



HINDUJA FOUNDRIES LIMITED



Annual Report 2012 - 13



HINDUJA GROUP



HINDUJA FOUNDRIES

A tradition of leadership

One of the earliest jobbing foundries established in independent India, Hinduja Foundries (formerly Ennore Foundries) has been partnering the Indian auto industry during the past five decades of growth.

Being the largest producer of cylinder blocks and heads in the country and becoming specialists in the manufacture of high-end castings, Hinduja Foundries has led with trendsetting steps in design, development and production by introducing advanced engineering tools for development and high level automation for reliability and repeatability.

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B Swaminathan

Managing Director

Dear Shareholder,

It gives me great pleasure to communicate with you after my last year's message. The year 2012-13 comprising 6 months ending March 31, 2013 has been a period of unmitigated challenges for the Company. Performance of the Company during this period has been affected severely by the steep market drop and the resultant lower sales and production volumes across all the three units. The profitability of the Company has been impacted adversely due to this depressed market situation.

Global Outlook

The forecast provided in the last annual report has proved to be right, though undesirably. The year 2012 drew to a close with the global outlook being one of cautious gloom with very limited prospects for a smart recovery. Year 2013, so far has been flat with no growth prospects in sight. Global growth remains historically low for the second year running, with slowdown in economic activity in emerging economies as well as advanced nations. Austerity measures have either failed or did not find favour

with nations in need of them. It unfortunately validates the fear that the global economy is beset with problems of weak and sluggish recovery, high unemployment and lack of governance.

Global inflation continues to rise over the last year in all segments.

The Indian Economy

During 2012-13, the Indian economy slowed down substantially. Overall GDP growth rate has dropped from 5.8% to 4.9%.

This slowdown continued throughout the fiscal 2012-13. In fact, India has seen the sharpest downgrade among global markets, with 2013-14 GDP growth projections being shown at 4.7% in just 3 months from the original projection of 6%. India's growth estimates are less than average growth estimates of emerging economies. The Indian economy is saddled with problems of unmitigated Current Account Deficit, high inflation, slow growth and falling rupee value.

The Auto Sector

The Indian Auto Sector has witnessed a significant softening owing to weak economic factors, accelerated by worsening rupee, high crude oil prices and very slow progress in infrastructure projects. India is a multi-billion dollar market for automobiles, accessories and components. Apart from being the largest manufacturer of two-wheelers and the fifth largest commercial vehicles manufacturer in the world, India is also the fourth biggest passenger car market in Asia.

India, which had aimed to become the sixth largest passenger vehicle producer globally touching a volume of 5 million cars per annum by 2015, now appears to be a little away from this ambitious target. India has sold 3 million Passenger Vehicles in 2012-13 and 490,000 Tractors (domestic) in 2012-13. Such decreasing volumes have resulted in huge unutilized capacities putting a severe strain on margins.

Although the long term prospects for the sector still appear to be robust, currently, the sector is facing strong headwinds.

In the backdrop of rising commodity prices and interest rates not coming down, growth continues

Message from the Managing Director

to elude the market in 2013-14. This phenomenon appears to extend the undesirable part of the cyclicity exhibited by this sector.

In the backdrop of this definite economic slowdown, demand for key end-user sectors and OEMs have dropped substantially in 2012-13. The market for medium and heavy commercial vehicles dropped by 23% in 2012-13 and continues to remain depressed in the first half of FY 2013-14. The prognosis for the rest of the fiscal continues to be bearish. Market for Light Commercial Vehicles has for the first time dropped marginally, primarily in the 2 - 3.5T GVW segment. Market for construction equipment has faced a severe drop of nearly 40% in 2012-13. Tractor market slowed down by 10%, while passenger car sales dropped by 4%. 2013-14 bears a dim and flat outlook with the levels of contraction expected to persist for the rest of the year.

Foundry capacity appears to be in excess of the current market requirement.

The Foundry Scene & Hinduja Foundries

India has nearly 4600 foundry units, 90% of them in SME sector. The industry is making a contribution of Rs.7200 per ton produced to the National exchequer by way of Excise and other levies. Sector exports was lower at US\$ 180 Million in 2012-13. In India, approximately 70% of the total production is from Grey Iron and Hinduja Foundries mainly operates in this segment. In the niche segment of cylinder blocks and heads, your Company continues to be the largest casting manufacturer in India.

Hinduja Foundries has a cherished history being one of the earliest grey iron foundries in India and has

continued to be a key player in this segment. With an order book of nearly 112,000 MTs for FY 2014, mostly from marquee customers from India and abroad, your Company is well set to achieve cash break even by end of March 2014. The year gone-by was consistently beleaguered by many challenges in the form of quality concerns, high power cost owing to power cuts and power holidays in both Andhra Pradesh and Tamil Nadu and market slump affecting the top line.

Hinduja Foundries achieved a gross production of 42100 MT in the six month period October 2012 to March 2013 in comparison to gross production of 47502 MT during the previous six months period of April to September 2012. Sales during the period October 2012 to March 2013 was at 40052 MTs. The loss of business in commercial vehicle segment on account of adverse market conditions was partly made up by increased business with Tractor manufacturers.

The Company's performance in 2012-13 was mainly affected due to market slow down. Though your Company recorded reasonable output and sales under the given circumstances, it could not brave all the challenges of material and power costs.

It is expected that benefits of Mission New Leaf initiative launched with the involvement of a firm of global consultants will accrue to the Company once volumes pick up.

I would like to thank you for the continued support and belief in the growth and success of your Company.

Chennai
June 28, 2013.

General Information

Board of Directors

R Seshasayee Chairman
D G Hinduja Co-Chairman
(Alternate : Y M Kale)
D J Balaji Rao
Jean Brunol
Jorma Antero Halonen (Upto July 07, 2013)
S Ragothaman
F Sahami
Sridhar Venkiteswaran
B Swaminathan Managing Director (Upto July 17, 2013)
G R V Rajan Managing Director & CEO (From July, 17, 2013)

Chief Financial Officer

K R Ravishankar

Company Secretary

Govind M Joshi

Bankers

Bank of Baroda
Canara Bank
DBS Bank Limited
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
Karur Vysya Bank Limited
Standard Chartered Bank
State Bank of India
State Bank of Travancore
Union Bank of India
Yes Bank

Auditors

BSR and Company
10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034

Registered Office

Kathivakkam High Road
Ennore, Chennai 600 057

Corporate Office

477-482, Anna Salai, Khivraj Complex II
7th Floor, Nandanam, Chennai - 600 035

Plant Locations

Ennore, Chennai 600 057

Ductron Casting Unit
IDA, Uppal, Hyderabad 500 039

Plot K - 2, SIPCOT Industrial Estate
Arneri Village, Sriperumbudur 602 105

Five Year Review

(Rs. Lakhs)

Particulars	2012-13 (6 Months)	2011-12 (18 Months)	2010-11	2009-10	2008-09
Income and Dividend					
Sales/Operating Income	30422	102936	55116	39154	36313
Other Income	371	742	668	992	546
Total Income	30793	103678	55783	40146	36859
Operating Profit / (Loss)	(3867)	(13388)	6688	5853	3012
Profit/Loss(-) Before Tax	(9908)	(30138)	845	65	(1859)
Profit/Loss(-) After Tax	(10378)	(29134)	748	35	(1198)
Dividend including Tax	-	-	-	-	-
Assets Employed					
Net Fixed Assets @ \$	72453	71110	65282	59723	55003
Net Current Assets	15282	14316	33297	20829	17458
Other Assets/Expenditure not written off	578	428	334	21	149
Total	88313	85854	98913	80573	72610
Financed by					
Net Worth	30732	18518	40852	35132	35142
Borrowed Funds	57580	67336	57057	44534	36591
Deferred Tax Liability	-	-	1004	907	877
Total	88313	85854	98913	80573	72610
General					
Sales Units - Tonnes	37359	130750	73170	57701	49130
Earnings Per Share	(39.13)	(102.21)	2.09	(0.48)	(7.30)
Book Value Per Share	(7.00)	55.42	133.49	176.41	175.78
@ includes addition on Revaluation of Fixed Assets	18857	18863	18885	18900	18926
\$ includes Investments	1204	1204	1204	3	-

Report of the Directors

To

THE MEMBERS:

Your Directors present the Fifty Third Annual Report together with the audited accounts of your Company for the year ended (6 months) March 31, 2013.

FINANCIAL RESULTS

(Rs. In Lakhs)

PARTICULARS	2012-13 (6 Months)	2011-12 (18 Months)
Profit / (Loss) before Depreciation and Taxation	(7874.84)	(24972.12)
Less : Depreciation	2033.07	5166.02
Less: Provision for Taxation	470.45	(1004.19)
Profit / (Loss) after Taxation	(10378.36)	(29133.95)
Add : Balance brought forward from previous year	(28340.87)	793.08
Balance carried to Balance Sheet	(38719.23)	(28340.87)
Basic and Diluted Earnings Per Share of face value of Rs. 10/- each. (in Rs.)	(39.13)	(102.21)

DIVIDEND

In view of loss for the period under review, your Directors regret their inability to recommend any dividend for the year.

BUSINESS OPERATIONS

The Company's Sales Revenue for the six months period 1st October 2012 to 31st March, 2013 was Rs. 30422 Lakhs and the loss incurred during the same period was Rs. 9,908 Lakhs. The corresponding Sales Revenue and Loss figures of the previous year comprising of 18 months period from 1st April 2011 to 30th September 2012 was Rs. 102936 Lakhs and Rs. 30138 Lakhs respectively.

Total Net Sales of Ferrous and Non Ferrous Castings at 37359 MT were proportionately lower in the current accounting period as compared to 130750 MT in the previous accounting period. Gross production of Ferrous and Non Ferrous Castings at 42100 MT was proportionately lower in the current accounting period as compared to 157408 MT in the previous accounting period.

In the period under review, the Company consolidated its position as a principal supplier

of castings to various Original Equipment Manufacturers (OEMs) namely Tata Cummins, Renault, New Holland, John Deere etc., meeting their exacting standards of quality and delivery schedules. Necessary infrastructure and tooling have been put in place and technical knowhow has been developed to become supplier of choice to all major OEMs in the Commercial Vehicle, Passenger Vehicle, Tractors and Construction Equipment segments. The company is well poised to take advantage of opportunities that will arise on revival of the market.

The Company continued to face numerous challenges due to negative growth of the OEM market, uncertain power scenario, and sharp increase in raw material and power prices which were not adequately compensated by the customers. Sriperumbudur Unit (SPU) Ramp-up is proceeding at a rapid pace with debottlenecking of capacity constraints and stabilization of production processes.

TECHNOLOGY UPGRADATION/MODERNIZATION

The Company has invested substantially in energy efficient technologies and has implemented various processes which minimize waste. Commissioning of various equipment such as Maus Fetting Machine, Vent Drilling Machine and the improved material handling of cores has resulted in reduction of wastage, improved productivity and fewer breakages.

Capacity was added in the machine shop to handle more castings in finished form thereby increasing value addition and becoming a more preferred supplier of castings as the OEMs get ready to assemble components.

The particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 to the extent applicable are furnished in Annexure A to this report.

PUBLIC DEPOSITS

The Company has not accepted any fixed deposits from public within the meaning of Section 58 A of the Companies Act, 1956 during the year under review. However, the amount of matured and unclaimed deposits & unclaimed interest on fixed

Report of the Directors

deposits as of March 31, 2013 was Rs. 0.02 lakhs & Rs.0.52 lakhs respectively.

ALIGNMENT OF FINANCIAL YEAR 2012 – 13

The previous financial year 2011-12 comprised of 18 months period ended September 30, 2012. With a view to adopt uniform accounting year i.e. from April to March, the Board of Directors at their meeting held on February 27, 2013, has aligned the current financial year 2012-13 to end on March 31, 2013 (6 months) and accordingly, the Accounts for the Financial Year 2012 – 13 has been prepared for a period of six months from October 1, 2012 to March 31, 2013.

The accounting period for the next financial year (i.e. 2013-14) would be for a period of 12 months commencing from April 01, 2013 to March 31, 2014.

CORPORATE GOVERNANCE

Your Company has been practicing the principles of good corporate governance over the years and lays strong emphasis on transparency, accountability and integrity in spirit and not just the letter of law. The Company is fully compliant with the Corporate Governance stipulations as laid down in Clause 49 of the Listing Agreement. All the Directors (and also the members of the Senior Management of the rank General Managers and above) have confirmed in writing their compliance with and adherence to the Code of Conduct adopted by the Company.

Many of the Corporate Governance Voluntary Guidelines 2009, issued by the Ministry of Corporate Affairs are being followed by the Company. A detailed Report on Corporate Governance together with Certification of the Managing Director and the Chief Financial Officer is furnished in Annexure – B. The certification of the Managing Director, on the adherence to the Code of Conduct, specified in said clause is provided separately.

The Statutory Auditors of the Company have examined the contents of the Corporate Governance with reference to Clause 49 of the Listing Agreement and have certified the compliance as required under the SEBI guidelines. The Certificate of the Statutory Auditors on Company's compliance with the

Corporate Governance requirements is attached in Annexure – C. The Management Discussion and Analysis Report is attached in Annexure – D.

As required under Section 217(2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is furnished in Annexure – E to this Report.

Related party disclosures / transactions are detailed in Notes forming part of the Accounts.

CHANGES IN CAPITAL STRUCTURE

During the year under review, the Company allotted 2,25,00,000, 9% Redeemable, Non-Convertible, Cumulative Preference Shares of Rs.100/- each of an aggregate nominal amount of Rs. 225 Crores to Ashok Leyland Limited. With the above allotment, the total Preference Share Capital of the Company increased to Rs. 321.67 Crores as at March 31, 2013 (Previous Year Rs. 96.67 Crores). There was no change in paid-up equity share capital of the Company.

REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

During the year under review, the Company obtained the approval of the shareholders through Postal Ballot process pursuant to section 192 A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2011 in compliance with Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 which obligates a company to report the fact of potential sickness to BIFR within 60 days of adoption of audited financial results and a resolution from the shareholders of the company, when the accumulated losses of a company as at the end of any financial year have resulted in erosion of fifty per cent or more of its peak net worth during the immediately preceding four financial years.

While Hinduja Foundries is not a sick company, the above reference to BIFR was made only as a matter of statutory compliance and has no other implications. The operational recovery of the Company and the commitment of the promoters to support the Company in line with the committed plans, remain intact.

