KALYANI

OUR WORLD IS TRANSFORMING

49th

Annual Report
2009 - 2010

BHARAT FORGE

CONTENTS

OUR WORLD IS TRANSFORMING

INNOVATION

Innovation has been the driving force behind our company. It is applied across every aspect of our business, right from research and development to manufacturing, testing & validation. The R&D team with over 100 engineers has been working on various projects including developing technologies to minimize carbon footprint and reducing product weights which will translate into lower energy consumption.

The auto world is moving to a greener fossil free technology. We are moving in the same direction and have tied up with like-minded companies to develop technology that our automotive clientele can capitalize on.

TECHNOLOGY

The company has always been at the fore-front of technology. It has adopted the latest technologies in all its processes, which has helped garner significant market share globally. For its non-automotive initiatives, the company has invested over US$ 100 million in setting up a modern state-of-the-art forging and complementary machining facility.

PRODUCTS

Innovative application of latest technologies has helped the company develop critical, high value, high value added products for the non-automotive sector.

BFL has developed several products such as rotor forgings for thermal power, headers for nuclear power and crankshafts & portal axles for locomotives, and parts like blow out preventers & fluid ends for the oil and gas sector. Today BFL is an indigenous supply source for some of these products which were largely imported.

PEOPLE

There is a renewed focus on learning and development across the Company. This philosophy has been extended across all management and operational levels. In addition, to the various initiatives to promote talent management, BFL has launched an M.Tech programme for employees in collaboration with IIT Mumbai. This has a strong R&D focus, and is geared to develop the Company's own capabilities. The company is also taking key initiatives to develop leadership talent that is required to support its ambitious growth objectives in the non-automotive space.

BHARAT FORGE AS A GLOBAL ORGANIZATION HAS BEEN FOCUSING SHARPLY ON INNOVATING IN THE AUTOMOTIVE SPACE WITH NEW TECHNOLOGY AND PRODUCTS WHILE CONTINUING TO EXPLORE OPPORTUNITIES IN THE NON AUTOMOTIVE SPACE. INNOVATION, TECHNOLOGY, PRODUCTS AND PEOPLE ARE THE KEY DRIVERS THAT WILL TRANSFORM THE COMPANY WITH HIGH LEVEL OF CAPABILITY IN THE AUTOMOTIVE, NON AUTOMOTIVE AND CAPITAL GOODS BUSINESS.

HIGHLIGHTS

Strong fundamental performance in the standalone business

Repayment of US$ 131.5 Million FCCB including redemption premium

Successful fund raising via QIP of US$ 140 million including warrants

Completion of restructuring of overseas operations

Expansion in product offering to power sector to now include EPC services

BOARD OF DIRECTORS

Mr. B. N. Kalyani
Chairman & Managing Director

Mr. S. M. Thakore

Mr. S. D. Kulkarni

Mr. Pratap G. Pawar

Prof. Dr. Uwe Loos

Mr. P. C. Bhalerao

Mrs. Lalita D. Gupte

Mr. P. H. Ravikumar

Mr. Alan Spencer

Mr. Naresh Narad

Dr. T. Mukherjee

Mr. G. K. Agarwal
Deputy Managing Director

Mr. Amit B. Kalyani
Executive Director

Mr. B. P. Kalyani
Executive Director

Mr. S. E. Tandale
Executive Director

Mr. P. K. Maheshwari
Executive Director

Mr. Sunil K. Chaturvedi
Executive Director

BANKERS

Bank of India

Bank of Baroda

Bank of Maharashtra

Canara Bank

State Bank of India

HDFC Bank Ltd.

ICICI Bank Ltd.

Citibank N A

Standard Chartered Bank

Axis Bank Ltd.

ABN Amro Bank N V

Crédit Agricole
Corporate & Investment Bank

AUDITORS

Dalal & Shah,
Chartered Accountants

INTERNAL AUDITORS

Mahajan & Aibara,
Chartered Accountants

REGISTERED OFFICE

BHARAT FORGE LIMITED
Mundhwa, Pune Cantonment,
Pune – 411 036, Maharashtra, India.

Phone: +91.20.2670 2777,
+91.20.2670 2476
Fax: +91.20.2682 2163
Email: info@bharatforge.com
Website: www.bharatforge.com

CHAIRMAN'S LETTER

Dear Shareholder,

Let me begin by looking back at the global economic scenario over the past 2 years. In my last communication to you, I had mentioned "2008-09 has been the most difficult year for the global economy in the last 75 years. It began with global inflation, and ended with the sharpest decline in global trade and GDP since the Great Depression of the 1930s". The scenario continued in 2009-10 with some signs of recovery in some of the markets in the latter part of the year and your company performance reflected events in the global economy.

The developed economies remained in disarray while Asia pulled out of the crisis relatively unscathed. Consider the US, the best of the developed economies, which is pulling out of the depression witnessed automobile production fall by 34% while class 8 truck production fell by 43% in CY2009 compared to a year earlier.

In CY 2009, Europe was even worse affected with sales of medium commercial vehicles lower by 41%; and heavy commercial vehicles by 48%. In fact, the story was worse for component suppliers. Europe already had large inventory in early 2009; and much of the existing market was catered to from these stocks. Thus, production levels were lower still, and the demand for automotive forgings reduced significantly.

The positive was the rapid economic turnaround in China and India, and the growth in automobile demand and production in both countries. In China, the market recovered substantially with the production of commercial vehicles growing by 31%. So too, India, where commercial vehicles production increased by 36%.

Our performance in 2009-10 reflected the happenings in the global markets & the subsequent recovery in the Asian markets. Your company witnessed a sequential improvement in both domestic & overseas operations on the back of strong recovery in the Indian Automotive market and stabilization of global markets.

However the decline in your Company's business in US and Europe could not be compensated by the growth in India. Thus, as a consolidated entity, Bharat Forge's net sales decreased by 30% to Rs 33,276 million in FY2010; profit before depreciation, interest and taxes fell by 38% to Rs 3,896 million; and profit before tax (before exceptional items) stood at Rs 141.9 million.

After 4 years of slump, the North American Heavy Truck market is expected to recover towards the end of the year and gain strength and post strong numbers for the next 2 years driven by replacement of legacy fleet, presently at an historical high of 7 years.

Yet there are many positives which will stand your Company in good stead as the global economy comes out of the downturn. Let me list the critical factors.

First, the slump forced your Company to take a very hard and focused look at efficiencies, throughput and cost structures — both operational and financial. Your company has spent most of the time in restructuring and rightsizing the overseas operations through the closure of Scottish facility and transfer of its assets and business to BFK and manpower redundancies. In the process, your Company incurred a one time net cost of Rs 742 million.

Balance sheet wise, your Company has become stronger on the back of redemption of Foreign Currency Convertible Bonds (FCCBs) of US$ 131.5 million on 20th April 2010 and the subsequent fundraising of US$ 140 million including warrants via the Qualified Institutional Placement (QIP) route on 28th April 2010. These actions have reduced Bharat Forge's consolidated debt-equity ratio net of cash to 0.76.

Coming to the markets, your Company is starting to see a sharp turnaround in most markets other than Europe. Your company is witnessing increased level of activity on the Indian automotive and non automotive front. In the US, economic & manufacturing activities have started reviving across all sectors. After 4 years of slump, the North American Heavy Truck market is expected to recover towards the end of the year and gain strength and post strong numbers for the next 2 years driven by replacement of legacy fleet, presently at an historical high of 7 years.

European automotive markets are still lagging behind the other geographies and are fighting the financial crisis as a result of the Greek turmoil. Your company expects the markets to start on the recovery path from next year. However, because of the restructuring exercise at the overseas operations, we expect them to be profitable this year and are poised to grow with recovery in markets.

The JV in China has started improving on the back of improved market conditions coupled with innovative operational strategies. The operating management there has done a commendable job in implementing these strategies. With these new measures in place, your Company expects the venture to post significant improvement in performance.

This year, contribution from India & China to the consolidated revenues increased significantly from 32% in FY 2009 to 44% in FY 2010 & we expect this to further increase with ramp up of the new non-auto facilities, A resurgent Indian economy seems set to scale up to double digit growth with infrastructure and industrial sectors underpinning the momentum. You would be aware that the Government is contemplating an infrastructure sector investment estimated at US$ 1 trillion during 2012-2017 to propel the economy on a steeper growth trajectory.

commencement of capital goods business and improvement in China operations.
Coming to the Non Auto components business, I am happy to inform you that in January 2010, the first phase of capacity creation for the non-auto forgings business was completed with the commissioning of the ring rolling plant at Baramati. During the year, your Company has focussed sharply on the opportunities in the non- auto space and has seen increased traction with customers both in India & Globally.

There is no doubt that India will continue investing heavily in physical infrastructure over the next two decades. It will be primarily in power, transportation and construction & mining. All these sectors require specialised forgings and your Company is focusing to be a key player in these areas.

I reiterate our target for the non auto business to contribute 40% of revenues by 2012.

Now let me move on to capital goods.
A resurgent Indian economy seems set to scale up to double digit growth with infrastructure and industrial sectors underpinning the momentum. You would be aware that the Government is contemplating an infrastructure sector investment estimated at US$ 1 trillion during 2012-2017 to propel the economy on a steeper growth trajectory. This growth will, however, require support of a strong capital goods industry. I am happy that your company is trying to emerge as a key player in the capital goods space.

Let us consider power plants. Any power plant is made up of four key elements: the turbine generator, the boiler, the balance of plant (BOP), and engineering, procurement and construction (EPC) services. Given that India will be increasing its installed capacity in power generation from 155 GW today to an estimated 800 GW by 2030 at an average rate of 30,000 MW per annum; there will be a huge, long term demand for each of the four elements of a power plant.

Bharat Forge is determined to be a key Player in this space and we have already made significant progress on the ventures with Alstom & NTPC to prepare ourselves for this emerging opportunity.

Alstom: The venture with Alstom had been technically qualified for the NTPC Bulk procurement of 11X660 MW of turbines and generators. The land for this venture has been acquired in Mundra (Gujarat) in December 2009 and construction of the facility would commence soon. The Company is also engaged in dialogue with a range of power project developers and utilities.

Besides power, Railway transport is also set to grow exponentially to support India's emerging infrastructure growth. Indian Railway is planning to expand its network manifolds and modernize and significantly augment its rolling stocks.

NTPC: The Joint Venture Company has identified a range of products to be manufactured which include pumps, critical pipings, valves and heavy castings. The land for the manufacturing facility has been acquired at Solapur, Maharashtra. Technology collaborations for these products are likely to mature during the current year.

In the EPC space, I am happy to inform you that your Company has secured its maiden contract for a 450 MW power plant. Keeping in view the requirement of this business, your Company has also decided to set up a 100% subsidiary for taking up EPC projects in power and other sectors.

Besides power, Railway transport is also set to grow exponentially to support India's emerging infrastructure growth. Indian Railway is planning to expand its network manifolds and modernize and significantly augment its rolling stocks. A slew of new component and other rolling stock manufacturing facilities are coming up to support this expansion. Simultaneously, a host of Indian cities are setting up rail based metro transportation systems to ease urban congestion and improve mobility of citizens. Your company sees significant opportunities emerging in this sector also and is well positioned to partake in these opportunities.

The worst is behind us. We have all the growth engines in place. We have leveraged the slump to increase productivity, cut costs and reduce break-even points across all our operations. The auto forgings business is again looking up. In addition, we have all the building blocks of the non-auto business in place — both in components and in capital goods. I expect both the automotive and non-automotive business to grow rapidly over the years.

Difficulties are a part of life, even big ones such as what we saw in the second half of FY2009 and the first half of FY2010. Those with character and resolve confront the difficulties and solve them. That is what your Company has done in FY2010 — while simultaneously putting in place its new business initiatives.

On your behalf, please allow me to congratulate every employee of your Company for having shown resolve and determination. Having gone through fire, they eagerly look forward to the new horizons of growth. Finally, my thanks to you for your solid support.

Yours Sincerely,

BABA KALYANI
CHAIRMAN AND MANAGING DIRECTOR

EXECUTIVE TEAM

L to R

B. N. Kalyani
Chairman & Managing Director

S. E. Tandale
Executive Director

Amit B. Kalyani
Executive Director

G. K. Agarwal
Deputy Managing Director

B. P. Kalyani
Executive Director

Sunil K. Chaturvedi
Executive Director

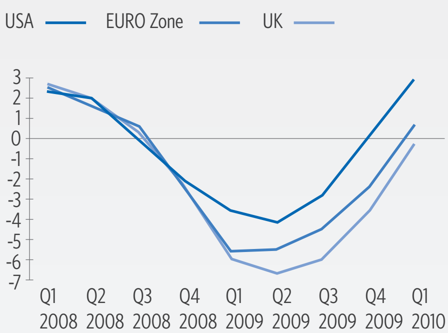
P. K. Maheshwari
Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

The External Environment

In the aftermath of the 'sub-prime' led global financial crisis in 2008, economies across the world went into a tailspin. Chart A shows how developed economies like the US, UK and the European Union witnessed contraction in GDP from Q3, 2008. With such sharp de-growth, global demand for industrial and engineering products crashed. This trend continued through most of 2009.

Chart A: Real GDP Growth (YoY, developed economies)



Towards the end of 2009 and Q1, 2010, there were some positive signs. Global financial markets witnessed a degree of stabilisation. With two successive quarters of positive growth from Q4, 2009, the US seems to have come out of recession. Not so the Euro zone and the UK, which continue to witness very low or negative growth. Moreover, the Greek debt crisis has created severe uncertainties in Western Europe, and has put the euro under significant strain.

The contrast between the developed economies and the emerging Asian giants such as China and India could not be greater. Chart B shows that after three quarters of reduced growth, China's economy grew steadily from Q2, 2009, to record a GDP growth of 8.7% for 2009. It did even better in Q1, 2010 by recording 11.9% GDP growth. India, too, recovered from a slight slump and has grown by 7.4% for 2009-10. It would seem that these economies are on their way to attaining their higher growth trajectories of the pre 'Lehman collapse' days.

Chart B: Real GDP Growth, China & India (%)

Performance Summary

As a global major in the forging industry that caters to markets across the world through its production facilities in Europe, Asia and America, the business of Bharat Forge ('BFL' or 'the Company') was significantly affected by the adverse global economic developments. The Company's financial performance for 2009-10, therefore, reflects the sharp demand downturn. Given below are the performance highlights of the Company as a consolidated entity during 2009-10 (or FY2010).

Key Consolidated Highlights FY 2010

- Sales decreased by 30% from Rs 47.75 bn in FY2009 to Rs 33.28 bn in FY2010
- Total income decreased by 30% from Rs 48.43 bn in FY2009 to Rs 33.79 bn in FY2010
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) were Rs 3.9 bn in FY2010. The EBITDA margin was 11.5%
- Profit before taxes (PBT) before exceptional items was Rs 141.9 million
- Strong fundamental performance in the standalone business
- Restructuring of overseas operations completed, resulting in a one-time net cost of Rs 742 million
- FCCB of US$ 131.5 million repaid
- Successful fund raising via QIP of US$ 140 million including warrants

Over the last decade, BFL had adopted a growth strategy, which was primarily de-risked in terms of geography & sectors. The crux of this strategy was that, under most circumstances, market downturns in some geographical & sectoral areas would be surmounted by upswings in others. Despite having this de-risked business model in place, the Company's business performance was adversely affected in FY2010 due to the unprecedented downturn across all global markets after the financial crisis that began in September 2008.

While performance was affected in FY2010, BFL confronted these adversities by re-calibrating its business strategy and reorganizing internally to best overcome the current situation and further enhance the Company's potential to reap benefits from the next round of global growth.

On the marketing front, BFL continued to increase its efforts to increase its market size, scope and penetration by:

- **Focusing on new customers, new markets in terms of geographies and new product applications with thrust on non-auto sectors.**
- **Increasing market share of existing businesses.**

In operations, the Company embarked on rapidly restructuring its internal processes and systems by laying emphasis on:

- **Cost reduction and rightsizing of all operations to reduce breakeven levels for plants, so that they are calibrated to generate profits, even when operating at lower levels of capacity utilisation.**
- **Generating more cash from the system and streamlining working capital.**

On the market front, there was a concerted effort at entering newer geographies. BFL was successful in winning new orders from customers in Japan, Brazil and Russia for automotive and non-automotive applications. Within India, the Company has made progress in enhancing its presence in the non-automotive field by developing critical products for key growth sectors — thus providing an indigenous supply source for products that were previously imported.

Regarding operations, there have been focused efforts on cost reductions and lean initiatives. The cost reduction efforts included rationalisation of production equipments to optimise their utilisation, which helped reduce costs such as fuel and electricity consumption. Efforts were also undertaken towards rationalisation of manpower and process improvements. In addition, a separate team was created to promote lean management practices in the Company. The team focuses on streamlining the movement of material and utilisation of resources at the plant. This has helped the Company to manage inventory better and increase overall productivity.

These initiatives have borne fruit. There has been a steady improvement in the performance of the Indian business, as reflected in the stand-alone financials of the Company.

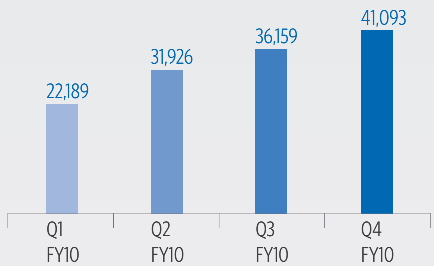
While performance was affected in FY2010, BFL confronted these adversities by re-calibrating its business strategy and reorganizing internally to best overcome the current situation and further enhance the Company's potential to reap benefits from the next round of global growth.

Standalone Business Performance: 2009-10

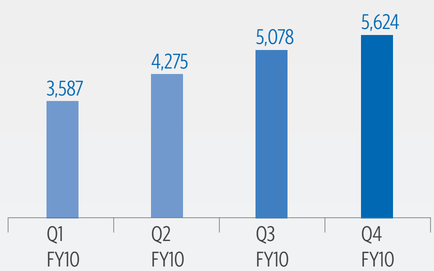
BFL's standalone business has a strong focus on the commercial vehicles (CV) sector for the Indian market as well as the US and Europe through exports. Globally, the CV sector went into a tail-spin from October 2008, and witnessed a volume decline of more than 50% within a short span of time.

The Indian automotive market recovered swiftly from the lows of October-December 2008 on the back of pick up in economic activity across the board, benign interest rates and sops provided by the Indian government. The industry registered sequential quarterly growth across all segments and recorded year-on-year growth of 29%. BFL's quarterly performance in FY2010 mirrored the recovery in the Indian automotive markets. The charts below depict a steady quarter-on-quarter improvement in all key parameters for the standalone operations.

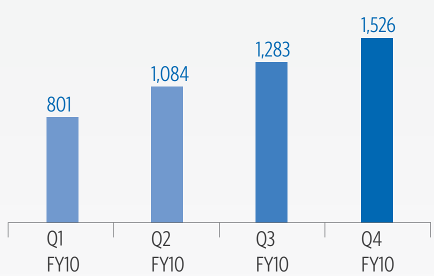
Production Tonnage (MT)



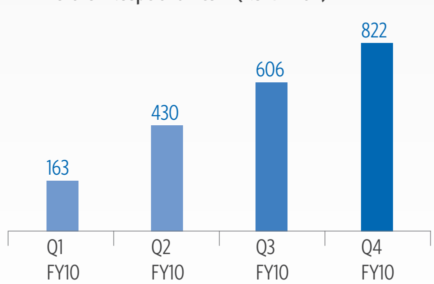
Net Sales (Rs Million)



EBITDA (Rs Million)



PBT Before Exceptional Item (Rs Million)



Overseas Subsidiaries:

BFL has a large part of its overseas operations based in Europe and given the poor demand conditions; the focus during the year was on restructuring operations and lowering the break-even levels.

Comprehensive cost reduction measures were undertaken across the European and American operations, which included significant reduction in manpower. In fact, manpower at the European operations have been reduced, which has cost the Company approximately Rs 742 million in redundancy payouts. With this one-time exercise, these facilities are now tuned to break-even at much lower capacity utilisation levels and are well positioned to leverage opportunities when markets revive.

In addition, BFL rationalised its international facilities by successfully closing down its operations in Scotland, which was operating at sub optimal utilization levels. The equipments have been transferred to the facilities in Sweden.

On the marketing front, notable achievements included the addition of new customers in China outside the FAW group (BFL's joint venture partner) and new product development for passenger vehicles in Germany.

Trends and Structural Changes

Clearly, FY2010 was a difficult year for the Company. While market conditions affected the financial performance, BFL displayed its capabilities in confronting the situation by focusing on internal restructuring. Consequently, the Company has emerged as a more competitive player in the global forging space and is now better positioned to leverage the next round of demand growth.

The annual financial results do not paint the complete picture. A closer analysis of the developments through the year shows some trends and structural changes which should define the course of the Company in the near future. These are given below.

Increase in share of India and Asia Pacific in BFL's consolidated revenues:

Given the significantly resilient performance of Asian economies, there has been a clear shift in composition of the Company's consolidated sales in terms of growth-driven geographies. Charts C and D show that the share of India has increased from 22% in FY2009 to 32% in FY2010. The share of Asia-Pacific, which is primarily China, has increased from 10% in FY2009 to 12% in FY2010. The share of Europe has reduced from 52% in FY2009 to 41% in FY2010; and that of USA has reduced from 16% in FY2009 to 15% in FY2010. India's share in the composition of sales is expected to rise further as the Company vigourously targets the fast expanding non-automotive components market in the country.

The non-auto segment:

The slowdown in FY2009 had an impact on underlying demand in sectors such as wind, oil and gas, and marine. As a result the Company's non-auto business was impacted — and saw its contribution marginally decline from 21% in FY2009 to 20% in FY2010. There are two points worth noting. Despite difficult circumstances, BFL's non-auto business now accounts for a fifth of the Company's consolidated top-line. Second, there have been several new business developments in the non-auto segment during FY2010, which ought to start generating sales from the coming year. Therefore, the Company expects the non-auto segment's share in total revenues to increase significantly going forward.

Revival of domestic demand in India:

The domestic automotive market recovered from its low of Oct – Dec 2008 and posted a year-on-year growth of 29%. BFL's predominantly CV-oriented business benefitted from the sharp revival in the markets and grew by 8.4% compared to FY2009.

Positive signals for exports from India:

Exports from India were subdued for most of the first half of FY2010. The second half was much better, with a 44% increase compared to the first half. This was driven by some revival in demand in US, and partly in Europe. Chart F gives the data for BFL exports.

Chart C:
Share in total consolidated revenues FY 2009 (%)

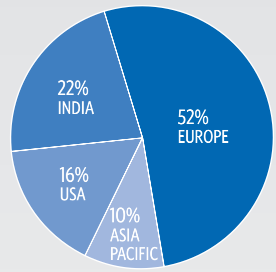


Chart D:
Share in total consolidated revenues FY 2010 (%)

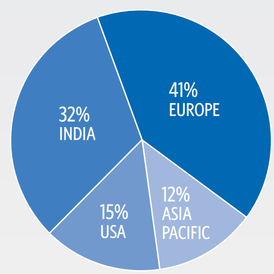


Chart E: Domestic Sales (Rs Million)

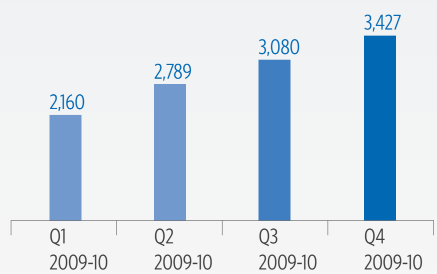
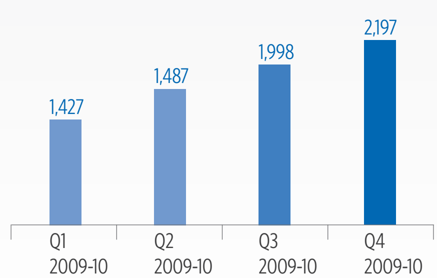


Chart F: BFL's India Exports (Rs Million)



These developments suggest that the Company is on the right track. It has been successful in penetrating global markets wherever there have been opportunities by leveraging its strong customer relationships. And its business prospects have been further enhanced with the introduction of new non-auto products.

