Months-Series XXXV Dividend | 5 100 191.400 | 51.00 |
| Lotus India Liquid Fund - Institutional Daily Dividend | 5 999 387.537 | 60.01 |
| Lotus India Liquid Plus Fund - Institutional Daily Dividend | 14 337 998.481 | 143.61 |
| Lotus India Quarterly Interval Fund Plan E Dividend | 5 423 441.978 | 54.23 |
| Mirae Asset Liquid Fund Institutional - Dividend Plan | 99 945.925 | 100.02 |
| Mirae Asset Liquid Plus Fund-Super Institutional Dividend Plan (Daily) | 102 053.186 | 102.20 |
| Principal Cash Management Fund Liquid Option Institutional Premium Plan Dividend | 5 000 489.374 | 50.01 |
| Principal Floating Rate FMP Institutional Option Daily Dividend | 20 274 653.202 | 203.00 |
| Principal PNB Fixed Maturity - (FMP - 37) 385 Days - Series IV - Institutional Growth Plan | 5 001 051.632 | 50.01 |
| Principal PNB Fixed Maturity Plan( FMP-48) 91 Days - Series XVI-Jun08 | 5 000 000.000 | 50.00 |
| Reliance Fixed Horizon Fund - VIII - Series 7-Institutional Dividend Payout Plan | 5 000 000.000 | 50.00 |
| Reliance Fixed Horizon Fund III - Annual Plan Series IV Institutional Growth Plan | 5 002 368.052 | 50.02 |
| Reliance Fixed Horizon Fund XI Series 1 Super Institutional Dividend Plan | 5 000 000.000 | 50.00 |
| Reliance Liquid Plus Fund-Institutional Option - Daily Dividend Plan | 289 728.981 | 290.06 |
| Reliance Liquidity Fund-Daily Dividend Reinvestment Option | 34 074 760.559 | 340.85 |
| Reliance Medium Term Fund-Daily Dividend Plan | 23 909 618.405 | 408.75 |
| Reliance Quarterly Interval Fund Series II Institutional Dividend | 5 768 716.627 | 57.69 |
| SBI - Magnum Insta Cash Fund - Daily Dividend Option | 14 164 593.202 | 237.26 |
| SBI Debt Fund Series - 13 Months - 5 - (Aug 07) -Institutional- Dividend | 5 000 000.000 | 50.00 |
| SBI Debt Fund Series - 90 Days - 32 - Dividend | 5 298 311.200 | 52.98 |
| SBI Premier Liquid Fund Super Institutional Daily Dividend | 19 937 754.006 | 200.03 |
| SBI-SHF-Liquid Plus - Institutional Plan - Daily Dividend | 17 912 511.903 | 179.21 |
| Sundaram BNP Paribas Interval Fund Quarterly Plan B Institutional Dividend | 9 709 079.955 | 97.09 |
| Sundaram BNP Paribas Interval Fund Quarterly Plan C Institutional Dividend | 5 607 841.831 | 56.08 |
| Sundaram BNP Paribas Liquid Plus Super Institutional Daily Dividend | 26 729 518.210 | 267.96 |
| Sundaram BNP Paribas Money Fund Super Institutional Daily Dividend | 4 953 643.658 | 50.01 |
| Tata Dynamic Bond Fund Option A - Dividend | 4 766 027.615 | 50.30 |
| Tata Dynamic Bond Fund Option B - Dividend | 4 929 761.509 | 50.56 |
| Tata Fixed Horizon Fund Series 14 Scheme A - IM - Monthly Dividend | 5 367 797.328 | 53.69 |
| Tata Floater Fund - Daily Dividend | 65 922 836.939 | 661.58 |
| Tata Liquid Super High Investment Fund Daily Dividend | 314 783.657 | 350.83 |
| Templeton Floating Rate Income Fund Long Term Plan Super Institutional Plan Daily Dividend | 14 162 284.833 | 141.78 |
| Templeton India Treasury Management Account Institutional Plan Daily Dividend | 49 997.798 | 50.01 |
| Templeton India Treasury Management Account Super Institutional Plan Daily Dividend | 84 982.517 | 85.02 |
| Templeton India Ultra Short Term Bond Fund Institutional Plan | 3 499 537.885 | 35.06 |
| Templeton Quarterly Interval Plan - Plan C - Institutional - Dividend Reinvestment | 5 098 000.024 | 51.04 |
| UTI Fixed Income Interval Fund Quarterly Interval Plan Series I Institutional Dividend Plan | 7 130 513.589 | 71.31 |
| UTI Liquid Cash Plan Institutional - Daily Income Option | 260 355.814 | 265.42 |
| UTI Liquid Plus Fund Institutional Plan Daily Dividend | 272 180.601 | 272.24 |
| UTI Short Term Fixed Maturity Plan - Series I - I (90 Days) - Institutional - Dividend | 5 105 413.350 | 51.05 |
| UTI Short Term Fixed Maturity Plan Series I - IV (96) Days Institutional Dividend Plan | 5 111 650.100 | 51.12 |
| UTI Short Term Fixed Maturity Plan Series I - IX (90) Days Dividend Plan | 5 114 544.250 | 51.15 |
| UTI Short Term Fixed Maturity Plan Series I - X (90) Days Institutional Dividend Plan | 5 230 572.150 | 52.31 |

## Schedule "H" Current Assets, Loans and Advances :

(Rs.in Million)

| | | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **a) Inventories, as valued and certified by the Managing Director:** | | | | |
| Stores, Spares and Loose Tools (at cost)* | | 645.46 | | 532.05 |
| Die Blocks & Die & Tool Steel (at cost) | | 525.86 | | 565.35 |
| Raw Materials & Components (at cost)* | | 376.84 | | 520.23 |
| Work-in-Progress (at lower of cost or estimated realisable value) | | 1 141.21 | | 1 051.98 |
| Finished Goods (at lower of cost or selling price) | | 80.11 | | 60.58 |
| Dies (at cost, less amortisation) & Dies under fabrication* | | 856.32 | | 624.80 |
| Scrap (at estimated realisable value) | | 16.62 | | 26.19 |
| | | | 3 642.42 | 3 381.18 |
| (*) Slow moving and obsolute Inventory is valued at Cost or Estimated realisable value whichever is lower | | | | |
| **b) Sundry Debtors, Unsecured: (unless otherwise stated) (Net of Bills Discounted with Banks) (See note 1 A (a) and B)** | | | | |
| (i) Over six months: | | | | |
| Good | | 1 231.12 | | 788.96 |
| Doubtful | 4.91 | | | 4.91 |
| Less: Provision | 4.91 | | | 4.91 |
| | | - | | - |
| | | 1 231.12 | | 788.96 |
| (ii) Other, Good | | 1 369.95 | | 2 773.93 |
| | | | 2 601.07 | 3 562.89 |
| **c) Cash and Bank Balances:** | | | | |
| Cash on Hand | | 0.68 | | 0.62 |
| Bank Balances: | | | | |
| With Scheduled Banks: | | | | |
| In Cash Credit and Current Accounts | 338.65 | | | 153.26 |
| In Fixed Deposits | 3 327.64 | | | 1 491.95 |
| Interest funded on Cumulative Fixed Deposits | 0.01 | | | 0.01 |
| | 3 666.30 | | | 1 645.22 |
| With Other Banks : | | | | |
| In current account | | | | |
| J.P.Morgan Chase Bank, New York (maximum balance outstanding during the year Rs.0.04 Million, Previous year Rs.0.03 Million) | 0.04 | | | 0.03 |
| Citi Bank, New York (maximum balance outstanding during the year Rs.3.98 Million, Previous year Rs.4.35 Million) | - | | | 3.98 |
| | | 3 666.34 | | 1 649.23 |
| | | | 3 667.02 | 1 649.85 |
| **d) Other Current Assets:** | | | | |
| Interest receivable | | 33.10 | | 61.88 |
| Dividend from Mutual Fund receivable | | - | | 0.89 |
| Interest on Loan to Subsidiary | | 32.79 | | 22.00 |
| Energy Credit receivable-Wind Mill | | 2.52 | | 15.81 |
| Certified Emission Reduction Units receivable | | 4.33 | | 4.54 |
| Export incentives receivable | | 766.60 | | 775.94 |
| | | | 839.34 | 881.06 |
| | carried over | | 10 749.85 | 9 474.98 |

## Schedule "H" Current Assets, Loans and Advances (Contd.) :

(Rs.in Million)

| | | | | | As at 31st March, 2008 |
|---|---|---|---|---|---|
| | | brought over | | 10 749.85 | 9 474.98 |
| e) **Loans and Advances, Unsecured, Good :** | | | | | |
| (Unless otherwise stated): | | | | | |
| Loan to Wholly Owned Subsidiaries : | | | | | |
| Bharat Forge America Inc. USA, (Maximum balance outstanding during the year Rs.173.49 Million, Previous year Rs. 153.25 Million) | | | - | | 153.25 |
| CDP Bharat Forge GmbH, Germany, (Maximum balance outstanding during the year Rs.658.70 Million, Previous year Rs.1 229.45 Million) | | | 658.70 | | 413.74 |
| Amounts Recoverable from wholly owned Subsidiaries | | | 69.41 | | 46.61 |
| Loan to a Company (See Note 16) | | | 309.09 | | 309.09 |
| Advances recoverable in cash or in kind or for value to be received (See Note 15) | | | | | |
| Good | | 1 829.84 | | | 1 981.21 |
| Doubtful Advances | 20.35 | | | | 20.35 |
| Less:Provision | 20.35 | | | | 20.35 |
| | | - | | | - |
| | | | 1 829.84 | | 1 981.21 |
| Expenditure to date on Projects pending adjustment on completion / conclusion | | | 207.00 | | 92.91 |
| Security Deposit for Supply/ Purchase of Power | | | 211.45 | | 211.28 |
| Balances with Customs, Central Excise Departments etc. | | | 306.07 | | 280.35 |
| MAT credit available for Set off | | | 157.40 | | - |
| Tax paid in advance | | | 2 683.95 | | 3 296.58 |
| | | | | 6 432.91 | 6 785.02 |
| | | Total | | 17 182.76 | 16 260.00 |

## Schedule "I" Current Liabilities and Provisions :

| | | | | |
|---|---|---|---|---|
| (a) **Liabilities:** | | | | |
| Acceptances | | 1 414.97 | | 2 364.20 |
| Sundry Creditors (See Note 17) | | | | |
| Dues to Micro and Small Enterprises | 1.57 | | | 10.86 |
| Dues to Other than Micro and Small Enterprises | 2 251.85 | | | 3 882.93 |
| | | 2 253.42 | | 3 893.79 |
| Advance against Orders | | 70.18 | | 19.98 |
| Investors Education & Protection Fund, since deposited | | - | | 0.02 |
| Unclaimed Redeemed Preference Share Capital | | 0.01 | | 0.01 |
| Unclaimed Dividends | | 15.14 | | 12.97 |
| Interest accrued but not due on loans | | 159.66 | | 52.34 |
| | | | 3 913.38 | 6 343.31 |
| (b) **Provisions:** | | | | |
| For Long Term Employee Benefits (See Note 24) | | 458.05 | | 487.10 |
| For Taxation | | 2 292.58 | | 3 114.44 |
| For Proposed Dividend | | 222.65 | | 779.28 |
| For Tax on Proposed Dividend | | 37.84 | | 132.44 |
| | | | 3 011.12 | 4 513.26 |
| | Total | | 6 924.50 | 10 856.57 |

## Schedule "J" Sales, Operating & Other Income :

(Rs.in Million)

| | | | | | Previous Year |
|---|---|---|---|---|---|
| (a) | **Sales :** | | | | |
| | Sales (Net of returns, rebates etc.) | | 19 447.25 | | 21 368.40 |
| | Job Work Receipts | | 146.08 | | 261.17 |
| | Sale of Manufacturing scrap | | 1 356.23 | | 1 302.49 |
| | | | | 20 949.56 | 22 932.06 |
| (b) | **Operating Income :** | | | | |
| | Export Incentives | | 630.02 | | 547.35 |
| | Die Design and Preparation Charges | | 193.92 | | 172.60 |
| | Sale of Certified Emission Reduction Units | | 4.34 | | 39.03 |
| | | | | 828.28 | 758.98 |
| (c) | **Other Income :** | | | | |
| | Income on assignment of Sales Tax benefit | | - | | 28.66 |
| | Dividend Income from Investment in Mutual Funds | | 217.02 | | 260.55 |
| | Profit on Sale of Non Trade, Current Investments | | 23.14 | | 2.06 |
| | Interest on Loans to Subsidiary | | 30.99 | | 11.15 |
| | Interest on Deposits etc. (Gross, tax deducted Rs.13.54 Million, Previous year Rs.20.86 Million) : | | 109.51 | | 279.79 |
| | Miscellaneous Receipts | | 37.85 | | 30.25 |
| | Gain on Foreign Exchange Fluctuations, net (See Note 21) | | - | | 260.63 |
| | Surplus on Sale of Assets | | 0.89 | | 0.49 |
| | Bad debts recovered | | 0.30 | | 0.20 |
| | Provision for Doubtful Debts and advances written back | - | | | 4.14 |
| | Less: Write backs on account of amounts written off during the year, as per contra | - | | | 4.14 |
| | | | - | | - |
| | Provisions no longer required | | 68.33 | | 10.26 |
| | | | | 488.03 | 884.04 |
| | | Total | | 22 265.87 | 24 575.08 |

## Schedule "K" Manufacturing and Other Expenses:

| | | | | | Previous Year |
|---|---|---|---|---|---|
| (1) | **Materials:** | | | | |
| | Raw Materials & Components Consumed | | 9 703.02 | | 9 792.04 |
| | Die Blocks, Die & Tools Steel Consumed | | 434.53 | | 328.23 |
| | Excise Duty on year end Inventory | | | | |
| | On Closing Stock | 1.27 | | | 3.30 |
| | Less : On Opening Stock | 3.30 | | | 4.04 |
| | | | (2.03) | | (0.74) |
| | (Increase) / Decrease in Stocks: | | | | |
| | Stocks at Close: | | | | |
| | Work-in-Progress | 1 141.21 | | | 1 051.98 |
| | Finished Goods | 80.11 | | | 60.58 |
| | Die Room Inventory | 856.32 | | | 624.80 |
| | Scrap | 16.62 | | | 26.19 |
| | | 2 094.26 | | | 1 763.55 |
| | Less: Stocks at Commencement: | | | | |
| | Work-in-Progress | 1 051.98 | | | 889.95 |
| | Finished Goods | 60.58 | | | 75.40 |
| | Die Room Inventory | 624.80 | | | 563.25 |
| | Scrap | 26.19 | | | 28.53 |
| | | 1 763.55 | | | 1 557.13 |
| | | | (330.71) | | (206.42) |
| | | | | 9 804.81 | 9 913.11 |
| | carried over | | | 9 804.81 | 9 913.11 |

## Schedule "K" Manufacturing and Other Expenses (Contd.) :

(Rs.in Million)

| | | | | | Previous Year |
|---|---|---|---|---|---|
| | brought over | | | 9 804.81 | 9 913.11 |
| (2) | **Manufacturing Expenses:** | | | | |
| | Stores, Spares & Tools Consumed | | 956.50 | | 1 185.56 |
| | Octroi duty | | 12.76 | | 21.72 |
| | Machining charges | | 402.96 | | 464.17 |
| | Power, Fuel & Water | 1 761.88 | | | 1 815.96 |
| | Less: Credit for Energy Generated | 43.74 | | | 31.92 |
| | | | 1 718.14 | | 1 784.04 |
| | Building Repairs & Road Maintenance | | 45.84 | | 24.58 |
| | Machinery Repairs | | 240.80 | | 301.49 |
| | | | | 3 377.00 | 3 781.56 |
| (3) | **Payments to & Provisions for Employees:** | | | | |
| | Salaries, Wages, Bonus, Allowances etc. | | 1 106.37 | | 1 180.87 |
| | Contribution to Provident & Other Funds and Schemes | | 158.13 | | 144.62 |
| | Welfare Expenses | | 127.07 | | 123.34 |
| | | | | 1 391.57 | 1 448.83 |
| (4) | **Other Expenses:** | | | | |
| | Rent | | 21.49 | | 17.51 |
| | Rates & Taxes | | 21.13 | | 13.81 |
| | Insurance (Including Key Man Insurance) | | 16.64 | | 20.31 |
| | Commission & Discount | | 136.12 | | 122.18 |
| | Interest & Finance Charges: | | | | |
| | Interest: | | | | |
| | On Debentures, including Bonds | 99.71 | | | 23.25 |
| | On Fixed Loans | 92.55 | | | 110.25 |
| | Others | 484.56 | | | 612.18 |
| | | 676.82 | | | 745.68 |
| | Discounting charges | 326.85 | | | 304.23 |
| | | | 1 003.67 | | 1 049.91 |
| | Miscellaneous Expenses including Travelling expenses, Printing, Stationery, Postage, Telephones, Bank charges etc. | | 797.24 | | 733.33 |
| | Donations | | 1.98 | | 5.43 |
| | Loss on Foreign Exchange Fluctuations other than those covered under Note 21 | | 862.74 | | - |
| | Freight Forwarding charges etc. | | 440.62 | | 549.27 |
| | Royalty | | 7.73 | | 9.90 |
| | Directors' Fees and Travelling Expenses | | 5.53 | | 1.12 |
| | Managing and Whole Time Directors' Commission | | 39.00 | | 68.50 |
| | Commission to Directors other than Managing and Whole Time Directors | | 4.00 | | 7.50 |
| | Loss on assets sold, discarded & scrapped | | 1.99 | | 7.50 |
| | Bad debts, irrecoverable advances and sundry balances written off | 52.05 | | | 43.62 |
| | Less: Provision made in earlier years in respect of amounts written off during the year, adjusted as per contra | - | | | 4.14 |
| | | | 52.05 | | 39.48 |
| | Amount Written off against Technical Know-how | | 2.08 | | 2.08 |
| | EVRS Compensation Written off : | | | | |
| | i) Proportionate Deferred Revenue Expenses | - | | | 2.34 |
| | ii) Incurred during the year | 5.06 | | | 0.96 |
| | | | 5.06 | | 3.30 |
| | | | | 3 419.07 | 2 651.13 |
| | | | | 17 992.45 | 17 794.63 |
| | Less: Expenses capitalised | | | - | 1.35 |
| | | Total | | 17 992.45 | 17 793.28 |

## Schedule "K (a)" Depreciation and Amortisation :

| | | | |
|---|---|---|---|
| Depreciation | | 1 493.49 | 1 388.97 |
| Amount Written off against Lease hold Land | | 0.95 | 0.43 |
| | Total | 1 494.44 | 1 389.40 |

## Schedule "L" Notes Forming Part of the Financial Statements:

(Rs. in Million)

| | As at 31st March, 2009 | As at 31st March, 2008 |
|---|---|---|
| 1. A. Contingent Liabilities not provided for in respect of : | | |
| (a) Sales Bills Discounted | 4 575.13 | 4 430.96 |
| Of Which: | | |
| Bills since realised | 1 238.09 | 1 440.26 |
| Matured, Overdue & outstanding since close of the year | - | 33.90 |
| (b) Guarantees given by the Company on behalf of other companies | | |
| Balance Outstanding | 735.28 | 270.00 |
| (Maximum Amount) | (1 520.33) | (740.00) |
| (c) Claims against the Company not acknowledged as Debts to the extent ascertained | 391.31 | 212.05 |
| (d) Disputed Income Tax matters | 104.32 | 197.22 |
| (e) Excise/Service Tax Demands - matters under dispute | 277.53 | 108.18 |

B. The Company has entered into an arrangement with a third party whereby debts due from pre-approved buyers are transferred at a discounted value along with risks associated with 'financial inability to pay' and 'country risks' as defined therein. Consequently, Sundry Debtors have been eliminated to that extent. However, all other risks continue to be on account of the Company and will be recognised if and when they are likely to arise.