DIRECTORS

In terms of Article 106 of the Articles of Association of the Company, Mr. R Seshasayee, Mr. D.G. Hinduja and Mr. Sridhar Venkiteswaran, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment. The brief resume of these Directors and other information have been detailed in the notice convening the AGM of the Company. Necessary resolutions are being placed before the shareholders for approval. The Board recommends their re-appointment.

Mr. B. Swaminathan, whose contract of employment expired on April 30, 2013 was re-appointed by the Board as the Managing Director for a further period of one year w.e.f. May 01, 2013. Subsequently, Mr. B. Swaminathan resigned from his position of Managing Director w.e.f. the close of business hours of July 17, 2013. Mr. Jorma Antero Halonen resigned as an Independent Director effective from July 07, 2013. The Board places on record their warm appreciation and gratitude for the valuable contribution made by Mr. B. Swaminathan and Mr. Jorma Antero Halonen during their association with the Company.

In terms of Article 101 of the Articles of Association and Section 260 of the Companies Act, 1956, Mr. G.R.V. Rajan was appointed as an Additional Director in the first stance and as Managing Director (Designate) and CEO effective June 24, 2013. Based on the recommendations of the Remuneration Committee and approved by the Board, he was appointed as Managing Director and CEO effective July 17, 2013. The necessary resolution proposing his appointment and the remuneration payable to him is placed before the shareholders for approval. The Board recommends his appointment.

COST AUDITORS

Pursuant to the Industry vide Order No. 52/26/CAB/2010 dated 30.06.2011 issued by Ministry of Corporate Affairs, Cost Audit Branch, the Company, after obtaining due approval from the Central Government, has appointed M/s. GEEYES & CO;

(Firm Registration Number 00044) as Cost Auditors for the audit of Cost Accounts (relevant to "Steel" Industry covering Chapter Heading 72 and 73 of Central Excise Tariff Act, 1985) in compliance with The Companies (Cost Audit Report) Rules 2011 and The Companies (Cost Accounting Record Rules) 2011 for the financial year ended September 30, 2012 (18 months). The Cost Audit Reports for the financial year ended September 30, 2012 were duly filed with the MCA on June 10, 2013 (due date March 31, 2013).

The Board of Directors, subject to the approval of the Central Government, appointed M/s. GEEYES & CO as Cost Auditors for conducting Cost Audit for the financial year 2012-13 (6 months). The Audit Committee of the Directors recommended their appointment subject to the compliance of all the requirements as stipulated in Circular No. 15/2011 dated 11.04.2011 issued by the MCA. The Central Government has also accorded its approval for the appointment.

SECRETARIAL AUDIT

As directed by Securities and Exchange Board of India (SEBI), a qualified Practicing Company Secretary carries out a Share Capital Audit on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. The findings of the secretarial audit were entirely satisfactory. Further to the above, the Company has complied with all the provisions of listing agreement in the current year under review.

STATUTORY AUDITORS

M/s. B S R and Company, Chartered Accountants, Chennai, retire at the close of the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment

Report of the Directors

would be in conformity with the provisions of Section 224(IB) of the Companies Act, 1956. The Company's Statutory Auditors have also furnished us with a certificate from the Peer Review Board of the ICAI that they have undergone the process of peer review.

The Audit Committee of the Board has recommended their re-appointment for the FY 2013-14. The necessary resolution is placed before the shareholders for approval. The Board recommends their re-appointment.

PERSONNEL

The Company continues to enjoy cordial relationship with its employees at all levels. The details of employee(s) as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended are furnished in Annexure – F.

FORWARD LOOKING STATEMENTS

This Report together with the annexures contains forward looking statements that involve risks and uncertainties. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "will", and other similar expressions as they relate to the Company and/or its business are intended to identify such forward looking statements. Neither the Company nor the Directors undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of any new information, future events, or otherwise.

We cannot, of course, guarantee that these forward looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

ACKNOWLEDGEMENT

The Directors wish to acknowledge and place on record their appreciation of the valuable advice and support received from Hinduja Automotive Ltd., UK (formerly LRLIH Limited) and Ashok Leyland Limited.

The Directors wish to express their gratitude to the Government of India, Government of Tamil Nadu, Government of Andhra Pradesh and other Government agencies. They also thank the Company's Bankers, Shareholders, Customers and Suppliers and all the employees for their continued support.

By Order of the Board

Chennai
July 17, 2013

R.Seshasayee
Chairman

Annexure A to the Directors' Report

Information under 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, 2013 (6 months).

A) CONSERVATION OF ENERGY

Energy Conservation measures taken:

Energy Conservation is an ongoing process in our organization. Continuous monitoring, planning, development and modifications for energy conservation are done at the unit levels. These effective measures have contributed to maintain the energy cost within the desired levels. Wherever possible, the Company is taking effective measures for economizing on fuel and power.

Some of the more significant projects implemented on a continuous basis across all the manufacturing plants are:

- a) Regular energy audits for optimizing the utilization of energy.
- b) Re-engineering the manufacturing flow to avoid idle movements and excess time.
- c) Process standardization carried out to reduce core wastes and thereby reducing power usage per unit of production.
- d) Utilization of High Speed Diesel for improving fuel efficiency and savings in diesel cost.
- e) Installation of energy management system in the induction furnaces and auto pour facility to ensure optimum power consumption.
- f) Study is also done for improving the in-mold cooling of castings and avoiding conventional heat treatment of the castings.
- g) Effective measures for utilization and conservation of other non-conventional energy resources like wind power, gas power etc. are in line with the emerging environmental needs.

B) TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D is carried out by the Company:

The Company has established R & D Centre and is engaged in indigenization and horizontal deployment of technologies either acquired or mutually developed with associates.

The Company's R & D is engaged in several areas as outlined below:

- a) Design and development of new technology products like successful development of indigenous technology compacted graphite iron for cylinder blocks and heads.
- b) Design, quality and feature enhancements through technology migration by successful development of 4 valve cylinder heads.
- c) Deployment of technologies in processes to complement innovative design solutions for growth and for market requirements.
- d) Value engineering and cost effective alternatives development for competitive advantage and efforts are also being taken to innovate new designs in castings including weight optimization.

2. Benefits derived as a result of the above R & D:

- a) Meeting the customers demand and targets on quality, cost and delivery of new products and its variants.
- b) Substitute for imports and development of products with validated Intellectual Property Rights (IPR) and regulations through benchmark studies.

- c) Identifying and implementing emerging technologies and production processes and their deployment horizontally in applicable products.
- d) Improved dimensional accuracy and production of higher quality and better surface finish castings in a lesser span of time for development.

3. Future plan of action:

- a) Development of technology for avoiding of age-cracking of alloy steel castings.
- b) Development of technology to avoid / reduce surface decarburization during heat treatment of Steel.
- c) Deploy value engineering solutions across product range for cost reduction, quality enhancement and competitiveness through waste elimination.
- d) Adoption of collaborative product design and development processes with customers and suppliers for enhanced competitiveness in cost and quality.

4. Expenditure on R & D: (Rs. in Lakhs)

a. Capital	:	12.54
b. Recurring	:	366.97
c. Total	:	379.51
d. Total R & D expenditure: as a percentage of total turnover		1.25%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

- a) Development of aluminium cylinder heads for diesel engines from LPDC to GDC.
- b) Extensive utilization of compacted graphite in machining of cylinder blocks and heads.

- c) Installation of automatic sand mixer to reduce energy requirements for hot metal holding.
- d) Installation of Auto pour facility.
- e) Well defined systems and programs for product , process and material developments.

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

- a) The Company is keeping abreast of contemporary technologies in the foundry industry and is in a position to manufacture castings to meet high expectations of customers.
- b) Product improvement and import substitution are also in store as a result of the above efforts.
- c) Cost reduction in an inflationary environment.

3. Other information:

a) Technology imported

Appropriate prototype technology for development of commercial vehicle blocks and heads has been imported.

b) Has technology been fully absorbed, if not fully absorbed, areas where this has not taken place, reasons therefor and future course of action:

Technology so acquired has been used in relation to the product for which it is intended. As a further step, utilizing the same in the other related areas is contemplated.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of earnings and outgo of foreign exchange are given in notes forming part of financial statements. The Company continues to strive to improve the export earnings.

Annexure B to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Hinduja Foundries Limited (HFL) has always believed in and followed best business practices and has been compliant with all laws, exercised fairness and integrity in all its dealings thereby committed to good corporate governance through an effective Board and by the constitution of independent Committees to oversee critical areas. HFL's Corporate Governance philosophy encompasses not only regulatory and legal requirements but also strives to enhance shareholders' value through transparency, accountability and equity across all facets of operations in letter and spirit.

2. BOARD OF DIRECTORS

(i) Composition and Membership in other Boards and Board Committees

The Company has a broad based Board comprising of more than 50% Non-Executive Independent Directors. As at March 31, 2013, the strength of the Board was 9 members headed by Mr.R.Seshasayee as Non-Executive Chairman. The composition of the Board is as follows:

Category	Name	% to the total number of Directors	Membership	
			Other Boards	Other Board Committees
Non-Executive Non – Independent Directors	Mr. R Seshasayee Chairman	33.33	9 (As Chairman – 4)	4 (As Chairman – 1)
	Mr. D G Hinduja Co-Chairman (Alternate Mr. Y.M.Kale)		5 (As Chairman - 1)	0
	Mr. F Sahami		1	1
Non-Executive Independent Directors	Mr. D J Balaji Rao	55.56	9 (As Chairman – 1)	9 (As Chairman – 3)
	Mr. S Ragothaman		7	5 (As Chairman – 3)
	Mr. Jean Brunol		1	-
	Mr. Sridhar Venkiteswaran		-	-
	Mr. Jorma Antero Halonen		1	-
Executive Director	Mr. B Swaminathan	11.11	1	-

Notes:

- None of the above Directors are related to each other.
- Other Directorships exclude Foreign Companies, Private Limited Companies and Alternate Directorships.
- Only membership in Audit Committees and Shareholders'/Investment Grievance Committees (other than HFL) of Public Limited Companies are reckoned for Other Board Committee memberships.
- During the year under review, none of the Directors of the Company was a member of more than 10 specified Committees or Chairman of more than 5 such Committees in companies in which he was a Director.

Annexure B to the Directors' Report

- e. Non-Executive Directors are entitled to a sitting fee of Rs.20,000/- for attending each of the Board/ Committee Meetings.
- f. Mr.B.Swaminathan resigned as Managing Director w.e.f. the close of business hours of July 17, 2013.
- g. Mr. G.R.V. Rajan was appointed as an Additional Director in the first instance and as Managing Director (Designate) and CEO w.e.f. June 24, 2013 and as Managing Director and CEO w.e.f. July 17, 2013.
- h. Mr.Jorma Antero Halonen resigned from the Board as an Independent Director w.e.f. July 07,2013.

(ii) Board Meetings and Attendance at Board Meetings and Annual General Meeting

The Board of Directors met five times during the Financial Year 2012 – 13 (i.e. 6 months ended 31st March, 2013) and the details are as under :

Date of Meeting	Board Strength	No. of Directors Present
November 23, 2012 (Board Meeting - 1)	9	4
November 23, 2012 (Board Meeting - 2)	9	6
December 28, 2012	9	5
January 25, 2013	9	8
February 27, 2013	9	9

For the Board Meeting – 2 held on November 23, 2012, Video Conferencing facilities were used to facilitate Directors not present at location where the meeting was held to participate in the Meetings.

The time gap between any two Board Meetings did not exceed four months.

The following are the details of attendance of each director at the Board Meetings and last Annual General Meeting held on December 28, 2012:

Name of Director	No. of Board Meetings Attended	Attendance at AGM
Mr. R Seshasayee	5	YES
Mr. D.G. Hinduja	3	NO
Mr. F Sahami	4	YES
Mr. D J Balaji Rao	5	YES
Mr. S Ragothaman	1	NO
Mr. Sridhar Venkiteswaran	5	YES
Mr. Jean Brunol	2	NO
Mr. Jorma Antero Halonen	2	NO
Mr. B Swaminathan	5	YES
Mr. Y M Kale	-	NO

SECRETARIAL STANDARDS

The Institute of Company Secretaries of India (ICSI) has published Standards on Secretarial practices relating to the meetings of the Board / Committees, General Meetings, Dividends etc., The Secretarial and the operating practices are in line with the above Secretarial Standards. Information required as per Annexure-1 to Clause 49 of the Listing Agreement with Stock Exchanges is provided to the Board at every meeting.

3. AUDIT COMMITTEE

(i) Terms of Reference

The Audit Committee is responsible for overseeing the Company's financial reporting process and monitors the scope and quality of internal and statutory audits. Before submission to the Board for approval, the Committee reviews the quarterly / half-yearly / annual financial statements with reference to adequacy of accounting records in accordance with the provisions of the Companies Act 1956, adherence to mandatory Accounting Standards and disclosure requirements, changes if any, in the accounting policies and reasons for the same, major accounting entries involving estimates based on exercise of judgment by Management, adjustments, if any, arising out of audit findings, disclosure of related party transactions, compliance with listing and legal requirements relating to financial statements, qualifications, if any, in the draft Audit Report and above all, adequacy of internal control systems. The Audit Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the Company.

The Committee is authorized to select and establish accounting policies, review reports of the Statutory Auditors and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors and the Cost Auditors. It also looks into the matters as are specifically referred to it by the Board of Directors besides looking into the mandatory requirements of Clause 49 of the Listing Agreement and provisions of Section 292 A of the Companies Act, 1956.

(ii) Composition of the Audit Committee:

The Audit Committee comprises of the following members:

Sl. No.	Name	Category
1)	D J Balaji Rao – Chairman	Non-Executive, Independent
2)	S Ragothaman	Non – Executive, Independent
3)	F. Sahami	Non-Executive, Non- Independent
4)	Sridhar Venkiteswaran	Non-Executive, Independent

All the members of the Audit Committee have expertise in financial and general management.

Mr.D. J. Balaji Rao, the Chairman of the Committee had been the Deputy Managing Director of the then ICICI Limited (now ICICI Bank Limited) and Managing Director of Infrastructure Development Finance Company Limited.