In maintaining its focus on growing the non-auto business, and seeing the opportunities in India arising out of infrastructure development, the Company has forayed into capital goods manufacturing, which will cater primarily to the power industry. More of this is discussed later in the chapter.

FCCB Repayment and Fund Raising

During the year there were two major events on the balance sheet side, the repayment of FCCBs and the subsequent successful completion of fund raising via the QIP route.

In 2005, mainly to finance capital expenditure and global acquisitions, the Company had issued the foreign currency convertible bonds (FCCBs), optionally convertible into Global Depositary Receipt (GDRs) / equity shares, in two tranches aggregating US$120 million. Out of FCCBs of US$120 million, US$17.75 million were already converted into GDRs/ equity shares.

On 20 April 2010, BFL redeemed US$131.5 million of these FCCBs, which include principal of US$ 102.3 million and redemption premium of US$29.2 million in terms of the offering circular dated 15 April 2005. With this repayment, the Company has significantly reduced its foreign debt and exposure. The redemption premium has been provided for as of 31 March 2010.

Subsequent to the FCCB redemption, in last week of April 2010, BFL raised capital of around Rs 6.26 billion including warrants through the Qualified Institutional Placement (QIP) route. The allotments made were as follows:

- 10 million equity shares of Rs 2 each at a price of Rs 272 per equity share (including premium of Rs.270 per share), aggregating Rs 2.72 billion.
- 1,760 secured redeemable non-convertible debentures (10.75%) of face value of Rs 1 million aggregating Rs 1.76 billion.
- 6. 5 million warrants at an issue price of Rs 2 per warrant, aggregating Rs 13 million. The warrant holder is entitled to exchange each warrant with one equity share at any time during the exercise period (three years), at a warrant exercise price of Rs 272 per equity share.

After these events, the Company has cash or cash equivalents in excess of Rs 5 billion . The consolidated and standalone debt-equity ratio (net of cash) is 0.76 and 0.54 respectively. The funds will be used for investment in new business forays in the non-automotive and capital goods sectors.

Significant improvement in utilization levels & cash flow from operations expected in the coming year will allow the company to fund the growth going forward through internal accruals and the cash on hand.

We now move on to a more detailed analysis of the Company's three business segments:

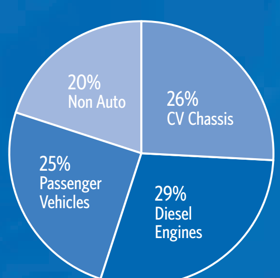
- Automotive
- Non-automotive
- Capital goods

AUTOMOTIVE BUSINESS

Bharat Forge's automotive forgings business has manufacturing facilities in three continents: Europe, North America and Asia. Its presence in Europe is through its acquisitions – CDP-Bharat Forge (CDP-BF) and Bharat Forge Aluminiumtechnik (BF-AT) in Germany, and Bharat Forge Kilsta AB (BFK) in Sweden. The operations of Bharat Forge Scottish Stampings Limited (BFSSL) in UK were closed down during the year and its assets and business was transferred to BFK, Sweden. Its presence in USA is through Bharat Forge America Inc. (BFA). BFL also has a majority stake in a joint venture in China with First Auto Works (FAW) called FAW Bharat Forge (Changchun) Company Limited.

Across these operations, there is diversity in product mix, market positioning and production capacity. Chart G gives the share of different product groups in BFL's portfolio.

Chart G:
Share in total Portfolio FY 2010 (%)



The widespread demand downturn in 2009-10 hit all geographies across product groups. In such difficult market conditions, BFL continued to focus on increasing its customer base and garnering larger market shares. Initiatives involving internal sharing of information, skills and knowledge across subsidiaries continued through the year. Products were developed at facilities where these were not manufactured earlier to push sales in the given region. Similarly, existing customer relations of a particular business were leveraged to secure business for other facilities.

USA

The US automobile market continued to see a major contraction in demand. Total automobile production reduced by 34%. Passenger vehicles registered the sharpest drop of 40%; LCV's reduced by 29%; while M&HCVs fell by 39%. In this market, BFL exports mainly to the M&HCV segment with a specific focus on chassis and engine components in Class 8 commercial vehicles. Production of Class 8 commercial vehicles fell by 43% from around 208,000 in FY2009 to around 116,000 in FY2010.

Table 1: US Automobile Production

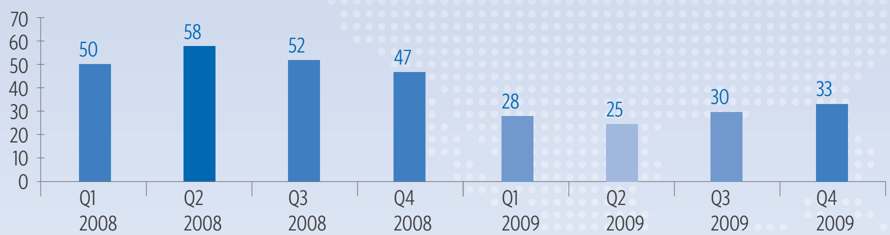
Market segment	Jan - Dec 2009	Jan - Dec 2008	YoY%
Passenger Vehicles	2,249,061	3,776,641	-40%
LCV's	3,313,500	4,670,852	-29%
M&HCV's	136,962	224,648	-39%
Total	5,699,523	8,672,141	-34%

Source: Wards Auto

While production levels of Class 8 commercial vehicles continued to be low, there has been some pick up since Q3, 2009 (see Chart H). It is still too early to call this a revival. The one factor which may play a role if the US economy continues to grow — as it has in the last two quarters — is that the average age of the US truck fleet at present is close to seven years. This is quite old, and it is fair to expect some replacement by fleet owners in the near future.

Chart H: US Class 8 Commercial Vehicles Production ('000)

Source: ACT Research



Apart from the exports, BFL conducts business in the US through BF America (BFA). Since 2007, BFA's business has been affected by several adversities. In FY2010, its principal customer sold off or stopped production of the platforms catered to by BFA. The operations are running at sub-optimal levels. BFL has taken steps to revive the business; some new products have been developed and efforts are on to secure new customers. BFA is going through a restructuring phase.

Europe

Demand for automobiles contracted significantly in Europe. Total automobile sales were down 7% in 2009 with commercial vehicles witnessing a rapid fall. HCV sales fell by 48%, MCVs by 41% and LCVs by 30%. Table 2 lists the data.

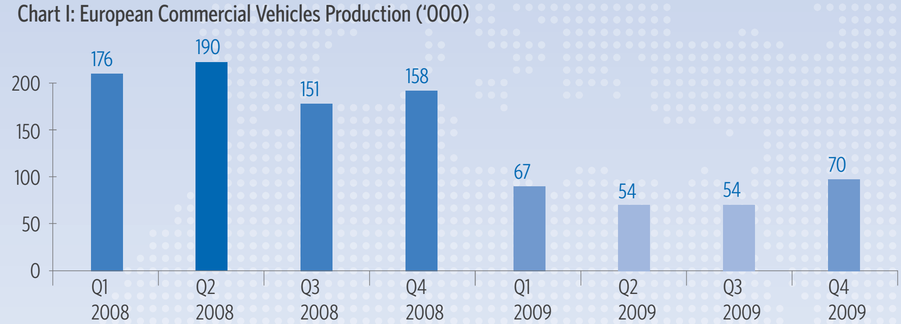
Table 2: Automobile Sales in Europe

Market segment	Jan - Dec 2009	Jan - Dec 2008	YoY %
Passenger Vehicles	14,481,545	14,717,358	-2%
LCV's	1,421,770	2,039,557	-30%
MCV's	285,226	486,279	-41%
HCV's	164,645	316,030	-48%
Total Auto Market	16,353,186	17,559,224	-7%

Source: ACEA

The reduction in sales does not give the full story. Europe already had large stocks of inventory in early 2009 — and much of the existing market was catered to from these stocks. Therefore production levels were even lower and demand for automotive forgings reduced significantly. Chart I shows the sharp fall in CV production in Europe on a quarterly basis. In fact, CV production in Europe reduced by 64% to 245,000 in FY2010.

Chart I: European Commercial Vehicles Production ('000)



As in the US, BFL serves the European market through exports from India as well as through local facilities. Due to the downturn in the European automotive market, BFK & CDP – BF, which are predominantly catering to the CV sector, were adversely affected during the year. BF-AT, the German subsidiary has also been affected — but to a lesser extent due to its presence only in the passenger vehicles segment which was less affected as compared to CV.

In Europe, BFL continues trying to augment business shares by developing relationships with customers by offering a wider product portfolio. There have been some inroads made in developing new businesses with new customers. With depleted inventory levels, Europe may see a growth in auto demand in FY2011. But it is too early to tell how significant that growth might be.

India

The Indian automobile market has seen a major revival since the slowdown of FY2009. Passenger cars and commercial vehicles together registered a growth of 29% in production and volumes are close to touching 3 million (see Table 3). More encouraging was the growth in CV production, which is BFL's primary market segment. With LCVs registering a growth of 41% and M&HCVs growing by 30%, CV production increased by 36%. There is every indication that the CV segment has emerged from its cyclical low and moving towards an upsurge. Increased infrastructure activity is also expected to fuel further demand in the CV segment.

Table 3: Vehicle Production in India (April - March)

	2009-10	2008-09	YoY%
Passenger Vehicles	2,351,240	1,838,593	28%
LCV's	316,437	224,857	41%
M&HCV's	250,171	192,283	30%
Commercial Vehicles	566,608	416,870	36%
Grand Total	2,917,848	2,255,463	29%

Source: SIAM

With the Indian market growing at a rapid pace, several international OEMs are exploring setting up production bases in the country. BFL has well developed relationships with many of them; and is actively leveraging these relationships to partner such global OEMs in their ventures in India.

China

BFL's foray into China is based on a long term strategic objective. The Company believes in having a strong manufacturing presence in China, one of the largest automobile markets of the world with high growth potential. Consequently, it formed a 52:48 JV with FAW Corporation of China.

The Chinese automobile market recovered handsomely and Table 4 shows that total vehicle production for the full year increased by 48%, with passenger vehicle production growing by 54% and CV production rising by 31%

Table 4: Vehicle Production in China

Market segment	Jan - Dec 2009	Jan - Dec 2008	YoY%
Passenger Vehicles	10,364,242	6,728,682	54%
Commercial Vehicles	3,399,466	2,594,905	31%
Total	13,763,708	9,323,587	48%

Source: CAAM

These positive market developments have helped BFL grow its sales in China, while continuing to focus on streamlining internal operations. The company proactively invested in new capacity two years ago which is now operational and the ramp up of production is expected from this year. The Company has developed crankshafts for CVs and has also started supplies to a new customer outside the FAW group. Restructuring work, including some manpower rationalisation, has been undertaken and there has been better capacity utilisation and some productivity gains. On the back of these efforts, the performance of the Chinese operations has improved significantly and will continue to improve going forward.

Across all operations, there has been a concerted focus on promoting efficiencies and reducing break-even levels. These have included lean initiatives and work on VAVE (Value Added Value Engineering) front. The Company has also utilised the slow down to develop new products with a stress on newer applications.

NON-AUTOMOTIVE BUSINESS

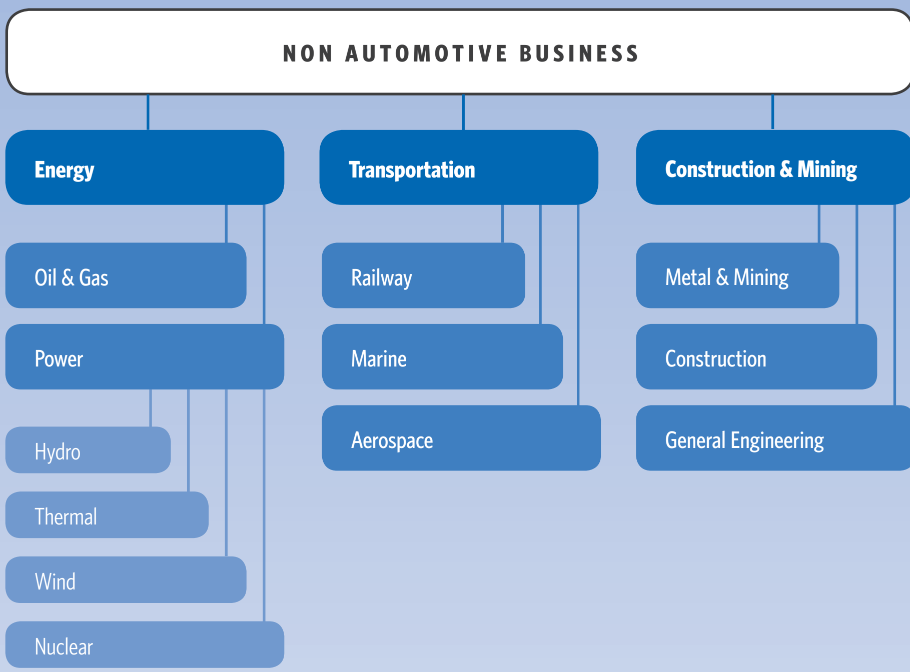
The Company had diversified into the non-auto components business in FY2006. The goal was to de-risk its core business (auto), and enter another large global market segment by leveraging BFL's expertise in forging. Since then, BFL has single-mindedly focused on capacity creation and business development.

In January 2010, the first phase of the capacity creation plan for the non-auto components business was completed with the commissioning of the ring rolling facility at Baramati. Two other facilities have already been commissioned and initial production has commenced. The Heavy Forge Division II comprising 4,000 MT press at Mundhwa and complementary machining capacity at Satara had been commissioned in 2008, while the 80 MT hammer and its machining capacity, which is part of the Centre for Advanced Manufacturing (CAM) at Baramati was commissioned in March 2009. Table 5 gives the details of BFL's non-automotive manufacturing set up.

Table 5: Details of BFL's Non- Automotive Forging Facilities

FACILITIES	PRODUCTS & INDUSTRIES	PRODUCTS DIMENSIONS
Heavy Forge Division II - 4,000 MT Press & Machining Capacity	Components for wind, hydro, gas & steam turbine and for mining, metal industry & general engineering applications.	Max Ingot weight upto 70T single piece
Centre For Advanced Manufacturing - 80 MT Hammer & Machining Capacity	Large components for energy sector, transportation including aerospace, railway & marine.	Components up to 2.5 tons in weight and 4.5 m in length
Ring Rolling Facility	Large ring & gear blanks for various sectors like marine, wind and construction equipments.	Rings up to 3 Tons in weight and 4.5 m in dia.

Exhibit 1: Non-Auto Sectors



Essentially, the non-automotive components business caters to the infrastructure development space with focus on three verticals i.e. Energy, Transportation and Construction & mining.

The key components for the various sectors are as mentioned below

- **Energy:** Windmill shafts and gas engine components.
- **Oil and gas:** Valves bodies, bonnets, choke bodies and composite blocks.
- **Construction and mining:** Engine components and General Engineering Tips (GET's)
- **Marine:** Engine components
- **Railways:** Engine components and turnouts
- **Aerospace:** Structural and rotating components

Initially, this business was envisaged as primarily catering to international markets. Exports were estimated to account for over two-third of BFL's total non-auto sales. However, market developments, especially in FY2010, have altered this plan. Significant new opportunities have emerged in the infrastructure business in India.

The Planning Commission of India suggests that investment in infrastructure has to increase from 5% of GDP to 9% of GDP by the end of the 11th Plan period. This would entail an investment of approximately US$ 500 billion between 2007 and 2012. And, given that out of this investment US$ 150 billion is expected to be in the power sector, it will be the prime driver of domestic demand. Within the power sector, BFL caters to the different sources of energy — thermal, wind, hydro, nuclear and gas-based applications.

Such infrastructure growth has given a fillip to construction work. In addition mining activities especially in coal and metal ores continues to be an important industry segment. There is significant domestic demand for forgings in the mining and construction equipment industry. With an overall investment plan of Rs 2,550 billion in the 11th Plan, the railways, too, are a potential source of demand. BFL has already developed crankshaft and other components for locomotives.

Internationally, too, it is important to note that the demand for minerals and metals continues to be strong. Mining activities are growing rapidly; and with it, the demand for forgings for the manufacture of mining and earth moving equipment. So, too, the oil industry which is again seeing growing demand for exploration and drilling.

In a nutshell, therefore, the non-automotive components business ought to be poised for good demand growth both in India and abroad. And, with capacities now in place, BFL is well positioned to service these opportunities.

Given the subdued demand conditions through most of FY2010, BFL strategically focused on creating the building blocks of this business. Significant time was spent on understanding the range of products that were needed to be manufactured. Capacity was utilised to develop new products for clients and get them validated. On the marketing front, the Company started developing new relationships and was successful in securing new orders from both domestic & export clients.

BFL has developed several high value added complex products such as rotor forgings for thermal power, crankshafts and Portal axles for locomotives, and parts like blow out preventers and fluid ends for the oil and gas sector.

The new non-auto facilities were operating at sub-optimal levels in FY2010 due to weak demand conditions for much of the year. Going forward, the business is expected to witness stronger performance on the back of new contracts won, improvement in economic conditions and the start of commercial supplies after the successful completion of product validation processes for most of the programmes.

Capital Goods

The capital goods sector is an integral part of BFL's plan to grow with India's infrastructure and is the cornerstone of its non-automotive growth. The focus is on power and transportation sectors which are slated to see exponential growth and expansion in the following years. The Company has created the Capital Goods Division (CGD) to address these opportunities. It consists of specialists drawn from the industries. This division will create the management bandwidth required for building these businesses.

The Power Sector Opportunity

India has woken up to its power deficiency and policy-makers have realised that sustaining economic growth requires significant increment in power generation and distribution throughout the country. Consequently, the power sector is witnessing major investments on thermal, hydro and nuclear power generation. As of March 2010, India had an installed power capacity of 155 GW. The Government of India in its 'Power for All by 2030' strategy underlines the necessity to increase the installed capacity to 800 GW. Thus, India is expected to add approximately 600-700 GW of new capacity by 2030. *[Source: Central Electricity Authority, Government of India; Planning Commission, Government of India].* This creates tremendous opportunity for companies to service the entire value chain – right from component supply to manufacturing state-of-the-art power plant equipment. BFL is focused on leveraging this opportunity.

Exhibit 2: Sections of a Power Plant

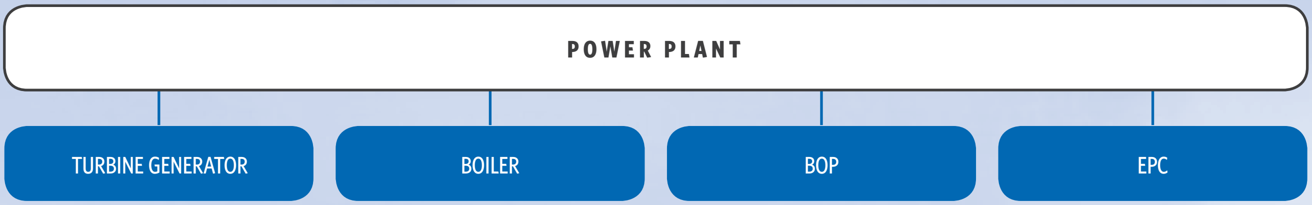


Exhibit 2 depicts the different sections of a power plant. BFL's strategy is to enter into joint ventures (JVs) with domain experts to produce equipment that will cater to the power sector in India and other region. The Company has already entered into three such JVs, which address opportunities in the turbine generator and Balance of Plant (BOP) space.

JV with Alstom

This includes two separate JVs: the first where BFL has 49% stake and will manufacture turbines and generators for supercritical thermal power plants; and the second JV where BFL has 51% stake which will focus on manufacture of associated auxiliaries. The JVs will design, engineer and manufacture turbine and generator-islands of the 600 MW to 800 MW supercritical range, with a total capacity of 5 GW per annum.

In December 2009, the land for the Alstom facility was acquired at the SEZ in Mundra (Gujarat). It will be a state-of-the-art integrated plant set up over 120 acres, and will be the largest integrated facility for turbine, generators and auxiliaries manufacturing in the country. The first turbine generator (TG) set is expected to roll out in FY2013.

JV with NTPC

BF-NTPC Energy Systems Limited (BFNESL) is a JV with NTPC Ltd, India's largest power generation company, where BFL has 51% stake. In March 2010, the JV made a beginning with the laying of the foundation stone of its manufacturing facility at Solapur in south-eastern Maharashtra. The JV has been set up to primarily manufacture Balance of Plant (BOP) equipment for the power sector (thermal, hydro and nuclear) with a technology-intensive product range that should have wider application across other sectors like oil and gas, petrochemicals, steel and mining. These will include products like advanced class pumps, high pressure piping, castings and forgings and other critical equipment involving high-end engineering and state-of-the-art manufacturing processes. Currently, India faces considerable supply constraints in these areas, and has significant dependence on overseas sources for such products.

EPC (Engineering Procurement and Construction)

As a natural extension to its TG and BOP ventures mentioned above, the Company is also addressing the EPC space. BFL will leverage the synergy of the TG and BOP businesses to provide a complete and cost competitive solution for the power sector. The Capital Goods Division has made a breakthrough in the EPC segment, and has won a contract for a 450 MW power plant.

JV with Areva

The Company has entered into preliminary joint venture and shareholders' agreement with AREVA NP, France, to set up a JV to build a manufacturing facility for heavy forgings in India. AREVA is a worldwide leader in the nuclear power sector, including the design, manufacture and supply of nuclear power plants, components and fuel to customers all over the world. Availability of heavy forgings is a major constraint for global manufacturers of equipment in the energy sector. The JV would secure supply of heavy forgings, especially stainless steel forgings to the customers. Such heavy forgings would primarily meet India's requirements for power generation, and will include the manufacture of turbines, generator rotors and steel plant rolls. It will also cater to the new nuclear power plants in the country.

Human Resource (HR)

At Bharat Forge, there has always been a focus on nurturing and developing human resource to create competitive advantages. In FY2010, BFL emerged from a global economic slowdown. While in the overseas subsidiaries, there were concerted efforts towards manpower rationalisation, the emphasis in the HR activities for the domestic business changed over the course of the year.

On the manpower rationalisation front, efforts were undertaken to position the right kind of people for appropriate tasks and to create a more competent manpower team. Significant gains were achieved on each front. With improving market conditions, all salaries, which had been reduced in difficult times, have been restored to previous levels.

During the year, there was shift towards renewed focus on learning and development across the Company. This philosophy has been extended across all management and operational levels. To promote talent management, BFL launched an M.Tech programme for employees in collaboration with IIT Mumbai. This has a strong R&D focus, and is geared to develop the Company's own capabilities. The first batch of 25 students attended the course in FY2010. During the second year of this course, all engineers will have to do their project work at BFL, under the supervision of professors at IIT and senior management of BFL. This is a process where employees are not only developing their skills but also contributing to BFL's operations. This cycle will be repeated to maintain an R&D oriented workforce. The Company is in the process of sponsoring some of the PhD students at IIT Mumbai, subject to their taking up projects related to BFL's business. Other learning initiatives with BITS, Pilani and Warwick University, UK continued during the year.

The ongoing 'talent pipeline development' programme for entry level employees in association with local institutions continued to progress. Successful candidates are positioned in different departments in the Company. Bharat Forge has also developed a course with the Industrial Training Institutes (ITIs) to put machine operators through a training programme. The Company also continued initiatives for developing leadership talent through various leadership development programmes.

During the year, Bharat Forge won an award for best HR practices conducted by National Institute of Personnel Management (NIPM), Kolkata. The Company has also been working on promoting safety culture within the organisation. In August 2009, BFL was conferred the Golden Peacock Award for having best safety practices in the industry.

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Corporate Social Responsibility (CSR)

Bharat Forge has always considered itself as a responsible corporate citizen. It cares for the well-being of society. CSR represents an interesting culmination of philanthropy and ethics.

Initially, the approach toward CSR was philanthropic. Over time, this has shifted from the social responsibility to sustainability. Bharat Forge has adopted a CSR vision given below, which will be the cornerstone for all CSR initiatives of the Company.