C. The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of Duty on an understanding to fulfill quantified exports against which remaining future obligation aggregates USD 251.83 Million, over a period of next seven years, while maintaining average export of USD 128.63 Million per annum. Minimum Export obligation to be fulfilled by the Company under the said scheme by 31st March, 2009 has been fulfilled, non-fulfillment of the balance of such future obligations, in the manner required, if any, entails options/rights to the Government to confiscate Capital Goods imported under the said Licences and other penalties under the above referred scheme.

| | As at 31st March, 2009 | As at 31st March, 2008 |
|---|---|---|
| 2. Estimated value of contracts remaining to be executed on Capital Accounts and not provided for, net of advances | 631.59 | 1 996.26 |

| | 2008-09 | 2007-08 |
|---|---|---|
| 3. Payments to Auditors: | | |
| (i) As Auditors | 4.50 | 4.50 |
| (ii) In other capacity: | | |
| (a) For Tax Audit | 0.50 | 0.40 |
| (b) For certification work | 3.49 | 1.69 |
| | 8.49 | 6.59 |
| (iii) For expenses * | 0.53 | 0.42 |
| * Including Service Tax | 9.02 | 7.01 |
| 4. C.I.F. Value of Imports: | | |
| (i) Raw materials and Components for Manufacturing | 226.14 | 369.79 |
| (ii) Die Blocks, Die Steel, Tool Steel & Spares | 699.07 | 615.44 |
| (iii) Capital Goods | 1 442.85 | 1 626.71 |
| 5. (a) Expenditure in foreign currency: | | |
| (i) Interest | 269.84 | 232.21 |
| (Including Capitalised Rs. 51.72 Million, Previous year Rs. 14.46 Million) | | |
| (ii) Royalty (Net of tax) | 6.95 | 8.91 |
| (iii) Legal and Professional fees | 52.27 | 45.34 |
| (Including Capitalised Rs. 9.36 Million, Previous year Rs. 13.51 Million) | | |
| (iv) Commission and Discount | 114.41 | 112.85 |
| (v) Bill Discounting Charges | 178.58 | 172.63 |
| (vi) Freight Forwarding Charges etc. | 155.51 | 108.53 |
| (vii) Foreign Travel Expenses | 12.64 | 14.62 |
| (Including Capitalised Rs.2.35 Million, Previous year Rs.14.32 Million) | | |

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

(Rs. in Million)

| | | | 2008-09 | 2007-08 |
|---|---|---|---|---|
| 5. | (a) | Expenditure in foreign currency (contd.) : | | |
| | | (viii) Aircraft Expenses Net | 29.37 | 13.68 |
| | | (ix) Service charges paid to deputed employees | 16.47 | 32.51 |
| | | (x) Other matters | 69.83 | 56.12 |
| 5. | (b) | Earnings in foreign currency: | | |
| | | F.O.B. value of exports | 9 872.61 | 9 501.63 |
| | | Insurance and freight on exports | 518.54 | 529.06 |
| | | Tooling Charges | 141.53 | 108.36 |
| | | Profit on Sale of Long Term Investment | - | 303.47 |
| | | Sale of Certified Emission Reduction Units | 4.34 | 39.03 |
| | | Interest received on Fixed Deposits | 27.88 | 179.72 |
| | | Interest on Loan to Subsidiary | 30.99 | 11.15 |
| 6. | (a) | Exchange difference Gain/(Loss) on account of fluctuations in foreign currency rates : | | |
| | | (i) Relating to Exports during the year as a part of "Sales" | 638.73 | 34.23 |
| | | (ii) Other foreign exchange gains / (losses) recognised on settlement of Borrowings : | | |
| | | (a) Adjusted to the Cost of Plant & Machinery / CWIP ( See Note 21) | (1 394.07) | - |
| | | (b) Treated as FCMITDA ( See Note 21 ) | (525.60) | - |
| | | (iii) Recognised in the Profit and Loss Account : | | |
| | | (a) to the extent regarded as an adjustment to interest cost | (501.87) | 759.65 |
| | | (b) on settlement / revolarisation of current assets | (71.82) | (467.32) |
| | | (c) on settlement / revolarisation of current liabilities | (289.05) | 39.82 |
| | | (d) on open forward contracts at the close of the year | - | (71.52) |

6. (b) Foreign Exchange Derivatives and Exposures not hedged at close of the year

i) Foreign Exchange Derivatives/ Exposures

(Foreign Currency in Million)

| Nature of Instrument | Currency | Sale/Purchase | March 31, 2009 | March 31, 2008 |
|---|---|---|---|---|
| Forward Contracts | USD | Sale | - | 53.00 |
| | EURO | Sale | - | 19.25 |

All forward contracts stated above were for the purpose of hedging.

ii) Exposure not hedged

(Foreign Currency in Million)

| Particulars | Currency | Sale/Purchase | March 31, 2009 | March 31, 2008 |
|---|---|---|---|---|
| Receivables | USD | Sale | 24.35 | 38.37 |
| | EURO | Sale | 7.87 | 7.08 |
| | GBP | Sale | 0.97 | 2.20 |
| Payables | USD | Purchase | 0.33 | 0.44 |
| | EURO | Purchase | 4.13 | 9.09 |
| | GBP | Purchase | 0.01 | 0.01 |
| | JPY | Purchase | 195.14 | 185.63 |
| | SEK | Purchase | 0.15 | 0.11 |
| | CHF | Purchase | 0.00 | 0.10 |
| Loan | USD | Term Loan/Buyers credit | 264.40 | 233.67 |
| | EURO | Buyers Credit | - | 13.87 |
| Bank Deposits | USD | Deposit | 22.22 | 25.78 |
| Loan to Subsidiary | USD | | 10.00 | 13.85 |
| | EURO | | 2.25 | 0.25 |
| Other Receivables | USD | | 0.79 | 1.39 |
| | EURO | | 0.92 | 0.88 |
| Other Payables | USD | | 1.46 | 0.44 |
| | EURO | | 0.07 | 0.38 |
| | JPY | | 1.94 | - |

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

(Rs. in Million)

7. Details of Raw Materials & Components Consumption :

(a) Raw Materials and Components Consumed :

| | 2008-09 | | | 2007-08 | | |
|---|---|---|---|---|---|---|
| | Qty. | | Rs.in Million | Qty. | | Rs.in Million |
| Carbon & Alloy Steel | 186 068 | M.T. | 9 446.10 | 258 905 | M.T. | 9 678.22 |
| Components | | | 256.92 | | | 113.82 |
| | | | 9 703.02 | | | 9 792.04 |

(b) Imported and Indigenous Raw Materials Consumption ( including components ) :

| | 2008-09 | | 2007-08 | |
|---|---|---|---|---|
| | Rs.in Million | Percentage | Rs.in Million | Percentage |
| Imported | 313.77 | 3.23 | 390.31 | 3.99 |
| Indigenous | 9 389.25 | 96.77 | 9 401.73 | 96.01 |
| | 9 703.02 | 100.00 | 9 792.04 | 100.00 |

(c) In furnishing information under Note 4(i) and 7(a), the view has been taken that particulars are required only in respect of items that are incorporated in the Finished Goods produced and not for such material used for maintenance of Plant & Machinery.

| 8. Managerial Remuneration: | | 2008-09 | 2007-08 |
|---|---|---|---|
| (a) Computation of Net Profit in accordance with Section 198(1) and Section 349 of Companies Act, 1956 | | | |
| Profit as per Profit and Loss Account | | 1 032.85 | 2 735.89 |
| Add: Managing Directors' and Whole Time | | | |
| Directors' Remuneration including perquisites | 121.47 | | 127.48 |
| Directors' Commission | 4.00 | | 7.50 |
| Provision for Taxation | 543.80 | | 1 233.90 |
| | | 669.27 | 1 368.88 |
| | | 1 702.12 | 4 104.77 |
| Less: Provisions no longer required | | 68.33 | 10.26 |
| Profit on Sale of Long Term Investments | | - | 303.47 |
| Profit on which Commission is payable | | 1 633.79 | 3 791.04 |
| Directors' Commission @ 1% on Rs.1 633.79 Million | | 16.34 | 37.91 |
| Maximum as determined by the Board of Directors | | 4.00 | 7.50 |
| Managing Directors' and Whole time Directors' Commission | | | |
| Maximum Remuneration which can be paid for the year @ 10% on Rs.1 633.79 Million | | 163.38 | 379.10 |
| Less : Remuneration ( excluding Commission ) already paid | | 82.47 | 58.98 |
| Balance available for paying as Commission | | 80.91 | 320.12 |
| Maximum as determined by the Board of Directors; | | | |
| Mr. B. N. Kalyani | | 15.00 | 31.00 |
| Mr. A. B. Kalyani | | 4.75 | 9.50 |
| Mr. G. K. Agarwal | | 4.75 | 9.50 |
| Mr. P. K. Maheshwari | | 3.00 | 6.00 |
| Mr. B. P. Kalyani | | 3.00 | 6.00 |
| Mr. S. E. Tandale | | 4.50 | 6.50 |
| Mr. S. K. Chaturvedi | | 4.00 | - |
| | | 39.00 | 68.50 |

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

(Rs. in Million)

8. Managerial Remuneration (contd.) :

(b) Details of Payments and Provisions on Account of Remuneration to Managerial personnel included in Profit and Loss Account are as under :

| | 2008-2009 | | | | | | | | 2007-2008 |
|---|---|---|---|---|---|---|---|---|---|
| | Chairman & Managing Director | Deputy Managing Director | Whole-Time Directors | | | | | | |
| | Mr. B. N. Kalyani | Mr. G. K. Agarwal | Mr. A. B. Kalyani | Mr. P. K. Maheshwari | Mr. B. P Kalyani | Mr. S. E Tandale | Mr. S. K. Chaturvedi * | Total | Total |
| Salary | 20.20 | 8.40 | 6.00 | 3.21 | 2.91 | 2.91 | 5.19 | 48.82 | 33.52 |
| House Rent Allowance | - | 3.16 | 2.26 | 1.20 | 1.09 | 1.09 | 2.34 | 11.14 | 9.56 |
| Commission on Profits (Provision) | 15.00 | 4.75 | 4.75 | 3.00 | 3.00 | 4.50 | 4.00 | 39.00 | 68.50 |
| Contribution to: | | | | | | | | | |
| Leave Entitlement | - | - | - | - | - | - | - | - | - |
| Provident Fund | 2.42 | 1.00 | 0.72 | 0.39 | 0.35 | 0.35 | 0.62 | 5.85 | 4.02 |
| Superannuation Fund | 3.03 | 1.26 | 0.90 | 0.48 | 0.44 | 0.44 | 0.78 | 7.33 | 5.03 |
| Other Perquisites | 3.77 | 0.04 | 0.05 | 0.15 | 0.06 | 0.37 | 0.61 | 5.05 | 4.02 |
| L.T.A. | 1.80 | 0.70 | 0.50 | 0.28 | 0.25 | 0.25 | 0.50 | 4.28 | 2.83 |
| **Total** | 46.22 | 19.31 | 15.18 | 8.71 | 8.10 | 9.91 | 14.04 | 121.47 | 127.48 |

Notes :

i As employee wise break-up of liability for gratuity and leave entitlement, based on actuarial valuation is not ascertainable, the same has not been included in the above figures.

ii As the Chairman and Managing Director is also entitled to remuneration from Kalyani Carpenter Special Steels Limited, the same is restricted to the higher of the maximum remuneration permissible under Section 198 & 309 of the Companies Act, 1956 of either of the two Companies. The above remuneration is within the said limits.

* Salary paid to Mr. S. K. Chaturvedi, Director, for the period from 20th May, 2008 to 31st March, 2009 has been included under Project Expenses.

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

9. Licensed & Installed Capacity, Production, Stocks and Turnover :

(A) Licensed & Installed Capacity and Production :

| | Class of Goods | Unit | Licensed Capacity (a) | | Installed Capacity (c) | | Production (including Jobwork) | |
|---|---|---|---|---|---|---|---|---|
| | | | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| (i) | Steel Forging | M.T. | 240 000 | 240 000 | 240 000 | 240 000 | 134 310 (d) | 191 738 (d) |
| (ii) | Finished Machine Crankshaft | Nos. | 600 000 | 600 000 | 518 100 | 478 135 | 326 482 | 386 863 |
| (iii) | Couplings | M.T. | 600 | 600 | 600 | 600 | - | - |
| (iv) | Front Axle Assembly & Components | Nos. | 600 000 | 600 000 | 533 600 | 533 600 | 222 814 | 389 295 |
| (v) | Well Head Assembly and Parts | Nos. | 5 000 | 5 000 | - | - | - | - |
| (vi) | Aluminium Road Wheel | Nos. | 4 000 | 4 000 | 4 000 | 4 000 | 2 934 | 2 535 |
| (vii) | General Engineering Equipments | Nos. | 1 100 (b) | 1 100 | 1 100 | 1 100 | 2 | 9 |
| (viii) | Material Handling Equipments | Nos. | 1 350 (b) | 1 350 | 1 350 | 1350 | - | - |
| (ix) | Hydraulic & Mechanical Presses | Nos. | 250 | 250 | 250 | 250 | - | - |
| (x) | Bandsaw Machines for cutting metallic round and square bars | Nos. | 50 | 50 | 50 | 50 | - | 1 (e) |
| (xi) | Front Axle Assembly at Dharwar | Nos.(b) | 50 000 (b) | 50 000 | - | - | - | - |
| (xii) | Finished Machined Crankshafts at Chakan | Nos. | 300 000 (f) | 300 000 | 241 500 | 241 500 | 114 029 | 173 120 |
| (xiii) | Front Axle Assembly & Components at Chakan | Nos. | 300 000 | 300 000 | 219 600 | 219 600 | 86 769 | 120 122 |
| (xiv) | Transmission Parts | Nos. | 3 000 000 | 3 000 000 | 2 041 000 | 2 041 000 | 1 510 994 | 2 189 576 |
| (xv) | Seal Rings, Clamps & Hubs | Nos. | 50 000 | 50 000 | 7 000 | 7 000 | 28 | 1 026 |
| (xvi) | Rocker Arm Assembly | Nos. | 100 000 | 100 000 | - | - | - | - |
| (xvii) | Bonnets and Key Shaft | Nos. | 50 000 | 50 000 | - | - | - | - |
| (xviii) | Steel Forgings at Baramati | M.T. | 48 000 | 48 000 | 12 865 | - | 118 (d) | - |
| (xix) | Machined Components at Baramati | Nos. | 120 000 | 120 000 | 10 000 | - | 90 | - |

(a) Annual Capacity on maximum utilisation basis.

(b) Under Registration with Government Authority.

(c) Since the Company's installed capacity is dependent on Product mix, which in turn is decided on the basis of actual demand for various products from time to time, it is not feasible for the Company to give exact installed capacity. The Company has, however, indicated installed capacity on the basis of year's Product mix, as certified by the Chairman and Managing Director and being a technical matter accepted by the Auditors as correct.

(d) Includes captive consumption 54 263 M.T. ( 2007 - 2008 : 74 687 M.T.) and Baramati 42 M.T. ( 2007 - 2008 : Nil).

(e) Includes captive consumption Band Saws Nil Nos. ( 2007 - 2008 : 1 No.) Gen. Engg. Nil Nos. ( 2007 - 2008 : Nil).

(f) The Company has applied for enhancement in the Licensed capacity from 180 000 to 300 000 Nos.

Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

9. Licensed & Installed Capacity, Production, Stocks and Turnover (Contd.) :

(B) Stocks and Turnover:

| Class of Goods | Year | Stocks at Commencement | | Stocks at Close | | Turnover (including Jobwork for customers) | | Sundries (a) |
|---|---|---|---|---|---|---|---|---|
| | | Qty. | Rs. in Million | Qty. | Rs. in Million | Qty. | Rs. in Million | Qty. |
| **Manufacturing :** | | | | | | | | |
| (i) Steel Forging | **2008-09** | **566 M.T.** | **45.96** | **549 M.T.** | **61.95** | **80 052 M.T.** | **9 265.34** | **12 M.T.** |
| | 2007-08 | 623 M.T. | 72.91 | 566 M.T. | 45.96 | 117 100 M.T. | 10 375.52 | 8 M.T. |
| (ii) Finished Machined Crankshaft | **2008-09** | **1 530 Nos.** | **13.61** | **281 Nos.** | **4.98** | **327 660 Nos.** | **5 365.54** | **71 Nos.** |
| | 2007-08 | 136 Nos. | 0.74 | 1 530 Nos. | 13.61 | 385 431 Nos. | 4 635.50 | 38 Nos. |
| (iii) Front Axle Assembly & Components | **2008-09** | **20 Nos.** | **0.14** | **775 Nos.** | **4.27** | **222 057 Nos.** | **1 920.71** | **2 Nos.** |
| | 2007-08 | 140 Nos. | 0.40 | 20 Nos. | 0.14 | 389 403 Nos. | 2 628.65 | 12 Nos. |
| (iv) General Engineering Equipments | **2008-09** | **—** | **—** | **—** | **—** | **2 Nos.** | **1.02** | **—** |
| | 2007-08 | — | — | — | — | 9 Nos. | 8.88 | — |
| (v) Manufacturing Scrap | **2008-09** | **1 635 M.T.** | **26.19** | **922 M.T.** | **16.62** | **54 533 M.T.** | **1 198.84** | **—** |
| | 2007-08 | 1 766 M.T. | 28.53 | 1 635 M.T. | 26.19 | 77 354 M.T. | 1 125.63 | — |
| (vi) Aluminium Road Wheel | **2008-09** | **—** | **—** | **—** | **—** | **2 934 Nos.** | **406.20** | **—** |
| | 2007-08 | — | — | — | — | 2 535 Nos. | 336.05 | — |
| (vii) Finished Machined Crankshaft Chakan | **2008-09** | **125 Nos.** | **0.87** | **210 Nos.** | **1.42** | **113 944 Nos.** | **750.87** | **—** |
| | 2007-08 | 231 Nos. | 1.35 | 125 Nos. | 0.87 | 173 226 Nos. | 1 111.68 | — |
| (viii) Front Axle Assembly & Components at Chakan | **2008-09** | **—** | **—** | **—** | **—** | **86 769 Nos.** | **355.19** | **—** |
| | 2007-08 | — | — | — | — | 120 122 Nos. | 387.91 | — |
| (ix) Transmission Parts | **2008-09** | **—** | **—** | **—** | **—** | **1 510 994 Nos.** | **428.28** | **—** |
| | 2007-08 | — | — | — | — | 2 189 576 Nos. | 564.35 | — |
| (x) Seal Rings, Clamps & Hubs | **2008-09** | **—** | **—** | **—** | **—** | **28 Nos.** | **0.10** | **—** |
| | 2007-08 | — | — | — | — | 1 026 Nos. | 4.45 | — |
| (xi) Steel Forgings at Baramati | **2008-09** | **—** | **—** | **11 M.T.** | **1.94** | **65 M.T.** | **15.07** | **—** |
| | 2007-08 | — | — | — | — | — | — | — |
| (xii) Machined Components at Baramati | **2008-09** | **—** | **—** | **90 M.T.** | **5.55** | **—** | **—** | **—** |
| | 2007-08 | — | — | — | — | — | — | — |
| (x) Others | **2008-09** | **—** | **—** | **—** | **—** | **—** | **868.35** | **—** |
| | 2007-08 | — | — | — | — | — | 786.34 | — |
| **Goods Traded in:** | | | | | | | | |
| (i) Steel Coils and Sheets | **2008-09** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| | 2007-08 | — | — | — | — | — | — | — |
| **Total** | **2008-09** | | **86.77** | | **96.73** | | **20 575.51** | |
| | 2007-08 | | 103.93 | | 86.77 | | 21 964.96 | |

(a) Sundries include excess, shortage, scrapped and utilised for samples.

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

10. The Company, upto March, 2006, had prematurely retired its obligations of the Sales Tax Deferral Incentive availed under the package scheme of Incentives 1993, thereby generating a cumulative surplus of Rs. 108.63 Million. Since the incentive was fundamentally provided to encourage capital investments in designated underdeveloped zones and thereby defray, to some extent, deficiencies, the same has been, as per the opinion of the "Expert Advisory Committee" set up by the Institute of Chartered Accountants of India, credited to "Capital Reserve" to be apportioned to Revenue Reserves over the future/ balance life of the underlying investments, at the end of each financial year.

11. Sales tax deferral incentives attached to the erstwhile windmill division, which was demerged to BF Utilities Ltd. under Section 392 and 394 of the Companies Act, 1956 sanctioned by the High Court of the Judicature at Mumbai, have been passed on thereafter from year to year by the Company to the latter, under an arrangement, with all liabilities and obligations attached thereto. Consequently, sales tax deferral liability represents net liability to the Company after such pass on aggregating to Rs. 851 Million (Previous year Rs.851 Million).

12. (a) Non Convertible Debentures :

(i) 11.95% Secured Redeemable Non Convertible Debentures (NCDs) of face value of Rs.1 000 000 each, aggregating Rs.2 500 000 000/- (Rupees Two thousand five hundred Million) were issued on private placement basis to Life Insurance Corporation of India. In terms of Debenture Trust-cum-Mortgage Deed dated April 30, 2009, NCDs are to be redeemed in three Annual instalments starting at the end of sixth year from the date of allotment (viz. 5th January, 2009) i.e. 5th January, 2015, 5th January, 2016, 5th January, 2017.

Above Debentures are secured by a (i) First pari passu Mortgage in favour of the Trustees, of all rights and interest on the Company's immovable properties situated at Mundhwa, Satara, Jalgaon, and Chakan with negative lien on properties situated at Jejuri and Baramati; and (ii) First pari passu charge in favour of the Trustees by way of hypothecation of movable properties, present and future both as described in Debenture Trust- cum-Mortgage Deed dated 30th April, 2009.

(b) Foreign Currency Loans :

(i) Bank of Baroda, London Foreign Currency Term Loan; Balance outstanding USD 5.00 Million (Previous year USD 10.00 Million).

(ii) Bank of India, London Foreign Currency Term Loan; Balance outstanding USD 10.00 Million (Previous year USD 12.50 Million).

(iii) Calyon, Singapore Foreign Currency Term Loan; Balance outstanding USD 50.00 Million (Previous year Nil).

The loans at Sr. No (i) & (ii) above are secured by :

1. First charge by way of Hypothecation of the whole of the movable properties including its movable plant and machinery , machinery spares, tools and accessories and other movables, both present and future, whether installed or not and whether now lying loose or in cases or now lying or stored in or about or shall from time to time during the continuance of the security be brought into or upon or be stored or be in or about all the factories, premises and godowns situate at Mundhwa, District Pune; Chakan, District Pune; Vaduth, District Satara; Village Kusumbe, District Jalgaon, all in the state of Maharashtra or wherever else the same may be or be held by any party to the order of disposition or in the course of transit or on high seas or on order , or delivery, howsoever and wheresoever in the possession and either by way of substitution or addition except specific movable plant and machinery consisting of Wind Energy Converter of 600 K.V. 7 Nos. at Village Boposhi, District Satara, exclusively hypothecated to Standard Chartered Bank, as described under the Deed of Hypothecation dated 17th March, 2005 AND;

2. Equitable Mortgage by deposit of title deeds of Immovable properties situate at Village Mundhwa, Pune; Village Vaduth, Tal. and Dist. Satara; Village Kusumbe Khurd, Tal. and District Jalgaon and Village Chakan, Pune all in the state of Maharashtra, together with all buildings and structures thereon and all Plant and Machinery attached to the earth or permanently fastened to anything attached to the earth, as described under Memorandum of Entry dated 17th March, 2005.

The loan at Sr. No (iii) above is secured by :

First Pari passu charge over present and future movable fixed assets viz. Plant and Machinery, Computers, Furnitures and Fixtures, whether installed or not and whether now lying loose or in cases or otherwise or being on or upon or at any time, hereafter being on or upon about the premises and godowns at Mundhwa, Pune; Village Kuruli, Chakan; Taluka Khed, Dist.Pune; Village Vaduth, Taluka & District Satara and at Baramati, Pune or anywhere else.

(iv) The loan from Standard Chartered Bank is secured by exclusive first charge by way of hypothecation of Aircraft.

(c) Guarantees given by Company's Bankers on behalf of the Company, against sanctioned guarantee limit aggregating to Rs. 3 250.00 Million (Previous Year Rs. 2 750.00 Million) for contracts undertaken by the Company and other matters are secured by extension of charge by way of joint hypothecation of stock-in-trade, stores and spares etc., book debts, subject to prior charge in their favour. Amount outstanding Rs. 435.73 Million (Previous Year Rs. 211.29 Million).

13. The Company has recognised Deferred Taxes, which result from timing difference between the Book Profits and Tax Profits for the year aggregating Rs. 488.60 Million in the profit and loss account, the details of which are as under :-

(Rs. in Million)

| Particulars | Balance as at 31st March, 2008 | Arising during the year | Arising on adjustment to General Reserve | **Balance as at 31st March, 2009** |
|---|---|---|---|---|
| DEFERRED TAX LIABILITIES : | | | | |
| On account of timing difference in : | | | | |
| A ] Depreciation and Amortisation | 1 388.16 | 502.77 | (54.37) | **1 836.56** |
| B ] Voluntary Retirement Scheme | (2.83) | - | - | **(2.83)** |
| **Total Deferred Tax Liabilities** | 1 385.33 | 502.77 | (54.37) | **1 833.73** |
| DEFERRED TAX ASSETS : | | | | |
| On account of timing difference in : | | | | |
| A ] Privilege Leave Encashment & Gratuity | 172.36 | 6.29 | - | **178.65** |
| B ] Provision for Bad & Doubtful Debts and advances | 8.59 | 6.86 | - | **15.45** |
| C ] Disallowance u/s 43 B of I.T.Act,1961 | 21.90 | 1.02 | - | **22.92** |
| **Total Deferred Tax Assets** | 202.85 | 14.17 | - | **217.02** |
| NET DEFERRED TAX | 1 182.48 | 488.60 | (54.37) | **1 616.71** |

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

14. Capital Work-in-Progress includes Preoperative expenditure of Rs. Nil (Previous year Rs.114.29 Million) relating to projects under implementation, pending allocation to Capital account and Advances for supply of Capital Goods aggregating Rs.535.90 Million (Previous Year Rs. 1 775.93 Million).

15. Advances recoverable in cash or in kind or for value to be received in schedule 'H' includes:

    (i) Rs. 240 Million advanced to BF Utilities Ltd. to set up an advanced training facility to further Company's endeavours to enhance its Human Resource Development Programme, which on interim stage has been transferred on a "As is where is" basis in favour of the Company since the close of the year.

    (ii) Loans aggregating Rs.0.79 Million (Previous year Rs.0.83 Million) granted to three executives who have been subsequently appointed as Whole Time Directors of the Company. Maximum balance outstanding during the year is Rs.10.83 Million, (Previous year Rs.0.87 Million).

16. Interest free loan of Rs. 309.09 Million given to a Company which has given an undertaking to hold the shares solely for the purpose and obligations of the "BFL Executives Welfare and Share Option Trust" in terms of clause (b) of the proviso to Section 77(2) of the Companies Act, 1956, which in the opinion of an eminent Counsel, obtained by a Group Company, falls within the purview of the said proviso to the above mentioned section.

17. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31-3-2009. The disclosure pursuant to the said Act is as under :

| Particulars | Rs. in Million |
|---|---|
| Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day | 0.02 |
| Interest accrued and due to suppliers under MSMED Act, on the above amount | - |
| Payment made to suppliers (other than interest) beyond the appointed day, during the year | 41.84 |
| Interest paid to suppliers under MSMED Act (Other than section 16) | - |
| Interest paid to suppliers under MSMED Act (Section 16) | - |
| Interest due and payable to suppliers under MSMED Act , for the payments already made | 0.40 |
| Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act | 0.73 |

**Note :** The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

18. The Company had issued Foreign Currency Convertible Bonds (FCCBs) in four tranches aggregating USD 199.90 Million, detailed in the table below, to finance Capital Expenditure and Global Acquisitions. The said Bonds are optionally convertible into GDR/ Equity Shares to be exercised at any time during the exercise period at a pre determined initial price subject to adjustments upon occurrence of certain events.

    However, the Company has option to redeem the balance of the above Bonds if such balance is less than 10% in aggregate of principal amount of such tranche of Bonds originally issued in respect of each tranche, during the redemption exercise period in the manner specified in the offering circular at a premium so as to provide a predetermined yield to the Bondholders.

    The Company also has the option to call the Bondholders of Tranche A & Tranche B to mandatorily convert the Bonds into Equity Shares if the Market Price on the specified date provided the holder a gain of at least a 30% over the Early Redemption amount.

    The following table sets out the parameters associated with each Tranche of Bonds issued as discussed above :

| Tranche | Amount USD Million | Face Value USD | Coupon Interest Rate % p.a. | Holders option to Convert | | | Company's option for Early Redemption | | | Maturity | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Exercise period | | Initial Price per Share Rs. | Exercise period | | Gross Yield to Bondholders | Date | Price % of Face Value |
| | | | | From | To | | From | To | | | |
| 1 | 60.00 | 1 000 | 0.50% | 30-May-05 | 10-Apr-10 | 336.105 | 19-Apr-07 | 13-Apr-10 | 5.25% | 20-Apr-10 | 126.778% |
| 2 | 60.00 | 1 000 | 0.50% | 30-May-05 | 10-Apr-10 | 384.12 | 19-Apr-08 | 13-Apr-10 | 5.75% | 20-Apr-10 | 129.939% |
| A | 40.00 | 100 000 | - | 08-Jun-06 | 18-Apr-12 | 604.03 | 28-Apr-09 | 18-Apr-12 | 6.00% | 28-Apr-12 | 142.576% |
| B | 39.90 | 100 000 | - | 08-Jun-06 | 18-Apr-13 | 690.32 | 28-Apr-09 | 18-Apr-13 | 6.50% | 28-Apr-13 | 156.481% |

    Due to variables currently indeterminate, the premium on actual redemption is not computable and hence will be recognised if and as and when the redemption option is exercised, as a charge to the securities premium account in terms of Section 78(2)(d) of the Companies Act,1956.

    The Company has been legally advised by an eminent law firm that the above mentioned Convertible Bonds issued upon terms and conditions set out in the offering circular dated 19th April, 2005, would be outside the purview of Section 117(C) of the Companies Act, 1956 as regards creation of Debenture Redemption Reserve. The Auditors have relied upon the said legal opinion.

    The unutilised amounts, of money raised, as at 31st March, 2009 is Rs.Nil.

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

19. Debenture Redemption Reserve has been created in accordance with circular No.9/ 2002 dated 18th April, 2002 issued by Department of Company Affairs, Ministry of Law Justice and Company Affairs, Government of India and Section 117 (C) of the Companies Act,1956 at 25% of the maturity amount equally over the terms of the Debentures Privately placed. Amount set aside for the year represents the proportionate amount for a period of three months since issued during the year.

20. Computation of Earnings Per Share (EPS)

(Rs. in Million)

| | | As at 31st March, 2009 | As at 31st March, 2008 |
|---|---|---|---|
| | | Rs. | Rs. |
| Computation of Profit (Numerator) | | | |
| Net Profit | | 1 032.85 | 2 735.89 |
| Add: Prior Period Adjustments | | (29.04) | - |
| Less: Preference Dividend, including tax thereon | | - | 8.35 |
| Net Profit attributable to Shareholders as at 31st March | | 1 003.81 | 2 727.54 |
| Computation of Weighted Average Number of Shares (Denominator) | | Nos. | Nos. |
| Number of Shares outstanding at the beginning of the year | | 222 640 529 | 222 640 529 |
| Adjusted Weighted Average number of Equity Shares | | 222 640 529 | 222 640 529 |
| **Computation of EPS - Basic** (in Rs.) | As at 31st March | 4.51 | 12.25 |
| **EPS - Diluted** - (in Rs.) | As at 31st March | 4.51 | 12.25 |
| EPS - (Basic and Diluted in Rs.) before exceptional items | As at 31st March | 4.51 | 10.89 |

*As the Quoted Market Price of Company's Shares as at 31st March, 2009 are below the conversion price, no dilution exists at the close of the year.

21 The Accounting Standard (AS-11) "The effects of changes in Foreign Exchange Rates" prescribed by Companies ( Accounting Standards) Rules, 2006 was amended on 31st March, 2009, vide a notification dated 31st March, 2009, by the Ministry of Corporate Affairs.The said amendment offered an option to Companies to recognise Foreign Exchange Gains and Loses arising on translation of all long term monetary assets and liabilities acquired upto 31st March, 2009, retrospectively from accounting periods commencing after 7th December, 2006 ( i.e from 1st April, 2007 for the Company) upto 31st March, 2011, as capital cost of acquisition of assets where they relate to acquisition of assets or to a Translation Reserve viz. " Foreign Currency Monetary Item Translation Difference Account" (FCMITDA) in other cases.The amount so recognised as capital cost of acquisition of assets is to be depreciated over the balance life of the relevant assets and in case of the amount recognised in the FCMITDA is to be amortised over the balance term of the monetary asset or liability but not beyond 31st March, 2011.

The Company has chosen to exercise this option in preparation of its financial statements for the year ended 31st March, 2009. Accordingly, Foreign exchange differences adjusted against the cost of the assets/ CWIP or accumulated in a "Foreign Currency Monetary Item Translation Difference Account " (FCMITDA) and the balance amount in FCMITDA to be amortised in the future periods are as under:

a) Impact of Adjustments made :

(Rs. in Million)

| Exchange (Gain) / Losses | | Adjustment against Assets/ CWIP | FCMITDA | Total |
|---|---|---|---|---|
| **General Reserve :** | | | | |
| For the year ended 31.03.2008 adjusted to General Reserve | (A) | (297.80) | (105. 88) | (403. 68) |
| **Profit and Loss Account :** | | | | |
| For the year ended 31.03.2009 | | 1 394. 07 | 525. 60 | 1 919. 67 |
| Less : Depreciation / Amortisation on the above for the year | | 47. 50 | 185. 44 | 232. 94 |
| Impact on Profit & Loss Account | (B) | 1 346. 57 | 340. 16 | 1 686. 73 |
| | (A - B) | 1 048. 77 | 234. 28 | |

b) Amount to be amortised to Profit and Loss Account in future periods :

In the year ended 31st March, 2010 Rs. 185.44 Million

In the year ended 31st March, 2011 Rs. 48.84 Million

The Transitional adjustment, in respect of retrospective implementation aggregating Rs. 403.68 Million (Net of tax Rs.54.37 Million) has been, as required, debited to General Reserve being a gain. Had this change not been effected, the profit for the year would have been lower by Rs.1 686.73 Million. Fixed Assets lower by Rs.1 048.77 Million and consequently the Reserves & Surplus lower by Rs.1 048.77 Million.

Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

22. Bharat Forge America Inc (BFA), a wholly owned subsidiary has registered losses which have substantially eroded its Net worth.The auditors of the Company have, given current adverse conditions prevailing in the American auto industry, disclaimed expression of any opinion on the validity of the assumption of going concern, the basis of which the financial statements have been prepared. However, the management of BFA, as at 31st December, 2008, has tested the assets for impairment , the results of which do not indicate any impairment losses and hence the dimunition in the value of the company's investment in this subsidiary is not considered to be of permanent nature.

23. In order to recognise the impact of fluctuation in foreign currency rates arising out of instruments acquired to hedge highly probable forecast transaction, in appropriate accounting periods, the Company has from this year decided to apply the principles of recognition set out in the Accounting Standard 30- Financial Instruments - Recognition and Measurement (AS-30) as suggested by the Institute of Chartered Accountants of India. Accordingly, the unrealised loss (net) consequent to foreign currency fluctuations, in respect of effective hedging instruments, represented by simple forward covers, to hedge future exports, were carried as a Hedging Reserve, during the year and to be ultimately set off in the profit and loss account when the underlying transaction arose, as against the past practice of recognising the losses, in respect of all derivatives , in the profit and loss account at the end of each period determined with reference to the foreign exchange rates at the close of the period. However, the amount outstanding in the Hedge Reserve at the close of the year is Nil.