Mr.S. Ragothaman, a Chartered Accountant by qualification had been associated for nearly 27 years with the then ICICI Limited (now ICICI Bank Limited) in Project Evaluation , Term Lending etc.,

Mr.F. Sahami, a Chartered Accountant by qualification had been a Senior Partner in a leading firm of Chartered Accountants.

Mr. Sridhar Venkiteswaran is an entrepreneur and a key founding member and Director of the India based Avalon Group engaged in strategy and performance improvement consulting, business research and marketing analysis serving global clients.

The Managing Director, Chief Financial Officer, Head of Internal Audit, Operating Heads of manufacturing units, Head of Marketing and representatives of the Statutory Auditors are invitees to the Audit Committee and the Company Secretary is the Secretary to the Committee.

Annexure B to the Directors' Report

(iii) Meetings and Attendance

Date of Meeting	Committee Strength	No. of Directors Present
November 23, 2012	4	2
January 25, 2013	4	3

4. REMUNERATION COMMITTEE

(i) Terms of Reference

The Committee's main purpose is to frame the Company's policy from time to time on Compensation policy for Directors, reviewing the performance and recommending remuneration of the Executive Directors to the Board. The Committee, subject to the overall limits approved by the Members, determines the remuneration payable to the Managing Director including the quantum of variable component and annual increments. The proposals of the Committee are placed before the meeting for approval.

(ii) Composition, Meetings and Attendance

Sl. No.	Name	Category
1)	Mr. S Ragothaman	Non-Executive, Independent
2)	Mr. R Seshasayee	Non-Executive, Non-Independent
3)	Mr. D G Hinduja	Non-Executive, Non-Independent

The Company Secretary is the Secretary to the Committee.

(iii) Remuneration Policy:

The following is the managerial remuneration policy of the Company:

(a) For Managing Director:

The remuneration to Managing Director consists of fixed and variable components. The fixed component includes salary, allowances and other perquisites. The variable component is linked to the performance of the Company and the incumbent. It is paid in the form of commission on the net profits as recommended by the Committee. MD is not eligible to receive sitting fees.

(b) Non-Executive Directors:

The Non-Executive Directors are paid sitting fees for attending the Board and Committee Meetings as per the stipulations in the Companies Act, 1956 and the Articles of Association of the Company. In addition to this, the travel and other expenses incurred for attending the meetings are reimbursed. The Company has no pecuniary or transactions with any non-executive director.

(iv) Remuneration paid for 2012-13 (6 months period ended March 31, 2013)

- a. Non-Executive Directors – Sitting fees (excluding reimbursement of travel and other expenses incurred on Company's business.)

Name of Director	Amount (Rs.)
Mr. R Seshasayee	2,00,000
Mr. D G Hinduja	1,20,000
Mr. F Sahami	1,00,000
Mr. D J Balaji Rao	1,40,000
Mr. S Ragothaman	40,000

Annexure B to the Directors' Report

Mr. Sridhar Venkiteswaran	1,80,000
Mr. Jean Brunol	80,000
Mr. Jorma Antero Halonen	40,000
Total	9,00,000

b. Managing Director

Description	Amount (Rs.)
Salary and Allowances	42,00,000
Contribution to Provident and Other Funds	2,88,000
Perquisites*	14,52,000
Commission	Nil
Total	59,40,000

* Certain perquisites are valued as per the provisions of the Income-Tax Act.

Mr. B Swaminathan, Managing Director was under contract of employment with the Company until he resigned from his position w.e.f. July 17, 2013. Neither severance fee nor Employee Stock option was offered by the Company to Mr.B.Swaminathan.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

(i) Terms of Reference

Upon the requirements of the Clause 49 of the Listing Agreement, this committee was formed and it oversees redressal of shareholder and investor grievances and approves issue of share certificates arising out of loss/destruction, sub-division, consolidation, rematerialization etc. The details of transfer, transmission and transposition of shares approved by the Managing Director are also placed before the Committee.

The Committee also reviews the performance of the Company's Registrar and Transfer Agents (R & TA) and their system of dealing with and responding to correspondence from all categories of shareholders. The manner and timelines of dealing with complaint letters received from Stock Exchanges / SEBI /Ministry of Corporate Affairs etc., and the responses thereto are reviewed by this Committee.

Based on the delegated powers of the Board of Directors, the Managing Director approves the share transfers / transmissions on a regular basis and the same is reported to at the next meeting of the Committee, normally held at every quarter.

(ii) Composition, Meetings and Attendance

Sl. No.	Name	Category
1)	Mr. R Seshasayee	Non-Executive, Non-Independent
2)	Mr. B Swaminathan	Executive, Managing Director
3)	Mr. S Ragothaman	Non-Executive, Independent

The following are the details of the meeting and attendance of the Committee:

Date of Meeting	Strength	No. of Members present
November 23, 2012	3	2
January 25, 2013	3	2

Annexure B to the Directors' Report

(iii) Details of complaints received and redressed

During the year under review, 31 complaints were received, which were redressed to the satisfaction of the complainants. There were no pending complaints at the year-end.

6. RISK ASSESSMENT AND MINIMISATION PROCEDURE

The Company has formulated an integrated approach for identifying, assessing, prioritizing, mitigating, monitoring and reporting business risks across the organization. The implementation of this system is through the Risk Management Steering Committee at the Corporate Office and is supported at the plant by the Plant Risk Management Committee. Discussions are being held with functional heads at frequent intervals explaining the ERM process, preparation of specific set of risks applicable to the plants and firming up the ERM plan etc. Further, the Company has laid down procedures to inform Board Members about risk management and minimization procedures.

7. GENERAL BODY MEETINGS

Details of Annual General Meetings, Extra-Ordinary General Meetings and Postal Ballot:

AGM	YEAR	VENUE	DATE	TIME
50	2010	Rani Seethai Hall 603, Anna Salai, Chennai 600 006	July 28, 2010	2.00 p.m.
51	2011	Rani Seethai Hall 603, Anna Salai, Chennai 600 006	July 20, 2011	3.00 p.m.
52	2012 (18 months)	Rani Seethai Hall 603, Anna Salai, Chennai 600 006	December 28, 2012	10.00 a.m.

The Chairman of the Audit Committee was present at all the above AGM's.

All special resolutions passed in the last three AGM's were passed with requisite majority on show off hands by the shareholders present at the meeting.

EXTRA ORDINARY GENERAL MEETING

An extraordinary general meeting of the Company was held as under wherein the shareholders of the Company approved unanimously all the special businesses that were transacted at the meeting.

EGM	YEAR	VENUE	DATE	TIME
1	2012	Sri Thyaga Brahma Gana Sabha (Vani Mahal), 103, GN Chetty Road, T Nagar, Chennai 600 017	July 4, 2012	10.00 a.m.

POSTAL BALLOT

The Board of Directors of the Company vide its resolution dated December 28, 2012, sought the approval of the shareholders by means of an ordinary resolution through Postal Ballot Process pursuant to section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolutions by Postal Ballot) Rules, 2011 for reporting to BIFR on the erosion of fifty percent or more of the peak net worth of the Company during the immediately preceding four financial years by its accumulated losses in the previous financial year ended as at September 30, 2012 (18 months) pursuant to Section 23 of the Sick

Annexure B to the Directors' Report

Industrial Company (Special Provisions) Act, 1985. The said resolution had the majority approval of the shareholders

8. DISCLOSURES

i. Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large

There were no materially significant related party transactions that had potential conflict with the interests of the Company at large.

ii. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authorities on any matter relating to Capital markets during the last three years.

The Company has complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties have been levied or strictures have been passed by SEBI, Stock Exchanges or any other Statutory Authorities on matters relating to Capital Markets in the last three years.

iii. Whistle Blower policy and affirmation that no personnel has been denied access to the Audit Committee

The Company conducts regular employee meets where employees have a chance to interact directly with the Managing Director of the Company. Besides this the Managing Director is reachable via email and landline. Any issue brought to the attention of the management whether resolved or not is placed before the Audit Committee for its perusal, and comments.

iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49.

The Company complies with all the requirements of the Listing Agreement including the mandatory requirements of Clause 49 of the Listing Agreement.

The Company has complied the following non-mandatory requirements:

Remuneration Committee of the Board of Directors of the Company has been set up and the particulars of the Committee are given in this report itself.

Adopted the best practices to ensure a regime of un-qualified financial statements.

9. MEANS OF COMMUNICATION

As stipulated under Clause 41 of the Listing Agreement, the Quarterly Results are published in one English National Newspaper and one Tamil Newspaper within 48 hours of the conclusion of the Board Meeting in which the results are approved. They are also displayed in the website of the Company www.hindujafoundries.com

The Company's website also displays official press/news releases and several other details/information of interest to various stakeholders. A Management Discussion and Analysis Report is being presented as part of the Directors' Report.

10. CODE OF CONDUCT

The Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code aims at ensuring consistent standards of conduct and ethical business practices across the Company. All Board Members and Senior Management personnel have affirmed their compliance with the Code of Conduct for the year under review.

Pursuant to Clause 49 (1) (D) of the Listing Agreement, a confirmation from the Managing Director of the Company regarding compliance with the Code by all members of the Board and Senior Management has been obtained.

Annexure B to the Directors' Report

11. CODE FOR PREVENTION OF INSIDER TRADING

The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all Directors / Officers / Designated Employees. The Code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information. During the year under review, there has been due compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992

12. GENERAL SHAREHOLDER INFORMATION

i. 53rd Annual General Meeting

Day : Thursday
Date : September 26, 2013
Venue : Rani Seethai Hall, 603, Anna Salai, Chennai 600 006.

ii. Financial Calendar

FINANCIAL YEAR 2013 – 14

First quarter results	Second week of August 2013
Second quarter results	Second week of November 2013
Third quarter results	Second week of February 2014
Audited results for the year 2013 – 14	Before end of May 2014

iii. Book Closure Dates : September 19, 2013 to September 26, 2013 (both days inclusive).

iv. Dividend payment date : N.A.

v. Listing/Stock Code of Equity Shares

NAME OF EXCHANGE	STOCK CODE
Madras Stock Exchange Limited (MSE)	HFL
Bombay Stock Exchange Limited (BSE)	505982
National Stock Exchange of India Limited (NSE)	HINDUJAFO

vi. MARKET PRICE DATA

MONTH & YEAR	BOMBAY STOCK EXCHANGE				NATIONAL STOCK EXCHANGE			
	Share Price (Rs.)		Sensex		Share Price (Rs.)		S & P CNX Nifty points	
	High	Low	High	Low	High	Low	High	Low
Oct-12	56.90	51.00	19137.29	18393.42	58.00	50.55	5815.35	4888.20
Nov-12	57.50	47.10	19372.70	18255.69	57.50	47.10	5885.25	5548.35
Dec-12	57.80	44.00	19612.18	19149.03	54.00	44.00	5965.15	5823.15
Jan-13	63.00	44.40	20203.66	19508.93	55.95	46.10	6111.80	5935.20
Feb-13	51.85	36.00	19966.69	18793.97	51.00	36.05	6052.95	5671.90
Mar -13	47.40	34.40	19754.66	18820.90	43.90	35.75	5952.65	5604.85

vii. REGISTRAR AND SHARE TRANSFER AGENTS

All share registry work in respect of both physical and demat segments are handled by a single common agency M/s. Integrated Enterprises (I) Ltd., II floor, "Kences Towers" 1, Ramakrishna Street, North Usman Road, T Nagar, Chennai 600 017 as the Registrar and Transfer Agent (R & TA) of the Company for all aspects of Investor servicing relating to shares.

viii. SHARE TRANSFER SYSTEM

The authority relating to transfer, transmission and transposition of shares are vested with the Shareholders'/Investors' Grievance Committee. In order to speed up the process of transfer

Annexure B to the Directors' Report

related activities, the said Committee has authorized the Managing Director to approve all routine transfer, transmission and transposition of the shares.

ix. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2013

Range	Shareholders		Shares	
	Number	%	Number	%
UPTO 100	5107	61.88	207238	0.72
101 – 200	1317	15.96	203579	0.71
201 – 500	1116	13.52	368949	1.28
501 – 1000	405	4.91	299455	1.04
1001 – 5000	251	3.04	501844	1.75
5001 – 10000	23	0.28	157241	0.55
10000 AND ABOVE	34	0.41	26992405	93.95
TOTAL	8253	100.00	28730711	100.00

x. SHAREHOLDING PATTERN AS ON MARCH 31, 2013

Sl. No.	Category	No. of Shareholders	No. of Shares	%
A.	Promoters			
1	Hinduja Automotive Limited – U.K.	1	1,48,14,609	51.56
2	Ashok Leyland Limited	1	54,05,793	18.82
	Total Promoter holding	2	2,02,20,402	70.38
B	Others			
1	Residents (Individuals / Clearing members)	8026	39,87,803	13.88
2	Financial Institutions / Insurance Co. / Banks / UTI	2	4011	0.01
3	Foreign Institutional Investors	1	18,22,679	6.34
4	Bodies Corporate	148	14,47,989	5.04
5	Directors & Relatives	2	5290	0.02
6	Non Resident Indians	69	21316	0.07
7	Foreign National	1	80	0.00
8	Trusts	1	141	0.01
9	Overseas Depository for GDRs	1	12,21,000	4.25
	Total Non-Promoter Holding (B)	8251	85,10,309	29.62
	TOTAL	8253	2,87,30,711	100.00

xi. DEMATERIALIZATION OF SHARES AND LIQUIDITY

The shares, listed in BSE, NSE and MSE, are to be traded only in dematerialized form. The ISIN of the shares is INE291F01016. The shares are traded on BSE and NSE, but no trading has taken place in MSE since December 2000.