BFL's CSR Vision:

"At Bharat Forge, we believe that as a corporate citizen, we should reciprocate to the society that has given us so much. We are therefore, morally committed to address the issues related to Women, Children and Senior Citizens in the field of Education, Environment, Health and Hygiene for building a healthy society."

Educational Initiatives:
BFL has provided significant contribution by starting an ITI at Khed. The Company also supports engineering colleges and promotes formal education for the employees by having tie-ups with different educational institutes and universities.

Pratham Pune Education Foundation:
Bharat Forge continues to support Pratham Pune Education Foundation. It provides primary education to children in the age group of 3-14, belonging to the most underprivileged sections of the local community.

Community Development:
The Company runs three community development centres. The beneficiaries are employees' wives and children. Vocational training and income generating activities for women, such as providing stitched uniforms and gloves to Bharat Forge, and Personality Development Programmes for women and children are the important activities.

Employee Initiative:
CSR activities conducted by the employees of Bharat Forge gained momentum in FY2010 with more departments participating in the process by adopting different institutions. Departmental CSR teams selected areas of their interest and target groups. With the involvement and guidance of respective departmental heads, the teams started working on several initiatives. These include: support to orphanages in the vicinity, taking time out to care for elderly people in the old age homes, providing technical and educational inputs in local schools, creating awareness among employees in HIV AIDS and the disadvantages of addiction, and others.

Information Technology (IT)

IT continues to be a key business driver at Bharat Forge. During 2009-10 the company took various initiatives on this front which will support its growth plans.

Bharat Forge established a 'Private Cloud' in the data centre. It has helped to dynamically allocate resources to the business as and when required. As a part of this implementation, the Company has successfully implemented unified storage architecture. This storage consolidation has helped in the following ways:

- Assured availability of data.
- Scalability for next three years.
- Archival for compliance on low cost storage.
- Reduced carbon footprint (due to less power and cooling requirement).

As the next part of Private Cloud implementation, the Company went for server consolidation using virtualization technology. This has given the following benefits:

- Reduced management efforts
- Reduced carbon footprint (due to less power & cooling requirements)
- IT Cost optimization

Considering current security threats, initiatives were taken to increase physical security. The implementation of fully integrated system of visitors' management comprising turnstiles, surveillance cameras and access control was executed.

Going forward in 2010 the company plans to take up the following initiatives:

- SAP Upgrade to ECC 6.0.
- Enterprise Project Management System Implementation.
- Enhancing the IT security infrastructure.
- Enhancing the physical network to support new generation backbone needs.

Financial Review

We begin with the standalone financials of BFL for FY2010. This is followed by the Company's consolidated financials.

Table 6 enumerates the stand-alone financial performance and key ratios of Bharat Forge (which encompasses its Indian operations). Table 7 reflects the consequent key ratios of the stand-alone entity.

Table 6: Abridged Stand-alone Profit & Loss Statement (Rs. Millions)

		FY2010	FY2009
1	Sales and Operating Income	19,436.0	21,788.2
2	Excise Duty	872.0	1,202.3
3	Net Sales (1 - 2)	18,564.0	20,585.9
4	Other Income	323.4	476.7
5	Total Revenue (3 + 4)	18,887.4	21,062.6
6	Raw Materials and Components	8,224.1	9,804.8
7	Manufacturing Expenses	3,160.6	3,377.0
8	Employee Costs	1,435.7	1,391.6
9	Other Expenses	1,373.6	1,551.7
10	Total Expenses (6+7+8+9)	14,194.0	16,125.1
11	PBDIT (5 - 10)	4,693.4	4,937.5
12	Depreciation and Amortisation	1,644.4	1,494.4
13	PBIT (11 - 12)	3,049.0	3,443.1
14	Interest	1,027.7	1,003.7
15	PBT before exceptional items(13 - 14)	2,021.3	2,439.4
16	Exceptional Item: Exchange Gain/ (Loss)	(214.1)	(862.7)
17	PBT after exceptional items (15 + 16)	1,807.2	1,576.7
18	Current Tax	603.3	159.6
19	Deferred Tax	(66.6)	488.6
20	Less: MAT Credit	-	(157.4)
21	Fringe Benefits Tax	-	53.0
22	PAT (17 - 18 - 19 - 20 - 21)	1,270.5	1,032.9
23	Basic Earnings per Share in Rs.	5.71	4.51
24	Diluted Earnings per Share in Rs.	5.71	4.51

Table 7: Key Ratios (Stand-alone)

	FY2010	FY2009
PBDIT / Total Revenue	24.8	23.4
PBIT / Total Revenue	16.1	16.3
PBT before Exceptional Item/ Total Revenue	10.7	11.6
PBT / Total Revenue	9.6	7.5
PAT / Total Revenue	6.7	4.9

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

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

		2009-10	2008-09
1	Sales and Operating Income	34,148.0	48,953.2
2	Excise Duty	872.0	1,202.3
3	Net Sales (1 - 2)	33,276.0	47,750.9
4	Other Income	511.2	674.7
5	Total Revenue (3+ 4)	33,787.2	48,425.6
6	Raw Materials and Components	16,326.7	24,067.9
7	Manufacturing Expenses	5,902.9	7,723.5
8	Employee Costs	5,238.5	7,091.6
9	Other Expenses	2,423.0	3,290.8
10	Total Expenses (6+7+8+9)	29,891.1	42,173.8
11	PBDIT (5 - 10)	3,896.1	6,251.8
12	Depreciation and Amortisation	2,451.2	2,517.3
13	PBIT (11 - 12)	1,444.9	3,734.5
14	Interest	1,303.0	1,291.4
15	PBT before exceptional items (13 - 14)	141.9	2,443.1
16	Net Restructuring and Redundancy Cost & Customer claims	(742.2)	(298.9)
17	Exchange Gain/(Loss)	(45.1)	(1037.3)
18	PBT after exceptional items (15 + 16 + 17)	(645.4)	1,106.9
19	Share of Profit in Associate Companies	(1.6)	(4.6)
20	Current Tax	522.4	311.7
21	Less: MAT Credit	-	(157.4)
22	Deferred Tax	(403.4)	488.5
23	Fringe Benefit Tax	-	53.0
24	PAT (18 + 19 - 20 - 21 - 22 - 23)	(766.0)	406.5
25	Less: Minority Interest	(131.8)	(176.1)
26	PAT after Minority Interest (24-25)	(634.2)	582.6
27	Basic Earnings per Share in Rs.	(3.07)	2.49
28	Diluted Earnings per Share in Rs.	(3.07)	2.49

Table 9: Key Ratios (Consolidated)

Earnings Ratios	2009-10	2008-09
PBDIT / Total Revenue	11.5	12.9
PBIT / Total Revenue	4.3	7.7
PBT before Exceptional Items./ Total Revenue	0.4	5.0
PBT / Total Revenue	(1.9)	2.3
PAT after Minority Interest / Total Revenue	(1.9)	1.2

Internal Control Systems and their Adequacy

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

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

Risk and Concerns

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

Market Risk

As discussed, Bharat Forge's operations and markets are spread across Asia Pacific (including India), Europe and the US. With more than 50% revenues coming from low growth economies of the US and Europe, the Company has had to operate under tough market conditions. Many of these developed economies have survived through large government interventions. There are still uncertainties on how these countries will react to their government's reducing their fiscal and financial support in the wake of rising deficits. Global market uncertainties remain; and though the growth in emerging economies is a risk hedge, it does not compensate for the sheer size of the market in developed economies. Already, Bharat Forge has restructured itself to operate in a subdued market environment at lower capacity utilisation levels and continues to explore new markets in terms of product, geography, customers and application. There is also the threat of a political backlash from these developed countries, where regulatory mechanisms may promote products produced domestically and restrict imports.

Currency Risk

With significant exports and international business, Bharat Forge is always exposed to global currency fluctuations. The Company also has foreign currency debts, although this exposure has been reduced by repaying the FCCB debt. Over the years, Bharat Forge has been successfully following a strategy of a 'natural' hedge, where the impact of foreign currency rate movements on export collections is balanced out by its opposite effect on interest and principal payback of foreign currency loans.

Interest Rate Risk

Over the last several years, the Company has been in an expansion mode and has used borrowings to fund its expansion and acquisition needs. At the same time, Bharat Forge has judiciously managed its debt-equity ratio, increasing equity in line with growth in debt levels. It has been using a mix of loans, GDRs, FCCBs, domestic rights issue and internal cash accruals to fund this expansion programme. The Company had put a freeze on further capital outlays and has focused on working capital management to reduce interest cost.

Insolvency Risks

BFL operates through several global subsidiaries. While the Indian operations remain strong, some of the foreign subsidiaries may come under financial stress; and there may even be risks of insolvency in the current environment. BFL's global strategy relies on supporting each business in difficult times. One advantage is that most of the global subsidiaries have low debt leverage. However, on a case to case basis if the situation arises, some asset and investment restructuring may need to be undertaken.

Due to the current turmoil in the global automotive industry, one of BFL's Subsidiaries Bharat Forge America (BFA), which caters and predominantly derives majority of its revenues from the US light vehicle segment has been severely affected. BFA has witnessed significant drop in business volumes. The auditor of the company has therefore raised the issue of "going concern" but has not qualified it in the audit report.

Outlook

FY2010 was a very challenging year. In light of the slowdown, there has been a focus on operations restructuring and optimal utilisation of machinery in India and at the subsidiaries. Today, Bharat Forge as a company is structurally better equipped to tackle the downturn even if it were to continue for a prolonged period.

The Company realises that there will be some time before overseas companies see a revival. It, however, believes in the infrastructure led-growth of India; and it is well positioned to leverage opportunities in the Indian market, so that India operations drive growth in the near term. The ramp up of non-automotive facilities is well on the way. The capital goods business is fairly insulated from market vagaries and the commercial vehicles segment in India, too, seems to be out of its demand slump.

Globally, many companies could be in financial distress. This may open up further opportunities for strong industry leaders like Bharat Forge to increase its market share with established relationships with OEMs. When the revival comes, strong companies like Bharat Forge, which have technology, scale, global reach, capability and cost structure, will have opportunities to consolidate its global leadership position.

With a strong India presence and lean overseas subsidiaries, BFL is cautiously optimistic about its prospects in FY2011.

Cautionary Statement

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

CORPORATE GOVERNANCE

Corporate Governance Philosophy

Bharat Forge believes that it is imperative and non-negotiable for a world-class company to adopt transparent accounting policies, appropriate disclosure norms, best-in-class board practices and consistently high standards of corporate conduct towards its stakeholders. Bharat Forge has consistently aimed at developing and internalising such policies and implementing best-in-class actions that make it a good model of corporate governance. To that effect, Bharat Forge has adopted practices mandated in Clause 49 of listing agreement and has established procedures and systems to be fully compliant with it.

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

Board of Directors

Composition of the Board

As on 31 March 2010, Bharat Forge's Board comprised Seventeen Directors. The Board consists of the Seven Executive Directors (including Chairman and Managing Director, who is a promoter Director) and Ten non-executive Directors, Nine of whom are independent. Details are given in Table 1.

Number of Board Meetings

In 2009-10, the Board of the company met 7 (seven) times on 3 April 2009, 20 May 2009, 24 July 2009, 18 August 2009, 23 October 2009, 12 January 2010 and 23 January 2010. The maximum gap between any two Board meetings was less than four months.

Directors' Attendance Record and Directorships

Table 1 gives the details: Table 1: Composition of the Board of Directors

Name of the Director	Category	Attendance Particulars			No. of other Directorships and Committee Memberships / Chairmanships in other Indian public companies		
		Number of Board Meetings		Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr. B.N. Kalyani (Chairman & Managing Director)	Promoter, Executive & Managing Director	7	6	Yes	13	2	2
Mr. S.M. Thakore	Independent	7	3	Yes	6	2	2
Mr. S.D. Kulkarni	Independent	7	3	No	2	1	1
Mr. P.G. Pawar	Independent	7	7	Yes	5	2	1
Dr. Uwe Loos	Independent	7	3	Yes	NIL	NIL	NIL
Mr. P.C. Bhalerao	Non-Executive	7	5	No	5	NIL	NIL
Mrs. Lalita D. Gupte	Independent	7	5	Yes	5	2	1
Mr. P.H. Ravikumar *	Independent	6	4	No	7	3	1
Mr. Alan Spencer	Independent	7	3	Yes	NIL	NIL	NIL
Mr. Naresh Narad **	Independent	5	3	NA	1	2	NIL
Mr. V.K. Jairath ***	Independent	5	3	NA	3	NIL	NIL
Dr. T. Mukherjee ****	Independent	1	1	NA	4	1	NIL
Mr. G.K. Agarwal	Executive	7	7	Yes	2	NIL	NIL
Mr. Amit B. Kalyani	Executive	7	7	Yes	11	4	NIL
Mr. B.P. Kalyani	Executive	7	6	Yes	1	NIL	NIL
Mr. S.E. Tandale	Executive	7	4	Yes	NIL	NIL	NIL
Mr. P.K. Maheshwari	Executive	7	7	Yes	3	NIL	2
Mr. Sunil K. Chaturvedi	Executive	7	6	Yes	2	NIL	NIL

Notes:
* Mr. P.H. Ravikumar appointed as Additional Director on 20 May, 2009. ** Mr. Naresh Narad appointed as Additional Director on 24 July 2009.
*** Mr. V.K. Jairath appointed as Additional Director on 24 July 2009 and resigned on 22 February 2010. **** Dr. T. Mukherjee appointed as Additional Director on 23 January 2010.

As detailed in the table above, none of the Directors is a member of more than 10 Board-level Committees of public companies in which they are Directors, nor is chairman of more than five such Committees.

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

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
- Have not been an executive of the company in the immediately preceding three financial years.
- Are not partners or executives or were not partners or executives during the preceding three years of the:

a. Statutory audit firm or the internal audit firm that is associated with the company.

b. Legal firm(s) and consulting firm(s) that have a material association with the company.

- Are not material suppliers, service providers or customers or lessors or lessees of the company, which may affect independence of the Director.
- Are not substantial shareholders of the company i.e. do not own two percent or more of the block of voting shares.
- is not less than 21 years of age.

Information supplied to the board

Among others, information supplied to the Board includes:

- Annual operating plans & budgets and any update thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the company and operating divisions and business segments.
- Minutes of the meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

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

Directors with Materially Pecuniary or Business Relationship with the Company

There has been no materially relevant pecuniary transaction or relationship between Bharat Forge and its non-executive and/or independent Directors during the year 2009-10.

Remuneration of Directors

Information on remuneration of Directors for the year ended 31 March 2010 is set forth in Table 2 below.

Table 2: Remuneration paid or payable to Directors for the year ended 31 March 2010 and relationship with each other

Name of the Director	Relationship with other Directors*	Sitting Fees** (in Rs.)	Salary and Perquisites (in Rs.)	Provident Fund and Superannuation Fund (in Rs.)	Commission*** (in Rs.)	Total **** (in Rs.)
Mr. B.N. Kalyani (Chairman & Managing Director)	Father of Mr. Amit B. Kalyani	NA	25,632,726	4,957,200	15,000,000	45,589,926
Mr. S.M. Thakore	None	25,000	NA	NA	450,000	475,000
Mr. S.D. Kulkarni	None	35,000	NA	NA	600,000	635,000
Mr. P.G. Pawar	None	65,000	NA	NA	500,000	565,000
Dr. Uwe Loos	None	15,000	NA	NA	300,000	315,000
Mr. P.C. Bhalerao	None	55,000	NA	NA	500,000	555,000
Mrs. Lalita D. Gupte	None	25,000	NA	NA	450,000	475,000
Mr. P.H. Ravikumar	None	40,000	NA	NA	400,000	440,000
Mr. Alan Spencer	None	15,000	NA	NA	300,000	315,000
Mr. Naresh Narad (a)	None	15,000	NA	NA	200,000	215,000
Mr. V.K. Jairath (b)	None	15,000	NA	NA	200,000	215,000
Dr. T. Mukherjee (c)	None	5,000	NA	NA	100,000	105,000
Mr. G.K. Agarwal	None	NA	11,180,377	2,268,000	4,750,000	18,198,377
Mr. Amit B. Kalyani	Son of Mr. B.N. Kalyani	NA	11,382,946	2,196,581	4,750,000	18,329,527
Mr. B.P. Kalyani	None	NA	4,111,717	810,000	3,000,000	7,921,717
Mr. S.E. Tandale	None	NA	4,119,381	810,000	4,500,000	9,429,381
Mr. P.K. Maheshwari	None	NA	4,646,403	891,000	3,000,000	8,537,403
Mr. Sunil K. Chaturvedi	None	NA	8,607,420	1,620,000	4,000,000	14,227,420

Notes:
* Determined on the basis of criteria of Section 6 of the Companies Act, 1956. ** Sitting fees include payment for Board-level Committee meetings. *** Commission proposed and payable after approval of accounts by shareholders in the AGM. **** Payments to Non-Executive Directors are decided based on multiple criteria of seniority/ experience, number of years on the Board, Board/Committee meetings attended, the number of Committees of which he is a member or the Chairman and other relevant factors.

(a) Mr. Naresh Narad appointed as Additional Director on 24 July 2009.
(b) Mr. V.K. Jairath appointed as Additional Director on 24 July 2009 and resigned on 22 February 2010.
(c) Dr. T. Mukherjee appointed as Additional Director on 23 January 2010.

Code of Conduct

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

Committees of the Board

Audit Committee

As on 31 March 2010, the Audit Committee of Bharat Forge consisted of Mr. P. G. Pawar (Chairman), independent Director, Mr S. D. Kulkarni, independent Director, Mr S.M. Thakore, independent Director, Mr. P. H. Ravikumar, independent Director, and Mr. P. C. Bhalerao, Non-indenpendent Director. All members of the Audit Committee have accounting and financial management expertise. Annual General Meeting (AGM) held on 24 July 2009 was attended by the Chairman of the Committee, Mr. P.G. Pawar to answer shareholders' queries.

The Committee met 5 (five) times on 20 May 2009, 24 July 2009, 11 August 2009, 23 October 2009 and 23 January 2010. Table 3 below gives attendance record.

Table 3: Attendance record of Audit Committee members for 2009-10

Name of the Director	Category	Status	No. of Meetings	
			Held	Attended
Mr. P.G. Pawar	Independent	Chairman	5	5
Mr. S.D. Kulkarni	Independent	Member	5	2
Mr. S.M. Thakore	Independent	Member	5	2
Mr. P.H. Ravikumar *	Independent	Member	5	4
Mr. P. C. Bhalerao	Non-executive	Member	5	3

* Appointed as member of Audit Committee w.e.f. 20 May 2009.

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

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

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  b. Changes, if any, in accounting policies and practices and reasons for the same.
  c. Major accounting entries involving estimates based on the exercise of judgment by management.
  d. Significant adjustments made in the financial statements arising out of audit findings.
  e. Compliance with listing and other legal requirements relating to financial statements.
  f. Disclosure of any related party transactions.
  g. Qualifications in the draft audit report.

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors and
- Reviewing any changes in the accounting policies or practices as compared to the last completed financial year and commenting on any deviation from the Accounting Standards

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

a. Investigate any activity within its terms of reference and to seek any information it requires from any employee and

b. Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

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

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the chief internal auditor.
- Whenever applicable, the uses/ applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc.) as part of the quarterly declaration of financial results and
- If applicable, on an annual basis, statement certified by the statutory auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document/ prospectus/notice.

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

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

- A statement in summary form of transactions with related parties in the ordinary course of business.
- Details of material individual transactions with related parties which are not in the normal course of business and
- Details of material individual transactions with related parties or others, which are not on an arm's length basis along with management's justification for the same.

Shareholders'/Investors' Grievances Committee

The Committee specifically looks into redressing complaints of shareholders and investors such as transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends and interest on debentures. The Committee comprises three members; Mr. S. D. Kulkarni (Chairman), independent Director, Mr. B. N. Kalyani (Managing Director) and Mr. P. C. Bhalerao (Non-independent Director). The Committee met twice during the year on 23 October 2009 and 23 January 2010. Table 4 below gives the details of attendance.

Table 4: Attendance record of Shareholders'/Investors' Grievances Committee for 2009-10

Name of the Director	Category	Status	No. of Meetings	
			Held	Attended
Mr. S. D. Kulkarni	Independent	Chairman	2	1
Mr. B. N. Kalyani (Chairman & Managing Director)	Promoter, Executive	Member	2	2
Mr. P. C. Bhalerao	Non-Independent	Member	2	1

Remuneration Committee

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

Shares and Convertible Instruments held by Non-Executive Directors

Table 5 below gives details of the shares and convertible instruments held by the Non-Executive Directors as on 31 March 2010.

Table 5: Details of the shares and convertible instruments * held by the Non-Executive Directors as on 31 March 2010

Name of the Director	Category	Number of shares held
Mr. S.M. Thakore	Independent	24,650
Mr. S.D. Kulkarni	Independent	2,740
Mr. P.G. Pawar	Independent	NIL
Dr. Uwe Loos	Independent	NIL
Mr. P.C. Bhalerao	Non-Independent	NIL
Mrs. Lalita D. Gupte	Independent	NIL
Mr. P.H. Ravikumar	Independent	2,000
Mr. Alan Spencer	Independent	NIL
Mr. Naresh Narad	Independent	NIL
Dr. T. Mukherjee	Independent	NIL

* None of the Non-Executive Directors hold any Convertible Instruments as of 31 March 2010.

Subsidiary Companies

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

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

Management

Management Discussion and Analysis
This annual report has a detailed chapter on Management Discussion and Analysis.

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

Disclosure of Accounting Treatment in Preparation of Financial Statements
Bharat Forge has followed the guidelines of Accounting Standards as prescribed under the Companies Accounting Standard Amendment Rules, 2006.

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

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

Shareholders

Appointment/Re-appointment of Directors
Seeking re-appointment at the ensuing annual general meeting:

Mr. G.K. Agarwal
Mr. P.C. Bhalerao
Mr. P.G. Pawar
Mr. S.D. Kulkarni

Seeking appointment by shareholders at the ensuing annual general meeting:

Mr. Naresh Narad
Dr. T. Mukherjee

Mr. G. K. Agarwal
Mr. G.K. Agarwal (59) is the Deputy Managing Director of the Company and has a B.E. (Mechanical) and M.B.A. He has over 36 years of work experience. Mr. Agarwal has been on our Board since April 1, 1998. He was designated as Deputy Managing Director with effect from May 23, 2006. He is responsible for the company's operations viz. Marketing, Manufacturing, Purchase, Personnel, Exports and new projects.

Other Directorships
Mr. G.K. Agarwal is also Director on the Board of Directors of BF Utilities Ltd. and Kalyani Alstom Power Ltd. Mr. Agarwal is also Director on the Board of Directors of the subsidiaries of the Company viz. CDP Bharat Forge GmbH, Bharat Forge Aluminiumtechnik GmbH & Co. KG, Bharat Forge Hong Kong Ltd. and Bharat Forge Daun GmbH.

Committee Memberships
NIL
Mr. G.K. Agarwal holds 2 455 Equity Shares of Rs.2/- each of the Company.
Mr. G.K. Agarwal is not related to any Director.

Mr. P. C. Bhalerao
Mr. P.C. Bhalerao (60) has a B.E., M.B.A. and a D.T.M. He is a non-executive Director on the Board. Mr. Bhalerao has over 31 years of work experience. Mr. Bhalerao has been on our Board since April 1, 1998. On and from August 1, 2005, he was designated as a non-executive Director on the Board.

Other Directorships
Mr. P.C. Bhalerao is also Director on the Board of Directors of Meritor HVS (India) Ltd., Nandi Infrastructure Corridor Enterprises Ltd., Nandi Economic Corridor Enterprises Ltd., Kumar Housing & Land Development Ltd. and Sanghvi Movers Ltd. Mr. Bhalerao is also Director on the Board of Directors of the subsidiaries of the Company viz. CDP Bharat Forge GmbH,

Bharat Forge Aluminiumtechnik GmbH & Co. KG, and Bharat Forge Daun GmbH.