24. Liability for employee benefit has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Accounting Standard-15 (Revised) the details of which are as hereunder :

Funded Scheme (Rs in Million)

| | | As at 31st March, 2009 Gratuity | As at 31st March, 2008 Gratuity |
|---|---|---|---|
| (i) | Amount to be recognised in Balance Sheet | | |
| a. | Present value of Funded obligations | 452.71 | 422.15 |
| b. | Fair value of Plan Assets | 181.97 | 167. 71 |
| c. | Net liability / (Asset) recognised in the Balance Sheet | 270.74 | 254. 44 |
| | Amounts in the Balance Sheet | | |
| | Liability | 270.74 | 254. 44 |
| | Asset | - | - |
| | Net Liability | 270. 74 | 254. 44 |
| (ii) | Amount to be Recognised in the Statement of Profit & Loss Account | | |
| a. | Current Service Cost | 31.70 | 31.03 |
| b. | Interest on Defined Benefit Obiligations | 30.43 | 29.81 |
| c. | Expected Return on Plan Assets | (15.11) | (13.42) |
| d. | Net Actuarial Losses/ (Gains) Recognised in year | 2.50 | (17.79) |
| | Total, included in "Payments to and Provisions for Employees" | 49.52 | 29.63 |
| (iii) | Change in Defined Benefit Obligation and reconciliation thereof | | |
| a. | Opening Defined Benefit Obligation | 422.14 | 397.45 |
| b | Interest Cost | 30.43 | 29.81 |
| c | Current service cost | 31.70 | 31.03 |
| d | Actuarial Losses/ (Gain) | 1.30 | (17.79) |
| e | Benefits Paid | (32.86) | (18.35) |
| f. | Closing Defined Benefit Obligation | 452.71 | 422.15 |
| (iv) | Change in the fair value of Plan Assets and the reconciliation thereof | | |
| a | Opening Fair Value of Plan Assets | 167.71 | 149.13 |
| b. | Add: Expected return on Plan Assets | 15.10 | 13.42 |
| c. | Add / (Less) : Actuarial Losses / ( Gains) | (1. 20) | - |
| d. | Add : Contributions by employer | 33.22 | 23.51 |
| e. | Less: Benefits Paid | (32.86) | (18.35) |
| f. | Closing Fair value of Plan Assets | 181.97 | 167.71 |
| (v) | Principal Actuarial Assumptions | | |
| | Discount Rate | 7.20% | 7.50% |
| | Expected Rate of Return on Assets (p.a) | 9.00% | 9.00% |
| | Salary Escalation Rate | 7.00% | 10.00% |

Unfunded Schemes (Rs in Million)

| Particulars | As At 31st March, 2009 Compensated Absences | As At 31st March, 2008 Compensated Absences |
|---|---|---|
| Present value of unfunded obligations | 187.31 | 232.66 |
| Expenses recognised in Profit and Loss Account | | |
| Discount Rate | 7.20% | 7.50% |
| Salary Escalation Rate | 7.00% | 10.00% |

## Schedule "L" Notes Forming Part of the Financial Statements (Contd.) :

25. The Company has entered into agreements in the nature of lease / leave and license agreement with different lessors / licensors for the purpose of establishment of office premises/Residential Accommodations. These are generally in nature of operating lease / leave and licence, disclosure required as per Accounting Standard 19 with regard to the above is as under:
    i) Payment under operating lease / leave and license for period :
        1) Not later than one year Rs. 10.29 Million.
        2) Later than one year but not later than five years Rs.0.88 Million.
    ii) There are no transactions in the nature of sub-lease.
    iii) Payments recognised in the Profit and Loss Account for the year ended 31st March, 2009 Rs. 20.24 Million.
    iv) Period of agreement is generally for three years and renewable at the option of the Lessee.
26. Information required in terms of part IV of Schedule VI to the Companies Act, 1956 is attached.
27. Segment information based on consolidated financial statements has been disclosed in a statement annexed thereto. Primary Segments have been determined by the management in light of the dominant source and nature of risks and returns of the consolidated group and relied upon by the auditors.
28. Related Party disclosures have been set out in a separate statement annexed to this schedule. The related parties, as defined by Accounting Standard 18 'Related Party Disclosures' issued by The Companies Accounting Standard Amendment Rules 2006, in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key managerial persons and taken on record by the Board.
29. Expenditure on Research and Development :

| | Particulars | 2008-09 (Rs. in Million) | 2007-08 (Rs. in Million) |
|---|---|---|---|
| A. | **On Revenue Account :** | | |
| | Manufacturing Expenses | | |
| | Stores, Spares & Tools consumed | 3.30 | 2.27 |
| | Building Repairs & Machinery Repairs | 0.73 | 0.59 |
| | Payments to & Provision for Employees : | | |
| | Salaries, Wages, Bonus, Allowances etc. | 16.76 | 27.30 |
| | Contribution to Provident & Other Funds & Schemes | 1.94 | 4.18 |
| | Other Expenses : | | |
| | Legal & Professional charges | 6.57 | 5.34 |
| | Membership Fee | 1.15 | 1.06 |
| | EDP Expenses | 2.44 | 15.88 |
| | Other Expenses | 3.49 | 6.13 |
| | Total | 36.38 | 62.75 |
| B. | **On Capital Account** | - | 6.05 |
| | **Total Research & Development Expenditure** ( A + B ) | 36.38 | 68.80 |

30. The Equity Shares alloted on exercise of option to convert to FCCBs by the Bondholders would rank pari-passu with the existing Equity Shareholders and consequently will be eligible to all rights and entitlements prospectively. Accordingly the proposed Dividend, recommended by the Directors and provided for, stands enhanced in favour of conversions effected since the close of the year to date, if any. However, as the Company is unable to estimate further conversions upto the record date set for determining the said eligibility i.e. (beginning of the conversion closure period), any further amounts required to be distributed as dividend will be adjusted against the balance in the Profit and Loss account carried forward to the subsequent financial year.
31. Significant accounting policies followed by the Company are as stated in the statement annexed to this schedule.
32. Figures less than Rs.5 000/- have been shown at actuals in bracket as the figures have been rounded off to the nearest second decimal to Millions.
33. Previous financial year's figures have been regrouped wherever necessary to make them comparable with those of the current year.

For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

Annexure referred to in Note No. 28 of Notes forming part of Financial Statements Disclosure of Transactions with Related Parties as required by Accounting Standard 18 :

(Rs. in Million)

| Sr.No. | Particulars | Year | Subsidiary Company | Associates | Key Management Personnel |
|---|---|---|---|---|---|
| 1 | Purchase of goods | **2008-09** | **328.84** | **6 610.55** | - |
| | | 2007-08 | 9.54 | 6 241.71 | - |
| 2 | Sale of goods | **2008-09** | **104.47** | **1 354.06** | - |
| | | 2007-08 | 1.05 | 1 301.67 | - |
| 3 | Rendering of services | **2008-09** | **-** | **-** | **121.47** |
| | | 2007-08 | - | - | 127.48 |
| 4 | Sale of Sales Tax Entitlement | **2008-09** | - | **-** | - |
| | | 2007-08 | - | 28.66 | - |
| 5 | Reimbursement of Expenses Paid | **2008-09** | **22.76** | **15.17** | - |
| | | 2007-08 | 46.24 | 11.70 | - |
| 6 | Reimbursement of Expenses Received | **2008-09** | **74.50** | **88.14** | - |
| | | 2007-08 | 55.02 | 67.15 | - |
| 7 | Dividend Paid | **2008-09** | **-** | **-** | **1.38** |
| | | 2007-08 | - | - | 1.38 |
| 8 | Finance Provided | | | | |
| | - Investments | **2008-09** | **717.36** | **-** | **-** |
| | | 2007-08 | 520.49 | **-** | **-** |
| | - Loan | **2008-09** | **129.52** | - | - |
| | | 2007-08 | 433.14 | **-** | **-** |
| 9 | Interest on Loan given | **2008-09** | **30.99** | - | - |
| | | 2007-08 | 11.15 | - | - |
| 10 | Expenses | **2008-09** | **6.88** | **-** | **-** |
| | | 2007-08 | 1.36 | - | - |
| 11 | Balance Payable by BFL as on | **31st March, 2009** | **-** | **1 594.05** | **39.00** |
| | | 31st March, 2008 | - | 2 319.27 | 68.50 |
| 12 | Balance Receivable by BFL as on | | | | - |
| | - Investments | **31st March, 2009** | **3 671.99** | **-** | - |
| | | 31st March, 2008 | 2 954.63 | - | - |
| | - Loans | **31st March, 2009** | **658.70** | **-** | **-** |
| | | 31st March, 2008 | 566.99 | - | - |
| | - Other Receivable | **31st March, 2009** | **206.94** | **188.22** | - |
| | | 31st March, 2008 | 68.61 | 328.15 | - |

Note : Names of the related parties and description of relationship

| Sr.No. | Particulars | Name of the Party |
|---|---|---|
| 1 | Subsidiary Companies | CDP Bharat Forge GmbH<br>Bharat Forge Beteiligungs GmbH<br>Bharat Forge Ameria Inc.<br>Bharat Forge Holding GmbH<br>Bharat Forge Aluminiumtechnik GmbH & Co. KG<br>Bharat Forge Aluminiumtechnik Verwaltungs GmbH<br>Bharat Forge Hong Kong Ltd.<br>Bharat Forge Kilsta AB<br>Bharat Forge Scottish Stampings Ltd.<br>FAW Bharat Forge (Changchun) Co. Ltd.<br>Bharat Forge Daun GmbH<br>BF New Technologies GmbH<br>BF NTPC Energy Systems Ltd. |
| 2 | Associates | Kalyani Carpenter Special Steels Limited<br>Tecnica U. K Limited |
| 3 | Key Management Personnel | Mr. B. N. Kalyani<br>Mr. A. B. Kalyani<br>Mr. G. K. Agarwal<br>Mr. P. K. Maheshwari<br>Mr. B. P. Kalyani<br>Mr. S. E. Tandale<br>Mr. S. K. Chaturvedi |

Annexure referred to in Note 31 in Schedule "L" Notes forming part of the Financial Statements.

Statement on Significant Accounting Policies

1. System of Accounting :

   i. The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.

   ii. Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

   iii. Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

2. Fixed Assets and Depreciation :

   A. Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets. The fixed assets manufactured by the Company are stated at manufacturing cost. Fixed Assets are shown net of accumulated depreciation (except free hold land) and amortisation. Also refer Para 4(i).

   B. Expenditure on New Projects and Expenditure during Construction etc. :

      In case of new projects and in case of substantial modernisation or expansion at the existing units of the Company, expenditure incurred including interest on borrowings and financing costs of specific loans, prior to commencement of commercial production is capitalised to the cost of assets. Trial Run expenditure is also capitalised.

   C. Depreciation and amortisation :

      a) Lease hold land and Power Line:

         Premium on leasehold land is amortized over the period of lease and expenditure on power line is amortized over a period of seven years.

      b) Other Fixed Assets :

         i. Depreciation on additions to Buildings, Plant & Machinery, Railway Sidings, Electrical Installations and Aircrafts is being provided on "Straight Line Method" basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, in the manner and at the rates specified in Schedule XIV to the said Act.

         ii. Depreciation in respect of other assets viz. Factory Equipments, Computers, Engineering Instruments, Furniture & Fittings, Office Equipments and Vehicles is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.

      c) i) Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/ installation.

         ii) Depreciation on assets sold, discarded or demolished during the year, is being provided at their respective rates on pro-rata basis upto the date on which such assets are sold, discarded or demolished.

         iii) Depreciation on additions on account of increase in Rupee value due to revalorisation of foreign currency loans is being provided at rates of depreciation over the future life of said asset.

3. Inventories :

   Cost of Inventories have been computed to include all cost of Purchases, Cost of Conversion and other costs incurred in bringing the inventories to their present location and condition.

   i. Raw materials and components, stores and spares are valued at cost. The costs are ascertained using the weighted average method, except in case of slow moving and obsolete material, at lower of cost or estimated realisable value.

   ii. Work-in-progress and finished goods are valued at the lower of cost or estimated realisable value.

   iii. Scrap is valued at estimated realisable value.

   iv. Goods in transit are stated at actual cost upto the date of Balance Sheet.

   v. Dies are amortised over their productive life. Expenditure incurred to repair the dies from time to time is charged to profit and loss account.

4. Foreign Currency Conversion :

   i. Foreign currency exposure in respect of Long Term Foreign Currency Monetary items, for financing fixed assets, outstanding at the close of the financial year are revalorised at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease/increase in Rupee liability due to fluctuation in rate of exchange is recognised in the Profit & Loss Account.

   ii. Current Assets and other Liabilities in foreign currency and foreign currency exposure in respect of foreign currency loans other than for financing fixed assets outstanding at the close of the financial year are valued at the contracts and/or appropriate exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss Account.

   iii. Though the accounting policy detailed in (i) and (ii) above have been consistently followed in terms with the Accounting Standard 11, the policy followed in current year retrospectively w.e.f.1st April, 2007, has been overridden by an amendment to the aforementioned accounting standard for limited period of time as stated in Note 21 in Schedule "L" to the Financial Statements.

   iv. Forward Contracts and Hedge Derivatives /options :

      The Company uses foreign exchange forward contracts to hedge its exposures against movements in foreign exchange rates. Exchange forward contracts are not used for trading or speculation purpose. Premium/Discounts are recognized over the life of the contract.

Annexure referred to in Note 31 in Schedule "L" Notes forming part of the Financial Statements (Contd.) :

4. Foreign Currency Conversion (contd.) :

As regards derivatives/ options to hedge foreign exchange risks on future receivables, contingent on future options built around them, cannot be marked to market on each Balance Sheet date. Consequently, they are recognised in the period, the relevant underlying transaction comes into existence or the settlement dates, whichever is earlier. However, on simulation of the cut off date as the close of the year, losses, if any, are provided for.

v. Hedge Reserve:

Losses & Gains of outstanding foreign exchange contracts/ derivatives to cover highly probable forecast transactions if determined effective, from this year, as per the principles of hedge accounting, are recognised in the "Hedge Reserve" and to ultimately flow into the profit and loss account when the underlying transactions occur. Losses and Gains on ineffective hedging instruments are recognized in the profit and loss account.

5. Technical Know-how Fees:

Expenditure on acquiring Technical Know-how is being amortized over a period of six years.

6. Investments:

a) Trade Investments made by the Company are of a long term nature and hence diminution in value of investments if any, are generally not considered to be of permanent nature.

b) Current Investments are valued at cost of acquisition, less provision for diminution, as necessary, if any.

7. Revenue Recognition :

a. Sales :

i. Domestic Sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.

ii. Export Sales are accounted on the basis of dates of Bill Of Lading.

b. Export Incentives :

Export Incentives are accounted for on Export of Goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

c. Interest is accrued over the period of loan/ investment.

d. Dividend is accrued in the year in which it is declared, whereby right to receive is established.

e. Profit/ Loss on sale of investment is recognised on contract date.

8. Research & Development Expenditure :

Research & Development expenditure is charged to Revenue under the natural heads of account in the year in which it is incurred. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the Company, is considered as an intangible asset.

Fixed Assets purchased for research and development are accounted for in the manner stated in clause 2 above.

9. Employee Benefits:

i. Benefits in the form of Provident Fund and Pension Schemes whether in pursuance of law or otherwise which are defined contributions is accounted on accrual basis and charged to Profit & Loss account of the year.

ii. Gratuity:

Payment for present liability of future payment of gratuity is being made to approved gratuity funds, which fully cover the same under cash accumulation policy of the Life Insurance Corporation of India. The employee's gratuity is a defined benefit funded plan. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet and the shortfall in the fair value of the Plan Assets is recognised as an obligation.

iii. Superannuation:

Defined Contributions to Life Insurance Corporation of India for employees covered under Superannuation scheme are accounted at the rate of 15% of such employees' Annual Salary.

iv. Privilege Leave Benefits:

Privilege leave Benefits or compensated absences is considered as long term unfunded benefits and is recognised on the basis of an actuarial valuation using the projected Unit Credit Method determined by an appointed Actuary.

v. Termination Benefits:

Termination Benefits such as compensation under voluntary retirement scheme are recognized as a liability in the year of termination.

10. Borrowing Costs:

Interest on borrowings is recognised in the Profit and Loss account except interest incurred on borrowings, specifically raised for projects are capitalised to the cost of the assets until such time that the asset is ready to be put to use for its intended purpose except where installation is extended beyond reasonable/ normal time lines.

11. Taxation:

Provision for Taxation is made on the basis of the Taxable Profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of Tax to the extent the timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realised.

12. Provisions:

Necessary Provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

## Statement Pursuant to Part IV of Schedule VI to the Companies Act,1956.

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details :-**

Registration No. - 1 2 0 4 6 State Code 1 1

Balance Sheet Date 3 1 - 0 3 - 2 0 0 9 (Date / Month / Year)

**II. Capital Raised during the Year - (Amount in Rs. 000)**

| | |
|---|---|
| Public Issue: NIL | GDRs, Warrants and FCCBs Conversion: NIL |
| Bonus Issue: NIL | Private Placement: NIL |

**III. Position of Mobilisation and Deployment of Funds - (Amount in Rs. 000)**

| | |
|---|---|
| Total Liabilities: 34564630 | Total Assets: 34564630 |
| **Sources of Funds** | |
| Paid-up Equity Share Capital: 445398 | Reserves & Surplus: 14423879 |
| Paid-up Preference Share Capital: NIL | Secured Loans: 8706586 |
| Unsecured Loans: 9372059 | Deferred Tax Liability Net of Assets: 1616708 |
| **Application of Funds** | |
| Net Fixed Assets: 20632288 | Investments: 3671990 |
| Technical Know-How: 2083 | Net Current Assets: 10258269 |
| Misc. Expenditure: NIL | Accumulated Losses: NIL |

**IV. Performance of Company - (Amount in Rs. 000)**

| | |
|---|---|
| Turnover: 21063556 | Total Expenditure: 19486885 |
| Profit Before Tax: 1576671 | Profit After Tax: 1032869 |
| Earning per Share in Rs.: 4.51 | Dividend Rate %: 50 |

**V. Generic Names of Three Principal Products / Services of Company**
( as per monetary terms )

| | |
|---|---|
| Item Code No. (ITC Code) | 73269099 |
| Product | FORGING STEEL FORGING |
| Description | FORGE ARTICLES |
| Item Code No. (ITC Code) | 84831099 |
| Product | CRANKSHAFTS FINISHED |
| Description | MACHINED CRANKSHAFTS |
| Item Code No. (ITC Code) | 87081090 |
| Product | AXLES FRONT AXLE ASSEMBLY AND |
| Description | COMPONENTS OF MOTOR VEHICLE |

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

G. K. AGARWAL
*Deputy Managing Director*

## Auditors' Report for the year ended 31st March, 2009 :

### TO THE BOARD OF DIRECTORS
### BHARAT FORGE LIMITED
### REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

1) We have examined the attached Consolidated Balance Sheet of Bharat Forge Limited and its subsidiaries and associate as at 31st March, 2009, and the Consolidated Profit and Loss Account and the Consolidated Cash flow Statement for the year then ended.