As on March 31, 2013, 28470331 shares were held in dematerialized form representing 99.09 % of the total shares. The balance was held in physical form.

xii. PLANT LOCATIONS:

Ennore	Kathivakkam High Road, Ennore, Chennai 600 057.
Hyderabad	Ductron Castings Unit, B-15, IDA, Uppal, Hyderabad 500 039.
Sriperumbudur	Plot K-2, SIPCOT Industrial Estate, Arneri Village, Sriperumbudur - 602 105 Kanchipuram District

xiii. ADDRESS FOR CORRESPONDENCE

Investors may contact the Registrar and Transfer Agents for matters relating to Shares, Dividends, Annual Reports and related issues at the following address:

M/s. Integrated Enterprises (I) Ltd
II Floor, "Kences Towers",
No. 1, Ramakrishna Street,
Off North Usman Road,
T Nagar, Chennai 600 017
Phone : 044 – 28140801 – 03
Fax : 044 – 28142479
E-Mail : corpserv@iepindia.com

For other general matters or in case of any difficulties/grievances investors may contact:

Mr. Govind M Joshi
Company Secretary & Compliance Officer
Hinduja Foundries Limited
Kathivakkam High Road
Ennore, Chennai 600 057
Phone : 044 – 25752103/ 044 – 43563536
Fax : 044 – 25750390/ 044 – 43563534
E-Mail : mgovind@hindujafoundries.com
secretarial@hindujafoundries.com

Annexure B to the Directors' Report

Certification by Managing Director and Chief Financial Officer to the Board:

We, B. Swaminathan, Managing Director and K R Ravi Shankar, Chief Financial Officer of Hinduja Foundries Limited hereby certify that:

- a. We have reviewed the financial statements and the cash flow statement for the year ended (6 months) March 31, 2013 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 the 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 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of 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 Statutory Auditors and the Audit Committee that:
 - i) There has not been any significant change in the internal control over financial reporting during the year under review.
 - ii) There has not been any significant change in the accounting policies during the year requiring disclosure in the notes to the financial statements and
 - iii) To the best of our knowledge and belief, there was no instance of any significant fraud during the year with the involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Chennai
May 11, 2013

B. SWAMINATHAN
Managing Director

K R RAVI SHANKAR
Chief Financial Officer

DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT

Pursuant to clause I (D) of Clause 49 of the Listing Agreement, it is hereby affirmed that for the 6 months period ended March 31, 2013 all the Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct adopted by the Company.

Chennai
May 11, 2013

B Swaminathan
Managing Director

Annexure C to the Directors' Report

Auditors' Certification on Corporate Governance

To

The Members of **Hinduja Foundries Limited**

We have examined the compliance of conditions of Corporate Governance by Hinduja Foundries Limited ("the Company") for the year (six month period) ended on March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

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

for B S R and Company

Chartered Accountants

Firm Regn No : 128900W

S Sethuraman

Partner

Membership No : 203491

Chennai

May 11, 2013

Management Discussion and Analysis Report

The Foundry Scene

The Indian Foundry Industry produces an estimated 10 million MT of various grades of Castings to International standards. Castings find application in diverse industries such as Automobiles, Railways, Pumps, Compressors, Valves, Diesel Engines, Cement /Electrical / Textile Machinery and aero. Foundry products are broadly classified as grey iron, SG iron, malleable iron, steel and non-ferrous castings. Grey iron castings account for approximately 68% of total castings produced during 2011-12.

There are approximately 4600 foundries in India, of which 90% are small-scale units, 12% classified as medium-scale units and 2% large-scale units. Some of the medium and large-scale foundries are modern, globally competitive and have International Quality accreditation. There is growing awareness about environment and many foundries are switching over to less polluting induction furnaces and coke-less cupolas in the grey iron and steel sector.

The Indian Foundry industry grew at a healthy rate of 10 per cent annually in the period up to 2011 owing to increasing share of local manufacture in the GDP and strong international demand. However with the marked slowdown in the economy since 2012, the foundry industry has taken a huge hit with negative growth in most of the market segments.

Hinduja Foundries Limited produces castings for engines used in automotive, agricultural machinery (tractors) and construction equipment sectors. The company almost entirely operates in the niche segment of cast iron cylinder blocks, cylinder heads and transmission housings.

Economy - Growth and Outlook

The Indian economy experienced a lower growth rate of around 5.5% during 2012-13. As compared to agricultural growth of 3.6% during 2011-12,

overall growth during 2012-13 was lower at 1.8% due to delayed onset of monsoon and the quantum of rains received being less than long-term average in many parts of the country. Industrial sectors continued to reel under severe slowdown. CSO estimates of manufacturing GDP growth of just 1.9% for the full year have proved to be right.

During 2012-13, the automotive and the tractor sectors have experienced de-growth. According to industry data released by Society of Indian Automobile Manufacturers (SIAM), due to higher interest rates and lower economic growth, the sale and consequently the production of medium and heavy commercial vehicles declined to 2,78,560 vehicles during 2012-13 as compared to 3,84,800 vehicles during 11-12.

In comparison, the production of light commercial vehicles was marginally up by 1.6% due to small increase in demand for pick-up vehicles in 2.0-3.5 ton maximum mass category due to last mile connectivity in the retail sector. While passenger car production during the year 2012-13 was down by 4.26% as compared to the previous year, production of utility vehicles witnessed a growth of 52%, resulting in an increase of 2.78% in production of passenger vehicles.

The lower than average rainfall in large parts of the country during 2012-13, adversely affected sale and consequently production of tractors. Tractor production during 2012-13 was 5,78,690 units in comparison to production of 641845 numbers during 2011-12-a decline of around 10%.

Most market analysts expect GDP to be around 5 % during 2013-14, assuming a normal monsoon. It is expected that RBI would continue to adopt a conservative policy on interest rate in view of its focus on containing inflation. While the economy faces strong head winds in the near term, long term prospects of Indian economy remain bright due to strong fundamentals and commitment towards reforms and liberalization.

Annexure D to the Directors' Report

Automotive Industry

The long term Auto industry prospects in India appear good both from end market and manufacturing platform perspectives. Consumer demand has been sustained by favorable demographic changes, in particular by ongoing urbanization and an increasing middle class. Disposable incomes have increased and correspondingly raised vehicle ownership levels. Over the last 5 years, relatively high GDP growth and industrial activity increased the demand for commercial vehicles. Prevailing low levels of agricultural mechanization have resulted in strong tractor demand. India is expected to be the third largest automotive market by volumes by 2018 after US and China.

India has also been acknowledged by many global OEMs as one of the most strategically important emerging auto markets in the world. It is not only an attractive destination for OEMs as an end customer market but also as an important manufacturing base. For example, global majors Ford, Daimler Benz, Hyundai Motor and Renault-Nissan have set up fully fledged manufacturing facilities in Chennai. These manufacturing facilities will service both domestic and export markets.

However, the year 2012 -13 has been a challenging year for automotive sector as has been stated earlier. Poor industrial output, lack of governmental spending on road building and other infrastructure projects, negative investment climate and high interest rates have adversely impacted many players in the automotive sector. The prospects for the automotive sector are expected to improve from the early part of 2014.

Company Performance

Consequent to the severe slowdown in commercial vehicle, passenger vehicle and tractor segments, Hinduja Foundries achieved a gross production of 42100 MT in the six month period October 2012 to March 2013 in comparison to gross production of 47502 MT during the previous six months period

of April to September 2012. The loss of business in commercial vehicle segment on account of adverse market conditions was partly made up by increased business with Tractor manufactures.

During this period, the production of a number of new products, especially for customers such as Simpson, TAFE and New Holland, got stabilized. Machine shop capacity was continuously upgraded to meet customer requirements. Machining activity is expected to generate additional contribution.

Certain critical investments necessary for addressing new product segments have been implemented. The beneficial results of these projects are expected to be visible in the coming periods.

Internal Control Systems and their Adequacy

The Company has in place adequate system of internal controls. It has documented procedures covering all financial and operating functions. Based on the nature of business and size of operations, the Company's internal control system has been designed to provide for:

- Proper and accurate recording of transactions with Internal Checks and prompt reporting.
- Systematic review of Capital Investments and Long Term Business Plans.
- Periodic reviews to ensure optimum utilization of resources.
- Compliance with applicable statutes, policies, listing requirements and procedure

Overall audit process has been made robust. Operational efficiency has been brought up to satisfactory levels.

Financial & Operational Performance

Gross production during the period October 2012 to March 2013 was 42100 MT compared to 47502 MT in the corresponding period during the previous year and 157408 MT in the 18 month period April 2011 to September 2012. Sales for the period were 40052 MT against 45461 MT in the corresponding period in 2011-12 and 130750 MT for April 2011

Annexure D to the Directors' Report

to September 2012. (18 months). Net sales for the period were Rs. 304.21 Crores as against Rs. 356.21 Crores in the corresponding period in the previous year.

High levels of domestic inflation adversely affected input costs and the Company had to absorb most of the input cost increases. Power supply continued to be restricted in Tamil Nadu and Andhra Pradesh. Consequently the Company was constrained to purchase private power to meet production requirement.

Net loss before tax was Rs. 9908 lakhs for the six month period October 2012 to March 2013 as compared to Rs.30138 lakhs in the 18 month period April 2011 to September 2012. This is after considering reversal of MAT of Rs. 470.45 lakhs

Development in Human Resources / Industrial Relations Front

The Company has been focusing on Human resource development with a view to enhance individual's

growth and at the time achieve qualitative output. Company employees are a valuable resource. The Company continues to develop skill sets of its employees from time to time in order to meet the technological and other changes in the auto component sector. The Directors acknowledge the contribution of all employees towards the performance of the Company. During the period under review, the Company maintained cordial relationship with all employees. The Company has 3171 employees on its role as at the end of the year.

Development of New Products / Partnership for Growth

The Company has been actively scouting for international partnership to achieve global standards of foundry technology / process, tool development and quality control. We are in the process of setting out the parameters of the end targets and the goals that we wish to achieve in the coming years.

Annexure E to the Directors' Report

Directors' Responsibility Statement as per Section 217 (2AA) of the Companies Act, 1956

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the generally accepted accounting principles in India and the accounting standards prescribed by Institute of Chartered Accountants of India, ICAI, in a consistent manner and supported by reasonable and prudent judgments and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on March 31, 2013 (6 months period) and of the results of operations for the year ended March 31, 2013. The financial statements have been audited by M/s B S R and Company, Statutory Auditors in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

Going Concern

In the opinion of the Directors, the Company will be in a position to carry on its existing business and accordingly it is considered appropriate to prepare the financial statements on the basis of going concern.

Maintenance of Accounting Records and Internal control

The Company has taken proper and sufficient care for the maintenance of adequate accounting

records as required by the Statute. Directors have overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by internal audit function, which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and quality of performance in carrying out assigned responsibilities. Internal Audit Department interacts with all levels of management and the Statutory Auditors, and reports significant issues to the Audit Committee of the Board.

Audit Committee supervises financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements.

Audit Committee also periodically interacts with Internal and Statutory Auditors to ensure quality and veracity of Company's accounts. Internal Auditors, Audit Committee and Statutory Auditors have full and free access to all the information and records as considered necessary to carry out their responsibilities. All the issues raised by them have been suitably acted upon and followed up.

Annexure F to the Directors' Report

Information as per Section 217(2A) (b) (ii) read with the Companies (Particulars of Employees) Rules 1975.

SL. NO	NAME	AGE (Years)	DESIGNATION	REMUNERATION Rs.	QUALIFICATION	TOTAL EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT HELD
1	B SWAMINATHAN	66	MANAGING DIRECTOR	59,40,000	B.E. (Mech. Engg.)	44	April 01, 2011	Group President-Technology and Development, Hinduja Group India Limited, Mumbai.

Notes:

1. Remuneration shown above is subject to tax and comprises salary, allowances, medical benefits, leave travel assistance as applicable in accordance with the Company's Rules, company's contribution to provident fund and superannuation fund, gratuity entitlement and perquisites evaluated as per Income Tax Rules.
2. Mr.B. Swaminathan's appointment is contractual. No severance fee is payable to him.
3. The Company has no stock options scheme in force.
4. Mr.B. Swaminathan is not a relative of any Director of the Company.

To

The Members of Hinduja Foundries Limited

Report on the financial statements

We have audited the accompanying financial statements of Hinduja Foundries Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year (six month period) then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for report modification in respect of corresponding previous year figures

Attention is invited to Note 38 to the financial statements which explains that the corresponding figures regarding the previous financial year ended September 30, 2012 includes the differences between book stock and physical stock (physical stock being lower than book stock) aggregating to Rs. 82.95 Crores arising out of the physical verification of inventory carried by the Company during the period ended September 30, 2012. As per the explanations from the management, such differences were predominantly due to ineffective process standards and inadequate documentation and controls in connection with recording and usage of rejections in the Company's factories and recognition of consumption was based on physical inventories as at September 30, 2012. Our reporting should be considered in relation to corresponding previous year figures in this context.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us (including the matter relating to the corresponding previous financial year as above) the said financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

Independent Auditors' Report

- (b) in the case of the Statement of Profit and Loss, of the loss for the year (six month period) ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows (six month period) for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (a) to the financial statement which more fully discusses the going concern related matters. Based on the current business plans, subscription of additional share capital by promoters, independent impairment testing, availability of banking limits, etc., the Company believes that it would be able to meet its financial requirements and no adjustments would be required in respect of the carrying value of assets/liabilities. Accordingly, the financial statements have been prepared on a going concern basis.