Committee Memberships
NIL
Mr. P.C. Bhalerao does not hold Equity Shares of the Company.
Mr. P.C. Bhalerao is not related to any Director.

Mr. P. G. Pawar

Mr. P. G. Pawar (65) is a non-executive and Independent Director on the Board. He has a B.E. degree from Birla Institute of Technology and Science, Pilani, Rajasthan. He has 41 years of work experience. Mr. Pawar has been on our Board since May 24, 2005.

Other Directorships
Mr. P.G. Pawar is also Director on the Board of Directors of P.P. Holdings Ltd., Finolex Cables Ltd., Kirloskar Engines India Ltd., Force Motors Ltd., Sakal Papers Ltd., Ajay Metachem Sud Chemie Pvt. Ltd., Sakal Printers Pvt. Ltd., United Risk Insurance Broking Company Pvt. Ltd., Karha Infrastructure Pvt. Ltd., United Metachem Pvt. Ltd., Panhala Investments Pvt. Ltd., International Conventions India Pvt. Ltd., Karha Developers & Miners Pvt. Ltd., Rajgadh Agro Farms Pvt. Ltd., Pasle Agro Farms Pvt. Ltd. and Bhimthadi Developers & Miners Pvt. Ltd.

Committee Memberships
Member of Share Transfer cum Investors' Grievances Committee of Finolex Cables Ltd.
Member of Audit Committee of Kirloskar Engines India Ltd.
Chairman and Member of Share Transfer cum Shareholders'/Investors' Grievances Committee of Kirloskar Engines India Ltd.
Mr. P.G. Pawar does not hold Equity Shares of the Company.
Mr. P.G. Pawar is not related to any Director.

Mr. S. D. Kulkarni

Mr. S.D. Kulkarni (75) is a non-executive and Independent Director on the Board. He is a Fellow Member of The Institute of Chartered Accountants of India. He is a former Managing Director and Chief Executive Officer of Larsen & Toubro Limited. He has over 46 years of work experience. Mr. Kulkarni has been on our Board since July 24, 1999.

Other Directorships
Mr. S.D. Kulkarni is also Director on the Board of Directors of Sesa Goa Ltd., Syngenta India Ltd. and SICOM Capital Management Pvt. Ltd.

Committee Memberships
Member of Audit Committee of Sesa Goa Ltd.
Chairman and Member of Audit Committee of Syngenta India Ltd.
Mr. S.D. Kulkarni (jointly with wife) holds 2740 Equity Shares of the Company.
Mr. S.D. Kulkarni is not related to any Director.

Mr. Naresh Narad

Mr. Naresh Narad (66) holds a bachelor's degree in arts, LL.B. and a veteran I.A.S. Civil Servant. Mr. Naresh Narad was appointed as additional Independent Director on the Board from 24 July 2009. Mr. Naresh Narad has held various important positions in the Government of India and Government of Madhya Pradesh.

Other Directorships
Mr. Naresh Narad is also a Director on the Board of Directors of FAT Pipe Networks Ltd. and NAFTO Gaz India Pvt. Ltd.

Committee Memberships
Member of Audit Committee and Shareholders' Grievances Committee of FAT Pipe Networks Ltd.
Mr. Naresh Narad does not hold Equity Shares of the Company.
Mr. Naresh Narad is not related to any Director.

Dr. T. Mukherjee

Dr. T. Mukherjee (67) is M. Met and Ph.D. was appointed as additional Independent Director on the Board from 23 January 2010. Dr. Mukherjee, a veteran Metallurgist, has authored 134 papers in his career spanning four decades. He has been a visiting lecturer at University of Sheffield, U.K. and Adjunct Professor at I.I.T. Kharagpur. He is also a recipient of various prestigious awards. Dr. Mukherjee has total work experience of 42 years.

Other Directorships
Dr. T. Mukherjee is also Director on the Board of Directors of TIL India Ltd., NICCO Corporation Ltd., WBIDC, Rane (Madras) Ltd. and Tractors India Private Ltd.

Committee Memberships
Member of Audit Committee of TIL India Ltd.
Dr. T. Mukherjee does not hold Equity Shares of the Company.
Dr. T. Mukherjee is not related to any Director.

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

Communication to Shareholders

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

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

Investor Grievances

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

Share Transfer

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

Compliance with Mandatory and Non-Mandatory Requirements

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

Details of Non-Compliance

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

General Body Meetings

Date, time and venue for the last three Annual General Meetings are given in Table 6 below:

Table 6: Details of last three Annual General Meetings

Financial year	Date	Time	Venue	Special Resolutions Passed
2006-07	24 July 2007	10.00 A.M.	Regd. office of the Company	None
2007-08	6 August 2008	1.30 P.M.	Regd. office of the Company	1 *
2008-09	24 July 2009	10.00 A.M.	Regd. office of the Company	1 **

* Under Section 81 of the Companies Act, 1956 to create, issue, offer and allot Non-convertible debentures secured or unsecured with detachable warrants convertible into equity share of the Company on Rights basis to the shareholders. ** Under Section 309 of the Companies Act, 1956 for payment of commission not exceeding 1% of the Net Profit of the Company for five years commencing from the financial year April 1, 2009 to Directors (other than Managing Director and Whole-time Directors).

Details of Postal Ballot conducted during the year;

Particulars	Special Resolution for Preferential Allotment under section 81(1A) of the Companies Act, 1956 as per notice dated 12th January, 2010
Scrutinizer	Mr. S.V. Deulkar, Practicing Company Secretary
Number of Valid Postal Ballot Forms received	3,009
Total number of Valid Votes	14,68,61,642
Votes in favour of the resolution	13,62,61,491 (92.78% of the total valid votes and 61.20% of the total paid up shares)
Votes against the resolution	1,06,00,151 (7.22% of the total valid votes and 4.76% of the total paid up shares)
Number of Invalid Postal Ballot Forms received	106

Additional Shareholder Information

Annual General Meeting

Date: 26 July, 2010
Time: 10.00 a.m.
Venue: Registered Office of the Company, Mundhwa, Pune Cantonment, Pune 411 036, Maharashtra, India.

Financial Calendar

1 April to 31 March.
For the year ended 31 March 2010, results were announced on:

- 24 July 2009 : First quarter
- 23 October 2009 : Half yearly
- 23 January 2010 : Third quarter
- 22 May 2010 : Annual

Book Closure

The books will be closed from 17 July 2010 to 26 July 2010 as annual closure for the Annual General Meeting.

Dividend Date

The Board has recommended a Dividend of Re. 1/- per equity share of Rs.2/- each (50%) for the year ended March 31, 2010 and would be payable on and from 12 August, 2010.

Listing

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

FCCBs (Tranche 1 & Tranche 2) aggregating US $ 131,487,592.50 (includes principal of US $ 102,250,000 and redemption premium of US $ 29,237,592.50), listed on Luxembourg Stock Exchange were redeemed on April 20, 2010, in terms of Offering circular dated April 15, 2005.

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

11.95% Secured Redeemable Non-convertible Debentures of Rs.250.00 crores issued on January 1, 2009 are listed on National Stock Exchange of India Ltd.

10.75% Secured Redeemable Non-convertible Debentures of Rs.350.00 crores issued on September 22, 2009 are listed on Bombay Stock Exchange Ltd.

142045 equity shares of Rs. 2/- each issued and allotted upon conversion of 1250 FCCBs (Tranche 2) of US $ 1000 each on April 9, 2010, in accordance with shareholders' resolution passed on March 30, 2005 are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited.

The securities allotted on April 28, 2010, under the QIP issue viz., (a) 1,00,00,000 equity shares of Rs. 2/- each, at a price of Rs. 272/- per equity share for an aggregate amount of Rs. 272,00,00,000 (inclusive of premium) and (b) 65,00,000 Warrants at a price of Rs. 2/- per warrant for an aggregate amount of Rs. 1,30,00,000. Every warrant is exchangeable for 1 equity share of Rs. 2/- each of the Company, at any time within a period of 3 years i.e. on or before April 28, 2013, at a warrant exercise price of Rs. 272/- per equity share are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited (c) 1,760 Non-Convertible Debentures of face value of Rs. 10,00,000/- at a coupon rate of 10.75% per annum for an aggregate amount of Rs. 176,00,00,000 are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Stock Codes

- Reuters: BSE : BFRG.BO,
  : NSE: BFRG.NS
- NSE: BHARATFORG
- BSE: 500493
- Code for Luxembourg Stock Exchange for:
  GDRs 021752568
  Tranche 1 Bond 021733946*
  Tranche 2 Bond 021734004*
  *Since redeemed on 20 April 2010.
- Code for Singapore Exchange Limited (SGX-ST) for:
  Tranche A Bond 025180267
  Tranche B Bond 025180321

Stock Data

Table 7 below gives the monthly high and low prices and volumes of Bharat Forge Ltd. (Bharat Forge) Equity Shares at Bombay Stock Exchange Limited, Mumbai (BSE) and National Stock Exchange of India Limited, Mumbai (NSE) for the year 2009-10.

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

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
Apr-09	137.95	97.00	2125812	138.30	97.10	7528099
May-09	192.90	126.20	3437924	196.00	126.50	12127759
Jun-09	194.90	142.50	5277164	198.00	142.55	15747718
Jul-09	213.90	126.50	4198546	214.75	121.55	12461511
Aug-09	256.50	209.90	11251221	255.65	208.35	34189712
Sep-09	293.90	206.60	8241113	294.00	202.00	27957723
Oct-09	307.35	244.00	4049185	307.55	244.00	14841780
Nov-09	283.80	243.00	3834053	283.50	243.15	14025087
Dec-09	281.95	253.00	2729984	282.00	254.00	11971747
Jan-10	303.75	257.10	4114384	305.00	257.10	17416438
Feb-10	277.90	232.00	2016892	278.40	231.55	9387489
Mar-10	276.45	245.95	2981013	276.65	245.60	12450694

Stock Performance

Chart 'A' plots the movement of Bharat Forge's equity shares adjusted closing prices compared to the BSE Sensex.

Chart A: Adjusted closing share prices of Bharat Forge versus BSE Sensex for the year ended 31 March 2010

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

Note: Share prices of Bharat Forge and BSE Sensex have been indexed to 100 as on first working day of financial year 2009-10 i.e. 1 April 2009.

Share Transfer Agents and Share Transfer and Demat system

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

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

Table 8 below gives details about the nature of complaints received and resolved by the Company:

Table 8: Number and nature of complaints received and redressed during the year 2009-10

Nature of complaint	No. of complaints received	No. of complaints redressed
Non-receipt of shares against warrant conversion	NIL	NIL
Short receipt of shares against warrant conversion	NIL	NIL
Non-receipt of shares lodged for transfer	NIL	NIL
Non-receipt of Dividend	2	2
Non-receipt of Sub-divided Shares	NIL	NIL

Shareholding Pattern

Tables 9 and 10 below gives the pattern of shareholding by ownership and share class, respectively.

Table 9: Pattern of shareholding by ownership as on 31 March 2010

Category	No. of shares held	Shareholding %
Promoters	97,902,170	43.97
Financial Institutions	13,498,676	6.06
Mutual Funds (including Unit Trust of India)	14,282,807	6.42
Insurance Companies	9,854,992	4.43
Nationalised Banks	863,960	0.39
Foreign Institutional Investors	26,896,735	12.08
Bodies Corporate	22,107,980	9.93
Non Resident Indians	590,307	0.27
Foreign Nationals (including Foreign Banks and Foreign Corporate Bodies)	22,232	0.00
Indian Public	36,632,412	16.45
Total	**222,652,271**	**100.00**

Table 10: Pattern of shareholding by share class as on 31 March 2010

Shareholding class	Number of shareholders	Number of shares held	Shareholding %
Up to 2,500	69,449	13,180,724	5.92
2,501 to 5,000	1,204	4,275,921	1.92
5,001 to 10,000	532	3,745,913	1.68
10,001 to 15,000	146	1,780,095	0.80
15,001 to 20,000	82	1,442,290	0.65
20,001 to 25,000	53	1,201,846	0.54
25,001 to 50,000	78	2,705,440	1.22
50,001 and above	174	194,320,042	87.27
Total	**71,718**	**222,652,271**	**100.00**

Dematerialisation

The Company's Equity Shares are under compulsory demat trading. As on 31 March 2010, dematerialised shares accounted for 50.56% of total Equity.

Details of Public Funding Obtained in the Last Three Years and its Implications on paid up Equity Share Capital.

(Please refer to table 11 below)

- Out of total of 120,000, 0.5% FCCBs of USD 1,000 each, which were issued on 19 April 2005, 43,500, 0.5% FCCBs (Tranche 1) and 60,000, 0.5% FCCBs (Tranche 2) aggregating to 103,500, 0.5% FCCBs were outstanding as on 31 March 2010.
- Out of 60,000 ,0.5% FCCBs of Tranche 2, 1,250 FCCBs were converted into 1,42,045 equity shares of Rs. 2/- each and were allotted on April 9, 2010. The balance outstanding Tranche 1 and Tranche 2 FCCBs were redeemed on April 20, 2010.
- On 28 April 2006, 400 Zero Coupon FCCB Tranche A and 399 Zero Coupon FCCB Tranche B of USD 100,000 each were issued aggregating to USD 79.90 million which were outstanding as on 31 March 2010.

On April 28, 2010, inter-alia the following securities were allotted under the QIP issue;

- 1,00,00,000 equity shares at a price of Rs.272/- per equity share for an aggregate amount of Rs.272,00,00,000/- (Rupees Two Hundred and Seventy Two crores) inclusive of premium.
- 65,00,000 Warrants at a price of Rs.2/- per warrant for an aggregate amount of Rs.1,30,00,000/- (Rupees One Crore and Thirty Lacs). Warrants are exchangeable for 1 equity share for every warrant during the warrant exercise period at the warrant exercise price of Rs. 272/- per share.

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

Financial Year	Amount Raised through Public Funding	*Effect on Paid up Equity Share Capital
2007-08	NIL	NIL
2008-09	NIL	NIL
2009-10	NIL	NIL

* Details given in the previous paragraphs.

Notes : 1) On April 9, 2010, 1,42,045 equity shares of Rs. 2/- each have been allotted on conversion of 1,250 FCCBs (Tranche 2) and paid up equity share capital increased to Rs. 445.588 million. 2) On April 28, 2010, 1,00,00,000 equity shares of Rs. 2/- each have been allotted to Qualified Institutional Buyers under QIP issue and paid up equity share capital increased to Rs. 465.588 million.

Plant Locations

- Mundhwa, Pune Cantonment, Pune – 411 036
- Gat No.635, Kuruli Village, Chakan, Tal- Khed, District Pune – 410 501
- Opposite Jarandeshwar Railway Station, Post - Vadhuth, District Satara – 415 011
- Kusumbe, Jalgaon-Ajantha Road, Jalgaon – 425 003
- Tandulwadi & Wanjarwadi, Tal. Baramati, Dist. Pune – 413 206

Investor Correspondence Address

Secretarial Department,
Bharat Forge Ltd.
Mundhwa, Pune Cantonment,
Pune – 411 036
Maharashtra, India
Phones: +91-20-2670 2777, 2670 2476
Fax: +91-20-2682 2163
Email: secretarial@bharatforge.com

TO THE MEMBERS OF BHARAT FORGE LTD.
CERTIFICATE BY THE AUDITORS ON CORPORATE GOVERNANCE

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2010.

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 the corporate governance. It is neither an audit nor an expression of an opinion on the financial statements of the company.

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

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements.

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

For **Dalal & Shah,**
Firm Registration No.:102021W
Chartered Accountants

Anish Amin
Partner
Membership No. 40451

Mumbai: 22 May 2010

TO THE BOARD OF DIRECTORS OF BHARAT FORGE LTD.
CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

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

a. We have reviewed financial statements and the cash flow statement for the year 2009-10 and that to the best of our knowledge and belief:
   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year 2009-10 which are fraudulent, illegal or violative of the company's code of conduct.

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

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

S.G. JOGLEKAR
Chief Financial officer

B.N. KALYANI
Chairman & Managing Director

Mumbai: 22 May 2010

Directors' Report for the year ended March 31, 2010:

To,

The Members,

Your Directors have pleasure in presenting the Forty-Ninth Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2010.

1. PERFORMANCE OF THE COMPANY:

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

2009-10	2008-09	% Decrease
Rs. 18 887 million	Rs. 21 063 million	10%

During the year under review, the total income of the Company was Rs. 18 887 million (Rs. 21 063 million) representing decrease of 10%.

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

2009-10	2008-09	2007- 08	2006-07
Rs. 7 109 million	Rs. 10 024 million	Rs. 9 610 million	Rs. 7 513 million

During the year under review, Exports turnover of the Company was Rs. 7 109 million, decrease of 29% over previous year (Rs. 10 024 million).

Over the review period, major global economies continued to face challenges on various fronts and federal governments introduced measures to revive economic activity across sectors. The Company with significant exposure to the overseas automobile markets through exports and overseas operations was adversely impacted. Capacities of the overseas operations were severely underutilized during the year resulting in poor performance on many parameters. The Indian automotive industry recovered swiftly and posted quarter on quarter improvements during the year. This helped the company in posting reasonable results despite the weakness in export markets.

The Company has been able to successfully develop and validate many new programs. During the year, new business awards have been achieved on both the auto as well as the non-auto business fronts.

c) Financials: (On stand-alone basis):

(Rs. in Million)

	Current Year	Previous Year
Profit for the year before Taxation & Exceptional item	1 807.17	1 576.65
Provision for Taxation:		
Current including Wealth Tax & FBT	603.30	55.20
- Deferred	(66.59)	488.60
Net Profit	1 270.46	1 032.85
Balance of Profit from Previous Year	6 167.51	5 570.29
	7 437.97	6 603.14
Add/(Less): Tax Refunds and Excess Provisions net of prior year items	0.43	(29.04)
Profit available for appropriation	7 438.40	6 574.10
APPROPRIATIONS:		
Proposed dividend on Equity Shares	232.79	222.65
Tax on above dividend	38.66	37.84
Debenture Redemption Reserve	206.22	26.10
Transfer to General Reserve	127.50	120.00
Surplus retained in Profit & Loss Account	6 833.23	6 167.51

2. DIVIDEND:

Your Directors recommend a Dividend of Re. 1/- per equity share of Rs. 2/- each (50%) for the year ended March 31, 2010.

3. CONSOLIDATED FINANCIAL STATEMENTS:

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

4. SUBSIDIARIES:

The Company has 14 subsidiaries of which 12 are overseas and 2 are in India. A summary of their performance is given elsewhere in the Annual Report.

In view of the unprecedented downturn in the automotive sectors across the globe, during year 2009-10, the Company has carried the process of restructuring and rightsizing the operations of its wholly owned subsidiaries to adopt for lower market volumes. The Company has incurred substantial cost for such rightsizing exercise which has affected the performance of the Company on consolidated basis. The primary objective behind such restructuring and rightsizing is to achieve a lower 'breakeven threshold' and thus achieve profitability in Company's Subsidiaries at lower capacity utilizations.

As a part of such restructuring programme, operations and assets of Bharat Forge Scottish Stampings Limited (BFSSL), subsidiary of the Company active in the European markets, are being transferred to other group companies in Bharat Forge Group. Hence, the accounts of BFSSL have been prepared not under going concern.

The auditors of Bharat Forge America Inc. (BFA), subsidiary of the Company, active in the North American markets, have, without qualifying their reports, expressed a possibility about BFA's inability to continue as going concern due to market conditions in North America. BFA has implemented various measures to adapt itself to lower volumes, which include a significant headcount reduction, a very tight control on costs, development of new products and an efficient working capital management. It is expected that these steps, along with the support provided by the Company would enable BFA to survive the present downturn. Hence, the accounts of BFA have been prepared on the 'going concern' basis.

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

5. SUBSIDIARY COMPANIES ACCOUNTS:

The Company has received approvals of the Central Government under Section 212(8) of the Companies Act, 1956, vide their letter Nos.47/72/2010 - CL - III dated April 8, 2010 and 47/72/2010 - CL - III dated April 22, 2010 which exempts the Company from attaching to the Balance Sheet, the copies of the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Reports and other documents required to be attached under section 212(1) of the Act of its subsidiary companies, namely:

i) CDP Bharat Forge GmbH, Germany,

ii) Bharat Forge Holding GmbH, Germany

iii) Bharat Forge Aluminiumtechnik GmbH & Co. K.G., Germany

iv) Bharat Forge Aluminiumtechnik Verwaltungs GmbH & Co. K.G., Germany

v) Bharat Forge Daun GmbH, Germany

Directors' Report for the year ended March 31, 2010. (Contd.):

vi) Bharat Forge America Inc., U.S.A.
vii) Bharat Forge Beteiligungs, GmbH, Germany
viii) Bharat Forge Kilsta AB, Sweden
ix) Bharat Forge Scottish Stampings Ltd., Scotland
x) Bharat Forge Hong Kong Limited (Formerly, Lucrest Limited), Hong Kong
xi) FAW Bharat Forge (Changchun) Company Limited, China
xii) BF New Technologies GmbH, Germany
xiii) BF-NTPC Energy Systems Ltd. India
xiv) Kalyani ALSTOM Power Ltd. (w.e.f. February 5, 2010) India

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

6. CAPACITY EXPANSION AND NON-AUTO BUSINESS:

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

A. BARAMATI

The new state-of-the-art 80 Mtr-T counterblow hammer for production of heavy forgings for large diesel engines and aerospace applications as well as Machining line for heavy duty started operations from March 2009. Order inflow is satisfactory and the production is being ramped up as planned.

The Company has completed installation of a ring rolling mill capable of rolling rings upto 4.5 meter diameter and 500 mm height, along with its Blanking Press. The Company has already secured orders from wind turbine and large gear box manufacturers from both global and Indian OEMs for this facility.

B. MUNDHWA/SATARA

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

7. JOINT VENTURES

A. JOINT VENTURE WITH NTPC:

The Company has incorporated a joint venture (JV) company, BF-NTPC Energy Systems Limited (BFNESL), with a 51% equity interest held by the Company and balance held by NTPC Limited for the manufacture of critical items of Balance of Plants and other equipment for which India still remains dependent on imports. BFNESL is finalizing product range which includes high pressure pumps, large castings and high pressure pipings for supercritical and ultra supercritical thermal power plants as well as nuclear power plants, oil and gas, petrochemicals, steel and mining sectors. The JV Company has acquired a 100 acre land at Solapur in Maharashtra, to set-up its first manufacturing facility. BFNESL plans to start ground activities by the third quarter of the current financial year.

B. JOINT VENTURES WITH ALSTOM:

The Company has set up two JV companies in partnership with ALSTOM Power Holdings S.A. for manufacturing sub-critical and supercritical thermal power plant equipment. The two JV companies named ALSTOM Bharat Forge Power Limited and Kalyani ALSTOM Power Limited will manufacture turbine and generators for power plants in the 300-800 MW range and auxiliaries like heat exchangers, condensers and deaerators, respectively. They will have a total installed capacity of 5 000 MW of equipment per annum. Company holds 49% equity interest in ALSTOM Bharat Forge Power Limited, and 51% equity interest in Kalyani ALSTOM Power Limited. Their state-of-the-art manufacturing facilities are coming up on a 120 acre land within the SEZ adjacent to Mundra Port in Gujarat

The facilities are slated to become ready in phases beginning first quarter of 2012.

The JV companies have already started bidding for equipment opportunities in large supercritical power plants coming up in India.

C. JOINT VENTURE WITH AREVA:

The Company has entered into Preliminary Joint Venture and Shareholders' Agreement with AREVA NP, France, to create a manufacturing facility for heavy forgings and castings for the power sector particularly Nuclear Power segment and other heavy industries in India. AREVA is a Worldwide leader in the nuclear power activities, including the design, manufacture and supply of nuclear power plants, components and fuel to customers all over the World.

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

Bharat Forge and AREVA are presently evaluating various locations in India to set up the new facility. The JV will have a state-of-the-art 12000 Ton open die forging press with associated equipment and an integrated steel making facility.

8. FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBs)

A. CONVERSION OF FCCBs:

On April 9, 2010, 142 045 equity shares of Rs. 2/- each were issued and allotted upon conversion of 1 250 FCCBs (Tranche 2) of US $ 1 000 each in accordance with shareholders' resolution passed on March 30, 2005.

B. REDEMPTION:

FCCBs (Tranche 1 & Tranche 2) aggregating US $ 131 487 592.50 (includes principal of US $ 102 250.00 and redemption premium of US $ 29 237 592.50) were redeemed on April 20, 2010, in terms of Offering circular dated April 15, 2005.

In 2005, the Company had issued the said FCCBs, optionally convertible into GDRs / Equity shares, in 2 tranches aggregating US $ 120 million mainly to finance capital expenditure and global acquisitions. Out of FCCBs of US $ 120 Million, US $ 17.750 million were converted into GDRs / Equity shares during the tenure of FCCBs.

Directors' Report for the year ended March 31, 2010. (Contd.):

9. ISSUE OF NON-CONVERTIBLE DEBENTURES :

10.75% Secured Redeemable Non-convertible Debentures of Rs. 350 crore issued on September 22, 2009 were listed on Bombay Stock Exchange Ltd.

The proceeds of NCD issue are to be utilized for normal capital expenditure, general corporate purposes and long term working capital requirement.

10. QIP ISSUE:

Pursuant to authorization given by the members by passing a resolution by postal ballot on February 27, 2010, the QIP committee of Directors, issued and allotted on April 28, 2010, the following securities:

10 000 000 equity shares of Rs. 2/- each, at a price of Rs. 272/- per equity share for an aggregate amount of Rs. 2 720 000 000/- (inclusive of premium).

6 500 000 Warrants at a price of Rs. 2/- per warrant for an aggregate amount of Rs. 13 000 000/-. Every warrant is exchangeable for 1 equity share of Rs. 2/- each of the Company, at any time within a period of 3 years from April 29, 2010 at a warrant exercise price of Rs. 272/- each per equity share.

1 760 Non-Convertible Debentures of face value of Rs. 1 000 000/- each at a coupon rate of 10.75% per annum for an aggregate amount of Rs. 1 760 000 000/-.

Above equity shares and warrants are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Pune Stock Exchange Limited.

Non-convertible Debentures are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The proceeds of the QIP issue will be utilized for long term funding requirements, and any other uses as may be permissible under applicable law.

11. TERM DEPOSITS:

As on March 31, 2010, 29 Depositors having deposits aggregating to Rs. 400 000/- did not collect the amounts due. None of the deposit amount was repaid to the Depositors / transferred to Investor Education and Protection Fund during the year. Presently, the Company does not accept/renew the deposits.

12. PARTICULARS OF EMPLOYEES:

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

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

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

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

14. DIRECTORS:

Mr. V. K. Jairath, who was appointed as additional Director on 24th July, 2009 resigned on 22nd February, 2010. The Directors place on record their sincere appreciation of the very useful contributions made by him during his association with the Company.

Mr. Naresh Narad, who was appointed as additional Director on 24th July, 2009 hold office till the ensuing Annual General Meeting. A notice proposing appointment of Mr. Narad as Director having been received, the matter is included in the Notice for the ensuing Annual General Meeting.

Dr. T. Mukherjee, who was appointed as additional Director on 23rd January, 2010 hold office till the ensuing Annual General Meeting. A notice proposing appointment of Dr. Mukherjee as Director having been received, the matter is included in the Notice for the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. G. K. Agarwal, Mr. P. C. Bhalerao, Mr. P. G. Pawar and Mr. S.D. Kulkarni, Directors of the Company, retire by rotation and, being eligible, they offer themselves for re-appointment.

The Ministry of Company Affairs, Govt. of India, has in terms of letter No. SRN No. A-70987086-CL VII dated 21st January 2010, granted its approval u/s 259 of Companies Act, 1956, to increase the total number of Directors of the Company from 17 to 19.

15. DIRECTORS' RESPONSIBILITY STATEMENT:

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

(i) in the preparation of the accounts for the financial year ended March 31, 2010; the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

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

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

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

16. AUDITORS:

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

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

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

For and on behalf of the
Board of Directors

B. N. KALYANI
Chairman and Managing Director

Mumbai: May 22, 2010

Directors' Report for the year ended March 31, 2010. (Contd.):

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010:

I. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

i) Maintain unity power factor for Bharat Forge plant.
ii) Re-generative Burner technology used from initial stage of project and which is giving saving in fuel up to 50%.
iii) Measuring and controlling air-fuel ratio with PLC of fuel fired furnace.
iv) To get the energy benefits from compressor, compressor off time increased by using additional reservoir.
v) Energy saving from the heat treatment tray weight reduction.

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

i) Improving thermal efficiency of furnaces.
ii) Variable frequency drive application for motors.
iii) High velocity burners technology.
iv) Replacement and modification of old recuperator system.

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

Lower energy consumption

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

(A) Power & Fuel consumption for the period:

	2009-10	2008-09
1 Electricity:		
(a) Purchased:		
Units (KWH in thousand)	**152 334**	146 847
Total Amount (Rs. in Million)	**841.73**	753.00
Rate / KWH (Rs.)	**5.53**	5.13
(b) Own Generation:		
Through Diesel Generator	**NIL**	NIL
Through Steam Turbine / Generator	**NIL**	NIL
2 Coal	**NIL**	NIL
3 Furnace Oil: (included in Fuel Oil)	**NIL**	NIL
4 Others:		
i) Fuel Oil		
Qty. (KL)	**24 031**	24 624
Total cost (Rs. in Million)	**588.98**	746.91
Rate (Rs./KL)	**24 509**	30 333
ii) LPG:		
Qty. (Kgs. in thousand)	**5 701**	5 047
Total Cost (Rs. in Million)	**202.10**	208.99
Rate (Rs./Kg.)	**35.45**	41.41
(B) Consumption per unit of production:		
1 Steel Forgings (Unit: MT)		
Electricity (Unit - KWH)	**845**	802
Fuel Oil (KL)	**0.183**	0.183
LPG (Kgs.)	**43**	38
2 Crankshafts and others (Unit: Nos.)		
Electricity (Unit - KWH)	**68**	62
3 General Engineering and Material Handling Equipments (Unit - Nos.)		
Electricity (Unit - KWH)	**143 214**	510 974

Directors' Report for the year ended March 31, 2010 (Contd.):

II. TECHNOLOGY ABSORPTION:

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

1. Research & Development (R & D):

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

i) Development of end-to-end solution simulation capability for open die forging. (Ingot casting and solidification, cogging, upsetting, finish forging).
ii) Establishment of split die design for Valve Body forgings with pierced hole using Forge metal flow simulation.
iii) Prediction of centre consolidation on cogging process using 3D metal flow simulation.
iv) Co-development of robust crankshaft designs alongwith customers.
v) Reduction of simulation computation time for heavy duty crankshaft.
vi) Study the effect of crankshaft test specimen orientation on strain.
vii) Development of Rotor Shafts for steam turbine applications.

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

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

c) Future Plan of Action:

i) Development of automated forging process optimization technique using metal flow simulation.
ii) Development of Ring Rolling simulation.
iii) Synergy between ingot casting & solidification and open die forging software.
iv) Development of simulation capability for Shell forgings.
v) Development of simulation capability for Aerospace forgings.
vi) Prediction of fatigue life.
vii) Manufacture of Aerospace forgings.
viii) Fatigue testing capability for Aerospace forging.
ix) Study on bending rigidity of crankshaft based on geometry.

d) Expenditure on R & D:

Sr. No.	Particulars	(Rs. in Million)
i)	Capital	-
ii)	Recurring	28.55
iii)	Total R & D expenditure	28.55
iv)	TOTAL TURNOVER	18 887.36
v)	Total R & D expenditure as a percentage of total turnover	0.15%

2. Technology absorption, adaptation and innovation ;

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

i) Development of locomotive crankshaft forgings made of nitridable steel.
ii) Development of Valve Body forging with piercing using split dies.
iii) Development of Rotor Shafts for steam turbine applications.
iv) Metal flow simulation and design optimization to improve yield.
v) Reduction of forces on dies to improve die life and productivity.
vi) Technical Papers:
Paper presented at Altair User Conference - October 2009.
"Control Arm weight optimization using Hyper works"

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

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

ii) Improved yield and die life.

iii) Customer satisfaction and new business opportunities.

Directors' Report for the year ended March 31, 2010. (Contd.):

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

Technology Imported (product)	Year of import	Has technology been fully absorbed	If not fully absorbed, areas, where this has not taken place, reasons therefore and future plan of action
Nil			

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

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

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

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

b) Total foreign exchange used and earned:

USED : Rs. 1 546.31 Million

EARNED : Rs. 7 427.68 Million

For and on behalf of the
Board of Directors

B. N. KALYANI
Chairman & Managing Director

Mumbai: May 22, 2010

Auditors' Report for the year ended 31st March, 2010:

REPORT OF THE AUDITORS' TO THE MEMBERS

1) We have audited the attached Balance Sheet of **BHARAT FORGE LIMITED,** as at 31st March, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3) As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Profit and Loss Account 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 Act;

(e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For DALAL & SHAH
Firm Registration No.: 102021W
Chartered Accountants

ANISH AMIN
Partner
Membership No.: 40451

Mumbai: May, 22, 2010

Auditors' Report for the year ended 31st March, 2010 (Contd.):

ANNEXURE TO THE AUDITORS' REPORT:

Referred to in paragraph 3 of the Auditors' Report of even date to the members of BHARAT FORGE LIMITED on the financial statements for the year ended 31st March, 2010:

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and such physical verification have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

2. (a) The inventory (excluding stock with the third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have substantially been confirmed by them at the close of the year.

   (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

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

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, no major weekaness have been noticed or reported.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

   (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, Property tax, service tax, customs duty, excise duty and cess as at 31st March, 2010 which have not been deposited on account of a dispute, are as follows -

Name of the statute	Nature of dues	Amount (Rs. in Millions)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	-	-	-	-
Income Tax	Tax Liability on Matter in Dispute against Company by Income Tax Department	16.27	2003-04, 2004-05	Tribunal
Wealth Tax	-	-	-	-
Service Tax	Demand received for various cases	32.31	2006-07, 2007-08, 2009-10	Commissioner Appeals
Custom Duty	Demand received for various cases	302.67	2004-05, 2008-09	Commissioner Appeals
Excise	Demand received for various cases	213.24	2004 to 2010	Tribunal
Property Tax	Demand received for various cases	28.28	2005-2010	High Court

Auditors' Report for the year ended 31st March, 2010 (Contd.):

10. The Company has no accumulated losses as at 31st March, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders 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. As per the records produced for our verification and the information and explanations given to us, in our opinion, the Company has maintained proper records of transactions and contracts entered into for investing temporarily idle funds in investments in units of Mutual Funds, into which timely entries have been made. The said investments were held in the name of the Company.

14. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

15. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

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

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

20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

21. Considering the nature of the business, clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the current year. Hence in our opinion there is no matter which arises to be reported in the afforsaid clause of the order.

For DALAL & SHAH
Firm Registration No.: 102021W
Chartered Accountants

ANISH AMIN
Partner
Membership No.: 40451

Mumbai: May, 22, 2010

Balance Sheet as at 31st March, 2010:

(Rs. in Million)

		Schedule			As at 31st March, 2009
I.	SOURCES OF FUNDS:				
	1. Shareholders' Funds:				
	(a) Share Capital	"A"	445.40		445.40
	(b) Reserves and Surplus	"B"	14 826.71		14 658.16
				15 272.11	15 103.56
	2. Loan Funds:				
	(a) Secured Loans	"C"	9 221.39		8 706.59
	(b) Unsecured Loans	"D"	9 306.33		9 372.06
				18 527.72	18 078.65
	3. Foreign Currency Monetary Item Transalation Difference Account (FCMITDA) (See Note 21)			12.28	(234.28)
	4. Deferred Tax Adjustment: (See Note 13)				
	(a) Deferred Tax Liabilities		1 734.82		1 833.73
	(b) Deferred Tax Assets		(669.83)		(217.02)
				1 064.99	1 616.71
	Total			34 877.10	34 564.64
II.	APPLICATION OF FUNDS:				
	1. Fixed Assets:				
	(a) Gross Block		27 892.70		26 840.19
	(b) Less: Depreciation		10 131.61		8 530.71
	(c) Net Block	"E"	17 761.09		18 309.48
	(d) Capital work-in-progress		1 385.40		2 322.81
				19 146.49	20 632.29
	2. Technical Know-how:	"F"		-	2.10
	3. Investments:	"G"		7 209.47	3 671.99
	4. Current Assets, Loans and Advances:	"H"			
	(a) Inventories		3 947.98		3 642.42
	(b) Sundry Debtors		3 071.68		2 601.07
	(c) Cash and Bank Balances		4 934.99		3 667.02
	(d) Other Current Assets		577.54		839.34
	(e) Loans and Advances		5 583.84		6 432.91
			18 116.03		17 182.76
	Less: Current Liabilities and Provisions:	"I"			
	(a) Liabilities		7 031.83		3 913.38
	(b) Provisions		2 563.06		3 011.12
			9 594.89		6 924.50
	Net Current Assets			8 521.14	10 258.26
	Total			34 877.10	34 564.64
	NOTES FORMING PART OF THE FINANCIAL STATEMENTS	"L"			

As per our attached report of even date

For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

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

G. K. AGARWAL
Deputy Managing Director

Profit and loss Account for the year ended 31st March, 2010:

(Rs. in Million)

	Schedule			Previous year
INCOME:				
Sales, Gross	"J (a)"	18 916.89		20 959.96
Less: Excise Duty		871.96		1 202.33
Net Sales		18 044.93		19 757.63
Operating Income	"J (b)"	519.05		828.28
			18 563.98	20 585.91
Other Income	"J (c)"		323.38	476.74
			18 887.36	21 062.65
EXPENDITURE:				
Manufacturing and other expenses	"K"	15 435.80		17 991.56
Depreciation and amortisation	"K (a)"	1 644.39		1 494.44
			17 080.19	19 486.00
Operating Profit for the year before taxation			1 807.17	1 576.65
Provision for Taxation				
Current Tax (Including Wealth Tax Rs. 2.20 million Previous year Rs. 2.20 million)		603.30		159.60
Less: MAT credit available for Set off in subsequent years		-		(157.40)
Deferred Tax (See Note 13)		(66.59)		488.60
Fringe Benefit Tax		-		53.00
			536.71	543.80
Net Profit after taxation			1 270.46	1 032.85
As per last Account			6 167.51	5 570.29
			7 437.97	6 603.14
Adjustments relating to earlier years:				
Excess/(Short) provision for taxation and tax payments			0.43	(29.04)
Profit available for Appropriation			7 438.40	6 574.10
APPROPRIATIONS:				
Debenture Redemption Reserve (See Note 19)			206.22	26.10
General Reserve			127.50	120.00
Proposed Dividend		232.79		222.65
Tax on Proposed Dividend		38.66		37.84
			271.45	260.49
Balance carried to Balance Sheet			6 833.23	6 167.51
Earning Per Share (See Note 20)				
(Face value of Rs. 2/-)				
Basic			5.71	4.51
Diluted			5.71	4.51
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	"L"			

As per our attached report of even date

For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

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

G. K. AGARWAL
Deputy Managing Director

Cash Flow Statement for the year ended 31st March, 2010:

(Rs. in Million)

Sr. No.	Particulars		2009-10	2008-09
A	CASH FLOW FROM OPERATING ACTIVITIES:			
	Profit before tax		1 807.17	1 576.65
	Adjustments for:			
	Interest/Depreciation/Other Non Cash Expenses			
	i) Depreciation and amortisation		1 644.39	1 494.44
	ii) Amount written off against technical know-how		2.10	2.08
	iii) Loss on assets sold, demolished, discarded		0.62	1.10
	iv) Adjustments in respect of earlier years -			
	- Excess / (short) provision for taxation and tax refunds		0.43	(29.04)
	v) Bad debts, irrecoverable advances, and sundry balances written off		89.54	52.05
	vi) Proportionate deferred revenue expenses written off		4.34	5.06
	vii) Interest paid		1 027.72	1 003.67
	viii) Exchange Loss / (Gain)		(185.23)	610.44
	ix) Provision for Doubtful Debts		5.00	-
		Total	2 588.91	3 139.80
	Interest/Dividend/Other Income Adjustments:			
	i) Interest received		(92.97)	(109.51)
	ii) Dividend		(75.14)	(217.02)
	iii) Profit on sale of investments		(61.74)	(23.14)
	iv) Provisions no longer required		(22.84)	(68.33)
		Total	(252.69)	(418.00)
	OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES		4 143.39	4 298.45
	Changes in Working Capital:			
	(Increase) / Decrease in Current Assets:			
	i) Inventories		(305.56)	(261.24)
	ii) Sundry debtors		(479.00)	961.82
	iii) Other current assets and loans and advances		299.92	107.29
			(484.64)	807.87
	Increase / (Decrease) in Current Liabilities:			
	Liabilities		2 087.81	(2 845.36)
			2 087.81	(2 845.36)
		Total	1 603.17	(2 037.49)
	CASH GENERATED FROM OPERATIONS		5 746.56	2 260.96
	Direct taxes paid		(415.76)	(421.83)
	NET CASH FROM OPERATING ACTIVITIES	(A)	5 330.80	1 839.13

Cash Flow Statement for the year ended 31st March, 2010 (contd):

(Rs. in Million)

Sr. No.	Particulars			2009-10	2008-09
B	CASH FLOW FROM INVESTMENT ACTIVITIES:				
	i)	Investment in subsidiary companies		(1 058.99)	(717.35)
	ii)	(Increase) / Decrease in investment in mutual funds		(2 297.65)	2 982.08
	iii)	Share application money		(50.49)	-
	iv)	Capital expenditure		(1 163.97)	(3 267.26)
	v)	Interest capitalised		25.84	51.72
	vi)	Sale proceeds of assets		3.59	3.58
	vii)	Loan to wholly owned subsidiaries		-	23.73
	viii)	Non Operating Income - Interest, Dividend, etc.		229.85	349.67
	ix)	Project expenses		(78.91)	(114.09)
			Total	(4 390.73)	(687.92)
	NET CASH USED IN INVESTING ACTIVITIES		(B)	(4 390.73)	(687.92)
C	CASH FLOW FROM FINANCING ACTIVITIES:				
	Increase / (Decrease) in Share Capital / Borrowings				
	i)	Secured Loans - Term Loans		2 308.08	4 166.24
	ii)	FCCBs, Fixed deposits and other unsecured loans		862.17	(587.96)
	iii)	Cash credit & other borrowings from banks		(1 458.92)	(533.11)
			Total	1 711.33	3 045.17
	Adjustments to net worth:				
	i)	Debenture issue expenses		(27.09)	(23.22)
	ii)	Exchange (Gain) / Loss adjusted to carrying cost of asset		-	(297.80)
			Total	(27.09)	(321.02)
	Interest Paid				
	i)	Interest paid		(1 069.64)	(896.91)
	ii)	Capitalised		(25.84)	(51.72)
			Total	(1 095.48)	(948.63)
	Dividend including tax thereon			(260.86)	(909.56)
	NET CASH USED IN FINANCING ACTIVITIES		(C)	327.90	865.96
	Net change in cash and cash equivalents		(A+B+C)	1 267.97	2 017.17
	Cash and cash equivalents as at 01.04.09 (Opening balance)			3 667.02	1 649.85
	Cash and cash equivalents as at 31.03.10 (Closing balance)			4 934.99	3 667.02

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

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

G. K. AGARWAL
Deputy Managing Director

Schedule "A" to "L"

Schedule "A" to "L" annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

(Rs. in Million)

				As at 31st March, 2009
Schedule "A" Share Capital:				
Authorised:				
300 000 000	Equity Shares of Rs. 2/- each		600.00	600.00
43 000 000	Cumulative Preference Shares of Rs. 10/- each		430.00	430.00
2 000 000	Unclassified shares of Rs. 10/- each		20.00	20.00
			1 050.00	1 050.00
Issued:				
222 828 621	Equity shares of Rs. 2/- each		445.66	445.66
			445.66	445.66
Subscribed:				
222 652 271	Equity shares of Rs. 2/- each fully paid		445.31	445.31
172 840	Add: Forfeited equity shares (amount paid up)		0.09	0.09
		Total	445.40	445.40

Notes: Of the above shares:

A Prior to sub-division of Share Capital:

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

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

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

(iv) The Company had issued 3 636 500 Equity Shares of Rs. 10/- each (later sub-divided into 18 182 500 Equity Shares of Rs.2/- each) in April and May, 2005 represented by 3 636 500 Global Depository Receipts (GDRs) (on sub-division 18 182 500 GDRs) evidencing "Master GDR Certificates" at a price of U.S.$ 27.50 per GDR (including premium). GDRs outstanding at the close of the year are 9 200. The Funds raised have been utilised towards the object of the issue.

(v) The Company had also issued Foreign Currency Convertible Bonds aggregating U.S.$ 199.90 million optionally convertible at an initial price specified in offering circular (see note 18). As the initial price is subject to adjustments specified in the offering circular and inability to assess the proportion of conversion, no amounts have been shown under issued Equity Share Capital, in respect of Equity Shares deemed to be issued on exercise of conversion by bondholders. Outstanding Bonds at the close of the year aggregated Rs. 8 236.49 million of which Bonds aggregating U.S.$ 1.25 million were converted on April 09, 2010 and Bonds aggregating U.S.$ 102.25 million were redeemed on April 20, 2010.

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

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

C Since the close of the year:

(i) 142 045 Equity Shares were issued and allotted on April 09, 2010 at a premium of Rs. 382.12 per share on conversion of U.S.$ 1 250 000 0.50% Foreign Currency Convertible Bonds (FCCBs) Tranche-2 in terms of Offering Circular dated 15th April, 2005.

(ii) The Company issued and allotted 10 000 000 Equity Shares of Rs. 2/- each at a price of Rs. 272/- per share aggregating to Rs. 2 720 million on 28th April, 2010 simultaneous with the issue of 1 760 10.75% Non Convertible Debentures (NCDs) of a face value of Rs.1 000 000/- at par, together with 6 500 000 warrants at a price of Rs. 2/- each entitling the holder of each warrant to subscribe for 1 equity share of Rs. 2/- each at a price of Rs. 272/- at any time within 3 years from the date of allotment. The above securities were subscribed and allotted to Qualified Institutional Buyers on 28th April, 2010.