2) These financial statements are the responsibility of Bharat Forge Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.

3) The financial statements of the foreign subsidiaries and associate, which are drawn up for the financial year ended 31st December, 2008, viz. **CDP Bharat Forge GmbH and its subsidiaries (CDP BF),** whose consolidated financial statements reflect total assets of EUR 230.28 Million (Previous Year EUR 46.28 Million), total Revenues of EUR 407.79 Million (Previous Year EUR 197.97 Million) and total cash inflow / (outflow) of EUR 11.40 Million (Previous Year EUR (5.53) Million) and **Bharat Forge America Inc**, whose financial statements reflect total assets of US $ 21.53 Million (Previous Year US $ 12.60 Million) and total revenues of US $ 38.24 Million (Previous Year US $ 44.91 Million) and total cash inflow / (outflow) of US $ (0.76) Million (Previous Year US $ 0.88 Million), which are drawn up for the year ended on 31st December, 2008, have been audited by independent firms of Accountants under the laws of the country of their incorporation. Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based on their report.

4) We have audited the financial statements of **BF NTPC Energy Systems Limited** which are drawn upto 31st March, 2009, whose total assets of Rs. 8.64 Million, total revenues are Rs. Nil and total net cash inflows / (outflows) are Rs 0.87 Million.

5) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards issued by the Institute of Chartered Accountants of India viz. Accounting Standard (AS) 21 "Consolidated Financial Statements", the Accounting Standard Interpretations and amendments issued thereto, to the extent applicable for the year ended 31st March, 2009 and on the basis of the separate audited financial statements of Bharat Forge Limited and it's aforementioned subsidiaries and associate included in the consolidated financial statements.

6) Matters of Emphasis reported upon by the Auditors of Subsidiaries:

   i) The Auditors of FAW Bharat Forge (Changchun) Co. Ltd. have, without qualifying their opinion, emphasized a matter in the audit report which is reproduced below:

      Without qualifying our opinion we draw attention to that, based on the investor's agreement, China FAW Group Corporation should transfer the net assets of FAW FORGE as its investment. But the title of the property and plant (about 19 416.78 $m^2$) amounting to RMB 8 778 351.54, land (about 39 375.00 $m^2$), amounting to RMB 25 257 626.94 (accounting to 17.25% of committed investment, RMB 197 332 705.00) haven't been transferred to the Company till our report issued.

   ii) The Auditors of Bharat Forge America Inc. have without qualifying their opinion, have emphasized a matter in respect of the threat to the Going Concern assumption in the audit report which is reproduced below:

      As discussed in the Note 9 B (Reference to Consolidated Financial Statements under this report), the North American automotive industry is experiencing significant financial difficulty and is projecting significantly lower production volumes than prior years. The Company and its operations continue to be affected by these industry conditions, which indicated that the Company may be unable to continue to act as a going concern. Management's future plans in response to these conditions are described in Note 9 B. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a Going concern.

   iii) The Auditors of Bharat Forge Scottish Stampings Ltd. a wholly owned subsidiary of CDP BF, have without qualifying their opinion, have emphasized a matter in respect of the threat to the Going Concern assumption in the audit report which is reproduced below:

      In forming our opinion on the financial statements, which are not qualified, we have considered the adequacy of the disclosure made in note 9 C (Reference to Consolidated Financial Statements under this report), concerning the ongoing review by the company's ultimate parent company of the company's business, including the possible closure of the business and the potential impact on the company's ability to continue as a going concern. The Company is reliant for its working capital on funds provided by its immediate and ultimate parent companies. These conditions, along with the other matters explained in the note to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

7) On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Bharat Forge Limited and it's aforesaid subsidiaries, we are of the opinion that:

   a) The Consolidated Balance Sheet read together with other notes thereon, gives a true and fair view of the consolidated state of affairs of Bharat Forge Limited and its subsidiaries and associate as at 31st March, 2009; and

   b) The Consolidated Profit and Loss Account read together with other notes thereon, gives a true and fair view of the consolidated results of operations of Bharat Forge Limited and its subsidiaries and associate for the year then ended; and

   c) The Consolidated Cash Flow Statement read together with notes thereon, gives a true and fair view of the consolidated cash flows of Bharat Forge Limited and its subsidiaries and associate for the year then ended.

For and on behalf of
**DALAL & SHAH**
Chartered Accountants

ANISH AMIN
Partner
Membership No.40451

Pune : May 20, 2009

## Consolidated Balance Sheet as at 31st March, 2009 :

(Rs. in Million)

| | Schedule | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **I. SOURCES OF FUNDS :** | | | | |
| 1. Shareholders' Funds : | | | | |
| (a) Share Capital | "A" | 445.40 | | 445.40 |
| (b) Reserves and Surplus | "B" | 15 989.17 | | 16 095.62 |
| | | | 16 434.57 | 16 541.02 |
| 2. Loan Funds : | | | | |
| (a) Secured Loans | "C" | 10 735.49 | | 6 809.12 |
| (b) Unsecured Loans | "D" | 11 172.88 | | 9 734.81 |
| | | | 21 908.37 | 16 543.93 |
| 3. Minority Interest | | | 953.83 | 701.92 |
| 4. Deferred Tax Adjustment : | | | | |
| (a) Deferred Tax Liabilities | | 2 060.24 | | 1 577.62 |
| (b) Deferred Tax Assets | | (217.02) | | (209.00) |
| | | | 1 843.22 | 1 368.62 |
| | Total | | 41 139.99 | 35 155.49 |
| **II. APPLICATION OF FUNDS :** | | | | |
| 1. Fixed Assets : | | | | |
| (a) Gross Block | | 40 270.75 | | 30 988.88 |
| (b) Less: Depreciation | | 15 594.43 | | 13 227.91 |
| (c) Net Block | "E" | 24 676.32 | | 17 760.97 |
| (d) Capital work-in-progress | | 3 218.95 | | 5 841.59 |
| | | | 27 895.27 | 23 602.56 |
| 2. Goodwill arising on Capital Consolidation | | | 4.54 | 4.54 |
| 3. Technical Know-how | "F" | | 2.10 | 4.18 |
| 4. Investments | "G" | | 2.33 | 2 988.36 |
| 5. Current Assets, Loans and Advances : | "H" | | | |
| (a) Inventories | | 7 916.46 | | 7 271.03 |
| (b) Sundry Debtors | | 5 313.09 | | 6 717.94 |
| (c) Cash and Bank Balances | | 4 883.40 | | 3 183.49 |
| (d) Other Current Assets | | 1 419.92 | | 1 255.41 |
| (e) Loans and Advances | | 5 783.57 | | 6 353.54 |
| | | 25 316.44 | | 24 781.41 |
| Less: Current Liabilities and Provisions : | "I" | | | |
| (a) Liabilities | | 8 537.93 | | 11 360.57 |
| (b) Provisions | | 3 542.81 | | 4 864.99 |
| | | 12 080.74 | | 16 225.56 |
| Net Current Assets | | | 13 235.70 | 8 555.85 |
| 6. Miscellaneous Expenditure : (to the extent not written off or adjusted) | "I(i)" | | 0.05 | - |
| | Total | | 41 139.99 | 35 155.49 |
| **NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS :** | "L" | | | |

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

## Consolidated Profit and Loss Account for the year ended 31st March, 2009 :

(Rs. in Million)

| | Schedule | | | Previous Year |
|---|---|---|---|---|
| **INCOME :** | | | | |
| Sales, Gross | "J(a)" | 47 931.85 | | 47 340.05 |
| Less : Excise Duty | | 1 202.33 | | 1 726.08 |
| Net Sales | | 46 729.52 | | 45 613.97 |
| Operating Income | "J (b)" | 1 010.85 | | 908.80 |
| | | | 47 740.37 | 46 522.77 |
| Other Income | "J (c)" | | 687.10 | 992.93 |
| | | | 48 427.47 | 47 515.70 |
| **EXPENDITURE :** | | | | |
| Manufacturing and other expenses | "K" | 44 504.40 | | 40 747.60 |
| Depreciation and amortisation | "K (a)" | 2 517.32 | | 2 270.55 |
| | | | 47 021.72 | 43 018.15 |
| Operating Profit | | | 1 405.75 | 4 497.55 |
| Exceptional Item of Expenditure (See Note 5) | | | (298.92) | - |
| Profit for the year before Income from Associate & Taxation | | | 1 106.83 | 4 497.55 |
| Income from Associate | | | (4.58) | 1.22 |
| Provision for Taxation : | | | | |
| Current Tax (Including Wealth Tax Rs. 2.20 Million Previous year Rs.2.00 Million) | | 311.67 | | 1 369.08 |
| Less: MAT credit Available for Set off in subsequent years | | (157.40) | | - |
| Deferred Tax | | 488.47 | | 152.33 |
| Fringe Benefit Tax | | 53.00 | | 68.00 |
| | | | 695.74 | 1 589.41 |
| Net Profit after taxation | | | 406.51 | 2 909.36 |
| Less: Minority Interest | | | (176.14) | (105.87) |
| Net Profit after Minority Interest | | | 582.65 | 3 015.23 |
| As per last Account | | | 6 753.08 | 5 052.45 |
| | | | 7 335.73 | 8 067.68 |
| Adjustments relating to earlier years : | | | | |
| Excess/ (Short) provision for taxation and tax payments | | | (29.04) | (9.70) |
| Energy Charges | | | - | (4.83) |
| Impact on adoption of International Financial Reporting Standards by Subsidiaries (See Note 4(f)(1)) | | | 30.42 | - |
| Profit available for Appropriation | | | 7 337.11 | 8 053.15 |
| **APPROPRIATIONS :** | | | | |
| Capital Redemption Reserve Account | | | - | 100.00 |
| Debenture Redemption Reserve | | | 26.10 | - |
| General Reserve | | | 120.00 | 280.00 |
| Dividend on Preference Shares | | - | | 7.14 |
| Tax on above Dividend | | - | | 1.21 |
| | | | - | 8.35 |
| Proposed Dividend | | 222.65 | | 779.28 |
| Tax on Proposed Dividend | | 37.84 | | 132.44 |
| | | | 260.49 | 911.72 |
| Balance carried to Balance Sheet | | | 6 930.52 | 6 753.08 |
| **Earning Per Share :** | | | | |
| (Face value of Rs. 2/-) | | | | |
| Basic | | | 2.62 | 13.44 |
| Diluted | | | 2.62 | 13.44 |
| **NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS :** | "L" | | | |

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

## Consolidated Cash Flow Statement for the year ended 31st March, 2009 :

(Rs. in Million)

| Sr. No. | Particulars | | 2008-09 | 2007-08 |
|---|---|---|---|---|
| A | CASH FLOW FROM OPERATING ACTIVITIES : | | | |
| | Profit before tax | | 1 102.25 | 4 498.77 |
| | Add / (Less) : Share of (Profit) / Loss in Associate | | 4.58 | (1.22) |
| | | | 1 106.83 | 4 497.55 |
| | Adjustments For : | | | |
| | Interest / Depreciation / Other Non Cash Expenses : | | | |
| | i) Depreciation and amortisation | | 2 517.32 | 2 270.55 |
| | ii) Amount written off against technical knowhow | | 2.08 | 2.08 |
| | iii) Loss on assets sold, demolished, discarded | | 3.52 | 18.24 |
| | iv) Provision for doubtful debts & advances | | 97.79 | 5.56 |
| | v) Adjustments in respect of earlier years: | | | |
| | Excess/ (Short) provision for taxation and tax refunds | | (29.04) | - |
| | Impact on adoption of International Financial Reporting Standards by Subsidiaries | | 51.77 | - |
| | Energy Charges | | - | (4.83) |
| | Deferred Tax Asset Written Off | | - | (9.70) |
| | vi) Bad debts, irrecoverable advances and sundry balances written off | | 38.00 | 39.48 |
| | vii) Proportionate deferred revenue expenses written off | | 5.06 | 3.30 |
| | viii) Interest paid | | 1 291.36 | 1 269.38 |
| | ix) Exchange Loss | | 740.82 | - |
| | | Total | 4 718.68 | 3 594.06 |
| | Interest / Dividend / Other Income Adjustments : | | | |
| | i) Interest Received | | (137.73) | (320.71) |
| | ii) Dividend | | (217.02) | (260.55) |
| | iii) Profit on sale of investments | | (23.14) | (2.06) |
| | iv) Surplus on sale of assets | | (2.04) | (3.63) |
| | v) Provisions no longer required | | (160.34) | (24.01) |
| | | Total | (540.27) | (610.96) |
| | OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | 5 285.24 | 7 480.65 |
| | Changes in Working Capital : | | | |
| | (Increase) / Decrease in Current Assets : | | | |
| | i) Inventories | | (645.43) | (1 128.96) |
| | ii) Sundry Debtors | | 1 269.06 | (195.58) |
| | iii) Other current assets & Loans and advances | | (49.51) | (1 036.46) |
| | | | 574.12 | (2 361.00) |
| | Increase / (Decrease) in Current Liabilities : | | | |
| | Liabilities | | (2 489.58) | 444.62 |
| | | | (2 489.58) | 444.62 |
| | | Total | (1 915.46) | (1 916.38) |
| | CASH GENERATED FROM OPERATIONS | | 3 369.78 | 5 564.27 |
| | Direct taxes paid | | (711.18) | (1 386.38) |
| | CASH FROM OPERATING ACTIVITIES | | 2 658.60 | 4 177.89 |
| | Less: Minority Interest | | (176.14) | (105.87) |
| | NET CASH FROM OPERATING ACTIVITIES | (A) | 2 834.74 | 4 283.76 |

## Consolidated Cash Flow Statement for the year ended 31st March, 2009 (Contd.) :

(Rs. in Million)

| Sr. No. | Particulars | | | 2008-09 | 2007-08 |
|---|---|---|---|---|---|
| B | CASH FLOW FROM INVESTMENT ACTIVITIES : | | | | |
| | i) | (Increase) / Decrease in Investment in Mutual Funds | | 2 982.08 | (909.18) |
| | ii) | Investment in Joint Ventures | | 3.95 | (0.03) |
| | iii) | Investment in Associates | | - | (4.78) |
| | iv) | Capital Expenditure | | (5 354.73) | (7 599.44) |
| | v) | Sale proceeds of assets / adjustments to gross block | | (38.54) | 554.86 |
| | vi) | Interest Capitalised | | 51.72 | (8.22) |
| | vii) | Non Operating Income | | 377.89 | 583.32 |
| | | | Total | (1 977.63) | (7 383.47) |
| | NET CASH USED IN INVESTING ACTIVITIES | | (B) | (1 977.63) | (7 383.47) |
| C | CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| | Increase / (Decrease) in Share Capital / Borrowings : | | | | |
| | i) | Preference Shares | | - | (100.00) |
| | ii) | Secured Loans - Term Loans | | 4 008.88 | (1 374.96) |
| | iii) | Fixed deposits, unsecured loan | | (262.91) | (741.65) |
| | iv) | Cash credit & other borrowings from banks | | (540.16) | 1 363.87 |
| | | | Total | 3 205.81 | (852.74) |
| | Adjustments to Net Worth : | | | | |
| | i) | Difference in Capital Consolidation | | - | (50.20) |
| | ii) | Foreign Currency Translation Reserve | | 204.87 | (36.37) |
| | iii) | Revaluation Reserve for Security Investment | | (24.23) | - |
| | iv) | Minority interest | | 251.91 | 386.63 |
| | v) | Goodwill arising on consolidation | | - | (4.54) |
| | vi) | Transitional Adjustments on adoption of Accounting Standard (AS-15) Revised - Employee Benefits | | - | (380.25) |
| | vii) | Debenture Issue Expenses | | (23.22) | - |
| | viii) | Exchange (Gain) / Loss adjusted to Carrying cost of assets | | (297.80) | - |
| | ix) | Foreign Currency Monetory Item Translation Difference Account | | (340.16) | - |
| | x) | Adjustment on adoption of International Financial Reporting Standards | | 10.52 | - |
| | | | Total | (218.11) | (84.73) |
| | Interest Paid : | | | | |
| | i) | Interest paid | | (1 183.63) | (1 259.01) |
| | ii) | Capitalised | | (51.72) | 8.22 |
| | | | Total | (1 235.35) | (1 250.79) |
| | Dividend including tax thereon | | | (909.55) | (917.87) |
| | NET CASH USED IN FINANCING ACTIVITIES | | (C) | 842.80 | (3 106.13) |
| | Net change in cash and cash equivalents | | (A+B+C) | 1 699.91 | (6 205.84) |
| | Cash and cash equivalents as at 01.04.08 (opening balance) | | | 3 183.49 | 9 389.33 |
| | Cash and cash equivalents as at 31.03.09 (closing balance) | | | 4 883.40 | 3 183.49 |

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

## Schedule "A" to "L" annexed to and forming part of the Consolidated Financial Statements for the year ended on 31st March, 2009 :

(Rs.in Million)

| | | | As at 31st March, 2008 |
|---|---|---|---|
| **Schedule "A" Share Capital :** | | | |
| **Authorised :** | | | |
| 300 000 000 | Equity Shares of Rs.2/- each | 600.00 | 600.00 |
| 43 000 000 | Cumulative Preference Shares of Rs.10/- each | 430.00 | 430.00 |
| 2 000 000 | Unclassified Shares of Rs.10/- each | 20.00 | 20.00 |
| | | 1 050.00 | 1 050.00 |
| **Issued :** | | | |
| 222 828 621 | Equity Shares of Rs.2/- each (See Note A & B below) | 445.66 | 445.66 |
| | | 445.66 | 445.66 |
| **Subscribed :** | | | |
| 222 652 271 | Equity Shares of Rs.2/- each fully paid | 445.31 | 445.31 |
| 172 840 | Add: Forfeited Equity Shares (amount paid up) | 0.09 | 0.09 |
| | Total | 445.40 | 445.40 |

Notes: Of the above Shares :

A Prior to Sub-division of Share Capital :

(i) 47 600 Equity Shares of Rs.10/- each were issued as fully paid up for consideration other than cash, pursuant to a contract.