Report on other legal and regulatory requirements

As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments to in the Annexure referred to above, as required by section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our

knowledge and belief, were necessary for the purpose of our audit;

- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
- (c) The balance sheet, statement of profit and loss, and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the balance sheet, statement of profit and loss, and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
- (e) On the basis of written representations received from the Directors as at March 31, 2013, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at March 31, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for B S R and Company

Chartered Accountants
Firm Registration No.: 128900W

S Sethuraman

Partner

Membership No: 203491

Chennai
May 11, 2013

Annexure to the Independent Auditors' Report (referred to in our report of even date)

The Annexure referred to in the Independent auditors' report to the members of Hinduja Foundries Limited ("the Company") for the year (six months period) ended March 31, 2013. We report that:

1. (a) The Company has maintained records relating to fixed assets showing particulars including quantitative details and situation of its fixed assets.
(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were verified during the period and as explained to us, no material discrepancies were noticed on such verification.
(c) Fixed assets disposed of during the period were not substantial, and therefore, do not affect the going concern assumption.
2. (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the period. In our opinion, the frequency of such verification is reasonable. For major portion stocks lying with third parties at the period-end, written confirmations have been obtained.
(b) The procedures for the physical verification of inventories followed by the management are reasonable and generally adequate in relation to the size of the Company and the nature of its business.
(c) In relation to the maintenance of inventory records, during the current period, the Company has initiated certain corrective steps including implementation of an ERP system, introduction of perpetual inventory system, etc., *and is in the process of further strengthening the documentation and controls regarding recording and usage of rejections and consumption of materials.* Discrepancies noted on verification between the physical stocks and book records were not material and have been accounted as consumption in the books.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and similarly certain goods sold or services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, further to the corrective action initiated to the matter referred to in note 38 to the financial statements, there is no continuing failure to correct major weaknesses in internal control system.
5. In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. 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 and having regard to the comments in paragraph 2 (c) above, we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination

Annexure to the Independent Auditors' Report

of the records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the dues set out in Appendix I in respect of Income tax, Excise duty, Service tax, and Sales tax have not been deposited by the Company on account of disputes.
10. The Company's accumulated losses at the end of the financial year have exceeded 50% of its net worth. The Company has incurred cash losses in the current financial year and in the preceding financial year.
 11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
 12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
 14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 16. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
 17. In our opinion and according to the information and explanation given to us and on an overall examination of the financial statements of the Company, funds raised on short-term basis have, prima facie not been used for long-term investment.
 18. The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 19. According to the information and explanations given to us, the Company has not issued any debentures.
 20. The Company has raised money by way of public issue (Rights Issue) during the earlier year as defined under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. We have verified the end-use of such money as applicable during the period and disclosed by the Company in the notes to the financial statements.
 21. According to the information and explanations/ confirmations given to us, no material fraud on or by the Company has been noticed or reported during the period.

for B S R and Company
Chartered Accountants
Firm Registration No.: 128900W

S Sethuraman

Partner

Membership No: 203491

Chennai
May 11, 2013

Annexure to the Independent Auditors' Report

Appendix I as regards to Paragraph 9 (b) of Annexure to the Auditors' Report

Name of the statute	Nature of dues	Period to which the amount relates	Amount in Rs. Lakhs	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	2009-2013	5.05	Commissioner of Central Excise - Appeals
Central Excise Act, 1944	Excise Duty	2010-2012	6.08	Deputy Commissioner of Central Excise
Cenvat Credit Rules, 2004	Excise Duty	2006-2012	42.60	Additional Commissioner of Central Excise
Cenvat Credit Rules, 2004	Excise Duty	2006-2011	554.89	CESTAT
Cenvat Credit Rules, 2004	Excise Duty	2009-2010	0.24	Commissioner of Central Excise - Appeals
Cenvat Credit Rules, 2004	Excise Duty	2009-2013	2.35	Commissioner of Central Excise - Appeals
Cenvat Credit Rules, 2004	Excise Duty	1993-1998	45.26 #	Hon'ble High Court of Madras
CST Act, 1956	Sales tax	2003-2004	10.59 ##	Appellate Deputy Commissioner
CST Act, 1956	Sales tax	2004-2005	39.75 ###	Appellate Deputy Commissioner
Finance Act, 1994	Service tax	2009-2012	1.03	Assistant Commissioner of Central Excise
Finance Act, 1994	Service tax	2006-2011	385.07 @	CESTAT
Finance Act, 1994	Service tax	2009-2012	43.44	Deputy Commissioner of Central Excise
Income tax Act, 1961	Income tax	2005-2010	1067.19	Commissioner of Income tax - Appeals

Excludes amount paid under protest of Rs.61.13 Lakhs

Excludes amount paid under protest of Rs.7.03 Lakhs

Excludes amount paid under protest of Rs.24.52 Lakhs

@ Excludes amount paid under protest of Rs.50 Lakhs

Balance Sheet as at March 31, 2013

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

Equity and Liabilities	Note	March 31, 2013	September 30, 2012
Shareholders' Funds			
Share capital	3	35,039.74	12,539.74
Reserves and surplus	4	(4,307.25)	5,978.26
		<u>30,732.49</u>	<u>18,518.00</u>
Non-current Liabilities			
Long-term borrowings	5	26,702.29	21,985.46
Long-term provisions	7	1,527.36	1,491.16
		<u>28,229.65</u>	<u>23,476.62</u>
Current Liabilities			
Short-term borrowings	8	22,076.56	37,784.27
Trade payables	9	13,957.25	19,659.56
Other current liabilities	10	13,167.88	11,799.48
Short-term provisions	7	8.32	7.48
		<u>49,210.01</u>	<u>69,250.79</u>
Total		<u><u>108,172.15</u></u>	<u><u>111,245.41</u></u>
Assets			
Non-current Assets			
Fixed assets			
(i) Tangible assets	11	59,646.39	59,449.27
(ii) Intangible assets	12	507.33	345.04
(iii) Capital work-in-progress		11,094.91	10,111.19
Non-current investments	13	1,204.38	1,204.38
Long-term loans and advances	14	6,207.61	5,992.41
Other non-current assets	15	509.99	344.52
		<u>79,170.61</u>	<u>77,446.81</u>
Current Assets			
Inventories	16	10,102.35	11,764.11
Trade receivables	17	14,523.04	16,235.27
Cash and bank balances	18	1,234.64	2,061.89
Short-term loans and advances	19	1,830.86	2,361.85
Other current assets	20	1,310.65	1,375.48
		<u>29,001.54</u>	<u>33,798.60</u>
Total		<u><u>108,172.15</u></u>	<u><u>111,245.41</u></u>

Statement on Significant Accounting Policies & Notes to Financial Statements form an integral part of this Balance Sheet.

For **B S R and Company**
Chartered Accountants
Firm Regn. No : 128900W

For and on behalf of the Board

S Sethuraman
Partner
Membership No : 203491

R Seshasayee
Chairman

B Swaminathan
Managing Director

Place : Chennai
Date : May 11, 2013

Govind M Joshi
Company Secretary

K R Ravi Shankar
Chief Financial Officer

Statement of Profit and Loss for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	Note	6 months ended March 31, 2013	18 months ended September 30, 2012
Income			
Revenue from operations	21		
Sale of product (gross)		33,714.13	112,687.56
Less : Excise duty		(3,680.39)	(10,852.30)
Sale of product (net)		30,033.74	101,835.26
Sale of services		388.18	1,101.05
Other operating revenue		250.14	231.74
Total		30,672.06	103,168.05
Other income	22	120.89	510.53
Total Revenue		30,792.95	103,678.58
Expenses			
Cost of materials consumed	23	14,921.09	55,474.45
Change in inventories of finished goods and work-in-progress	24	1,875.85	2,379.25
Employee benefits	25	6,215.07	18,385.49
Finance costs	26	4,007.44	11,584.42
Depreciation and amortization	27	2,033.07	5,166.02
Other expenses	28	11,648.34	38,789.51
Total Expenses		40,700.86	131,779.14
Loss before exceptional items and tax		(9,907.91)	(28,100.56)
Exceptional items	29	-	(2,037.58)
Loss before tax		(9,907.91)	(30,138.14)
Tax Expense			
Minimum alternative tax		470.45	-
Deferred tax expense / (credit)		-	(1,004.19)
Loss for the period		(10,378.36)	(29,133.95)
Earnings per equity share [nominal value of share Rs.10 (previous year: Rs.10)]	30		
Basic - Rs.		(39.13)	(102.21)
Diluted - Rs.		(39.13)	(102.21)

Statement on Significant Accounting Policies & Notes to Financial Statements form an integral part of this Statement of Profit and Loss.

For **B S R and Company**
Chartered Accountants
Firm Regn. No : 128900W

S Sethuraman
Partner
Membership No : 203491

Place : Chennai
Date : May 11, 2013

For and on behalf of the Board

R Seshasayee
Chairman

B Swaminathan
Managing Director

Govind M Joshi
Company Secretary

K R Ravi Shankar
Chief Financial Officer

Cash flow Statement for year ended (six months) March 31, 2013

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	6 months ended March 31, 2013	18 months ended September 30, 2012
Cash flow from Operating Activities		
Net (loss) / Profit before Tax	(9,907.91)	(30,138.14)
Adjustments:		
Depreciation and amortization	2,033.07	5,166.02
Interest income	(120.89)	(510.53)
Provision for doubtful receivables, net	278.21	756.22
Unrealized exchange differences	-	(14.35)
Share issue expenses	-	153.29
Provision no longer required written back	(127.50)	-
Bad debts	20.01	1,518.74
Finance cost	4,007.44	11,584.42
Loss / (profit) on sale of fixed assets	-	31.27
Operating Cash Flow before Working Capital changes	(3,817.57)	(11,453.06)
Changes in		
(Increase) / decrease in trade and other receivables	701.08	3,345.35
(Increase) / decrease in inventories	1,661.76	2,654.29
Increase / (decrease) in trade payables and other liabilities	(5,471.37)	12,235.60
Cash generated from Operations	(6,926.10)	6,782.18
Income taxes (paid) / refund	0.24	271.15
Net cash generated from / (used in) Operating Activities	(6,925.86)	7,053.33
Cash flow from Investing Activities		
Purchase of fixed assets / advances paid	(2,813.91)	(11,698.18)
Proceeds from sale of fixed assets / advances received	(2.02)	1,438.85
Interest received	49.79	478.41
Net cash used in Investing Activities	(2,766.14)	(9,780.92)
Cash flow from Financing Activities		
Proceeds from issue of preference share capital	22,500.00	7,500.00
Share issue expense	-	(153.29)
Proceeds from short term borrowings, net	(15,707.70)	9,657.65
Repayment of long term borrowings, net	5,500.00	(683.93)
Finance costs paid	(4,259.21)	(11,545.77)
Net Cash generated from Financing Activities	8,033.09	4,774.66

Cash Flow Statement for year ended (six months) March 31, 2013
 (All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	6 months ended March 31, 2013	18 months ended September 30, 2012
Net change in cash and cash equivalents	(1,658.91)	2,047.07
Cash and cash equivalents - opening balance	2,060.45	13.38
Cash and cash equivalents - closing balance	401.54	2,060.45
Notes to cash flow statement		
Components of cash and cash equivalents		
Cash and cash equivalents		
Cash on hand	3.31	3.13
Balance with banks		
On current accounts	398.20	246.29
On deposits (with original maturity of 3 months or less)	0.03	1,811.03
Total	401.54	2,060.45
Significant Accounting Policies	2	

As per our report of even date attached.

For **B S R and Company**
 Chartered Accountants
 Firm Regn. No : 128900W

S Sethuraman
Partner
 Membership No : 203491

Place : Chennai
 Date : May 11, 2013

For and on behalf of the Board

R Seshasayee
 Chairman

B Swaminathan
 Managing Director

Govind M Joshi
 Company Secretary

K R Ravi Shankar
 Chief Financial Officer

1. Company Overview

Hinduja Foundries Limited was incorporated in the year 1959 and commenced commercial production in the year 1961. The Company is a part of the Hinduja group of companies and is listed in the Bombay, Madras and National Stock Exchanges. The Company is primarily engaged in the business of manufacture of grey iron and aluminum gravity die-castings for automobiles, compressors, industrial engines, power generators and tractors, as well as for defence and marine applications.

2. Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Basis of preparation of Financial Statements

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles ("GAAP") under the historical cost convention except in respect of revalued fixed assets on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India (SEBI), to the extent applicable.

The Company's performance has been impacted due to sharp fall in demand from the Company's major customers; increases in power cost and material cost not being adequately compensated by the customers. As a result, the accumulated losses as at March 31, 2013 have significantly eroded the net worth of the Company. The Company has intimated to the Board for Industrial and Financial Reconstruction ('BIFR') about erosion of more than 50% of the Company's peak networth pursuant to Section 23 of Sick Industrial Companies (Special Provision) Act, 1985 ('SICA'). The Company has initiated various steps to improve its operational performance / liquidity, remove bottlenecks relating to its projects, improve the net worth including raising capital from the promoters through issue of 9% redeemable non-convertible cumulative preference shares. Based on the current business plans, availability of banking limits and subscription of the preference share capital and continued support by the Promoters, the Company believes that it would be able to meet its financial requirements and no adjustments would be required in respect of the carrying value of assets/liabilities. Accordingly, the financial statements have been prepared on a going concern basis.

b. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period, reported balances of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Fixed Assets and Depreciation

Fixed assets are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Net increase in fixed assets on account of revaluation is credited to the revaluation reserve account.

Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided using the straight-line method based on useful economic life as estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

For the following assets the depreciation rates are higher than the rates prescribed by Schedule XIV:

Plant and Machinery	10.34– 33.33%
---------------------	---------------

Individual assets costing Rs 5,000/- or less are depreciated in full in the year of purchase.

The incremental depreciation on account of enhancement in the value of major fixed assets on revaluation is charged against fixed assets revaluation reserve.

Assets acquired under hire purchase/finance lease agreements are capitalized and finance charges thereon are expensed over the period of agreements.

Developmental costs relating to leasehold land is amortized over the period of 33 years.

Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and shown under 'Other current assets'.

Intangibles

Intangible assets comprise of acquired goodwill, acquired technical know-how and internally generated intangibles relating to development of methodologies, frameworks and processes.

Acquired goodwill and technical know-how are stated at acquisition cost. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the Company.

Goodwill, technical know-how fees and process know how are amortized using the straight-line method over a period of five years.

d. Inventory

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost includes all taxes and duties, but excludes duties and taxes that are subsequently recoverable from tax authorities.

The methods of determining cost of various categories of inventories are as follows:

Description	Method of determining cost
Raw materials, stores and spares and bought out materials	Moving weighted average
Work in progress and finished goods	Moving weighted average and including an appropriate share of overheads

e. Borrowing Costs

Borrowing costs including amortization of ancillary borrowing cost that are directly attributable to the acquisition or construction of qualifying fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of such assets. Other borrowing costs are recognized as expense in the period in which they are incurred.

f. Employee Benefits

Gratuity liability is a defined benefit obligation and is provided for based on actuarial valuation performed in accordance with the projected unit credit method, as at the balance sheet date and is funded with Life Insurance Corporation of India (LIC).

Short term compensated absences / leave encashment are provided for based on the eligible leave at credit on the balance sheet date and the estimated cost is based on the terms of the employment contract. Long term compensated absences are provided for based on actuarial valuation as at the balance sheet date using projected unit credit method.

Eligible employees of the Company relating to Ennore unit receive benefits from the provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contributions to the Ennore Foundries Limited Employees' Provident Fund Trust. The rate at which the annual interest is payable to the beneficiaries by the Trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. Such liability, if any, is provided for based on the actuarial valuation as at the balance sheet date.

Contributions to Provident Fund (other than relating to Ennore Unit of the Company), employee pension fund (other than relating to Ennore Unit of the Company), Superannuation Fund and cost of other benefits are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due. The Company has no further obligations under the plan beyond its monthly contributions.