Schedule “B” Reserves and Surplus:

(Rs. in Million)

				As at 31st March, 2 009
Capital Reserve:				
i) Special Capital Incentive				
(Under the 1988 Package Scheme of Incentives)				
As per last Account		2.50		2.50
ii) Capital surplus arising from early retirement of				
Sales tax deferral liability/Loan under package				
Scheme of Incentive of Government of Maharashtra (See Note 10)				
As per last Account	69.92			78.56
Less: Transferred to General Reserve	8.64			8.64
		61.28		69.92
			63.78	72.42
Capital Redemption Reserve Account:				
As per last Account			300.00	300.00
Securities Premium Account:				
As per last Account		7 019.35		7 042.57
Less: Premium on Redemption of Foregin Currency Convertible				
Bonds in terms of Section 78 of the Companies Act, 1956		975.32		-
(Net of Deferred tax asset of Rs. 485.13 million, See Notes 13 & 18)				
Less: Debenture issue expenses, in terms of Section 78 of the Companies Act, 1956		27.09		23.22
(Net of Tax of Rs. 13.95 million)			6 016.94	7 019.35
Debenture Redemption Reserve:				
As per last Account		26.10		-
Set aside during the year (See Note 19)		206.22		26.10
			232.32	26.10
General Reserve:				
As per last Account		1 072.78		1 293.45
Add: Transferred from Capital Reserve		8.64		8.64
		1 081.42		1 302.09
Less: Adjustment on account of exercise of option on amendment				
to Accounting Standard (AS-11) “ The effects of changes in Foreign				
Exchange Rates “ (See Note 21) (Net of Deferred Tax)		-		349.31
Add: Set aside from Profit & Loss Account		127.50		120.00
			1 208.92	1 072.78
Hedge Reserve: (See Note 23)				
Arising during the year			171.52	-
Surplus as per Annexed Account:				
Surplus as per annexed account			6 833.23	6 167.51
Total			14 826.71	14 658.16

Schedule "C" Secured Loans:

(Rs. in Million)

			As at 31st March, 2 009
Debentures:			
2 500 11.95% Redeemable secured Non-Convertible Debentures (2009-2017) Sixteenth series of Rs.1 000 000/-each For Security (See Note 12(a)(i))		2 500.00	2 500.00
3 500 (--) 10.75% Redeemable secured Non-Convertible Debentures (2009-2015) Seventeenth series of Rs.1 000 000/- each For Security (See Note 12(a)(ii))		3 500.00	-
Foreign Currency Term Loans:			
From Bank of Baroda, London (Charge satisfied)		-	253.60
From Bank of India, London (See Note 12 (b)(i))		336.82	507.20
From Calyon, Singapore (See Note 12 (b)(ii))		2 245.50	2 536.00
From Standard Chartered Bank (Charge satisfied)		-	811.52
Others:			
From Banks, against hypothecation of stocks of Semi finished and Finished goods, raw materials, Finished dies and die blocks, Work-in-Progress, Consumable stores and spares, Book Debts etc.			
Cash Credit	108.80		197.22
Preshipment Packing Credit-Foreign Currency	530.26		328.82
Preshipment Packing Credit-Rupee	-		1 571.95
Interest accrued and due on above	0.01		0.28
		639.07	2 098.27
Total		9 221.39	8 706.59

Schedule "D" Unsecured Loans:

Foreign Currency Convertible Bonds (FCCB's) (See Note 18)			
0.5% Tranche 1 FCCB's, outstanding U.S. $ 43.5 million	1 953.58		2 206.32
0.5% Tranche 2 FCCB's, outstanding U.S. $ 60.0 million	2 694.60		3 043.20
0% Tranche A FCCB's, outstanding U.S. $ 40.0 million	1 796.40		2 028.80
0% Tranche B FCCB's, outstanding U.S. $ 39.9 million	1 791.91		2 023.73
		8 236.49	9 302.05
Sales tax deferral liability under Government of Maharashtra Package Scheme of Incentives (See Note 11)		69.44	69.44
Fixed Deposits matured but unclaimed		0.40	0.57
Short term borrowings by issue of " Commercial Papers " by the Company (Maximum balance during the period Rs. 1 000 million)		1 000.00	-
Total		9 306.33	9 372.06

Schedule "E" Fixed Assets:

(Rs. in Million)

Sr. No.	FIXED ASSETS	GROSS BLOCK (a) As At 31/03/2009	Additions & Adjustments	Deductions	As At 31/03/2010	DEPRECIATION Upto 31/03/2009	Recoupments and Adjustments	For the year	Upto 31/03/2010	NET BLOCK As At 31/03/2010	As At 31/03/2009
1	Land, Free hold (d)	9.50	156.54	-	166.04	-	-	-	-	166.04	9.50
2	Land, Lease hold (e)	88.67	-	0.95	87.72	-	-	-	-	87.72	88.67
3	Buildings (b) (e)	2 080.02	92.64	-	2 172.66	249.69	-	61.37	311.06	1 861.60	1 830.33
4	Plant & machinery	21 346.79	786.66	0.80	22 132.65	7 432.96	0.73	1 320.81	8 753.04	13 379.61	13 913.83
5	Railway sidings	0.45	-	-	0.45	0.43	-	-	0.43	0.02	0.02
6	Electrical installations	333.21	(2.96)	-	330.25	147.53	-	25.56	173.09	157.16	185.68
7	Factory equipments	458.97	17.35	-	476.32	204.32	-	71.34	275.66	200.66	254.65
8	Engineering instruments	0.09	-	-	0.09	0.09	-	-	0.09	-	-
9	Furniture & Fittings	243.65	9.25	27.12	225.78	124.23	25.94	21.27	119.56	106.22	119.42
10	Office equipments	51.07	2.18	4.80	48.45	26.49	4.50	3.52	25.51	22.94	24.58
11	Vehicles & Aircraft	2 220.63	(52.08)	14.03	2 154.52	337.83	11.37	130.65	457.11	1 697.41	1 882.80
12	Power Line (f)	7.14	90.63	-	97.77	7.14	-	8.92	16.06 (g)	81.71	-
	Total	26 840.19	1 100.21	47.70	27 892.70	8 530.71	42.54	1 643.44	10 131.61	17 761.09	18 309.48
	Previous Year's Total	20 292.16	6 634.18	86.15	26 840.19	7 117.74	80.52	1 493.49	8 530.71	18 309.48	

NOTES:

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

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

(c) See Note 32 in Schedule "L" to the Financial Statements - Accounting Policy -2.

(d) Includes 25 acres land given on lease.

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

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

(g) Represents amount amortised upto 31st March, 2010.

(h) Additions include interest capitalised aggregating Rs. 14.90 million (Previous year Rs. 39.68 million).

(i) Additions include (gains)/ losses on fluctuations of foreign exchange rates in respect of foreign currency borrowings consequent to amendment to AS-11 aggregating Rs. (838.47) million (See Note 21).

Schedule "F" Technical Know-how:

(Rs. in Million)

			As at 31st March, 2009
Acquired by the Company			
As per last account		2.10	4.18
Less: Written Off		2.10	2.08
Total		-	2.10

Schedule "G" Investments; at Cost:

	Face Value			
Trade				
Long Term				
In Equity Shares:				
In wholly owned subsidiaries:				
Unquoted:				
i) CDP-Bharat Forge GmbH				
Subscription to the equity Share Capital	Euro 5 000 000	287.98		287.98
Contribution to Capital Reserve credited in favour of Bharat Forge Ltd.	Euro 51 370 428 (Euro 42 814 428)	3 225.88		2 653.10
		3 513.86		2 941.08
ii) Bharat Forge America Inc.	U.S.$ 19 596 597 (U.S.$ 16 096 597)	898.21		730.40
Other Subsidiaries:				
Unquoted:				
iii) 1 071 000 (51 000) BF-NTPC Energy Systems Ltd. Equity Shares-Joint Venture company	Rs. 10 each	10.71		0.51
iv) 2 991 146 (-) Kalyani ALSTOM Power Ltd. Equity Shares	Rs. 10 each	29.91		-
Unquoted:			4 452.69	3 671.99
v) 15 000 000 (-) Khed Economic Infrastructure Pvt. Ltd. Equity Shares	Rs. 10 each	150.00		-
vi) 25 864 646 (-) ALSTOM Bharat Forge Power Ltd. Equity shares-Joint Venture company	Rs. 10 each	258.64		-
			408.64	-
			4 861.33	3 671.99
Others				
Current Investments				
In Mutual Funds:				
Unquoted:				
11 757 826.50 (-) Units of Rs. 10 each of Birla Sun Life Savings Fund - Institutional - Growth		205.50		-
5 060 496.15 (-) Units of Rs. 10 each of DWS Ultra Short Term Fund - Institutional - Growth		54.78		-
20 099 032.00 (-) Units of Rs. 10 each of HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth		405.65		-
				-
carried over		665.93	4 861.33	3 671.99

Schedule "G" Investments; at cost (Contd.):

(Rs. in Million)

			As at 31st March, 2009
brought over	665.93	4 861.33	3671.99
1 227 282.44 (-) Units of Rs. 100 each of ICICI Prudential Flexible Income Plan Premium - Growth	210.15		-
23 795 664.67 (-) Units of Rs. 10 each of IDFC Money Manager Fund - Treasury Plan - Super Inst. Plan C - Growth	259.74		-
10 444 965.24 (-) Units of Rs. 10 each of Kotak Floater Long Term - Growth	152.60		-
9 042 507.08 (-) Units of Rs. 10 each of Kotak Flexi Debt Scheme Institutional - Growth	102.41		-
10 136 427.31 (-) Units of Rs. 10 each of LICMF Savings Plus Fund - Growth Plan	148.34		-
204 395.49 (-) Units of Rs 1 000 each of Reliance Money Manager Fund - Institutional Option-Growth Plan	256.43		-
8 588 228.652 (-) Units of Rs. 10 each of SBI-SHF-Ultra Short Term Fund - Institutional Plan - Growth	103.01		-
10 579 247.27 (-) Units of Rs. 10 each of Tata Floater Fund - Growth	145.27		-
4 220 264.02 (-) Units of Rs. 10 each of Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth	50.00		-
164 763.79 (-) Units of Rs. 1 000 each of UTI Treasury Advantage Fund - Institutional Plan (Growth Option)	203.77		-
		2 297.65	-
		7 158.98	3 671.99
Share Application Money		50.49	-
Total		7 209.47	3 671.99

NOTES:

1) All the investments outstanding as on 31st March, 2010 and 31st March, 2009 are unquoted.

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

Schedule "G" Investments at cost (Contd.)

(Rs. in Million)

3) Notes to Schedule: Mutual Fund units purchased and sold during the year ended as on 31.03.2010

Name of Scheme	Units Purchased	Purchase Value
Axis Treasury Advantage Fund - Institutional Daily Dividend - Reinvestment	100 668.703	100.67
Axis Treasury Advantage Fund - Institutional - Growth	99 902.960	100.67
Birla Sun Life Cash Plus Institutional Premium Daily Dividend - Reinvestment	39 926 854.445	400.05
Birla Sun Life Cash Plus Institutional Premium Growth	7 505 326.920	110.00
Birla Sun Life Dynamic Bond Fund - Retail Plan - Monthly Dividend	4 798 832.924	50.00
Birla Sun Life Savings Fund - Institutional Daily Dividend - Reinvestment	60 918 181.930	609.60
Birla Sun Life Savings Fund-Institutional Growth	30 981 923.822	534.10
Birla Sun Life Short Term Fund - Institutional Daily Dividend	64 124 395.386	641.60
Birla Sun Life Short Term Fund - Institutional Growth	17 749 880.158	191.60
Canara Robeco Treasury Advantage Super Institutional Daily Dividend Reinvestment Fund	16 268 125.678	201.84
Canara Robeco Treasury Advantage Super Institutional Growth Fund	14 727 974.952	201.84
DSP BlackRock Floating Rate Fund - Institutional Plan - Daily Dividend	100 713.630	100.77
DSP BlackRock Floating Rate Fund - Institutional Plan - Growth	115 206.739	150.77
DSP BlackRock Liquidity Fund - Institutional Plan - Daily Dividend	49 994.722	50.00
DSP BlackRock Strategic Bond Fund - Institutional Plan - Daily Dividend	150 728.146	151.05
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend - Reinvest	9 953 500.388	100.05
DWS Ultra Short Term Fund - Institutional - Daily Dividend - Reinvest	36 053 823.345	361.18
DWS Ultra Short Term Fund - Institutional - Growth	28 699 675.719	306.41
Fortis Money Plus Institutional Plan-Daily Dividend	30 293 039.055	303.02
Fortis Money Plus-Institutional Growth	18 478 002.783	253.02
Fortis Overnight Fund -Institutional Daily Dividend	4 998 876.049	50.00
HDFC Cash Management Fund - Savings Plan - Daily Dividend - Reinvestment	9 402 649.568	100.01
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	147 827 101.787	1 482.93
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth	60 064 452.910	1 197.28
HDFC Liquid Fund - Premium Plan - Growth	2 731 792.602	50.00
HDFC Short Term Plan - Dividend - Reinvestment	4 967 477.256	51.29
ICICI Prudential Flexible Income Plan Premium - Daily Dividend (Face Value Rs. 10/-)	42 755 354.599	452.07
ICICI Prudential Flexible Income Plan Premium - Daily Dividend (Face Value Rs. 100/-)	10 578 197.462	1 118.60
ICICI Prudential Flexible Income Plan Premium - Growth (Face Value Rs. 100/-)	6 261 958.513	1 058.33
ICICI Prudential Floating Rate Plan D - Daily Dividend (Face Value Rs. 10/-)	32 261 487.387	322.68
ICICI Prudential Floating Rate Plan D - Daily Dividend (Face Value Rs. 100/-)	1 010 872.621	101.12
ICICI Prudential Floating Rate Plan D - Growth (Face Value Rs. 100/-)	751 838.864	101.11
ICICI Prudential Institutional Liquid Plan - Super Institutional-Daily Dividend	39 999 203.618	400.05
ICICI Prudential Institutional Liquid Plan - Super Institutional Growth	370 585.859	50.00
IDFC Cash Fund - Super Inst Plan C - Daily Dividend	24 996 150.497	250.02

Schedule "G" Investments at cost (Contd.)

(Rs. in Million)

3) Notes to Schedule: Mutual Fund units purchased and sold during the year ended as on 31.03.2010 (Contd.):

Name of Scheme	Units Purchased	Purchase Value
IDFC Money Manager Fund - Investment Plan - Institutional Plan B - Daily Dividend	20 409 116.150	204.40
IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Daily Dividend	41 224 642.834	412.31
IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Growth	28 504 214.977	306.97
JM Money Manager Fund Super Plus Plan - Growth	1 558 129.932	20.00
JP Morgan India Treasury Fund - Super Institutional Daily Dividend Plan - Reinvestment	10 060 686.773	100.70
JP Morgan India Treasury Fund - Super Institutional Growth Plan	8 534 027.818	100.70
Kotak Flexi Debt Scheme Institutional - Daily Dividend	30 295 489.539	304.39
Kotak Flexi Debt Scheme Institutional - Growth	18 085 791.347	201.98
Kotak Floater Long Term - Daily Dividend	76 442 598.807	770.53
Kotak Floater Long Term - Growth	42 880 135.538	617.92
Kotak Liquid (Institutional Premium) - Daily Dividend	24 536 551.227	300.04
Kotak Liquid (Institutional Premium) - Growth	2 702 337.522	50.00
LICMF Liquid Fund - Dividend Plan	18 216 580.172	200.02
LICMF Liquid Fund - Growth Plan	2 989 161.301	50.00
LICMF Savings Plus Fund - Daily Dividend Plan	95 568 537.637	955.69
LICMF Savings Plus Fund - Growth Plan	55 995 480.803	807.34
Principal Cash Management Fund-Liquid Option Instl. Prem. Plan - Dividend Reinvestment Daily	5 000 060.503	50.00
Principal Floating Rate Fund FMP-Institutional Option - Dividend Reinvestment Daily	15 145 546.368	151.64
Principal Floating Rate Fund FMP-Institutional Option - Growth Plan	7 067 707.167	101.64
Reliance Liquidity Fund - Daily Dividend Reinvestment Option	39 992 237.634	400.05
Reliance Liquidity Fund - Growth Option	4 336 638.816	60.00
Reliance Medium Term Fund - Retail Plan - Growth Plan	24 117 777.299	453.87
Reliance Medium Term Fund - Daily Dividend Plan	31 228 969.666	533.87
Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	760 344.781	761.22
Reliance Money Manager Fund - Institutional Option - Growth Plan	488 276.768	604.81
Reliance Short Term Fund- Retail Plan - Dividend Plan	4 689 023.933	50.00
Religare Liquid Fund - Super Institutional Daily Dividend	9 994 464.901	100.01
Religare Ultra Short Term Fund - Institutional Daily Dividend	20 158 799.082	201.90
Religare Ultra Short Term Fund - Institutional Growth	16 171 506.278	201.90
SBI Premier Liquid Fund - Super Institutional - Growth	3 664 751.316	53.00
SBI-SHF- Ultra Short Term Fund - Institutional Plan - Daily Dividend	30 296 224.112	303.13
SBI-SHF- Ultra Short Term Fund - Institutional Plan - Growth	25 637 088.035	303.14
TATA Floater Fund - Daily Dividend	106 142 075.002	1 065.20
TATA Floater Fund - Growth	53 146 431.245	719.93
TATA Liquid Super High Investment Fund - Daily Dividend	448 768.191	500.16
Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment	15 095 148.348	151.13
Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth	17 199 680.900	201.13
UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvestment	196 202.325	200.02
UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option)- Reinvestment	961 252.043	961.46
UTI Treasury Advantage Fund - Institutional Plan (Growth Option)	715 263.126	872.69

Schedule "H" Current assets, Loans and advances:

(Rs. in Million)

					As at 31st March, 2 009
a)	Inventories, as valued and certified by the Chairman & Managing Director:				
	Stores, Spares and Loose Tools (at cost)*		649.03		645.46
	Die Blocks & Die & Tool Steel (at cost)		372.24		525.86
	Raw Materials & Components (at cost)*		560.92		376.84
	Work-in-Progress (at lower of cost or estimated realisable value)		1 401.85		1 141.21
	Finished Goods (at lower of cost or selling price)		59.37		80.11
	Dies (at cost, less amortisation) & Dies under fabrication*		887.20		856.32
	Scrap (at estimated realisable value)		17.37		16.62
	(*) Slow moving and obsolute inventory is valued at cost or estimated realisable value whichever is lower			3 947.98	3 642.42
b)	Sundry Debtors, Unsecured: (unless otherwise stated) (Net of Bills discounted with banks) (See Note 1 A (a))				
	(i) Over six months:				
	Good		614.59		1 231.12
	Doubtful	9.91			4.91
	Less: Provision	9.91			4.91
			-		-
			614.59		1 231.12
	(ii) Other, Good		2 457.09		1 369.95
				3 071.68	2 601.07
c)	Cash and Bank Balances:				
	Cash on hand		0.62		0.68
	Bank balances:				
	With scheduled banks:				
	In Cash Credit and Current accounts	135.03			338.65
	In Fixed deposits	4 799.29			3 327.64
	Interest funded on Cumulative Fixed Deposits	0.01			0.01
		4 934.33			3 666.30
	With other banks:				
	In current account				
	J.P. Morgan Chase Bank, New York (maximum balance outstanding during the year Rs. 0.04 million, Previous year Rs. 0.04 million)	0.04			0.04
			4 934.37		3 666.34
				4 934.99	3 667.02
d)	Other Current Assets:				
	Interest receivable		21.53		33.10
	Interest on loan to subsidiary		42.93		32.79
	Energy Credit receivable-Wind Mill		1.93		2.52
	Certified Emission Reduction Units receivable		8.64		4.33
	Export incentives receivable		502.51		766.60
				577.54	839.34
	carried over			12 532.19	10 749.85

Schedule "H" Current assets, Loans and advances (Contd.):

(Rs. in Million)

						As at 31st March, 2 009
	brought over				12 532.19	10 749.85
e)	Loans and Advances, Unsecured, Good:					
	(Unless otherwise stated):					
	Loan to Wholly Owned Subsidiaries:					
	CDP Bharat Forge GmbH, Germany, (Maximum balance outstanding during the year Rs. 658.70 million, Previous year Rs. 658.70 million)			464.03		658.70
	Amounts recoverable from other subsidiaries			98.32		69.41
	Loan to a company (See Note 16)			309.09		309.09
	Advances recoverable in cash or in kind or for value to be received (See Note 15)					
	Good		1 596.43			1 829.84
	Doubtful Advances	23.12				20.35
	Less: Provision	23.12				20.35
			-			-
				1 596.43		1 829.84
	Expenditure to date on projects pending adjustment on completion/ conclusion			285.91		207.00
	Security deposit for supply/purchase of power			211.45		211.45
	Balances with Customs, Central Excise Departments, etc.			375.04		306.07
	MAT credit available for set off			157.40		157.40
	Tax paid in advance			2 086.17		2 683.95
					5 583.84	6 432.91
	Total				18 116.03	17 182.76

Schedule "I" Current Liabilities and Provisions:

(a)	Liabilities:					
	Acceptances			1 887.99		1 414.97
	Sundry creditors (See Note 17)					
	Dues to Micro and Small Enterprises		0.78			1.57
	Dues to other than Micro and Small Enterprises		3 643.22			2 251.86
				3 644.00		2 253.43
	Premium on redemption of FCCBs (See Note 18)			1 305.53		-
	Advance against orders			61.52		70.18
	Unclaimed dividends			14.77		15.14
	Interest accrued but not due on loans			118.02		159.66
					7 031.83	3 913.38
(b)	Provisions:					
	For Long Term Employee Benefits (See Note 24)			409.27		458.05
	For Taxation			1 882.34		2 292.58
	For Proposed dividend			232.79		222.65
	For Tax on proposed dividend			38.66		37.84
					2 563.06	3 011.12
	Total				9 594.89	6 924.50

Schedule "J" Sales, Operating & Other income:

(Rs. in Million)

					Previous year
(a)	Sales:				
	Sales (Net of returns, rebates, etc.)		17 749.70		19 457.65
	Job work receipts		143.74		146.08
	Sale of manufacturing scrap		1 023.45		1 356.23
				18 916.89	20 959.96
(b)	Operating Income:				
	Export Incentives		419.59		630.02
	Die design and preparation charges		95.15		193.92
	Sale of Certified Emission Reduction Units		4.31		4.34
				519.05	828.28
(c)	Other Income:				
	Dividend income from investment in Mutual Funds, current investments		75.14		217.02
	Profit on sale of non trade, current investments		61.74		23.14
	Interest on loans to subsidiary		10.14		30.99
	Interest on deposits etc.:				
	(Gross, tax deducted Rs. 7.93 million, Previous year Rs. 13.54 million)		92.97		109.51
	Miscellaneous receipts		60.55		27.75
	Provisions no longer required		22.84		68.33
				323.38	476.74
	Total			19 759.32	22 264.98

Schedule "K" Manufacturing and other Expenses:

(1)	Materials:				
	Raw Materials & components consumed		8 270.70		9 703.02
	Die Blocks, die & tools steel consumed		224.60		434.53
	Excise duty on year end Inventory:				
	On closing stock	1.63			1.27
	Less: On Opening stock	1.27			3.30
			0.36		(2.03)
	(Increase) / Decrease in Stocks:				
	Stocks at Close:				
	Work-in-Progress	1 401.85			1 141.21
	Finished goods	59.37			80.11
	Die room inventory	887.20			856.32
	Scrap	17.37			16.62
		2 365.79			2 094.26
	Less: Stocks at commencement:				
	Work-in-Progress	1 141.21			1 051.98
	Finished goods	80.11			60.58
	Die room inventory	856.32			624.80
	Scrap	16.62			26.19
		2 094.26			1 763.55
			(271.53)		(330.71)
				8 224.13	9 804.81
(2)	Manufacturing expenses:				
	Stores, spares & tools consumed		977.37		956.50
	Octroi duty		18.99		12.76
	Machining charges		297.28		402.96
	Power, Fuel & Water	1 675.29			1 761.88
	Less: Credit for energy generated	31.36			43.74
			1 643.93		1 718.14
	Building Repairs & road maintenance		11.60		45.84
	Machinery repairs		211.47		240.80
				3 160.64	3 377.00
	carried over			11 384.77	13 181.81

Schedule "K" Manufacturing and other expenses (Contd.):

(Rs. in Million)

					Previous year
	brought over			11 384.77	13 181.81
(3)	Payments to & Provisions for Employees:				
	Salaries, Wages, Bonus, Allowances, etc.		1 219.02		1 106.37
	Contribution to Provident & Other Funds and Schemes		84.16		158.13
	Welfare Expenses		132.48		127.07
				1 435.66	1 391.57
(4)	Other Expenses:				
	Rent		13.56		21.49
	Rates & taxes		15.40		21.13
	Insurance (Including Key Man Insurance)		24.45		16.64
	Commission & discount		108.36		136.12
	Interest & finance Charges:				
	Interest:				
	On Debentures, including Bonds	520.87			99.71
	On Fixed loans	73.02			92.55
	Others	266.01			484.56
		859.90			676.82
	Discounting charges	167.82			326.85
			1 027.72		1 003.67
	Miscellaneous Expenses including travelling expenses, printing, stationery, postage, telephones, bank charges, etc.		648.96		797.24
	Donations:				
	Maharashtra Pradesh Congress Committee (Political party)	10.00			-
	Others	38.60			1.98
			48.60		1.98
	Loss on foreign exchange fluctuations other than those covered under Note No. 21		214.10		862.74
	Freight Forwarding charges, etc.		362.97		440.62
	Royalty		8.13		7.73
	Directors' fees and travelling Expenses		3.31		5.53
	Managing and Whole Time Directors' Commission		39.00		39.00
	Commission to Directors other than Managing and Whole Time Directors		4.00		4.00
	Loss on assets sold, discarded & scrapped (Net)		0.62		1.10
	Bad debts, irrecoverable advances and sundry balances written off		86.77		52.05
	Provision for doubtful debts and advances		7.77		-
	Amount written off against technical Know-how		2.10		2.08
	EVRS compensation		4.34		5.06
				2 620.16	3 418.18
				15 440.59	17 991.56
	Less: Expenses capitalised			4.79	-
	Total			15 435.80	17 991.56