(ii) 8 682 500 Equity Shares of Rs.10/- each were issued as fully paid Bonus Shares by way of capitalisation of Share Premium Account and Reserves.

(iii) 1 568 600 Equity Shares of Rs.10/- each were issued at a premium of Rs.186.93 per share, under Senior Executives Stock Cum Share Option Scheme .

iv) The Company had issued 3 636 500 Equity Shares of Rs.10/- each (later sub-divided into 18 182 500 Equity Shares of Rs.2/- each) in April and May, 2005 represented by 3 636 500 Global Depository Receipts (GDRs) (on sub-division 18 182 500 GDRs) evidencing "Master GDR Certificates" at a price of U.S.$ 27.50 per GDR (including premium). GDRs outstanding at the close of the year are 9 200. Out of the total amount of Rs.4 235 Million net of expenses, Rs.3 425 Million has been utilised towards the object of the issue and balance of Rs.810 Million have been temporarily deployed by Investments in Fixed Deposits with Banks at the close of the year.

(v) The Company had also issued Foreign Currency Convertible Bonds (FCCBs) aggregating U.S.$ 199.90 Million optionally convertible at an initial price specified in offering circular (see note 18). As the initial price is subject to adjustments specified in the offering circular and inability to assess the proportion of conversion, no amounts have been shown under Issued Equity Share Capital, in respect of Equity Shares deemed to be issued on exercise of conversion by bondholders. Outstanding Bonds at the close of the year aggregated Rs.9 302.05 Million.

B Subsequent to Sub-division of the Equity Share Capital :

(i) 2 340 Equity Shares of Rs. 2/- each out of the previous issue of Equity Shares on a Right basis together with 234 detachable warrants entitled to subscription of 1 170 Equity Shares of Rs. 2/- each, have been kept in abeyance pending adjudication of title to the pre right holding.

(ii) 389 610 Equity Shares were issued and allotted on April 12, 2006 at a premium of Rs. 334.105 per share on Conversion of U.S. $ 3 000 000, 0.50% Foreign Currency Convertible Bonds (FCCBs) Tranche-1 in terms of Offering Circular dated April 15, 2005.

Schedule "B" Reserves and Surplus :

(Rs.in Million)

| | | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **Capital Reserve :** | | | | |
| i) Special Capital Incentive (Under the 1988 Package Scheme of Incentives) | | | | |
| As per last Account | | 2.50 | | 2.50 |
| ii) Capital Surplus arising from early retirement of Sales tax deferral liability / Loan under package Scheme of Incentive of Government of Maharashtra | | | | |
| As per last Account | 78.56 | | | 88.67 |
| Less: Transferred to General Reserve | 8.64 | | | 10.11 |
| | | 69.92 | | 78.56 |
| | | | 72.42 | 81.06 |
| **Difference of capital Consolidation Adjusted to General Reserve (See Note 4(d))** | | | - | 128.04 |
| **Revaluation Reserve for Security Investments (See Note 4(f)(2))** | | | (24.23) | - |
| **Capital Redemption Reserve Account :** | | | | |
| As per last Account | | 300.00 | | 200.00 |
| Set aside during the year from Profit & Loss Account on redemption of Preference Shares | | - | | 100.00 |
| | | | 300.00 | 300.00 |
| **Securities Premium Account :** | | | | |
| As per last Account | | 7 042.57 | | 7 042.57 |
| Less: Debenture Issue Expenses in terms of Section 78 of the Companies Act,1956 | | 23.22 | | - |
| | | | 7 019.35 | 7 042.57 |
| **Foreign Currency Translation Reserve** | | | 253.41 | 62.88 |
| **Debenture Redemption Reserve :** | | | | |
| Set aside during the year | | | 26.10 | - |
| **General Reserve :** | | | | |
| As per last Account | | 1 727.99 | | 1 688.88 |
| Add: Transferred from Capital Reserve | | 8.64 | | 10.11 |
| | | 1 736.63 | | 1 698.99 |
| Less: Transitional Adjustment on Adoption of Accounting Standard (AS-15) Revised " Employee Benefits " | | - | | 251.00 |
| Less: Adjustment on account of exercise of option on Amendment to Accounting Standard (AS-11) "The effects of changes in foreign exchange rates" Exchange differences (Gain) adjusted against the carrying cost of the assets | | 297.80 | | - |
| Less: Exchange differences (Gain) transferred to FCMITDA | | 105.88 | | - |
| Add: Tax effect adjustment | | 54.37 | | - |
| Add: Adjustments on adoption of International Financial Reporting Standards by Subsidiaries | | 10.52 | | - |
| Add: Difference on Capital Consolidation Adjusted on adoption of International Financial Reporting Standards by Subsidiaries | | 128.04 | | - |
| Add: Set aside from Profit & Loss Account | | 120.00 | | 280.00 |
| | | | 1 645.88 | 1 727.99 |
| **Foreign Currency Monetary Item Transalation Difference Account (FCMITDA) :** | | | | |
| Exchange differences relating to long term Monatery items | | | | |
| Transferred from General Reserve | | 105.88 | | - |
| Add: Arising during the year | | (525.60) | | - |
| Less : Amortised during the year | | 185.44 | | - |
| | | | (234.28) | - |
| **Surplus as per Annexed Account** | | | | |
| Surplus as per Annexed Account | | | 6 930.52 | 6 753.08 |
| Total | | | 15 989.17 | 16 095.62 |

## Schedule "C" Secured Loans :

(Rs.in Million)

| | | | As at 31st March, 2008 |
|---|---|---|---|
| **Debentures :** | | | |
| 2500 (—) 11.95% Redeemable Secured Non-Convertible Debentures (2009-2017) of Rs.1 000 000/- each | | 2 500.00 | - |
| **Term Loans :** | | | |
| Foreign Currency Term Loans : | | | |
| From Bank of Baroda, London | | 253.60 | 132.70 |
| From Bank of India, London | | 507.20 | 497.63 |
| From Bank of Baroda, London | | - | 398.10 |
| From Bank of India, New York | | - | 199.05 |
| From Calyon, Singapore | | 2 536.00 | - |
| From Bank of India, New York | | 390.06 | 226.92 |
| From Commerzbank AG | | 114.65 | 106.70 |
| From Comerica Bank | | - | 21.31 |
| From Skandinaviska Enskilda Banken AB | | 496.02 | 791.07 |
| From Hypo Vereins Bank | | 6.74 | 18.83 |
| From Standard Chartered Bank | | 811.52 | 756.39 |
| **Others :** | | | |
| From Banks, against hypothecation of Stocks of Semi finished and Finished goods, Raw materials, Finished Dies and Die Blocks, Work-in-Progress, Consumable Stores and Spares, Book Debts etc. | | | |
| Cash Credit | 1 218.65 | | 1 084.74 |
| Preshipment Packing Credit-Foreign Currency | 328.82 | | 2 574.84 |
| Preshipment Packing Credit -Rupee | 1 571.95 | | - |
| Interest accrued and due on above | 0.28 | | 0.84 |
| | | 3 119.70 | 3 660.42 |
| Total | | 10 735.49 | 6 809.12 |

## SCHEDULE "D" UNSECURED LOANS :

| | | | |
|---|---|---|---|
| Foreign Currency Convetible Bonds ( FCCBs) : | | | |
| 0.5% Tranche 1 FCCBs, outstanding U.S. $ 43.5 Million | 2 206.32 | | 1 731.74 |
| 0.5% Tranche 2 FCCBs, outstanding U.S. $ 60.0 Million | 3 043.20 | | 2 388.60 |
| 0% Tranche A FCCBs, outstanding U.S. $ 40.0 Million | 2 028.80 | | 1 592.40 |
| 0% Tranche B FCCBs, outstanding U.S. $ 39.9 Million | 2 023.73 | | 1 588.41 |
| | | 9 302.05 | 7 301.15 |
| Sales tax deferral liability under Government of Maharashtra Package Scheme of Incentives | | 69.44 | 69.08 |
| Short Term Loans from Banks under a buyers line of Credit for import of goods, etc. | | - | 888.17 |
| Short Term Loans from Banks for Working Capital | | 1 398.45 | 156.17 |
| Term Loans from Banks & Financial Institutions | | 402.37 | 1 319.59 |
| Fixed Deposits matured but unclaimed : | | | |
| From Public | 0.56 | | 0.63 |
| From Shareholders | 0.01 | | 0.02 |
| | | 0.57 | 0.65 |
| Total | | 11 172.88 | 9 734.81 |

Schedule "E" Fixed Assets :

(Rs. in Million)

| FIXED ASSET | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Upto 31/03/08 | Additions During the Year & Foreign Currency exchange rate adjustments | Deductions During theYear | As at 31/03/09 | Up to 31/03/08 | Recoupments and Foreign Currency exchange rate adjustments | For the year | Upto 31/03/09 | As at 31/03/09 | As at 31/03/08 |
| 1 Land, Free hold | 240.65 | 14.56 | - | 255.21 | - | - | - | - | 255.21 | 240.65 |
| 2 Land, Lease hold | 82.17 | 7.45 | 0.95 | 88.67 | - | - | - | - | 88.67 | 82.17 |
| 3 Buildings | 2 269.84 | 1 207.48 | 0.06 | 3 477.26 | 467.01 | 8.18 | 87.98 | 546.81 | 2 930.45 | 1 802.83 |
| 4 Plant & Machinery | 23 315.12 | 6 992.01 | 73.88 | 30 233.25 | 11 110.02 | 118.25 | 1 806.59 | 12 798.36 | 17 434.89 | 12 205.10 |
| 5 Dies & Fixtures | 185.06 | 213.00 | - | 398.06 | 13.46 | (7.58) | 26.24 | 47.28 | 350.78 | 171.60 |
| 6 Railway Sidings | 0.45 | - | - | 0.45 | 0.43 | - | - | 0.43 | 0.02 | 0.02 |
| 7 Electrical Installations | 297.70 | 35.51 | - | 333.21 | 122.20 | - | 25.33 | 147.53 | 185.68 | 175.50 |
| 8 Factory Equipments | 367.88 | 91.09 | - | 458.97 | 131.57 | - | 72.75 | 204.32 | 254.65 | 236.31 |
| 9 Engineering Instruments | 0.09 | - | - | 0.09 | 0.09 | - | - | 0.09 | - | - |
| 10 Furniture & Fittings | 218.32 | 36.43 | 0.34 | 254.41 | 103.92 | (0.42) | 22.91 | 127.25 | 127.16 | 114.40 |
| 11 Office Equipments | 48.38 | 2.69 | - | 51.07 | 22.71 | - | 3.78 | 26.49 | 24.58 | 25.67 |
| 12 Vehicles & Aircraft | 2 129.40 | 176.97 | 27.73 | 2 278.64 | 245.07 | 17.18 | 146.90 | 374.79 | 1 903.85 | 1 884.33 |
| 13 Power Line | 7.14 | - | - | 7.14 | 7.14 | - | - | 7.14 | - | - |
| 14 Intangible Assets | 371.83 | 226.09 | 0.65 | 597.27 | 110.81 | (2.85) | 61.40 | 175.06 | 422.21 | 261.02 |
| 15 Software | 2.64 | 1.74 | - | 4.38 | 0.63 | (0.38) | 1.22 | 2.23 | 2.15 | 2.01 |
| 16 Other Equipments | 1 452.21 | 389.77 | 9.31 | 1 832.67 | 892.85 | 17.60 | 261.40 | 1 136.65 | 696.02 | 559.36 |
| Total | 30 988.88 | 9 394.79 | 112.92 | 40 270.75 | 13 227.91 | 149.98 | 2 516.50 | 15 594.43 | 24 676.32 | 17 760.97 |
| Previous Year's Total | 26 713.84 | 4 694.92 | 419.88 | 30 988.88 | 10 808.59 | (149.20) | 2 270.12 | 13 227.91 | 17 760.97 | |

## Schedule "F" Technical Know-how :

(Rs.in Million)

| | | As at 31st March, 2008 |
|---|---|---|
| **Acquired by the Company :** | | |
| As per last account | 4.18 | 6.26 |
| Less: Written off | 2.08 | 2.08 |
| Total | 2.10 | 4.18 |

## Schedule "G" Investments :

| | | As at 31st March, 2008 |
|---|---|---|
| Long Term: | | |
| In Joint Ventures | 0.30 | 0.28 |
| In Associates | 2.03 | 6.00 |
| In Mutual Fund Units | - | 2 982.08 |
| Total | 2.33 | 2 988.36 |

## Schedule "H" Current Assets, Loans and Advances :

| | | | | As at 31st March, 2008 |
|---|---|---|---|---|
| **a) Inventories, as valued and certified by the Managing Director :** | | | | |
| Stores, Spares and Loose Tools (at cost)* | | 921.05 | | 677.05 |
| Die Blocks & Die & Tool Steel (at cost) | | 525.86 | | 565.35 |
| Raw Materials & Components (at cost)* | | 1 645.77 | | 1 851.72 |
| Work-in-Progress (at lower of cost or realisable value) | | 2 560.08 | | 2 521.63 |
| Finished Goods (at lower of cost or selling price) | | 1 015.41 | | 513.72 |
| Dies (at cost, less amortisation) & Dies under fabrication* | | 1 231.67 | | 1 115.37 |
| Scrap (at estimated realisable value) | | 16.62 | | 26.19 |
| | | | 7 916.46 | 7 271.03 |
| **b) Sundry Debtors, Unsecured : (unless otherwise stated) (Net of Bills Discounted with Banks) :** | | | | |
| (i) Over six months : | | | | |
| Good | | 1 291.49 | | 815.39 |
| Doubtful | 113.24 | | | 17.59 |
| Less: Provision | 113.24 | | | 17.59 |
| | | - | | - |
| | | 1 291.49 | | 815.39 |
| (ii) Other | | | | |
| Good | | 4 021.60 | | 5 902.55 |
| Doubtful | 36.56 | | | 34.42 |
| Less: Provision | 36.56 | | | 34.42 |
| | | - | | - |
| | | 4 021.60 | | 5 902.55 |
| | | | 5 313.09 | 6 717.94 |
| carried over | | | 13 229.55 | 13 988.97 |

## Schedule "H" Current Assets, Loans and Advances (Contd.):

(Rs. in Million)

| | | | | | | As at 31st March, 2008 |
|---|---|---|---|---|---|---|
| | | | brought over | | 13 229.55 | 13 988.97 |
| c) | Cash and Bank Balances : | | | | | |
| | Cash on Hand | | | 0.94 | | 0.89 |
| | Bank Balances : | | | | | |
| | With Scheduled Banks : | | | | | |
| | In Cash Credit and Current Account | | 605.59 | | | 621.64 |
| | In Fixed Deposits | | 3 327.64 | | | 1 491.95 |
| | Interest funded on Cumulative Fixed Deposits | | 0.01 | | | 0.01 |
| | | | 3 933.24 | | | 2 113.60 |
| | With Other Banks Outside India : | | | | | |
| | In Current Account | | 277.37 | | | 407.46 |
| | In Fixed Deposits** | | 671.85 | | | 661.54 |
| | | | 949.22 | | | 1 069.00 |
| | | | | 4 882.46 | | 3 182.60 |
| | | | | | 4 883.40 | 3 183.49 |
| d) | Other Current Assets : | | | | | |
| | Interest receivable | | | 42.03 | | 67.53 |
| | Dividend from Mutual Fund receivable | | | - | | 0.89 |
| | Other Current Assets | | | 604.44 | | 390.70 |
| | Energy Credit receivable-Wind Mill | | | 2.52 | | 15.81 |
| | Certified Emission Reduction Units receivable | | | 4.33 | | 4.54 |
| | Export incentives receivable | | | 766.60 | | 775.94 |
| | | | | | 1 419.92 | 1 255.41 |
| e) | Loans and Advances, Unsecured, Good : | | | | | |
| | (Unless otherwise stated) | | | | | |
| | Loan to a Company | | | 309.09 | | 309.09 |
| | Advances recoverable in cash or in kind or for value to be received | | | | | |
| | Good | | 1 905.37 | | | 2 163.33 |
| | Doubtful Advances | 20.35 | | | | 20.35 |
| | Less:Provision | 20.35 | | | | 20.35 |
| | | | - | | | - |
| | | | | 1 905.37 | | 2 163.33 |
| | Expenditure to date on Projects pending adjustment on completion / conclusion | | | 210.24 | | 92.91 |
| | Security Deposit for Supply / Purchase of Power | | | 211.45 | | 211.28 |
| | Balances with Customs, Central Excise Departments etc. | | | 306.07 | | 280.35 |
| | MAT credit Available for Set off | | | 157.40 | | - |
| | Tax paid in advance | | | 2 683.95 | | 3 296.58 |
| | | | | | 5 783.57 | 6 353.54 |
| | | | Total | | 25 316.44 | 24 781.41 |

* Slow moving and obsolute Inventory is valued at Cost or Estimated Realisable Value whichever is lower.

** Fixed Deposits include Rs.66.38 Million (EUR 0.98 Million) earmarked to secure employees claims due to agreements for early retirement against insolvency.