Actuarial gains/losses are immediately taken to Statement of Profit and Loss and are not deferred.

g. Revenue Recognition

Revenue comprises sale of castings and design and development of patterns and tools. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured and is expected to be received.

Revenue from the sale of castings are recognized when all significant risks and rewards of ownership are transferred to the buyer, which generally coincide with dispatch of goods. The amount recognized as sale is exclusive of sales tax.

Income from design and development of patterns and tools and other incidental works is recognised in accordance with the percentage of completion method.

Revision in prices subsequent to sale is recognised when accepted by the customers.

Interest income on deposits and interest bearing securities is recognized on the time proportionate method.

Insurance claims are recognized when the amount thereof can be measured reliably and ultimate collection is reasonably certain

h. Income Taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable

certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably / virtually certain that future taxable income will be available against which such deferred tax assets can be realized.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

i. Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions or rates that approximates the exchange rate prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the Statement of Profit and Loss of the year.

Pursuant to the notifications of the Ministry of Corporate Affairs, exchange fluctuations on all long term monetary items so far as they relate to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and is depreciated over the balance life of such assets. All other exchange fluctuations on long term monetary items are accumulated in 'foreign currency monetary item translation difference account' in the Company's financial statements and amortized over the balance period of such long term asset/liability.

j. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. As at the reporting date, the Company has not issued any potential equity shares, and accordingly, the basic earnings per share and diluted earnings per share are the same.

k. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

l. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater

of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

m. Expenditure on New Projects and Substantial Expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is neither related to the construction activity nor is incidental thereto are charged to the Statement of Profit and Loss. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

n. Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

o. Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

Current investments are carried at the lower of cost and fair value. Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

p. Derivative Instruments and Hedge Accounting

The Company uses derivative financial instruments such as interest rate swaps to hedge its exposure in interest rates relating to underlying transaction.

The Company has adopted the principles of Accounting Standard 30, Financial Instruments: Recognition and Measurement (AS 30) issued by ICAI except to the extent the adoption of AS 30 does not conflict with existing accounting standards prescribed by Companies (Accounting Standards) Rules, 2006 and other authoritative pronouncements.

In accordance with the recognition and measurement principles set out in AS 30, changes in fair value of derivative financial instruments designated as cash flow hedges are recognised directly in shareholders' funds and reclassified into the profit and loss account upon the occurrence of the hedged transaction.

Changes in fair value relating to the ineffective portion of the hedges and derivatives that do not qualify for hedge accounting are recognised in the Statement of Profit and Loss.

The fair value of derivative financial instruments is determined based on observable market inputs including yield curves etc.

q. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013	September 30, 2012
3 Share Capital		
Authorised		
200,000,000 (September 30, 2012: 2,00,000,000) Equity Shares of Rs.10/- each	20,000.00	20,000.00
35,000,000 (September 30, 2012: 35,000,000) Preference Shares of Rs.100/- each	35,000.00	35,000.00
Total	55,000.00	55,000.00
Issued		
28,843,118 (Previous year 28,843,118) Equity Shares of Rs.10/- each	2,884.31	2,884.31
1,500,000 (Previous year 1,500,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each	1,500.00	1,500.00
1,000,000 (Previous year 1,000,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each	1,000.00	1,000.00
30,000,000 (Previous year 30,000,000) 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each	30,000.00	30,000.00
Total	35,384.31	35,384.31
Subscribed and Paid up		
28,730,711 (Previous year 28,730,711) Equity Shares of Rs.10/- each fully paid-up	2,873.07	2,873.07
1,500,000 (Previous year 1,500,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each fully paid	1,500.00	1,500.00
1,000,000 (Previous year 1,000,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each fully paid	666.67	666.67
30,000,000 (Previous year 7,500,000) 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each fully paid	30,000.00	7,500.00
Total	35,039.74	12,539.74

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013		September 30, 2012	
	Number	Amount	Number	Amount
a) Reconciliation of shares outstanding at the beginning and at the end of the reporting period				
Equity Shares				
At the commencement of the period	28,730,711	2,873.07	28,730,711	2,873.07
Shares issued	-	-	-	-
At the end of the period	28,730,711	2,873.07	28,730,711	2,873.07
6% Redeemable non-convertible cumulative preference shares - 1999 Series				
At the commencement of the period	1,500,000	1,500.00	1,500,000	1,500.00
Shares issued	-	-	-	-
At the end of the period	1,500,000	1,500.00	1,500,000	1,500.00
6% Redeemable non-convertible cumulative preference shares - 2003 Series				
At the commencement of the period	1,000,000	666.67	1,000,000	666.67
Shares issued	-	-	-	-
At the end of the period	1,000,000	666.67	1,000,000	666.67
9% Redeemable non-convertible cumulative preference shares - 2012 Series				
At the commencement of the period	7,500,000	7,500.00	-	-
Shares issued	22,500,000	22,500.00	7,500,000	7,500.00
At the end of the period	30,000,000	30,000.00	7,500,000	7,500.00

b) Rights, preferences and restriction attached to equity shares

The Company has only one class of equity shares having a par value of Rs 10/- per share. Each equity share holder is entitled to one vote per share.

c) Rights, preferences and restriction attached to preference shares

1,500,000 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each issued to Ashok Leyland Limited on March 19, 1999 are redeemable at par during the period April 2011 to April 2013. Redemption due on April 2011 and April 2012 was initially rescheduled to April 2013. The company has sought and obtained a further extension from the preference shareholder.

1,000,000 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each issued to Ashok Leyland Limited on November 12, 2003 are redeemable at par during the period April 2008 to April 2010. Out of the above, an amount of Rs.333.33 Lakhs has been redeemed in April 2008. Redemption due on April 2009 and April 2010 was initially rescheduled to April 2013. The company has sought and obtained a further extension from the preference shareholder.

7,500,000 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each issued to Ashok Leyland Limited on September 29, 2012 are redeemable at par within a period of two years from the date of allotment.

7,500,000 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each issued to Ashok Leyland Limited on October 19, 2012 are redeemable at par within a period of two years from the date of allotment.

15,000,000 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each issued to Ashok Leyland Limited on March 20, 2013 are redeemable at par within a period of two years from the date of allotment.

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013		September 30, 2012	
	Number	Amount	Number	Amount
d) Shares held by Holding Company and its Subsidiary				
Equity shares of Rs.10/- each fully paid held by				
i) Holding Company				
Hinduja Automotive Limited	14,814,609	1,481.46	14,814,609	1,481.46
ii) Subsidiary of Holding Company				
Ashok Leyland Limited	5,405,793	540.58	5,405,793	540.58
	<u>20,220,402</u>	<u>2,022.04</u>	<u>20,220,402</u>	<u>2,022.04</u>

Subsidiary of Holding Company

Ashok Leyland Limited

6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid - 1999 Series	1,500,000	1,500.00	1,500,000	1,500.00
6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid - 2003 Series	1,000,000	666.67	1,000,000	666.67
9% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid - 2012 Series	30,000,000	30,000.00	7,500,000	7,500.00

	March 31, 2013		September 30, 2012	
	Number	% of total shares in class	Number	% of total shares in class
e) Shares held by Shareholders holding more than 5 per cent shares				
Equity shares of Rs.10/- each fully paid-up held by				
Hinduja Automotive Limited	14,814,609	51.56%	14,814,609	51.56%
Ashok Leyland Limited	5,405,793	18.82%	5,405,793	18.82%
Credo India Thematic Fund Limited	1,822,679	6.34%	1,822,679	6.34%
	<u>22,043,081</u>	<u>-</u>	<u>22,043,081</u>	<u>-</u>

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013		September 30, 2012	
	Number	% of total shares in class	Number	% of total shares in class
6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Nos.) - 1999 Series				
Ashok Leyland Limited	<u>1,500,000</u>	<u>100%</u>	<u>1,500,000</u>	<u>100%</u>
6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Nos.) - 2003 Series				
Ashok Leyland Limited	<u>1,000,000</u>	<u>100%</u>	<u>1,000,000</u>	<u>100%</u>
9% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Nos.) - 2012 Series				
Ashok Leyland Limited	<u>30,000,000</u>	<u>100%</u>	<u>7,500,000</u>	<u>100%</u>
	March 31, 2013		September 30, 2012	
4 Reserves and Surplus				
Capital Redemption Reserve		333.33		333.33
Securities Premium Account		14,911.89		14,911.89
Revaluation Reserve				
Balance as at the beginning of the period	18,863.26		18,884.66	
Less: Incremental depreciation for the year on revaluation	<u>(6.28)</u>		<u>(21.40)</u>	
Balance as at the end of the period		18,856.98		18,863.26
General Reserve		889.25		889.25
Hedging Reserve				
Balance as at the beginning of the period	(678.60)		-	
Add: (Originating)/reversing during the period	<u>99.13</u>		<u>(678.60)</u>	
Balance as at the end of the period		(579.47)		(678.60)
(Deficit) / Surplus in the Statement of Profit and Loss				
Balance as at the beginning of the period	(28,340.87)		793.08	
Add: (Loss) / Profit during the period	<u>(10,378.36)</u>		<u>(29,133.95)</u>	
Balance as at the end of the period		(38,719.23)		(28,340.87)
Total		(4,307.25)		5,978.26

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	Non-current portion		Current portion *	
	March 31, 2013	September 30, 2012	March 31, 2013	September 30, 2012
5 Long Term Borrowings				
Term loans				
Secured				
Indian rupee loan from banks	18,000.00	12,500.00	3,000.00	3,000.00
Foreign currency loan from banks	8,702.29	9,485.46	2,175.57	1,053.94
Unsecured				
Foreign currency loan from banks	-	-	3,625.95	3,513.14
Total	26,702.29	21,985.46	8,801.52	7,567.08

* Amount disclosed under "other current liabilities" (refer note 10)

a) The aforesaid loans are under fixed/floating rate (benchmarked to Libor) with different bankers. As at March 31, 2013, the rate of interest based on such arrangements ranged from 2.60% p.a. to 10.90% p.a.

Secured

b) Term loan of Rs.21,000 Lakhs (Previous year : Nil) from Yes Bank is secured by equitable mortgage and first charge over all the fixed assets of the Company including movable properties and immovable properties (both present and future) and second charge on the current assets of the Company. The said loan is repayable in 12 quarterly instalments commencing from March 2013 to September 2017. The company is in the process of creating charge for the securities provided.

c) Term loan of Nil (Previous year : Rs.15,500 Lakhs) from ICICI Bank was secured by equitable mortgage and first charge over all the fixed assets of the Company including movable properties and immovable properties (both present and future) and second charge on the current assets of the Company. The said loan was repayable in 10 equal half yearly instalments commencing from September 2011 to March 2016. This amount has been further repaid as at March 31, 2013.

d) Foreign currency term loan of Rs. 10,877.86 Lakhs (Previous year : Rs.10,539.40 Lakhs) from DBS Bank is secured by first pari passu charge over all the fixed assets of the Company including movable properties and immovable properties (both present and future). The said loan is repayable in 10 equal half-yearly instalments commencing from August, 2013. The Company is in the process of creating charge for the securities provided.

Unsecured

e) The foreign currency loan from HSBC consist of USD 5,000,000 and USD 15,000,000 loan respectively. The said loan is repayable in three annual instalments commencing from April 20, 2011 and May 31, 2011 respectively.

	March 31, 2013	September 30, 2012
6 Deferred Tax Liabilities, Net		
Deferred Tax Liabilities		
Difference in depreciation and other difference in block of fixed assets as per tax books and financial books	4,317.66	4,275.05
Gross deferred tax liabilities	4,317.66	4,275.05
Deferred Tax Assets		
Unabsorbed depreciation / carried forward losses *	(3,137.70)	(3,139.96)
Provision for doubtful debts	(390.42)	(300.09)
Others	(789.54)	(835.00)
Gross deferred tax assets	(4,317.66)	(4,275.05)
Deferred Tax Liabilities, Net	-	-

* Deferred tax asset on unabsorbed depreciation / loss are recorded to the extent of deferred tax liabilities.

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	Long Term		Short Term	
	March 31, 2013	September 30, 2012	March 31, 2013	September 30, 2012
7 Provisions				
Provision for Employee Benefits				
Gratuity	1,438.00	1,360.50	-	-
Compensated absences	89.36	130.66	8.32	7.48
Total	1,527.36	1,491.16	8.32	7.48
8 Short Term Borrowings			March 31, 2013	September 30, 2012
Secured				
Cash credit and overdraft facilities from banks			11,855.29	10,964.42
Others			160.00	355.00
Unsecured				
Short-term loans from banks			9,998.13	26,300.00
Buyer's credit			63.14	164.85
Total			22,076.56	37,784.27

Cash credit and overdraft facilities from banks are secured by a first charge on current assets and a pari passu second charge on the fixed assets of the Company. As at March 31, 2013, the interest on such facilities ranges from 13.35% p.a to 15.50% p.a.

Other loans repayable on demand from banks (secured) loans comprises of loans from DBS Bank. Such loans are secured by a first charge on current assets and a pari passu second charge on the fixed assets of the Company. The interest rate on such loans ranges from 13.35% p.a to 15.50% p.a.

Unsecured short-term loans represents loan from Bank of Baroda . The interest rate on such loan was 10.25% p.a as at March 31, 2013.

Buyer's Credit repayable on their respective due dates within next 12 months. Interest rate on such buyer's credit ranges from 6% p.a.