Schedule "K (A)" Depreciation and Amortisation:

	Depreciation			1 643.44	1 493.49
	Amount written off against lease hold land			0.95	0.95
	Total			1 644.39	1 494.44

Schedule "L" Notes forming part of the Financial Statements:

(Rs. in Million)

				As at 31st March, 2010	As at 31st March, 2009
1.	A.	Contingent liabilities not provided for in respect of:			
		(a)	Sales Bills discounted	3 799.81	4 575.13
			of Which:		
			Bills since realised	904.16	1 238.09
			Matured, Overdue & outstanding since close of the period	-	-
		(b)	Guarantees given by the Company on behalf of other companies:		
			Balance outstanding	570.09	735.28
			(Maximum amount)	(830.94)	(1 520.33)
		(c)	Claims against the Company not acknowledged as Debts- to the extent ascertained	147.49	73.38
		(d)	Disputed Income Tax matters	104.32	104.32
		(e)	Excise/Service Tax Demands - matters under dispute	281.85	277.53
		(f)	Customs demands - matters under dispute	322.15	317.93
	B.	The Company has imported Capital goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of duty on an understanding to fulfill quantified exports against which remaining future obligation aggregates USD 291.80 million, over a period of next seven years, while maintaining average export of USD 145.34 million per annum. Minimum export obligation to be fulfilled by the Company under the said scheme by 31st March, 2010, has not been fulfilled. Non fulfillment of the balance of such future obligations, in the manner required, if any entails options / rights to the Government to confiscate Capital Goods imported under the said Licences and other penalties under the above referred scheme			
2.	Estimated value of contracts remaining to be executed on Capital Accounts and not provided for, net of advances			431.88	631.59
3.	Payments to Auditors:				
	(i)	As Auditors		4.50	4.50
	(ii)	In other capacity:			
		(a)	For Tax Audit	0.50	0.50
		(b)	For Review of Quarterly Results, financial statements and Certification Work	3.78	3.49
				8.78	8.49
	(iii)	For expenses *		0.53	0.53*
	*	Including Service Tax		9.31	9.02
4.	C.I.F. Value of Imports:				
	(i)	Raw materials and components for manufacturing		319.98	226.14
	(ii)	Die blocks, die steel, tool steel & spares		338.81	699.07
	(iii)	Capital goods		218.67	1 442.85
5.	(a)	Expenditure in foreign currency:			
		(i)	Interest	166.10	269.84
			(Including Capitalised Rs. 25.84 million, previous year Rs. 51.72 million)		
		(ii)	Royalty (Net of tax)	7.32	6.95
		(iii)	Legal and professional fees	40.64	53.66
			(Including Capitalised Rs. 0.40 million, previous year Rs. 9.36 million)		
		(iv)	Commission and discount	98.65	114.41
		(v)	Bill discounting charges	84.61	178.58
		(vi)	Freight forwarding charges, etc.	86.28	155.51
		(vii)	Foreign travel expenses	29.83	12.64
			(Including capitalised Rs. 0.71 million, previous year Rs. 2.35 million)		

Schedule "L" Notes forming part of the Financial Statements (Contd.):

(Rs.in Million)

			As at 31st March, 2010	As at 31st March, 2009
	(viii)	Aircraft expenses, Net	67.66	29.37
	(ix)	Service charges paid to deputed employees	39.25	16.47
	(x)	Other matters	48.51	72.76
5.	(b)	Earnings in foreign currency:		
		F.O.B. value of exports	7 039.96	9 883.00
		Insurance and freight on exports	294.76	518.54
		Tooling charges	68.93	141.53
		Sale of Certified Emission Reduction Units	4.31	4.34
		Interest received on Fixed Deposits	9.58	27.88
		Interest on Loan to Subsidiary	10.14	30.99
6.	(a)	Exchange difference Gain/(Loss) on account of fluctuations in foreign currency rates:		
		(i) Relating to Exports during the year as a part of "Sales"	126.08	638.73
		(ii) Other foreign exchange gains/(losses) recognised on settlement of borrowings:		
		(a) Adjusted to the cost of Plant & Machinery/CWIP (See Note 21)	1 021.28	(1 394.07)
		(b) Treated as FCMITDA (See Note 21)	321.93	(525.60)
		(iii) Recognised in the Profit and Loss Account:		
		(a) to the extent regarded as an adjustment to interest cost	-	(501.87)
		(b) on settlement/revolarisation of current assets	(219.07)	(71.82)
		(c) on settlement/revolarisation of current liabilities	5.00	(289.05)
		(d) Others	(0.03)	-

(b) Foreign exchange derivatives and exposures not hedged at close of the year:

i) Foreign exchange derivatives/exposures: (Foreign Currency in Million)

Nature of Instrument	Currency	Sale/Purchase	March 31, 2010	March 31, 2009
Forward Contracts	USD	Sale	68.00	-
	Euro	Sale	26.80	-
	GBP	Sale	0.25	-
	USD	Purchase	100.00	-

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

ii) Exposure not hedged: (Foreign Currency in Million)

Particulars	Currency	Sale/Purchase	March 31, 2010	March 31, 2009
Receivables	USD	Sale	13.16	24.35
	EURO	Sale	6.45	7.87
	GBP	Sale	1.12	0.97
Payables	USD	Purchase	0.50	0.33
	EURO	Purchase	0.80	4.13
	GBP	Purchase	-	0.01
	JPY	Purchase	256.06	195.14
	SEK	Purchase	0.13	0.15
Loan	USD	Term Loan/Buyers credit	137.40	264.40
Bank Deposits	USD	Deposit	4.26	22.22
	EURO	Deposit	1.55	-
Loan to Subsidiary	USD		10.00	10.00
	EUR		0.25	2.25
Other Receivables	USD		0.81	0.79
	EUR		0.64	0.92
Other Payables	USD		32.23	1.46
	EUR		-	0.07
	JPY		-	1.94

Schedule "L" Notes forming part of the Financial Statements (Contd.):

7. Details of raw materials & components consumption:

(a) Raw materials and components consumed:

	2009-10			2008-09		
	Qty.		(Rs. in Million)	Qty.		(Rs. in Million)
Carbon & Alloy Steel	179 352	M.T.	8 085.61	186 068	M.T.	9 446.10
Components			185.09			256.92
Total			8 270.70			9 703.02

(b) Imported and indigenous raw materials consumption (including components):

	2009-10		2008-09	
	(Rs. in Million)	Percentage	(Rs. in Million)	Percentage
Imported	310.33	3.75	313.77	3.23
Indigenous	7 960.37	96.25	9 389.25	96.77
Total	8 270.70	100.00	9 703.02	100.00

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

(Rs. in million)

8. Managerial Remuneration:		2009-10	2008-09
(a) Computation of Net Profit in accordance with Section 198(1) and Section 349 of Companies Act, 1956			
Profit as per Profit and Loss Account		1 270.46	1 032.85
Add: Managing Directors' and wholetime Directors' remuneration including perquisites	122.20		121.47
Directors' commission	4.00		4.00
Provision for taxation	536.71		543.80
		662.91	669.27
		1 933.37	1 702.12
Less: Provisions no longer required		22.84	68.33
Profit on which commission is payable		1 910.53	1 633.79
Directors' commission @ 1 % on Rs. 1 910.53 million		19.11	16.34
Maximum as determined by the Board of Directors:		4.00	4.00
Managing Director's and Wholetime Directors' commission			
Maximum remuneration which can be paid for the year @ 10% on Rs. 1 910.53 million		191.05	163.38
Less: Remuneration (excluding commission) already paid		83.20	82.47
Balance available for paying as commission		107.85	80.91
Maximum as determined by the Board of Directors:			
Mr. B. N. Kalyani		15.00	15.00
Mr. A. B. Kalyani		4.75	4.75
Mr. G. K. Agarwal		4.75	4.75
Mr. P. K. Maheshwari		3.00	3.00
Mr. B. P. Kalyani		3.00	3.00
Mr. S. E. Tandale		4.50	4.50
Mr. S. K. Chaturvedi		4.00	4.00
		39.00	39.00

Schedule "L" Notes forming part of the Financial Statements (Contd.):

8. Managerial Remuneration (Contd.):

(b) Details of payments and provisions on account of remuneration to managerial Personnel included in Profit and Loss account are as under:

(Rs. in Million)

	2009-2010								2008-2009
	Chairman & Managing Director	Deputy Managing Director	Whole-Time Directors						
	Mr. B. N. Kalyani	Mr. G.K. Agarwal	Mr. A.B. Kalyani	Mr. P.K. Maheshwari	Mr. B.P Kalyani	Mr. S. E Tandale	Mr. S.K * Chaturvedi	Total	Total
Salary	18.36	8.40	8.14	3.30	3.00	3.00	6.00	50.20	48.82
House Rent Allowance	-	1.86	2.39	0.73	0.66	0.66	1.85	8.15	11.14
Commission on Profits (Provision)	15.00	4.75	4.75	3.00	3.00	4.50	4.00	39.00	39.00
Contribution to:									
Provident Fund	2.20	1.01	0.97	0.40	0.36	0.36	0.72	6.02	5.85
Superannuation fund	2.75	1.26	1.22	0.49	0.45	0.45	0.90	7.52	7.33
Other perquisites	5.83	0.22	0.15	0.34	0.20	0.20	0.26	7.20	5.05
L.T.A .	1.44	0.70	0.70	0.27	0.25	0.25	0.50	4.11	4.28
Total	45.58	18.20	18.32	8.53	7.92	9.42	14.23	122.20	121.47

Notes:

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

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

* Salary paid to Mr. S.K Chaturvedi, Director, for the year has been included under Project Expenses.

Schedule "L" Notes forming part of the Financial Statements (Contd.):

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

(A) Licensed & Installed capacity and production:

	Class of Goods	Unit	Licensed Capacity (a)		Installed Capacity (c)		Production (including Jobwork)	
			2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
(i)	Steel Forging	M.T.	320 000	240 000	300 000	240 000	128 463 (d)	134 310 (d)
(ii)	Finished Machined Crankshaft	Nos.	600 000	600 000	518 100	518 100	317 612	326 482
(iii)	Couplings	M.T.	600	600	600	600	-	-
(iv)	Front Axle Assembly & Components	Nos.	600 000	600 000	533 600	533 600	175 432	222 814
(v)	Well Head Assembly and Parts	Nos.	5 000	5 000	-	-	-	-
(vi)	Aluminium Road Wheel	Nos.	4 000	4 000	4 000	4 000	-	2 934
(vii)	General Engineering Equipments	Nos.	1 100 (b)	1 100	1 100	1 100	8	2
(viii)	Material Handling Equipments	Nos.	1 350 (b)	1 350	1 350	1 350	-	-
(ix)	Hydraulic & Mechanical Presses	Nos.	250	250	250	250	-	-
(x)	Bandsaw Machines for cutting metallic round and square bars	Nos.	50	50	50	50	-	-
(xi)	Front Axle Assembly at Dharwar	Nos.(b)	50 000 (b)	50 000	-	-	-	-
(xii)	Finished Machined Crankshafts at Chakan	Nos.	300 000	300 000	241 500	241 500	108 074	114 029
(xiii)	Front Axle Assembly & Components at Chakan	Nos.	300 000	300 000	219 600	219 600	72 234	86 769
(xiv)	Transmission Parts	Nos.	3 000 000	3 000 000	2 041 000	2 041 000	1 496 568	1 510 994
(xv)	Seal Rings, Clamps & Hubs	Nos.	50 000	50 000	7 000	7 000	-	28
(xvi)	Rocker Arm Assembly	Nos.	100 000	100 000	-	-	-	-
(xvii)	Bonnets and Key Shaft	Nos.	50 000	50 000	-	-	-	-
(xviii)	Steel Forgings at Baramati	M.T.	48 000	48 000	47 250	12 865	2 701 (d)	118
(xix)	Machined Components at Baramati	Nos.	120 000	120 000	12 000	10 000	5 852	90
(xx)	Ring Rolling	M.T.	45 000	-	40 500	-	203	-

(a) Annual capacity on maximum utilisation basis.

(b) Under Registration with Government authority.

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

(d) Includes captive consumption 47 285 M.T. (2008-2009 : 54 263 M.T.) and Baramati 1184 MT (2008-2009 : 42 M.T.).

Schedule "L" Notes forming part of the Financial Statements (Contd.):

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

(B) Stocks and Turnover:

Class of Goods		Year	Stocks at Commencement		Stocks at Close		Turnover (including Jobwork for customers)		Sundries (a)
			Qty.	Rs. in Million	Qty.	Rs. in Million	Qty.	Rs. in Million	Qty.
Manufacturing:									
(i)	Steel	**2009-10**	**549 M.T.**	**61.95**	**279 M.T.**	**23.33**	**81 366 M.T.**	**8 735.48**	**82 M.T.**
	Forging	2008-09	566 M.T.	45.96	549 M.T.	61.95	80 052 M.T.	9 265.34	12 M.T.
(ii)	Finished								
	Machined	**2009-10**	**281 Nos.**	**4.98**	**1 094 Nos.**	**14.18**	**316 663 Nos.**	**4 750.27**	**136 Nos.**
	Crankshaft	2008-09	1 530 Nos.	13.61	281 Nos.	4.98	327 660 Nos.	5 365.54	71 Nos.
(iii)	Front Axle								
	Assembly &	**2009-10**	**775 Nos.**	**4.27**	**1 871 Nos.**	**10.67**	**174 302 Nos.**	**1 306.84**	**34 Nos.**
	Components	2008-09	20 Nos.	0.14	775 Nos.	4.27	222 057 Nos.	1 920.71	2 Nos.
(iv)	General								
	Engineering	**2009-10**	**-**	**-**	**-**	**-**	**8 Nos.**	**8.91**	**-**
	Equipments	2008-09	-	-	-	-	2 Nos.	1.02	-
(v)	Manufacturing	**2009-10**	**922 M.T.**	**16.62**	**928 M.T.**	**17.37**	**53 707 M.T.**	**945.97**	**-**
	Scrap	2008-09	1 635 M.T.	26.19	922 M.T.	16.62	54 533 M.T.	1 198.84	-
(vi)	Aluminium Road	**2009-10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Wheel	2008-09	-	-	-	-	2 934 Nos.	406.20	-
(vii)	Finished Machined	**2009-10**	**210 Nos.**	**1.42**	**354 Nos.**	**1.64**	**107 930 Nos.**	**627.01**	**-**
	Crankshaft at Chakan	2008-09	125 Nos.	0.87	210 Nos.	1.42	113 944 Nos.	750.87	-
(viii)	Front Axle Assembly &	**2009-10**	**-**	**-**	**1 655 Nos.**	**4.95**	**70 579 Nos.**	**289.39**	**-**
	Components at Chakan	2008-09	-	-	-	-	86 769 Nos.	355.19	-
(ix)	Transmission	**2009-10**	**-**	**-**	**-**	**-**	**1 496 568 Nos.**	**591.25**	**-**
	Parts	2008-09	-	-	-	-	1 510 994 Nos.	428.28	-
(x)	Seal Rings,	**2009-10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Clamps & Hubs	2008-09	-	-	-	-	28 Nos.	0.10	-
(xi)	Steel Forgings	**2009-10**	**11 M.T.**	**1.94**	**23.18 M.T.**	**3.11**	**1 501 M.T.**	**293.58**	**4 M.T.**
	at Baramati	2008-09	-	-	11 M.T.	1.94	65 M.T.	15.07	-
(xii)	Machined Components	**2009-10**	**90 Nos.**	**5.55**	**30 Nos.**	**1.49**	**5 910 Nos.**	**430.19**	**2 Nos.**
	at Baramati	2008-09	-	-	90 Nos.	5.55	-	-	-
(xiii)	Ring Rolling	**2009-10**	**-**	**-**	**-**	**-**	**188.00 M.T.**	**27.99**	**15 M.T.**
	at Baramati	2008-09	-	-	-	-	-	-	
(xiv)	Others	**2009-10**	**-**	**-**	**-**	**-**	**-**	**557.10**	**-**
		2008-09	-	-	-	-	-	878.75	-
	Total	**2009-10**		**96.73**		**76.74**		**18 563.98**	
		2008-09		86.77		96.73		20 585.91	

(a) Sundries includes utilised for samples.

Schedule "L" Notes forming part of the Financial Statements (Contd.):

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

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

12. (a) Non Convertible Debentures:

(i) 11.95% Secured Redeemable Non-Convertible Debentures (NCDs) of face value of Rs. 1 000 000/- each, aggregating Rs. 2 500 000 000/- (Rupees two thousand five hundred million) were issued on private placement basis to Life Insurance Corporation of India. In terms of Debenture Trust-cum-Mortgage Deed dated April 30, 2009, NCDs are to be redeemed in three annual instalments starting at the end of sixth year from the date of allotment (viz. 5th January, 2009) i.e 33.33% on 5th January, 2015, 33.33% on 5th January, 2016, and 33.34% on 5th January, 2017.

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

(ii) 10.75% Secured Redeemable Non-Convertible Debentures (NCDs) of face value of Rs. 1 000 000/- each, aggregating Rs. 3 500 000 000/- (Rupees three thousand five hundred million) were issued on private placement basis to various debentureholders. In terms of Debenture Trust-cum-Mortgage Deed dated December 14, 2009 NCDs are redeemable in three instalments starting at the end of 54th month i.e on 22nd March, 2014, @25%, at the end of 60th month, i.e on 22nd September, 2014 @ 50% and at the end of 66th month, i.e 22nd March, 2015 @ 25%.

Above Debentures are secured by a (i) First pari passu Mortgage in favour of the Trustees, of all rights and interest on the Company's immovable properties situated at Mundhwa, Satara, Jalgaon and Chakan with negative lien on properties situated at Jejuri and Baramati; and (ii) First pari passu charge in favour of the Trustees by way of hypothecation of movable properties, present and future both such as all plant and machinery, equipments, tools, furniture & fixtures etc, as described in Debenture Trust-cum -Mortgage Deed dated December 14, 2009.

(b) Foreign Currency Loans:

(i) Bank of India, London, Foreign Currency Term Loan; Balance outstanding USD 7.50 million (Previous year USD 10.00 million).

(ii) Calyon, Singapore, Foreign Currency Term Loan; Balance outstanding USD 50 million (Previous year USD 50 million).

The loans at Sr. No (i) above is secured by:

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

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

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

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

(iii) Standard Chartered Bank, Mauritius, Term Loan, Balance outstanding Nil, previous year (USD 16 million). The above loan was secured by exclusive first charge by way of hypothecation of Aircraft.

(c) Guarantees given by Company's Bankers on behalf of the Company, against sanctioned guarantee limit aggregating to Rs. 3 250 million (Previous year Rs. 3 250 million) for contracts undertaken by the Company and other matters are secured by extension of charge by way of joint hypothecation of stock-in-trade, stores and spares etc., book debts, subject to prior charge in their favour. Amount outstanding Rs. 635.43 million (Previous year Rs. 453.73 million).

Schedule "L" Notes forming part of the Financial Statements (Contd.):

13. The Company has recognised Deferred Taxes, which result from timing difference between the Book Profits and Tax Profits for the year aggregating Rs. (66.59) million in the profit and loss account, the details of which are as under:

(Rs. in Million)

Particulars	Balance as at 31st March, 2009	Arising during the year	Arising on adjustment to Reserves Securities Premium A/c.	Balance as at 31st March, 2010
DEFERRED TAX LIABILITIES:				
On account of timing difference in:				
A] Depreciation and Amortisation	1 836.56	(98.97)	-	1 737.59
B] Voluntary Retirement Scheme	(2.83)	0.06	-	(2.77)
Total Deferred Tax Liabilities	1 833.73	(98.91)	-	1 734.82
DEFERRED TAX ASSETS:				
On account of timing difference in:				
A] Privilege Leave Encashment & Gratuity	178.65	(40.27)	-	138.38
B] Provision for Bad & Doubtful Debts and advances	15.45	(4.48)	-	10.97
C] Disallowance u/s. 43 B of I.T. Act, 1961	22.92	12.43	-	35.35
D] Premium on Redemption of FCCBs	-	-	485.13	485.13
Total Deferred Tax Assets	217.02	(32.32)	485.13	669.83
NET DEFERRED TAX	1 616.71	(66.59)	(485.13)	1 064.99

14. Capital Work-in-Progress includes advances for supply of Capital Goods aggregating Rs. 345.94 million (Previous year Rs. 535.90 million).

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

Loans aggregating Rs. 0.77 million (Previous year Rs. 0.79 million) granted to one executive who subsequently was, appointed as Whole Time Director of the Company. Maximum balance outstanding during the year Rs. 0.79 million, (previous year Rs. 10.83 million).

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

17. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31-3-2010. The disclosure pursuant to the said Act is as under:

Particulars	(Rs. in Million)
Principal Amount due to suppliers under MSMED Act, 2006	-
Interest accrued and due to suppliers under MSMED Act, 2006 on the above amount	-
Payment made to suppliers (other than interest) beyond the appointed day, during the year	8.43
Interest paid to suppliers under MSMED Act, 2006 (other than section 16)	-
Interest paid to suppliers under MSMED Act, 2006 (Section 16)	-
Interest due and payable to suppliers under MSMED Act, 2006 for the payments already made	0.05
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006	0.78

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

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

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

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

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

Tranche	Amount USD Million	Face Value USD	Coupon Interest Rate % p.a.	Holders Option to Convert			Company's Option for Early Redemption			Maturity	
				Exercise period		Initial Price Per Share Rs.	Exercise Period		Gross Yield to Bondholders	Date	Price % of Face Value
				From	To		From	To			
1*	60.00	1 000	0.50%	30-May-05	10-Apr-10	336.105	19-Apr-07	13-Apr-10	5.25%	20-Apr-10	126.778%
2*	60.00	1 000	0.50%	30-May-05	10-Apr-10	384.12	19-Apr-08	13-Apr-10	5.75%	20-Apr-10	129.939%
A	40.00	100 000	-	8-June-06	18-Apr-12	604.03	28-Apr-09	18-Apr-12	6.00%	28-Apr-12	142.576%
B	39.90	100 000	-	8-June-06	18-Apr-13	690.32	28-Apr-09	18-Apr-13	6.50%	28-Apr-13	156.481%

Schedule "L" Notes forming part of the Financial Statements (Contd.):

(*) Tranche 1 & 2 of the above FCCBs amounting to USD 102.25 million outstanding as at April 20, 2010 (i.e. after conversion into equity shares through the option period) were redeemed on April 20, 2010 along with the redemption premium amounting to USD 29.24 million. The Premium on redemption aggregating Rs. 1 460.45 million, (including tax amounting to Rs. 154.92 million) since crystalised has been adjusted to securities premium account, net of deferred tax asset amounting to Rs. 485.13 million, in terms of Section 78(2)(d) of the Companies Act, 1956.

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

The Company has been legally advised by an eminent law firm that the above mentioned Convertible Bonds issued upon terms and conditions set out in the offering circular dated 19th April, 2005, would be outside the purview of Section 117(C) of the Companies Act, 1956 as regards creation of Debenture Redemption Reserve. The Auditors have relied upon the said legal opinion. The unutilised amounts, of money raised, as at 31st March, 2010 is Rs. Nil.

19. Debenture Redemption Reserve has been created in accordance with circular No. 9/ 2002 dated 18th April, 2002 issued by Department of Company Affairs, Ministry of Law, Justice and Company Affairs, Government of India and Section 117 (C) of the Companies Act, 1956 at 25% of the maturity amount equally over the terms of the Debentures privately placed. Amount set aside for the year represents for full year in respect of Debentures issued in earlier year and proportionate amount for a period of 6 months for Debentures issued during the year.