## Schedule "I" Current Liabilities and Provisions :

(Rs.in Million)

| | | | | | As at 31st March, 2008 |
|---|---|---|---|---|---|
| (a) | LIABILITIES : | | | | |
| | Acceptances | | 1 414.97 | | 2 364.20 |
| | Sundry Creditors : | | | | |
| | Dues to Micro and Small Enterprises | 1.57 | | | 10.86 |
| | Dues to Other than Micro and Small Enterprises | 6 860.03 | | | 8 898.95 |
| | | | 6 861.60 | | 8 909.81 |
| | Advance against Orders | | 84.34 | | 19.98 |
| | Investors Education & Protection Fund, since deposited | | - | | 0.02 |
| | Unclaimed Redeemed Preference Share Capital | | 0.01 | | 0.01 |
| | Unclaimed Dividends | | 15.14 | | 12.97 |
| | Interest accrued but not due on loans | | 161.87 | | 53.58 |
| | | | | 8 537.93 | 11 360.57 |
| (b) | PROVISIONS : | | | | |
| | For Long Term Employee Benefits | | 940.11 | | 651.92 |
| | For Taxation | | 2 342.21 | | 3 301.35 |
| | For Proposed Dividend | | 222.65 | | 779.28 |
| | For Tax on Proposed Dividend | | 37.84 | | 132.44 |
| | | | | 3 542.81 | 4 864.99 |
| | | Total | | 12 080.74 | 16 225.56 |

## Schedule "I(i)" Miscellaneous Expenditure :
## (To the Extent Not Written off or Adjusted)

| | | | |
|---|---|---|---|
| Preliminary Expenses | | 0.05 | - |
| | Total | 0.05 | - |

## Schedule "J" Sales, Operating & Other Income :

| | | | | | Previous Year |
|---|---|---|---|---|---|
| (a) | Sales (Net of returns, rebates etc.) | | 44 942.38 | | 44 684.74 |
| | Job Work Receipts | | 146.08 | | 261.17 |
| | Sale of Manufacturing scrap | | 2 843.39 | | 2 394.14 |
| | | | | 47 931.85 | 47 340.05 |
| (b) | Operating Income : | | | | |
| | Export Incentives | | 630.02 | | 547.35 |
| | Die Design and Preparation Charges | | 376.49 | | 322.42 |
| | Sale of Certified Emission Reduction Units | | 4.34 | | 39.03 |
| | | | | 1 010.85 | 908.80 |
| (c) | Other Income : | | | | |
| | Income on assignment of Sales Tax benefit | | - | | 28.66 |
| | Dividend Income from Investment in Mutual Funds | | 217.02 | | 260.55 |
| | Profit on Sale of Non Trade, Current Investments | | 23.14 | | 2.06 |
| | Interest on Deposits etc. : | | | | |
| | (Gross, tax deducted Rs.13.54 Million, Previous year Rs.20.86 Million) | | 137.73 | | 320.71 |
| | Miscellaneous Receipts | | 146.53 | | 84.26 |
| | Profit from First Consolidation | | - | | 57.70 |
| | Gain Foreign Exchange Fluctuations, net | | - | | 211.15 |
| | Surplus on Sale of Assets | | 2.04 | | 3.63 |
| | Bad Debts recovered | | 0.30 | | 0.20 |
| | Provision Doubtful Debts and advances written back | - | | | 4.14 |
| | Less: Write backs on account of amounts written off during the year, as per contra | - | | | 4.14 |
| | | | - | | - |
| | Provisions no longer required | | 160.34 | | 24.01 |
| | | | | 687.10 | 992.93 |
| | | Total | | 49 629.80 | 49 241.78 |

## Schedule "K" Manufacturing and Other Expenses :

(Rs.in Million)

| | | | | | Previous Year |
|---|---|---|---|---|---|
| **(1) Materials:** | | | | | |
| Raw Materials & Components consumed | | | 23 896.11 | | 21 745.99 |
| Die Blocks, Die & Tools Steel Consumed | | | 998.47 | | 752.32 |
| Merchandise & Finished goods Purchased | | | 3.68 | | 84.62 |
| Excise Duty on year end Inventory : | | | | | |
| On Closing Stock | | 1.27 | | | 3.30 |
| Less : on Opening Stock | | 3.30 | | | 4.04 |
| | | | (2.03) | | (0.74) |
| (Increase) / Decrease in Stocks : | | | | | |
| Stocks at Close : | | | | | |
| Work-in-Progress | | 2 560.08 | | | 2 521.63 |
| Finished Goods | | 1 015.41 | | | 513.72 |
| Die Room Inventory | | 1 231.67 | | | 1 115.37 |
| Scrap | | 16.62 | | | 26.19 |
| | | 4 823.78 | | | 4 176.91 |
| Less: Stocks at Commencement : | | | | | |
| Work-in-Progress | | 2 521.63 | | | 1 983.97 |
| Finished Goods | | 513.72 | | | 566.83 |
| Die Room Inventory | 1 115.37 | | | | 1 054.38 |
| Less: Reclassified as Fixed Asset | 181.51 | | | | - |
| | | 933.86 | | | 1 054.38 |
| Scrap | | 26.19 | | | 28.53 |
| | | 3 995.40 | | | 3 633.71 |
| | | | (828.38) | | (543.20) |
| | | | | 24 067.85 | 22 038.99 |
| **2) Manufacturing Expenses :** | | | | | |
| Stores, Spares & Tools consumed | | | 1 754.35 | | 1 803.06 |
| Octroi duty | | | 12.76 | | 21.72 |
| Machining Charges | | | 1 408.52 | | 1 562.90 |
| Power, Fuel & Water | | 3 274.91 | | | 3 196.15 |
| Less: Credit for Energy Generated | | 43.74 | | | 31.92 |
| | | | 3 231.17 | | 3 164.23 |
| Other Manufacturing Expenses | | | 178.59 | | 60.92 |
| Building Repairs & Road Maintenance | | | 91.29 | | 54.15 |
| Machinery Repairs | | | 1 046.79 | | 1 075.17 |
| | | | | 7 723.47 | 7 742.15 |
| **(3) Payments to & Provisions for Employees :** | | | | | |
| Salaries, Wages, Bonus, Allowances etc. | | | 5 513.33 | | 5 337.09 |
| Contribution to Provident & Other Funds and Schemes | | | 158.13 | | 144.62 |
| Social Security Costs | | | 1 122.98 | | 990.44 |
| Welfare Expenses | | | 297.15 | | 308.20 |
| | | | | 7 091.59 | 6 780.35 |
| | | carried over | | 38 882.91 | 36 561.49 |

## Schedule "K" Manufacturing and Other Expenses (Contd.) :

(Rs. in Million)

| | | | | Previous Year |
|---|---|---|---|---|
| | brought over | | 38 882.91 | 36 561.49 |
| (4) **Other Expenses :** | | | | |
| Rent | | 172.30 | | 184.54 |
| Rates & Taxes | | 32.47 | | 34.61 |
| Insurance (Including Key Man Insurance) | | 101.58 | | 96.73 |
| Commission & Discount | | 136.12 | | 122.18 |
| Interest & Finance Charges : | | | | |
| Interest: | | | | |
| On Debentures, including Bonds | 99.71 | | | 23.25 |
| On Fixed Loans | 112.34 | | | 110.25 |
| Others | 752.46 | | | 831.65 |
| | 964.51 | | | 965.15 |
| Discounting charges | 326.85 | | | 304.23 |
| | | 1 291.36 | | 1 269.38 |
| Miscellaneous Expenses including Travelling expenses, Printing, Stationery, Postage, Telephones, Bank Charges etc. | | 1 770.69 | | 1 477.04 |
| Donations | | 2.57 | | 5.96 |
| Loss on Foreign Exchange Fluctuation | | 1 037.30 | | - |
| Freight Forwarding charges etc. | | 899.55 | | 971.20 |
| Royalty | | 7.73 | | 9.90 |
| Directors' Fees and Travelling Expenses | | 5.53 | | 1.12 |
| Managing and Whole Time Directors' Commission | | 39.00 | | 68.50 |
| Commission to Directors other than Managing and Whole Time Directors | | 4.00 | | 7.50 |
| Loss on assets sold, discarded & scrapped | | 3.52 | | 18.24 |
| Bad debts, irrecoverable advances and sundry balances written off | 38.00 | | | 43.62 |
| Less: Provision made in earlier years in respect of amounts written off during the year, adjusted as per contra | - | | | 4.14 |
| | | 38.00 | | 39.48 |
| Provision for doubtful debts and advances | | 97.79 | | 5.56 |
| Amount Written off against Technical Know-how | | 2.08 | | 2.08 |
| EVRS Compensation Written off : | | | | |
| i) Proportionate Deferrred Revenue Expenses | - | | | 2.34 |
| ii) Incurred during the year | 5.06 | | | 0.96 |
| | | 5.06 | | 3.30 |
| | | | 5 646.65 | 4 317.32 |
| | | | 44 529.56 | 40 878.81 |
| Less: Expenses capitalised | | | 25.16 | 131.21 |
| | Total | | 44 504.40 | 40 747.60 |
| **Schedule "K (a)" Depreciation and Amortisation :** | | | | |
| Depreciation* | | | 2 516.37 | 2 270.12 |
| Amount Written off against Lease hold Land | | | 0.95 | 0.43 |
| | Total | | 2 517.32 | 2 270.55 |

* Excludes Rs. 0.13 Million Consolidated as Pre-operative expenditure

## Schedule "L" Notes Forming Part of the Consolidated Financial Statements :

1 i) The consolidated financial statements include results of all the subsidiaries of Bharat Forge Limited and interalia their Subsidiaries and associates. The names, country of incorporation or residence, proportion of ownership interest and reporting dates are as under:

### Subsidiaries :

| Name of the Company | Country of Incorporation | Parent's ultimate holding as on 31st March, 2009 | Finacial year ends on |
|---|---|---|---|
| CDP Bharat Forge GmbH :- | Germany | 100% | 31/Dec/08 |
| and its wholly owned subsidiary | | | |
| i. Bharat Forge Holding GmbH | Germany | 100%* | 31/Dec/08 |
| and its wholly owned subsidiary | | | |
| - BF Aluminiumtechnik GmbH & Co KG. | Germany | 100%* | 31/Dec/08 |
| and its wholly owned subsidiary | | | |
| - BF Aluminiumtechnik Verwaltungs GmbH | Germany | 100%* | 31/Dec/08 |
| ii. Bharat Forge Beteiligungs GmbH | Germany | 100%* | 31/Dec/08 |
| and its wholly owned subsidiary | | | |
| a. Bharat Forge Kilsta AB Sweden | Sweden | 100%* | 31/Dec/08 |
| and its wholly owned subsidiary | | | |
| - Bharat Forge Scottish Stampings Ltd. | Scotland | 100%* | 31/Dec/08 |
| b. Bharat Forge Hong Kong Limited | Hong Kong | 100%* | 31/Dec/08 |
| and its Joint Venture Subsidiary | | | |
| - FAW Bharat Forge (Changchun) Company Ltd. | China | 52%* | 31/Dec/08 |
| iii. Bharat Forge Daun GmbH | Germany | 100%* | 31/Dec/08 |
| iv. BF New Technologies GmbH | Germany | 100%* | 31/Dec/08 |
| Bharat Forge America Inc. | U.S.A. | 100% | 31/Dec/08 |
| BF NTPC Energy Stystems Limited (Since June 19, 2008) | India | 51% | 31/Mar/09 |

* held through subsidiaries

### Associate :

| Name of the Company | Country of Incorporation | Parent's ultimate holding as on 31st March, 2009 | Financial year ends on |
|---|---|---|---|
| Tecnica UK Limited (shares held through subsidiary) | UK | 30% | 31/Dec/08 |

ii) CDP Bharat Forge GmbH has, through a 35% equity participation positioned itself to exercise significant influence over Talbahn GmbH, a Company which manages infrastructure facilities. Since there are no significant transactions and consequently the financial impact on the consolidated group financial statements being negligible, the same has not been consolidated.

iii) Consolidated Financial Statements include the results of BF NTPC Energy Stystems Limited, consoldiated for the first time since it has become subsidiary w.e.f. 19th June, 2008, though the effect of such consolidation is negligible.

iv) The Company considers Kalyani Carpenter Special Steels Ltd. (KCSSL) as it associate by virtue of its ability to exercise significant influence over the financial and operating policies and decisions of the KCSSL despite the Company not holding any part of the Equity Share Capital and hence would not have any financial implications in these consolidated Financial Statements.

2 The consolidated financial statements are prepared on the following basis:

i) Considering that Financial Statements of the Subsidiaries have been prepared under International Financial Reporting Standard (for CDP Bharat Forge GmbH and its subsidiaries) and under US GAAP (for Bharat Forge America Inc.), these Consolidated financial statements have been prepared substantially in the same format adopted by the parent to the extent possible, as required by the Accounting Standard AS 21 "Consolidated Financial Statements" issued by the Companies Accounting Standard Amendment Rules, 2006

ii) Operations of the subsidiaries are not considered as an integral part of the operations of the parent. Hence, all Monetary and Non Monetary Assets and Liabilities have been translated at the exchange rate prevailing at the close of the subsidiaries financial year (i.e. 31st December, 2008). Income and Expenditure have been translated at the daily average rate of exchange prevailing for the subsidiaries financial year. Translation losses and gains on the above are carried to "Foreign Currency Translation Reserve" for future adjustments. Foreign exchange rates so applied are adjusted for any subsequent material fluctuations as compared to rates prevailing on 31st March, 2009.

iii) The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book value of like items assets, liabilities, income and expenses after eliminating intra- group balances and intra-group transactions resulting in unrealized profits and losses. The excess or deficit of parent's portion of equity in subsidiary companies over its carrying cost on investments in subsidiary companies, if any, is treated as a capital reserve or goodwill, respectively.

## Schedule "L" Notes Forming Part of the Consolidated Financial Statements (Contd.) :

iv) In calendar year 2008, CDP Bharat Forge GmbH and its wholly owned subsidiaries (other than Bharat Forge Beteiligungs GmbH) has prepared their consolidated accounts under IFRS as against the past practise of preparing the same under German GAAP. Bharat Forge America Inc. has prepared their finanacial statements under US GAAP. No adjustments have been made to the financial statements of the subsidiaries on account of diverse accounting policies followed by them under respective GAAPs. However, the diverse accounting policies followed by the subsidiaries and changes from German GAAP to IFRS to the extent they would materially impact these consolidated financial statements have been detailed in Note 4 below.

v) The financial statements are prepared on the following basis:

The financial statements in respect of subsidiary companies other than BF NTPC Energy Systems Ltd. are drawn for the year ended 31st December, 2008, whereas the financial statements of the Company are drawn for the year ended 31st March, 2009. The effect of significant transactions and other events that occur between 1st January, 2009 and 31st March, 2009 are considered in the consolidated financial statements if it is of material nature. Material transactions with all subsidiaries taken together between the period 1st January, 2009 and 31st March, 2009 have been given effect on account of the inconsistent reporting periods, but which are eliminated in the consolidation, are as given below:

(Rs. in Million)

| Transaction | Amount |
|---|---|
| Investment in Subsidiary | 270.96 |

3 Notes of these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures. Practical considerations made it desirable to exclude Notes to Financial Statements, which in the opinion of the management, could be better viewed, when referred from the individual Financial Statements of Bharat Forge Ltd.

4 Significant Accounting Policies followed by Bharat Forge Limited are annexed to the independent Financial Statements. Due to inherent diversities in the legal and regulatory environment governing accounting principles, the accounting policies would be better understood when referred from the individual Financial Statements.

However, the following are instances of diverse accounting policies followed by the subsidiaries, which may materially vary with these consolidated financial statements.

a) *Dies : In respect of CDP Bharat Forge GmbH (CDP BF), Bharat Forge Kilsta AB (BFK), Bharat Forge Scottish Stampings Limited (BFSSL) and Bharat Forge America Inc (BFA)* Dies are considered as Fixed Assets and amortised by scheduled depreciation with reference to an assumed economic life as against the parents accounting policy to treat them as a Inventory under "Current Asset" and amortise the cost, as "Manufacturing Expenses" , on the basis of actual usage.

b) *FAW Bharat Forge (Changchun) company Ltd.* From this year, Moulds (dies) whose unit purchase value is above RMB 200 000 are considered as a part of fixed asset, to be depreciated over useful life of dies. Also dies of RMB 26 005 768 out of opening balance of inventory are transferred to fixed assets during the current year.

c) *Recognisation of Capital Reserve/ Goodwill :* The German Accounting Standard (DRS 4) requires, in case of acquisition of a Subsidiary, at the first instance, to recognise the Assets and Liabilities at Market value in the first year of consolidation and thereafter to recognise the excess or deficit of the parents portion in the equity in subsidiary companies over its carrying cost of investments in subsidiaries as a Reserve or Goodwill. Though this policy is consistant with IFRS adopted by CDP BF during the year, it is in contrast to the requirements of Accounting Standard 21 "Consolidated Financial Statements", which requires recognition of Assets and Liabilities, in similar circumstances, at their carrying costs. As a result fixed assets for Bharat Forge Aluminiumtechnik are higher by EUR 0.426 Million.

d) *Treatment of Capital Reserve (difference in capital consolidation account) :* The said German Accounting Standard (DRS 4) requires the capital reserve created on consolidation to be apportioned to income over the life of the assets. After adoption of IFRS during the current year, by CDP Bharat Forge GmbH and its subsidiaries (other than Bharat Forge Beteiligungs GmbH), the balance lying in 'Difference of Capital Consolidation' has been transferred to the General Reserve as against past practice of recognising part of such balance as 'other income' over life of such asset. However the net position of the Reserves and Surplus remains unchanged.

e) Employee Benefits Pension : In view of adoption of IFRS by CDP Bharat Forge GmbH and its subsidiaries (other than Bharat Forge Beteiligungs GmbH), the service cost / interest cost for pension are debited to Profit and Loss Account and actuarial gains and losses are charged to Reserves. The amount credited to the Reserves for year 2008 is EUR 14 531. This is in contrast to the practise followed by the parent where the difference between actuarial valuation is charged to Profit and Loss Account.

f) Impact on account of adoption of IFRS by CDP Bharat Forge GmbH and its subsidiaries (other than Bharat Forge Beteiligungs GmbH)

1)

| Particulars | Increase / (decrease) | | | |
|---|---|---|---|---|
| | For the year (EUR) | For earlier years * (EUR) | For the year (Rs. in Million) | For earlier years * (Rs. in Million) |
| Depreciation | 545 846 | (1 650 519) | 34.78 | (105.17) |
| Employee Benefits | (191 204) | 573 349 | (12.18) | 36.53 |
| Other items | (19 096) | (44 051) | (1.22) | (2.81) |
| Deferred taxes | (100 000) | 335 000 | (6.37) | 21.35 |
| Early retired employees | - | 308 881 | - | 19.68 |
| Impact on Profit and Loss (Increase) / Decrease | 235 546 | (477 340) | 15.01 | (30.42) |

* Disclosed as adjustment in respect of earlier year

## Schedule "L" Notes Forming Part of the Consolidated Financial Statements (Contd.) :

2) The balance in revaluation reserve for investments earmarked to secure employee claims (security investment) represents the provision for dimunition in of value of security investment amounting to EUR 359 282, which has been adjusted against the carrying cost of security investment (included in fixed deposits under Schedule H of the consolidated financial statements). These security investments are classified as 'available for sale'.

*Inventories : In respect of Bharat Forge America Inc.and Bharat Forge Kilsta AB, Sweden,* the cost of inventory is determined on the basis of first-in first out (FIFO) method in contrast to Bharat Forge Ltd. which determines on the basis of weighted average.

5 Exceptional item of expenditure includes :

a) Settlement of Customer claim amounting to Rs. 247.33 Million acknowledged by Bharat Forge Scottish Stampings Limited.

b) Cost of redundancies of Rs. 51.59 Million incurred by Bharat Forge Scottish Stampings Limited.