9 Trade Payables

Trade payables	13,957.25	19,659.56
Total	13,957.25	19,659.56

For dues to Micro and Small Suppliers, refer to Note 36

10 Other Current Liabilities

Current maturities of long-term debt*	8,801.52	7,567.08
Interest accrued but not due on borrowings	423.52	321.79
Amount liable to be deposited in Investor Education and Protection Fund but not yet due for deposit		
Unclaimed matured fixed deposits	0.02	0.02
Unclaimed interest on fixed deposits	0.52	0.52
Unclaimed equity dividends	1.44	1.44
Other payables		
Statutory liabilities	94.30	204.66
Deposit from customers	14.35	16.26
Accrued salaries and benefits	1,125.54	866.27
Derivative financial instrument liability	579.47	678.60
Advance received from customer	586.98	722.17
Advance against sale of property	1,400.00	1,400.00
Others	140.22	20.67
Total	13,167.88	11,799.48

* Refer Note 5

Notes to financial statements for the year ended (six months) March 31, 2013

(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

11 Tangible Assets

Particulars	Freehold Land @ # \$	Leasehold Land	Buildings @&	Plant and Machinery @	Service Installations @	Electrical Installations @ ^	Patterns and Dies	Fixtures	Office Furniture	Office Machinery	Motor Vehicles	Total
Cost												
As at April 1, 2011	22,496.15	1,660.41	9,015.96	24,287.37	2,064.44	2,248.67	5,227.30	485.17	308.21	1,143.81	246.32	69,183.81
Additions**	-	-	1,094.79	9,612.35	129.59	154.30	498.04	345.45	13.24	67.92	65.20	11,980.88
Deductions	-	-	-	88.82	-	-	-	-	-	0.28	116.09	205.19
Reclassification to assets held for sale	581.30	-	182.79	-	-	-	-	-	-	-	-	764.09
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
As at September 30, 2012	21,914.85	1,660.41	9,927.96	33,810.90	2,194.03	2,402.97	5,725.34	830.62	321.45	1,211.45	195.43	80,195.41
Additions**	-	-	222.94	1,241.99	20.67	23.16	394.30	200.76	5.52	32.27	-	2,141.61
Deductions	-	-	-	2.21	-	-	-	-	-	-	4.29	6.50
Reclassification to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2013	21,914.85	1,660.41	10,150.90	35,050.68	2,214.70	2,426.13	6,119.64	1,031.38	326.97	1,243.72	191.14	82,330.52
Depreciation												
As at April 1, 2011	-	189.21	2,124.50	10,176.66	923.23	778.25	693.35	186.87	91.91	540.40	101.97	15,806.35
Charge for the year*	-	83.43	429.96	2,986.90	206.42	151.33	904.34	53.18	28.57	199.04	23.62	5,066.79
Transfer from revaluation reserve	-	-	20.26	-	-	1.14	-	-	-	-	-	21.40
Disposal	-	-	-	80.82	-	-	-	-	-	0.28	53.97	135.07
Reclassification to assets held for sale	-	-	13.33	-	-	-	-	-	-	-	-	13.33
As at September 30, 2012	-	272.64	2,561.39	13,082.74	1,129.65	930.72	1,597.69	240.05	120.48	739.16	71.62	20,746.14
Charge for the year*	-	27.57	153.05	1,220.86	70.80	47.22	311.12	25.35	1.77	72.61	5.84	1,936.19
Transfer from revaluation reserve	-	-	6.10	-	-	0.18	-	-	-	-	-	6.28
Disposal	-	-	-	1.18	-	-	-	-	-	-	3.30	4.48
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2013	-	300.21	2,720.54	14,302.42	1,200.45	978.12	1,908.81	265.40	122.25	811.77	74.16	22,684.13
Net Block												
As at September 30, 2012	21,914.85	1,387.77	7,366.57	20,728.16	1,064.38	1,472.25	4,127.65	590.57	200.97	472.29	123.81	59,449.27
As at March 31, 2013	21,914.85	1,360.20	7,430.36	20,748.26	1,014.25	1,448.01	4,210.83	765.98	204.72	431.95	116.98	59,646.39
Capital work-in-progress #												
As at September 30, 2012												10,111.19
As at March 31, 2013												11,094.91

\$ As at March 31, 2009 the Company had revalued its entire freehold land of manufacturing units at Ennore and Uppal. These were revalued to reflect the current value of the same based on valuation report of registered valuer dated May 25, 2009. The valuation has been carried based on the present market price and/ or the guideline value. The difference of Rs.18,573.40 lakhs between the revalued amount and book value thereof has been credited to fixed assets revaluation reserve.

@ includes upward revaluation made on March 31, 1992.

Consequent to realignment in the rupee value on foreign exchange, there has been an increase of Rs.338.46 lakhs (Previous year decrease of Rs.672 lakhs) in the Company's liability for repayment of External Commercial Borrowings. Capital work-in-progress includes the aforesaid exchange differences. Also, refer note no 45

& Buildings include cost : Rs. 145.37 Lakhs (previous year Rs. 145.37 lakhs) and written down value Rs. 69.95 lakhs (previous year Rs. 92.52 lakhs) in respect of expenditure incurred on capital assets, the ownership of which does not vest in the Company.

^ Electrical installations include Cost : Rs. 98.17 Lakhs (previous year Rs. 98.17 Lakhs) and Written Down Value Rs. 27.10 lakhs (previous year Rs. 31.99 lakhs) in respect of expenditure incurred on capital assets, the ownership of which does not vest in the Company.

* Depreciation on assets capitalised relating to SPU project, amounting to Rs.2.69 lakhs (previous year Rs.32.29 lakhs) is debited to capital work in progress

** Consequent to realignment in the rupee value on foreign exchange, there has been an increase of Rs.112.82 lakhs (Previous year increase of Rs. 1,239 lakhs) in the Company's liability for repayment of External Commercial Borrowings. Additions to fixed assets includes the aforesaid exchange differences and the exchange differences arising on account of repayment of External Commercial Borrowings.

12 Intangible Assets

Particulars	Technical - Know How	Goodwill and Others	Software	Total
Cost				
As at April 1, 2011	1,035.79	147.57	-	1,183.36
Additions	-	-	59.73	59.73
Deductions	-	-	-	-
As at September 30, 2012	1,035.79	147.57	59.73	1,243.09
Additions	-	-	261.85	261.85
Deductions	-	-	-	-
As at March 31, 2013	1,035.79	147.57	321.58	1,504.94

Depreciation				
As at April 1, 2011	618.96	147.57	-	766.53
Charge for the year	125.05	-	6.47	131.52
Disposal	-	-	-	-
As at September 30, 2012	744.01	147.57	6.47	898.05
Charge for the year	41.68	-	57.88	99.56
Disposal	-	-	-	-
As at March 31, 2013	785.69	147.57	64.35	997.61

Net Block

As at September 30, 2012	291.78	-	53.26	345.04
As at March 31, 2013	250.10	-	257.23	507.33

13 Non-current Investments

(Valued at cost unless stated otherwise)

Trade Investments : Unquoted

Investment in Associates

12,018,750 shares (September 30, 2012: 12,018,750) of Rs.10 each fully paid-up of AL Wind Energy Ltd. March 31, 2013 September 30, 2012

Others

25,000 shares (September 30, 2012: 25,000) of Rs.10 each fully paid-up OPG Energy (P) Ltd

Total	1,204.38	1,204.38
--------------	-----------------	-----------------

Notes to financial statements for the year ended (six months) March 31, 2013
 (All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	Non-current portion		Current portion*	
	March 31, 2013	September 30, 2012	March 31, 2013	September 30, 2012
14 Long-term Loans and Advances				
(Unsecured and considered good)				
Capital advances	1,587.59	1,639.68	-	-
Security deposits	2,147.73	2,039.89	-	-
Other loans and advances				
Balances with Government and Statutory Authorities	759.13	197.83	222.83	571.55
Minimum alternate tax credit entitlement	-	470.45	-	-
Advance taxes	221.81	222.05	-	-
Loans / advances to employee	115.18	45.33	61.79	243.60
Others \$ Long term loans and advances	1,376.17	1,377.18	1,336.84	1,330.23
Total	6,207.61	5,992.41	1,621.46	2,145.38

* Amount disclosed under 'Short-term loans and advances'. Refer Note 19

\$ includes claim for refund of electricity tax on maximum demand charges amounting to Rs.370.18 lakhs (September 30, 2012: Rs.370.18 lakhs) represents electricity tax paid for the period September 1991 to November 2009 recoverable from Tamil Nadu Electricity Board (TNEB). The amount has been accounted based on a Supreme Court decision delivered in May 2007 and legal opinions obtained by the Company.

	March 31, 2013	September 30, 2012
15 Other Non-current Assets		
Bank deposits	69.29	67.41
(due to mature after 12 months from the reporting date) (refer note 18)		
Unamortized ancillary borrowing costs	440.70	277.11
Total	509.99	344.52

16 Inventories

Raw material and other direct materials	1,385.22	1,170.30
Material in transit	1,000.12	842.45
Work-in-progress	6,319.67	8,195.52
Stores and spares	1,397.34	1,555.84
Total	10,102.35	11,764.11

Also, refer Note 38

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013	September 30, 2012
17 Trade Receivables		
Receivables outstanding for a period exceeding six months from the date they become due for payment		
- Unsecured, considered good	2,436.80	5,640.26
- Doubtful	1,203.13	924.92
Less: Provision for doubtful receivables	<u>(1,203.13)</u>	<u>(924.92)</u>
	<u>2,436.80</u>	<u>5,640.26</u>
Others		
- Unsecured, considered good	12,086.24	10,595.01
	<u>12,086.24</u>	<u>10,595.01</u>
Total	<u>14,523.04</u>	<u>16,235.27</u>
18 Cash and Bank Balances		
Cash and cash equivalents		
Cash on hand	3.31	3.13
Balance with banks		
On current accounts	398.20	246.29
On deposits (with original maturity of 3 months or less)	0.03	1,811.03
	<u>401.54</u>	<u>2,060.45</u>
Other Bank Balances		
in unpaid dividend	1.44	1.44
Others *	831.66	-
	<u>833.10</u>	<u>1.44</u>
Total	<u>1,234.64</u>	<u>2,061.89</u>
* Balances in deposit accounts subject to lien in favour of bank.		
Details of Bank Balances/Deposits		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	0.03	1,811.03
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	833.10	1.44
Bank deposits due to mature after 12 months of the reporting date included under 'Other non current assets' (refer Note 15)	69.29	67.41
19 Short-term Loans and Advances (Unsecured and considered good)		
Current portion of long-term loans and advances (refer Note 14)	1,621.46	2,145.38
Other loans and advances		
Prepaid expenses	135.15	108.34
Others	74.25	108.13
Total	<u>1,830.86</u>	<u>2,361.85</u>

Notes to financial statements for the year ended (six months) March 31, 2013
 (All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013	September 30, 2012
20 Other Current Assets		
Interest accrued and due on deposits	142.56	71.46
Insurance claims receivable	263.13	391.02
Unamortised ancillary borrowing costs	137.00	150.55
Fixed assets reclassified as held for sale (refer note 11)	750.76	750.76
Others	17.20	11.69
Total	1,310.65	1,375.48
21 Revenue from Operations		
Sale of products (gross)	33,714.13	112,687.56
Less : Excise duty	(3,680.39)	(10,852.30)
Sale of products (net)	30,033.74	101,835.26
Sale of Services	388.18	1,101.05
Other Operating Revenues		
Scrap sales	122.12	222.34
Provision no longer required written back	127.50	0.48
Others	0.52	8.92
	250.14	231.74
Total	30,672.06	103,168.05
Breakup of revenue		
Ferrous castings	29,347.37	100,126.62
Non-Ferrous castings	686.37	1,708.64
	30,033.74	101,835.26
22 Other Income		
Interest on		
- fixed deposits	58.55	375.59
- electricity deposits	62.34	106.05
- income tax refund	-	28.89
Total	120.89	510.53

Notes to financial statements for the year ended (six months) March 31, 2013
 (All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013	September 30, 2012
23 Cost of Material Consumed		
Raw Material (including other direct materials)		
Inventory at the beginning of the period	1,170.30	2,076.25
Add: Purchases	15,136.01	54,568.50
	<u>16,306.31</u>	<u>56,644.75</u>
Less: Inventory at the end of the period	(1,385.22)	(1,170.30)
Total	<u>14,921.09</u>	<u>55,474.45</u>
Also, refer note 38		
24 Changes in Inventories of Finished Goods and Work in - Progress		
Opening work-in-progress	8,195.52	10,462.83
Opening finished goods	-	111.94
	<u>8,195.52</u>	<u>10,574.77</u>
Closing work-in-progress	6,319.67	8,195.52
Closing finished goods	-	-
	<u>6,319.67</u>	<u>8,195.52</u>
Total	<u>1,875.85</u>	<u>2,379.25</u>
Also, refer Note 38		
25 Employee Benefits		
Salaries, wages and bonus	4,667.04	13,677.58
Contribution to provident and other funds	722.84	2,118.32
Staff welfare expenses	825.19	2,589.59
Total	<u>6,215.07</u>	<u>18,385.49</u>
26 Finance Costs		
Interest expense	3,939.36	12,484.17
Amortization of ancillary borrowing cost	224.18	267.83
	<u>4,163.54</u>	<u>12,752.00</u>
Less : Expenditure capitalized	(156.10)	(1,167.58)
Total	<u>4,007.44</u>	<u>11,584.42</u>
27 Depreciation and Amortization		
Depreciation of tangible fixed assets	1,942.47	5,088.19
Less : Depreciation on revaluation increase transferred from revaluation reserve	(6.28)	(21.40)
Amortization of intangible fixed assets	99.56	131.52
	<u>2,035.75</u>	<u>5,198.31</u>
Less : Expenditure capitalized	(2.68)	(32.29)
Total	<u>2,033.07</u>	<u>5,166.02</u>

Notes to financial statements for the year ended (six months) March 31, 2013
 (All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

	March 31, 2013	September 30, 2012
28 Other Expenses		
Stores and spares consumed	1,632.69	5,472.83
Power and fuel	5,646.14	17,724.76
Rent	26.15	63.40
Rates and taxes	57.09	338.97
Repairs to buildings	74.09	165.24
Repairs to machinery	987.17	2,683.43
Insurance	76.42	66.75
Loss on sale of fixed assets	-	31.27
Net loss on foreign currency transactions	15.25	387.79
Directors sitting fees	9.00	22.80
Bank charges	132.86	389.18
Audit fees	23.17	33.69
Increase / decrease in excise duty on inventory	-	(6.44)
Provision for doubtful debts (Net of write back)	278.21	756.22
Bad debts written off	20.01	1,518.74
Fettling/machining charges	1,093.68	4,112.06
Labour charges	376.88	2,133.63
Other expenses	1,235.01	3,048.87
	<u>11,683.82</u>	<u>38,943.19</u>
Less: Expenditure capitalized	(35.48)	(153.68)
Total	<u>11,648.34</u>	<u>38,789.51</u>
Payment to Statutory Auditors		
- Statutory audit fees	9.00	15.00
- Limited review as per clause 41 of the listing agreement	2.00	5.00
- Tax audit	4.00	4.00
- Other services	4.00	6.50
- Out of pocket expenses	4.17	3.19
	<u>23.17</u>	<u>33.69</u>
29 Exceptional Items		
Voluntary retirement compensation	-	1,495.72
Settlement arrears	-	541.86
Total	<u>-</u>	<u>2,037.58</u>

	March 31, 2013	September 30, 2012
30 Earning Per Share (EPS)		
Earnings		
Loss after tax	(10,378.36)	(29,133.95)
Less: Dividend attributable to preference shares and tax thereon	(864.17)	(231.24)
Net profit attributable to equity shareholders for calculation of basic EPS	(11,242.53)	(29,365.19)
Weighted average number of equity shares outstanding as at the end of the year	2,87,307.11	2,87,307.11
Basic earnings per share / diluted earnings per share (Rs)	(39.13)	(102.21)

31 Employee Benefits

Defined Benefit Plans

Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days basic salary (based on last drawn remuneration) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

Statement of Profit and Loss

Net employee benefit expense (Recognized in Employee Cost)

Particulars	March 31, 2013	September 30, 2012
Current service cost	193.06	812.10
Interest cost on benefit obligation	118.10	279.72
Expected return on plan assets	(60.28)	(197.16)
Net actuarial(gain) / loss recognized in the year	(48.40)	(131.66)
Net benefit expense	202.48	763.00
Actual return on plan assets	30.10	234.75

Balance Sheet

Reconciliation of present value of the obligation and the fair value of plan assets

Particulars	March 31, 2013	September 30, 2012
Fair value of plan assets at the end of the year	1,471.10	1,395.74
Present value of funded obligation at the end of the year	(2,909.10)	(2,756.26)
Asset/(Liability) recognized in the balance sheet	(1,438.00)	(1,360.52)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	March 31, 2013	September 30, 2012
Present value of obligations as at the beginning of year	2,756.26	2579.29
Interest cost	118.10	279.72
Current Service cost	193.06	812.10
Benefits paid	(79.74)	(820.79)
Actuarial (Gain) / Loss on obligation	(78.58)	(94.07)
Present value of obligations as at the end of year	2,909.10	2756.26

Changes in the fair value of plan assets are as follows:

Particulars	March 31, 2013	September 30, 2012
Fair value of plan assets at beginning of year	1,395.74	1,931.77
Expected return on plan assets	60.28	197.16
Contributions	125.00	50.00
Benefits paid	(79.74)	(820.79)
(Loss) / gain Actuarial gain on plan assets	(30.17)	37.59
Fair value of plan assets as at end of year	1,471.10	1,395.74

Particulars	March 31, 2013	September 30, 2012
Plan liabilities loss / (gain)	(78.58)	(94.07)
Plan assets (loss) / gain	(30.17)	37.59

Experience adjustments in :

Particulars	March 31, 2013	September 30, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Fair value of plan assets at the end of the year	1,471.10	1,395.74	1,932.00	1,912.00	1,626.00
Present value of funded obligation at the end of the year	2,909.10	2,756.26	(2,579.00)	(2,288.00)	(2,030.00)
Asset/(Liability) recognized in the balance sheet	(1,438.00)	(1,360.52)	(647.00)	(376.00)	(404.00)
Plan liabilities - loss / (gain)	(78.58)	(94.07)	76.15	(119.00)	231.00
Plan assets - (loss) / gain	(30.17)	37.59	25.00	15.00	(7.00)

The principal assumptions used in determining gratuity and other post-employment benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2013	September 30, 2012
	%	%
Discount rate	8.50	8.50
Expected rate of return on assets	8.50	8.50
Salary escalation	3.00	3.00

The fund is administered by Life Insurance Corporation of India. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

32 Contingent Liabilities and Commitments (to the extent not provided for)

Particulars	March 31, 2013	September 30, 2012
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	744.11	1,324.54
Export obligations	18,120.17	18,673.32
Contingent liabilities		
Dividend on Redeemable preference shares	1,487.07	622.90
Sales tax, income tax and excise related matters	2,060.85	2,031.28

The Tamil Nadu Government has issued notification levying additional charge on High Tension Industries, having Arc furnaces at 25% of the power consumption effective from 1st December 2001 till 15th March 2003. Though the Company has not received any demand in this regard, the notification has been challenged by the Company before the High Court of Madras. The High Court has granted interim stay. Subsequently, TNERC passed an order imposing 15 % Arc furnace additional charge effective from March 16, 2003. The Company also filed an affidavit stating that it had installed in 1999, harmonic filters to contain the harmonic levels. The Hon'ble Madras High Court after hearing the case on October 8, 2003, directed TNEB to verify the installation of harmonic filters by the Company and report back the status. Though the verification is done, TNEB has not filed the report in the High Court and the case is yet to come up for further hearing. The Management believes that the final impact is not ascertainable pending the receipt of report from TNEB. In the opinion of the management, no provision is considered necessary for the disputes mentioned above on the grounds that there are reasonable chances of successful outcome of appeals.

33 Related Party Disclosure

List of parties where control exists

Holding Company	Hinduja Automotive Limited (formerly 'LRLIH Ltd'), UK
Fellow Subsidiary	Ashok Leyland Limited
Associate Company	AL Wind Energy Limited
Entity under common control	Nissan Ashok Leyland Powertrain Limited
Other related party	
Key Managerial Personnel	Mr. B Swaminathan, Managing Director (w.e.f. 01 May 2011)
	Mr. V Mahadevan, Managing Director (Upto 30 April 2011)

Transactions/balance with related parties

Particulars	Relationship	March 31, 2013	September 30, 2012
Sale of goods/services	Fellow subsidiary	(7,857.34)	(30,229.27)
Sale of goods/services	Entity under common control	(1,417.40)	(1,567.26)
Purchases of materials	Fellow subsidiary	358.83	1,388.50
Purchase of power	Associate	793.73	2,839.04
Advances received	Fellow subsidiary	(7,500.00)	(45,765.83)
Advance settled	Fellow subsidiary	11,711.57	41,482.92
Interest paid on advance	Fellow subsidiary	21.00	808.52
Subscription to preference share capital	Fellow subsidiary	22,500.00	7,500.00
Managerial remuneration	Key managerial personnel	59.40	193.99
Balances outstanding			
Amount payable (excluding preference share capital)	Fellow Subsidiary	91.21	4,852.93
Amount payable - Preference share capital	Fellow Subsidiary	32,166.67	9,666.67
Amount payable	Associate	250.20	445.32
Amount receivable	Fellow Subsidiary	6,152.90	6,312.70
Amount receivable	Entity under common control	313.56	388.04

34 Information regarding Managerial Remuneration

Managing Director's Remuneration

Particulars	March 31, 2013	September 30, 2012
Salary	42.00	144.11
Contribution to provident and other funds	2.88	8.74
Perquisites or benefits	14.52	41.14

As the future liabilities of gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Managing Director is not ascertainable separately and therefore not included above.

35 Segment Reporting

The Company's business is confined to only castings. Accordingly, the Company operates in a single business segment. Further, the Company markets its products primarily in the domestic markets. Hence there are no reportable geographical segments.

36 Dues to Micro and Small Suppliers

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2013 has been made in the financial statements based on information received and available with the Company and relied upon by auditors. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

Particulars	March 31, 2013	September 30, 2012
Principal amount due	Nil	Nil
Interest due on the above	Nil	Nil
Amount of interest due and payable where principal has already been paid but the interest has not been paid	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	Nil	Nil

37 Raw Materials Consumed

Particulars	March 31, 2013	September 30, 2012
Pig iron	443.65	1,757.96
Steel scrap	7,355.16	27,333.65
Iron scrap	1,657.53	6,718.02
Carboriser	391.13	1,450.96
Ferro Alloys	1,082.33	3,778.48
Aluminium Alloy	424.92	559.96
Others	3,566.37	13,875.42
Total	14,921.09	55,474.45

38 In respect of the previous financial year, physical verification of inventory had resulted in difference between book stock and physical stock (physical stock being lower than book stock) aggregating to Rs. 82.95 Crores. Such differences had been fully reckoned appropriately in the statement of profit and loss for the financial year ended September 30, 2012 (as part of increase/decrease in work-in-progress/finished good and/or consumption of materials as the case may be), and as such, the physically verified stocks were considered in the financial statements for the period ended September 30, 2012. A special committee appointed by the Board of Directors analyzed the aforesaid differences and identified that such differences were predominantly due to ineffective process standards and inadequate documentation and controls in connection with recording and usage of rejections and consumption of materials in the Company's factories. The committee has ascertained that on consideration of such differences in the application of input/output ratios, the resultant ratios are within the normal range prevalent in the industry and there were no related unaccounted dispatches. Further, the Company has initiated adequate action to strengthen its internal controls in respect of maintenance of inventory records through ERP, improved controls on rejections and implementation of perpetual inventory count system etc.

Notes to financial statements for the year ended (six months) March 31, 2013
(All amounts are in Indian Rupees in Lakhs, unless otherwise stated)

39 Details of imported and indigenous raw materials and stores and spares during the financial year

i) Raw materials

	March 31, 2013		September 30, 2012	
	% of total Consumption	Amount	% of total Consumption	Amount
Imported	0.91	136.15	2.01	1,114.99
Indigenous	99.09	14,784.94	97.99	54,359.46
Total	100.00	14,921.09	100.00	55,474.45

ii) Stores and spares

	March 31, 2013		September 30, 2012	
	% of total Consumption	Amount	% of total Consumption	Amount
Imported	2.12	34.62	4.85	265.48
Indigenous	97.88	1,598.07	95.15	5,207.35
Total	100.00	1,632.69	100.00	5,472.83

40 Value of Imports on CIF Basis

Particulars	March 31, 2013	September 30, 2012
Raw materials	136.15	1,659.56
Spares	34.62	265.48
Capital goods	1,745.18	4,205.07
Total	1,915.95	6,130.11

41 Expenditure in Foreign Currencies (on accrual basis)

Particulars	March 31, 2013	September 30, 2012
Travelling	9.47	23.60
Consultants fees *	-	258.04
AMC	10.12	-
Interest on external commercial borrowings	127.93	578.72
Total	147.52	860.36

*includes Rs.233 lakhs for capital goods for September 30, 2012

42 Earnings in Foreign Currency (on accrual basis)

Particulars	March 31, 2013	September 30, 2012
Export on F.O.B basis	139.71	3,647.92
Total	139.71	3,647.92

43 Derivative Instruments

During the year (eighteen months period) ended 30 September 2012, the Company adopted the Accounting Standard (AS)-32 "Financial Instruments: Disclosures" as issued by ICAI, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

i Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge interest rate risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion is immediately recorded in the statement of profit and loss. In respect of the aforesaid hedges of highly probable forecasted transactions, the Company has recorded, in reserves and surplus, a net profit of Rs.99.13 lakhs for the year (six months period) ended March 31, 2013. The net carrying amount of the Company's "hedging reserve" was a loss of Rs. 579.47 lakhs as at March 31, 2013.

- ii Foreign currency exposures on account of trade receivables/ trade payables not hedged derivative instrument or otherwise are as follows:

Particulars	March 31, 2013		September 30, 2012	
	Amount (in original currency)	Amount (INR in Lakhs)	Amount (in original currency)	Amount (INR in Lakhs)
Loan payable				
USD	26,782,775	14,566.95	26,782,280	14,113.46
EUR	-	-	152,499	103.93
Trade payable				
EUR	163,415	113.65	286,756	195.42
USD	76,506	41.61	70,082	36.93
Trade receivable				
EUR	36,858	25.45	100,020	68.16

44 Utilisation of the Proceeds of Rights Issue

Consequent to the approval of the members in their meeting held on July 29, 2009, the Company offered for subscription 10,055,749 equity shares of Rs.10 each at a premium of Rs 40 per share aggregating to Rs. 5027.87 lakhs, to the existing shareholders on a rights basis, in the ratio of 7 equity shares for every 13 fully paid up equity shares. The issue was fully subscribed and the allotment has been made during the year ended March 31, 2011.

The details of utilisation of Rights Issue proceeds arising from allotment made in April 2010 are stated below:

Particulars	Envisaged in letter of offer	Amount utilised till March 31, 2013	Rs. in Lakhs
			Amount remaining to be utilised*
Proposed capital expenditure to be incurred at our facilities	2,576.75	2,576.75	-
Repayment of loans	2,401.12	2,401.12	-

* Includes revised/rescheduled planned expenditure from its initial estimate at the discretion of the Company's management per letter of offer.

- 45 The Company had acquired a piece of land from APIIC (Andhra Pradesh Industrial and Investment Corporation) and the registration of the land in favour of the Company would be completed upon the Company commencing commercial production before March 31, 2012. Whilst, the Company has been taking steps to implement the project on such land, the basic infrastructural facilities viz adequate electricity, water supply, etc., have not been made available to the Company. The company has sought extension of time and has also examined alternative locations as suggested by Andhra Pradesh Government. The State Government has sought to cancel the allotment of the aforesaid land in respect of which the Company has obtained a stay from the High Court of Andhra Pradesh for maintaining status quo with regard to possession (which is currently operative). Pending this, the associated project costs incurred to date aggregating to Rs.1,658 lakhs have been carried at cost as at March 31, 2013. Also, refer note 2 (a).

46 Transfer Pricing

The Company has transactions with related parties. As required by the relevant provisions of the Income-tax Act, 1961 the Company has a policy of maintaining documents to prove that these transactions are at arm's length and believes that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation

47 Prior year comparatives

Previous year figures have been regrouped /reclassified, wherever necessary, to conform to current period's classification. The Company's previous financial year was for a period of 18 months ended September 30, 2012. Pursuant to the change of year -end , the current financial year ended March 31, 2013 is for a shorter period of 6 months. Accordingly, current period's figures are not comparable with that of the previous year which is for a period of 18 months.

For **B S R and Company**
Chartered Accountants
Firm Regn. No : 128900W

S Sethuraman
Partner
Membership No : 203491

Place : Chennai
Date : May 11, 2013

For and on behalf of the Board

R Seshasayee
Chairman

B Swaminathan
Managing Director

Govind M Joshi
Company Secretary

K R Ravi Shankar
Chief Financial Officer

Notes

A series of horizontal dotted lines for writing notes.

*Today, India is witnessing world-class standards of automobile engineering.
Technological marvels of various shapes and sizes meet us at every turn.*



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Castings from Hinduja Foundries



HINDUJA FOUNDRIES LIMITED

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