6 The subsidiaries have not reported any transactions with related parties, other than with the consolidated Group. Hence disclosures in this regard are fairly reflected in the Statement of Related Party Transactions annexed to Schedule "L" to the independent financial statements of Bharat Forge Ltd. and those made by the Joint Venture subsidiary FAW Bharat Forge (Changchun) Company Ltd. which are attached hereto.

7 Consolidated Contingent liability not provided for :

The subsidiaries have not reported any contingent liabilities which are not provided for and outstanding at the close of their financial year. Hence, the contingent liabilities not provided for in respect of the parent are representative of the consolidated group and can be directly viewed in Note 1 to the independent financial statements of the parent.

8 Consolidated Capital commitments to the extent not provided for, net of advances as at 31st March, 2009 Rs. 969.97 Million. (Previous year Rs. 2 236.96 Million)

9 Significant notes to financial statements of subsidiaries which provide a better understanding to these financial statements

A) **FAW Bharat Forge (Changchun) Company Limited :**

i) As per the joint venture contract entered into with China FAW group Corporation (minority shareholder) for establishment of FAW Bharat Forge (Changchun) company Ltd., the minority share holder injected net assets into joint venture Company. However, the legal title of the property and land amounting to RMB 34.026 Million has not been transferred in the name of joint venture Company.

As per the discussion with the management of the joint venture Company, the titles are in the process of being transferred.

ii) FAW Bharat Forge (Changchun) Company Ltd. owes the investor, China FAW Group Corporation, RMB 10 922 340 towards the rent payable for land use right.

B) **Bharat Forge America Inc (BFA) :**

The financial statements of BFA have been prepared with the assumption of continuation of the Company as a going concern. This is based on the fact that despite continued losses and an unprecedented downturn in the automotive sector in BFA's principal market, viz., North America, the Management of BFA believes that there is an opportunity for it to continue its operations as a going concern. To realize this opportunity, its management is working on an action plan that includes:

1. BFA has upgraded some of the legacy production lines with new, flexible, automated production lines that require less down time for the tool changes between products. This will allow BFA to reduce production costs through decreased setup times and increased automation. The flexibility of the machines to be reconfigured without significant costs will also allow BFA to service a larger number of contracts and customers.
2. As a continuing process, BFA is actively reviewing costs on a part-by-part basis and with this additional information, Management of BFA believes it will be able to better deploy resources to projects that will provide the greatest return. In addition, this will allow management of BFA to focus on parts and areas of the business that need additional restructuring.
3. Management of BFA is in the process of negotiating price increases with several customers.
4. BFA is making efforts to expand its sales base among a larger group of customers and into new segments of the parts market in an effort to maintain more stable profitability and production levels with less reliance on one single customer.
5. Significant investment has occurred to launch new products.
6. As a result of the continued investments in capital equipment, BFA has the capacity for growth and no additional capital expenditures would be required.

Further, the Management of BFA has carried out an impairment test on the assets of BFA as per US GAAP which were subjected to the audit procedures by their Auditors. As per the result of this test, there was no impairment in the value of its assets which was required to be recognized in the Profit and Loss Account.

C) **Bharat Forge Scottish Stampings Limited (BFSSL) :**

Basis of preparation :

The current turmoil in the European automotive market had its adverse impact on the financial performance of BFSSL, leading to consideration of various options by its parent companies, including its potential closure, during the consultation period initiated by BFSSL, which concludes on 3rd June, 2009. As the outcome of the review of BFSSL's business is unknown, there is a material uncertainty, which casts significant doubts on BFSSL's ability to continue as a going concern and, therefore, to continue to realize its assets and discharge its liabilities in the normal course of business. However, based on the support provided by its parent companies and implementation of various measures of cost reduction, the management believes that it will continue to operate as a going concern.

While Bharat Forge Limited's decision on the future of BFSSL remains in progress, on the basis of the indicated support the Directors consider it is appropriate to prepare the accounts on a going concern basis. As with any Company placing reliance on other group entities for financial support, the Directors of BFSSL acknowdge that there can be no certainty that this support will continue either during this time or thereafter should the business continue to operate although, at the date of approval of these financial statements, they have no reason to believe that it will not do so within the limits set out above.

Accordingly, the financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

As per our attached report of even date
For and on behalf of
DALAL & SHAH
*Chartered Accountants*

ANISH AMIN
*Partner*
Membership No. 40451
Pune : May 20, 2009

BEEJAL DESAI
*Company Secretary*

Pune : May 20, 2009

On behalf of the Board of Directors
B. N. KALYANI
*Chairman & Managing Director*

G. K. AGARWAL
*Deputy Managing Director*

## Disclosure of Transaction with Related Parties as required by the Accounting Standard - 18 :

| Name of Related Parties | Nature of Transaction | 2008-09 (Rs. in Miliion) Transaction Value | 2008-09 (Rs. in Miliion) Outstanding amounts Carried in Balance Sheet | 2007-08 (Rs. in Miliion) Transaction Value | 2007-08 (Rs. in Miliion) Outstanding amounts Carried in Balance Sheet |
|---|---|---|---|---|---|
| Axle Branch Company FAW Jiefang Automobile Co., Ltd | Forging Sales | - | - | 0.34 | 0.16 |
| Changchun FAW Automobile Parts Industrial Co., Ltd | Forging Sales | 0.41 | - | 0.52 | - |
| Changchun FAW Jiaxin Heat Treatment & Plating | Forging Sales | 8.59 | - | 48.45 | - |
| Technological Co., Ltd | Procurement of spare parts | - | 0.26 | 1.81 | 0.43 |
| Changchun FAW Equipment Technology | Forging Sales | 1.42 | 6.43 | 0.53 | 4.39 |
| Manufacturing Co., Ltd | Procurement of spare parts | 0.66 | - | - | - |
| | Maintenance | - | - | 0.05 | - |
| Changchun FAW Jianshe Industrial Co Ltd | Accounts Payable | - | 3.63 | - | 0.82 |
| | Spare Parts Sale | 0.01 | - | - | - |
| Changchun FAW Regeneration and Reuse Co., Ltd | Forging Sales | 126.30 | 0.22 | - | - |
| | Waste sales | - | - | 63.35 | 0.62 |
| | Procurement of spare parts | - | - | 3.09 | - |
| | Procurement of Labour Insurance Products | 0.01 | - | - | - |
| Changchun FAW Tool & Equipment Co. Ltd. | Forging & Waste Sales | 69.95 | - | - | - |
| | Procurement of Die | 126.33 | 67.20 | - | - |
| Changchun FAW Tooling Co., Ltd | Forging Sales | - | - | 11.35 | - |
| | Procurement of Mould | - | - | 77.79 | 25.96 |
| Changchun FAW-SIHUAN Automobile Co., Ltd. Wheel Company | Forging Sales | 1.46 | - | 4.27 | - |
| Changchun FAW Landi Automatic Engineering Co., Ltd. | Procurement of spare parts | 1.12 | - | - | - |
| Changchun Gear Factory of FAW CAR Co., Ltd | Forging Sales | 75.55 | 15.89 | 33.26 | 12.38 |
| China FAW Group Corporation ( FAW) | Other Payables | - | - | - | 207.49 |
| Die Manufacturing Co., Ltd of FAW | Waste sales | 0.25 | - | - | - |
| Drive shaft Branch Company of | Forging Sales | 308.27 | - | 144.68 | 0.98 |
| Fawer Automobile Part Co., Ltd | Labour Service | - | - | 0.19 | - |
| FAW Jiefang Automobile Co., Ltd(Procurement Division) | Forging Sales | 935.50 | - | 485.27 | - |
| | Procurement of section steel | 1 887.45 | 556.26 | 867.45 | 224.28 |
| FAW Jiefang Automobile Co., Ltd. Transmission Company | Forging Sales | 150.78 | 88.12 | - | - |
| FAW Yidun Gearbox Co., Ltd | Forging Sales | - | - | - | 2.56 |
| FAW Power Energy Branch Company | Procurement of Energy | 384.01 | 324.30 | 229.25 | 124.27 |
| | Forging Sales | - | - | 0.23 | - |
| | Spare Parts Sale | 0.11 | - | - | - |
| FAW School—run Industrial Company | Procurement of Services | - | 0.30 | - | 0.05 |
| FAW Volkswagen Automobile Co., Ltd | Forging Sales | - | 1.76 | 1.15 | - |
| FAW Import & Exports Corporation | Procurement of section steel | 84.71 | 64.54 | 0.04 | 0.04 |
| FAW Jiefang Gearbox Co., Ltd | Forging Sales | - | - | 25.78 | - |
| FAW Shangdong Refitted Automobile Factory | Account Receivable | - | 1.80 | - | 0.72 |
| FAW Special—Purpose Auto Co., Ltd | Forging Sales | 29.59 | 16.18 | 17.77 | 7.53 |
| FAW Foundry Co., Ltd. Foundry Model Tooling Plant | Forging & Waste Sales | 16.72 | - | - | - |
| | Procurement of Die & steel parts | 65.61 | 69.73 | - | - |
| Harbin Light—duty truck Factory of FAW | Forging Sales | 83.04 | 24.43 | 40.14 | 10.18 |
| | Indemnity | - | - | - | 0.02 |
| Inspection Center of FAW | Account Payable | - | 0.72 | - | 0.03 |
| Material Supply Station of Changchun FAW | Account Payable | - | 0.07 | - | 0.03 |
| No.1 Motor Vehicle Industry School-Run Company | Procurement of printing | 0.28 | - | - | - |
| Pumps Branch Company of Fawer Automobile Part Co., Ltd | Forging Sales | 2.74 | 0.85 | 2.46 | - |
| Qiming Information Technology Co., Ltd | Network Service | 1.09 | - | - | - |
| Shock Absorbers Branch Company of Fawer Automobile Part Co., Ltd | Forging Sales | 80.37 | 1.82 | 33.45 | 0.85 |
| Standard Components Branch Company of Fawer Automobile Part Co., Ltd | Procurement of section steel | 1.14 | - | 0.96 | 0.03 |
| Technical Center of FAW | Forging Sales | 23.58 | - | 2.14 | - |
| The Die Manufacturing Co., Ltd. of FAW | Forging Sales | - | - | 0.49 | 0.06 |
| The First Branch Company of Changchun FAW Automobile Parts Industrial Co., Ltd | Forging Sales | 0.05 | - | 0.14 | - |
| The Gongxing Cast Industrial Co., Ltd. of Changchun FAW | Forging & Waste Sales | 12.53 | - | 0.82 | - |
| | Spare Parts Sale | 0.02 | - | - | - |
| | Procurement of spare parts | 0.09 | - | - | - |
| | Procurement of Maintenance Services | - | 1.24 | 2.30 | 1.32 |
| The Gongxing Die Manufacturing Industrial Co., | Procurement of Mould / Die | 2.21 | 2.37 | 0.71 | 0.34 |
| Ltd. of Changchun FAW | Maintenance | - | - | 0.20 | - |
| Work Meal Center of Changchung FAW | Procurement of Work Meal | 8.66 | 8.62 | 5.80 | 3.53 |
| The Mould and Tooling Factory of FAW Casting Co., Ltd | Forging Sales | - | - | 1.82 | - |
| Wuxi Diesel Oil Branch Company of | Procurement of Mould | - | - | 20.68 | 4.73 |
| FAW Jiefang Automobile Co Ltd | Advances | - | - | - | 3.25 |

## Annexure referred to in Note No.27 of Notes forming part of the Financial Statements
## Segment Reporting as required by Accounting Standard-17 :

(Rs.in Million)

| Sr. No. | Particulars | Year ended 31st March, 2009 | Year ended 31st March, 2008 |
|---|---|---|---|
| 1 | Segment Revenue : | | |
| | a Forgings | 47 676.10 | 46 436.72 |
| | b Gen.Engg.Trading etc. | 116.80 | 73.96 |
| | Total | 47 792.90 | 46 510.68 |
| | Less: Inter Segment Revenue- at cost | 56.83 | 26.94 |
| | Net Sales/Income from Operations | 47 736.07 | 46 483.74 |
| 2 | Segment Results : | | |
| | Profit/(Loss) (before tax and interest from each segment) | | |
| | a Forgings | 5 597.00 | 6 876.54 |
| | b Gen.Engg.Trading etc. | 25.40 | 15.13 |
| | Total | 5 622.40 | 6 891.67 |
| | Less: | | |
| | 1 Interest | 1 291.36 | 1 269.38 |
| | 2 Other un-allocable expenditure net of un-allocable income | 2 925.29 | 1 124.74 |
| | Total Profit Before Tax & Exceptional Items | 1 405.75 | 4 497.55 |
| | Exceptional items | | |
| | - Customer claim and Manpower Redundancy cost | (298.92) | - |
| | Profit before Tax | 1 106.83 | 4 497.55 |
| 3 | Total carrying amount of segment assets : | | |
| | a Forgings | 42 029.83 | 39 229.38 |
| | b Gen.Engg.Trading etc. | 199.49 | 118.87 |
| | c Unallocable : | | |
| | - unutilised Funds raised during the year | 3 383.26 | 4 530.87 |
| | - others | 7 608.10 | 7 501.93 |
| | Total | 53 220.68 | 51 381.05 |
| 4 | Total amount of segment liabilities : | | |
| | a Forgings | 8 261.29 | 12 049.43 |
| | b Gen.Engg.Trading etc. | 15.35 | 10.27 |
| | c Unallocable | 3 804.05 | 4 165.86 |
| | Total | 12 080.69 | 16 225.56 |
| 5 | Capital Employed (Segment assets - Segment Liabilities) : | | |
| | a Forgings | 33 768.54 | 27 179.95 |
| | b Gen.Engg.Trading etc. | 184.14 | 108.60 |
| | c Unallocable : | | |
| | - unutilised Fund temporarily deployed | 3 383.26 | 4 530.87 |
| | - others | 3 804.05 | 3 336.07 |
| | Total | 41 139.99 | 35 155.49 |
| 6 | Total cost incurred during the year to acquire segment assets that are expected to be used during more than one period : | | |
| | a Forgings | 8 560.40 | 2 139.99 |
| | b Gen.Engg.Trading etc. | 0.70 | 0.68 |
| | c Unallocable | 833.69 | 2 554.25 |
| | Total | 9 394.79 | 4 694.92 |
| 7 | Depreciation : | | |
| | a Forgings | 2 017.20 | 1 897.41 |
| | b Gen.Engg.Trading etc. | 1.69 | 1.53 |
| | c Unallocable | 498.43 | 371.61 |
| | Total | 2 517.32 | 2 270.55 |
| 8 | Secondary information in respect of Geographical segment on the basis of location of customers : | | |
| | a Within India | 10 561.37 | 12 354.97 |
| | b Outside India | 37 179.00 | 34 167.80 |

The Company has identified its business segments as its primary reporting format which comprises of Forgings and General Engineering. The main segment is Forgings. All products made by the Company essentially emanate from forgings and therefore it is reported as an independent business segment. General Engineering is a fabrication unit which constitutes a miniscule portion of the Company's activities.

Above consolidated results for the year includes the result of subsidiary companies viz. CDP Bharat Forge GmbH, Germany, Bharat Forge America Inc., U.S.A. and BF NTPC Energy Systems Ltd., India.

## Annex - 1
## Summarised Statement of Financials of Subsidiary Companies pursuant to approval u/s 212 (8) of the Companies Act, 1956 :

(Rs. in Million)

| Sr. . No | Name of the Subsidiary | Capital | Reserves | Total Assets | Total Liabilities | Details of Investments | Turnover | Profit Before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CDP Bharat Forge GmbH, Germany | 337.20 | 4 547.28 | 7 072.57 | 2 188.09 | 0.30 | 10 175.64 | 123.04 | 30.90 | 92.14 | - |
| 2 | Bharat Forge Holding GmbH, Germany | 1.69 | 18.94 | 291.19 | 270.56 | - | 36.13 | 32.92 | 44.57 | (11.65) | - |
| 3 | Bharat Forge Aluminiumtechnik Gmbh & Co. KG, Germany | 93.45 | 323.78 | 977.46 | 560.23 | - | 2 669.24 | 181.02 | 36.03 | 144.99 | - |
| 4 | Bharat Forge Aluminiumtechnik Verwaltungs Gmbh & Co. KG, Germany | 1.72 | 2.00 | 3.75 | 0.03 | - | 0.36 | 0.34 | - | 0.34 | - |
| 5 | Bharat Forge America Inc., U.S.A. | - | 35.92 | 1 091.75 | 1 055.83 | - | 1 660.39 | (264.33) | - | (264.33) | - |
| 6 | Bharat Forge Beteiligungs GmbH, Germany | 1.69 | 2 547.96 | 3 159.35 | 609.70 | 9.98 | 38.23 | (26.27) | - | (26.27) | - |
| 7 | Bharat Forge Kilsta AB, Sweden* | 123.00 | 1 411.81 | 3 958.05 | 2 423.24 | - | 7 046.47 | (300.66) | 35.64 | (336.30) | - |
| 8 | Bharat Forge Scottish Stampings Ltd., Scotland | 217.47 | (409.93) | 1 335.05 | 1 527.51 | - | 2 565.64 | (426.03) | (2.89) | (423.14) | - |
| 9 | Bharat Forge Hong Kong Ltd., Hong Kong | 1 587.53 | (138.76) | 1 449.93 | 1.16 | - | 0.15 | (6.36) | - | (6.36) | - |
| 10 | FAW Bharat Forge (Changchun) Company Limited, China** | 3 037.57 | (898.92) | 5 551.36 | 3 412.71 | - | 3 377.35 | (347.44) | - | (347.44) | - |
| 11 | Bharat Forge Daun GmbH, Germany | 3.37 | 238.55 | 516.65 | 274.73 | - | 1 148.18 | 42.24 | 10.38 | 31.86 | - |
| 12 | BF New Technologies GmbH, Germany | 1.69 | 104.53 | 186.20 | 79.98 | - | - | (99.44) | - | (99.44) | - |
| 13 | BF NTPC Energy Systems Ltd., India** | 1.00 | - | 1.00 | - | - | - | - | - | - | - |

Note: The above information has been drawn up to co-relate with the Consolidated Financial Statements.

* Profit before tax includes provision made towards investment made and loan extended to 100% Subsidiary viz. Bharat Forge Scottish Stampings Ltd., which gets eliminated in the consolidated financial statements of Bharat Forge Kilsta AB.

**Figures are as per Financial Statements & represent 100% of the Company's Financials before Minority Interest.

KALYANI

BHARAT FORGE

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