20. Computation of Earnings Per Share (EPS): (Rs. in Million)

		As at 31st March, 2010	As at 31st March, 2009
Computation of Profit (Numerator)		Rs.	Rs.
Net Profit		1 270.46	1 032.85
Add: Prior Period Adjustments		0.43	(29.04)
Net Profit attributable to Shareholders as at 31st March		1 270.89	1 003.81
Computation of Weighted Average Number of Shares (Denominator)		Nos.	Nos.
Number of Shares outstanding at the beginning of the year		222 652 271	222 652 271
Adjusted Weighted Average number of Equity Shares		222 652 271	222 652 271
Computation of EPS - Basic (in Rs.)	As at 31st March	5.71	4.51
EPS - Diluted - (in Rs.)	As at 31st March	5.71	4.51

*As the Fair Market Price of Company's Shares as at 31st March, 2010 are below the issue price of equity shares and of warrants alloted on 28th April, 2010, no dilution exists at the close of the year.

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

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

a) Impact of Adjustments made: (Rs. in Million)

Exchange (Gain)/Losses	Adjustments against Assets/CWIP	FCMITDA	Total
Profit and Loss Account:			
For the year ended 31.03.2010	(1021. 28)	(321. 93)	(1343. 21)

b) Amount of (Gain)/Loss to be amortised to Profit and Loss Account, in future periods:

In the year ended 31st March, 2011 Rs. (12.28) million

22. Bharat Forge America Inc. (BFA), a wholly owned subsidiary has registered losses which have substantially eroded its Net worth. The auditors of the Company have, given current adverse conditions prevailing in the American auto industry, disclaimed expression of any opinion on the validity of the assumption of going concern, the basis of which the financial statements have been prepared. However, the management of BFA, as at 31st December, 2009, has tested the assets for impairment, the results of which do not indicate any impairment losses and hence the dimunition in the value of the company's investment in this subsidiary is not considered to be of permanent nature.

Schedule "L" Notes forming part of the Financial Statements (Contd.):

23. In order to recognise the impact of fluctuation in foreign currency rates arising out of instruments acquired to hedge highly probable forecast transaction, in appropriate accounting periods, the company applies the principles of recognition set out in the Accounting Standard 30-Financial Instruments - Recognition and Measurement (AS-30) as suggested by the Institute of Chartered Accountants of India. Accordingly, the unrealised gain/(loss) (net) consequent to foreign currency fluctuations, in respect of effective hedging instruments, represented by simple forward covers, to hedge future exports, are carried as a Hedging Reserve and ultimately set off in the profit and loss account when the underlying transaction arises.

The amount outstanding in the Hedge Reserve at the close of the year is Rs.171.52 million.

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

Funded Scheme (Rs in Million)

			As at 31st March 2010 Gratuity	As at 31st March 2009 Gratuity
(i)	Amount to be recognised in Balance Sheet			
	a.	Present value of Funded obligations	411.14	452. 71
	b.	Fair value of Plan Assets	193.39	181. 97
	c.	Net liability/(Asset) recognised in the Balance Sheet	217.75	270. 74
		Amounts in Balance Sheet		
		Liability	217.75	270. 74
		Asset	-	-
		Net Liability	217. 75	270. 74
(ii)	**Amount to be Recognised in the Statement of Profit & Loss Account**			
	a.	Current Service Cost	28.10	31.70
	b.	Interest on Defined Benefit Obligations	31.25	30.43
	c.	Expected Return on Plan Assets	(16.11)	(15.11)
	d.	Net Actuarial Losses/(Gains) Recognised in year	(64.85)	2.50
		Total, included in " Payments to and Provisions for Employees"	(21.61)	49.52
(iii)	**Change in Defined Benefit obligation and reconciliation thereof**			
	a.	Opening Defined Benefit obligation	452.71	422.14
	b.	Interest Cost	31.25	30.43
	c.	Current service cost	28.09	31.70
	d.	Actuarial Losses/(Gain)	(63.66)	1.30
	e.	Benefits Paid	(37.25)	(32.86)
	f.	Closing Defined Benefit obligation	411.14	452.71
(iv)	**Change in the fair value of Plan Assets and the reconciliation thereof**			
	a.	Opening Fair Value of Plan Assets	181.97	167.71
	b.	Add: Expected return on Plan Assets	16.11	15.10
	c.	Add/(Less): Actuarial Losses/(Gains)	1.18	(1.20)
	d.	Add: Contributions by employer	31.38	33.22
	e.	Less: Benefits Paid	(37.25)	(32.86)
	f.	Closing Fair value of plan Assets	193.39	181.97
(v)	**Principal Actuarial Assumptions**			
	Discount Rate		7.80%	7.20%
	Expected Rate of Return on Assets (p.a.)		9.00%	9.00%
	Salary Escalation Rate		6.00%	7.00%

Unfunded Schemes (Rs. in Million)

Particulars	As at 31st March, 2010 Compensated Absences	As at 31st March, 2009 Compensated Absences
Present value of unfunded obligations	191.52	187.31
Expenses recognised in Profit and Loss Account		
Discount Rate	7.80%	7.20%
Salary Escalation Rate	6.00%	7.00%

25. The Company has entered into agreements in the nature of lease/leave and license agreement with different lessors/licensors for the purpose of establishment of office premises/Residential Accommodations. These are generally in nature of operating lease/leave and licence, disclosure required as per Accounting Standard 19 with regard to the above is as under:

i) Payment under operating lease/leave and license for period:

1) Not later than one year Rs. 3.78 million.
2) Later than one year but not later than five years Rs. 1.62 million.

ii) There are no transactions in the nature of sub-lease.

iii) Payments recognised in the Profit and Loss Account for the year ended 31st March, 2010 Rs. 12.51 million.

iv) Period of agreement is generally for three years and renewable at the option of the Lessee.

Schedule “L” Notes forming part of the Financial Statements (Contd.):

26. Information required in terms of part IV of Schedule VI to the Companies Act, 1956 is attached.

27. Segment information based on consolidated financial statements has been disclosed in a statement annexed thereto. Primary Segments have been determined by the management in light of the dominant source and nature of risks and returns of the consolidated group and relied upon by the auditors.

28. Related Party disclosures have been set out in a separate statement annexed to this schedule. The related parties, as defined by Accounting Standard 18 ‘Related Party Disclosures’ issued by The Companies Accounting Standard Amendment Rules 2006, in respect of which the disclosures have been made, have been identified on the basis of disclosures made by the key managerial persons and taken on record by the Board.

29. Expenditure on Research and Development: (Rs. in Million)

	Particulars		2009-10	2008-09
A.	**On Revenue Account:**			
	Manufacturing Expenses:			
	Stores, Spares & Tools consumed		1.49	3.30
	Building Repairs & Machinery Repairs		0.59	0.73
	Payments to & Provision for Employees:			
	Salaries, Wages, Bonus, Allowances, etc.		14.49	16.76
	Contribution to Provident & Other Funds & Schemes		2.18	1.94
	Other Expenses:			
	Legal & Professional Charges		3.10	6.57
	Membership Fees		0.76	1.15
	EDP Expenses		0.82	2.44
	Other Expenses		5.12	3.49
		Total	28.55	36.38
B.	On Capital Account		-	-
	Total Research & Development Expenditure	(A + B)	28.55	36.38

30. The Equity Shares alloted on exercise of option to convert FCCBs by the Bondholders, and the 10 000 000 equity shares of Rs. 2/- each alloted as detailed in footnote C (ii) to schedule ‘A’ and equity shares issued and alloted on conversion of warrants, if any, before the record date/book closure for dividend would rank pari passu with the existing share capital reflected in Schedule ‘A’ in all respect including dividend declared for the year. Accordinlgy, Dividend has been provided for 232,794,316 shares at the rate recommended by the Board of Directors on the basis of equity shares issued and alloted up to 21st May, 2010 as detailed below:-

Sr. No.	Eligible Equity Share Capital	No. of Shares	Rate of Dividend Recommended	Amount provided for Rs.
1.	Existing Equity shares as on 31st March, 2010	222 652 271	50%	222 652 271
2.	Conversion of FCCBs in to Equity Shares on 9th April, 2010	142 045	50%	142 045
3.	Equity shares issued and allotted on 28th April, 2010	10 000 000	50%	10 000 000
4.	Conversion of Warrants in to Equity Shares	-	50%	-
	Total	232 794 316		232 794 316

However, as the Company is unable to estimate further conversions upto the record date set for determining the said eligibility, any further amounts required to be distributed as dividend will be adjusted against the balance in the Profit and Loss Account carried forward to the subsequent financial year.

31. The Company has during the year entered in to a Joint Venture with ALSTOM Power Holdings SA which culminated into the incorporation of ALSTOM Bharat Forge Power Ltd. and Kalyani ALSTOM Power Ltd. wherein the Company holds 49% and 51% of the total equity share capital, respectively. Since the First Financial year of the Company is for a period of 15 months ending on 31st March, 2011, no financial information thereof has been disclosed herein.

32. Significant accounting policies followed by the Company are as stated in the statement annexed to this schedule.

33. Figures less than Rs. 5 000/- have been shown at actuals in bracket as the figures have been rounded off to the nearest second decimal to millions.

34. Previous financial year’s figures have been regrouped wherever necessary to make them comparable with those of the current year.

For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

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

G. K. AGARWAL
Deputy Managing Director

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

(Rs. in Million)

Sr. No.	Particulars	Year	Subsidiary Company	Associates	Key Management Personnel
1.	Purchase of goods	2009-10	-	5 407.99	-
		2008-09	328.84	6 610.55	-
2.	Sale of goods	2009-10	-	1 049.02	-
		2008-09	104.47	1 354.06	-
3.	Rendering of services	2009-10	-	-	122.20
		2008-09	-	-	121.47
4.	Sale of Sales tax entitlement	2009-10	-	-	-
		2008-09	-	-	-
5.	Reimbursement of expenses paid	2009-10	37.02	4.32	-
		2008-09	22.76	15.17	-
6.	Reimbursement of expenses received	2009-10	51.58	46.19	-
		2008-09	74.61	88.14	-
7.	Dividend paid	2009-10	-	-	0.39
		2008-09	-	-	1.38
8.	Finance Provided-				
	- Investments	2009-10	1 239.83	-	-
	- Loan	2008-09	717.36	-	-
		2009-10	-	-	-
9.	Interest on loan given	2008-09	129.52	-	-
		2009-10	10.14	-	-
10.	Expenses	2008-09	30.99	-	-
		2009-10	5.87	-	-
11.	Balance payable by BFL as on	2008-09	6.88	-	-
		31st March, 2010	-	2 416.72	39.00
12.	Balance receivable by BFL as on	31st March, 2009	-	1 594.05	39.00
	- Investments	31st March, 2010	4 911.82	-	-
		31st March, 2009	3 671.99	-	-
	- Loans	31st March, 2010	464.03	-	-
		31st March, 2009	658.70	-	-
	- Other receivable	31st March, 2010	141.25	351.78	-
		31st March, 2009	206.94	188.22	-

Note: Names of the related parties and description of relationship

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

Annexure referred to in Note 32 In Schedule "L" Notes forming part of the Financial Statements

Statement on Significant Accounting Policies:

1. System of Accounting:
   - i. The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
   - ii. Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.
   - iii. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods.
2. Fixed Assets and Depreciation:
   - A. Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets. The fixed assets manufactured by the Company are stated at manufacturing cost. Fixed Assets are shown net of accumulated depreciation (except free hold land) and amortisation. Also refer Para 4(i).
   - B. Expenditure on New Projects and Expenditure during Construction etc.:

     In case of new projects and in case of substantial modernisation or expansion at the existing units of the Company, expenditure incurred including interest on borrowings and financing costs of specific loans, prior to commencement of commercial production is capitalised to the cost of assets. Trial Run expenditure is also capitalised.
   - C. Depreciation and Amortisation:
     - a) Lease hold land and Power Line:

       Premium on lease hold land is amortized over the period of lease and expenditure on power line is amortized over a period of seven years.
     - b) Other Fixed Assets:
       - i. Depreciation on additions to Buildings, Plant & Machinery, Railway Sidings, Electrical Installations and Aircrafts is being provided on "Straight Line Method" basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, in the manner and at the rates specified in Schedule XIV to the said Act.
       - ii. Depreciation in respect of other assets, viz. Factory Equipments, Computers, Engineering Instruments, Furniture & Fittings, Office Equipments and Vehicles is being provided on "Written Down Value" basis in accordance with the provisions of Section 205(2)(a) of the Companies Act, 1956 in the manner and at the rates specified in Schedule XIV to the said Act.
     - c)
       - i) Depreciation on additions to assets during the year is being provided on pro-rata basis from the date of acquisition/installation.
       - ii) Depreciation on assets sold, discarded or demolished during the year, is being provided at their respective rates on pro-rata basis upto the date on which such assets are sold, discarded or demolished.
       - iii) Depreciation on additions on account of increase in Rupee value due to revalorisation of foreign currency loans is being provided at rates of depreciation over the future life of said asset.
3. Inventories:

   Cost of Inventories have been computed to include all cost of Purchases, Cost of Conversion and other costs incurred in bringing the inventories to their present location and condition:
   - i. Raw materials and components, stores and spares are valued at cost. The costs are ascertained using the weighted average method, except in case of slow moving and obsolete material, at lower of cost or estimated realisable value.
   - ii. Work-in-progress and finished goods are valued at the lower of cost or estimated realisable value.
   - iii. Scrap is valued at estimated realisable value.
   - iv. Goods in transit are stated at actual cost upto the date of Balance Sheet.
   - v. Dies are amortised over their productive life. Expenditure incurred to repair the dies from time to time is charged to Profit and Loss Account.
4. Foreign Currency Conversion:
   - i. Foreign currency exposure in respect of Long Term Foreign Currency Monetary items, for financing fixed assets, outstanding at the close of the financial year are revalorised at the contracted and/or appropriate exchange rates at the close of the year. The gain or loss due to decrease/increase in rupee liability due to fluctuation in rate of exchange is recognised in the Profit & Loss Account.
   - ii. Current assets and other liabilities in foreign currency and foreign currency exposure in respect of foreign currency loans other than for financing fixed assets outstanding at the close of the financial year are valued at the contracts and/or appropriate exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss Account.
   - iii. Though the accounting policy detailed in (i) and (ii) above has been consistently followed in terms with the Accounting Standard-11, the policy has been overridden by an amendment to the aforementioned accounting standard for limited period of time as stated in Note No. 21 in Schedule "L" to the Financial Statements.
   - iv. Foreign Currency Hedging Instruments:

     Outstanding contracts, entered into by the Company intended to serve as a hedge against foreign exchange fluctuations to protect the foreign currency cash flows are marked to market value at the close of each accounting period. The valuation gains and losses in respect of such contracts, where they are intended to hedge future cash flows arising from foreign currency monetary items existing on the valuation date are recognised in the Profit and Loss Account and where they are intended to hedge future cash flows consequent to highly probable forecast transactions are, if effective, carried to Hedge Reserve to flow to the Profit and Loss Account when the transactions occur, else are recognised in the Profit and Loss Account.

Annexure referred to in Note 32 In Schedule "L" Notes forming part of the Financial Statements (Contd.):

5. Technical Know-how Fees:

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

6. Investments:

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

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

7. Revenue Recognition:

   a. Sales:

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

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

   b. Export Incentives:

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

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

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

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

8. Research & Development Expenditure:

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

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

9. Employee Benefits:

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

   ii. Gratuity:

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

   iii. Superannuation:

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

   iv. Privilege Leave Benefits:

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

   v. Termination benefits:

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

10. Borrowing Costs:

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

11. .Taxation:

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

12. Provisions:

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

13. Impairment of Asset:

    The Company tests for impairments at the close of the accounting period if and only if there are indications that suggest a possible reduction in the recoverable value of an asset. If the recoverable value amount of an Asset i.e. the net realisable value or the economic value in use of a cash generating unit, is lower than the carrying amount of the Asset the difference is provided for as impairment. However, if subsequently the position reverses and the recoverable amount becomes higher than the then carrying value the provision to the extent of the then difference is reversed, but not higher than the amount provided for.

Statement Pursuant to part IV of Schedule VI to the Companies Act, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :-

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

Balance Sheet Date 31 03 2010 (Date Month Year)

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

Public Issue	NIL	GDRs,Warrants & FCCB Conversion	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	34877071	Total Assets	34877071
Sources of Funds			
Paid-up Equity Share Capital	445398	Reserves & Surplus	14826681
Paid-up Preference Share Capital	NIL	Secured Loans	9221390
Unsecured Loans	9306332	Deferred Tax Liability Net of Assets	1064995
FCMITDA	12275		
Application of Funds			
Net Fixed Assets	19146495	Investments	7209466
Technical Know-How	NIL	Net Current Assets	8521110
Misc. Expenditure	NIL	Accumulated Losses	NIL

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

Turnover	18887356	Total Expenditure	17080200
Profit Before Tax	1807156	Profit After Tax	1270443
Earning per Share in Rs.	5.71	Dividend Rate %	50

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

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

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

Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

G. K. AGARWAL
Deputy Managing Director

Auditor's Report for the year ended 31st March, 2010:

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

1. We have audited the attached Consolidated Balance Sheet of Bharat Forge Limited (the "Company") and it subsidiaries, its jointly controlled entities and associate companies; hereinafter referred to as the "Group" (refer Note 1 of Schedule L to the attached consolidated financial statements) as at 31st March, 2010, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of CDP Bharat Forge GmbH and its subsidiaries, a subsidiary, whose consolidated financial statements for the year ended 31st December, 2009 reflect total assets of EUR 217.06 million (previous year EUR 141.77 million), total revenues for the year of EUR 209.59 million (previous year EUR 407.79 million), net loss of EUR 24.34 Million (previous year net loss of EUR 5.63 million) and net cash inflows amounting to EUR 1.53 million (previous year EUR 11.40 million) for the year ended 31st December, 2009. These consolidated financial statements have been audited by independent firms of Accountants under the laws of the country of their incorporation, whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. Also, the financial statements of Bharat Forge America Inc., a subsidiary, whose financial statements for the year ended 31st December, 2009 reflect total assets of US $ 17.28 million (previous year US $ 12.82 million) and total revenues of US $ 20.54 million (previous year US$ 38.24 million), net loss of US$ 4.85 Million (previous year net loss of US$ 6.09 million) and total net cash inflows of US $ 0.22 million (previous year US$ 0.76 million) These financial statements have been audited by independent firms of Accountants under the laws of the country of their incorporation, whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
5. We have audited the financial statements of BF-NTPC Energy Systems Limited, a subsidiary, whose financial statements for the year ended 31st March 2010 reflect total assets of Rs. 129.50 million (previous year Rs. 0.95 million), total revenues of Rs Nil (previous year Rs. Nil) and total net cash inflows are Rs 83.32 million (previous year Rs. 0.87 million)
6. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under sub-section 3C of Section 211 of the Companies Act, 1956.
7. Matters of Emphasis reported upon by the Auditors of Subsidiaries:
   i) The Auditors of FAW Bharat Forge (Changchun) Co. Ltd. have, without qualifying their opinion, emphasized a matter in the audit report which is reproduced below:

      Without qualifying our opinion, we draw attention to that, based on the investor's agreement, China FAW Group Corporation should transfer the net assets of FAW FORGE as its investment. But the title of the property and plant (about 19,416.78 m^2) amounting to RMB 8,778,351.54 land (about 39,375.00 m^2), amounting to RMB 25,257,626.94 (accounting to 17.25% of committed investment, RMB 197,332,705.00) haven't been transferred to the company till our report issued.
   ii) The Auditors of Bharat Forge America Inc. have without qualifying their opinion, have emphasised a matter in respect of the change in the method of computing depreciation for production related assets and the threat to the Going Concern assumption in the audit report which is reproduced below:

      As discussed in the Note 9 B (i) (Reference to Consolidated Financial Statements under this report) the company has changed its method of calculating depreciation expenses on production related assets from year of service method to unit of production method, resulting in higher Closing net block of Fixed Asset by US$ 1.59 million and net loss lower by equivalent amount.

      As discussed in the Note 9 B (ii) (Reference to Consolidated Financial Statements under this report), the North American automotive industry is experiencing significant financial difficulty and is projecting significantly lower production volumes than prior years. The Company and its operations continue to be affected by these industry conditions, which indicated that the company may be unable to continue to act as a going concern. Management's future plans in response to these conditions are described in Note 9 B (ii). The accompanying financial statements do not include any adjustments that might be necessary should the company be unable to continue as a Going Concern.
   iii) The Auditors of Bharat Forge Scottish Stampings Limited (BFSSL), a wholly owned subsidiary of CDP BF, have modified their opinion and, have emphasized a matter in respect of the Going Concern assumption not being met in the audit report which is reproduced below:

      In forming our opinion on the financial statements, which are not qualified, we have considered the adequacy of the disclosure made in note 9 (C) (Reference to Consolidated Financial Statements under this report), concerning the ongoing review by the company's ultimate parent company of the company's business, including the possible closure of the business and the potential impact on the company's ability to continue as a going concern. The overall situation showed no sign of significant recovery. These conditions, along with the other matters explained in the note to the financial statements, indicate inability of the company to continue as a going concern. The financial statements of Bharat Forge Scottish Stampings Limited have not been prepared on a going concern assumption.
8. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
   (b) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date: and
   (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DALAL & SHAH
Firm Registration Number 102021W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451

Mumbai : May 22, 2010

Consolidated Balance Sheet as at 31st March, 2010:

(Rs. in Million)

		Schedule			As at 31st March, 2009
I.	SOURCES OF FUNDS:				
	1. Shareholders' Funds:				
	(a) Share Capital	"A"	445.40		445.40
	(b) Reserves and Surplus	"B"	14 184.56		16 223.45
				14 629.96	16 668.85
	2. Loan Funds:				
	(a) Secured Loans	"C"	11 713.64		10 735.49
	(b) Unsecured Loans	"D"	10 812.93		11 172.88
				22 526.57	21 908.37
	3. Minority Interest			782.70	953.83
	4. Foreign Currency Monetary Item Transalation Difference Account (FCMITDA)			12.28	(234.28)
	5. Deferred Tax Adjustment:				
	(a) Deferred Tax Liabilities		1 734.82		2 060.24
	(b) Deferred Tax Assets		(775.62)		(217.02)
				959.20	1 843.22
	Total			38 910.71	41 139.99
II.	APPLICATION OF FUNDS:				
	1. Fixed Assets:				
	(a) Gross Block		41 339.94		40 270.75
	(b) Less: Depreciation		17 266.74		15 594.43
	(c) Net Block	"E"	24 073.20		24 676.32
	(d) Capital work-in-progress		1 987.27		3 218.95
				26 060.47	27 895.27
	2. Goodwill arising on Capital Consolidation			4.54	4.54
	3. Technical Know-how	"F"		-	2.10
	4. Investments	"G"		2 736.87	2.33
	5. Current Assets, Loans and Advances:	"H"			
	(a) Inventories		6 574.51		7 916.46
	(b) Sundry Debtors		5 043.82		5 313.09
	(c) Cash and Bank Balances		5 976.55		4 883.40
	(d) Other Current Assets		1 371.69		1 419.92
	(e) Loans and Advances		5 204.22		5 783.57
			24 170.79		25 316.44
	Less: Current Liabilities and Provisions:	"I"			
	(a) Liabilities		11 164.03		8 537.93
	(b) Provisions		2 897.98		3 542.81
			14 062.01		12 080.74
	Net Current Assets			10 108.78	13 235.70
	6. Miscellaneous Expenditure: (to the extent not written off or adjusted)	"I(i)"		0.05	0.05
	Total			38 910.71	41 139.99
	NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS:	"L"			

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

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

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

G. K. AGARWAL
Deputy Managing Director

Consolidated Profit and loss Account for the year ended 31st March, 2010:

(Rs. in Million)

	Schedule			Previous year
INCOME:				
Sales, Gross	"J (a)"	33 487.96		47 942.25
Less : Excise Duty		871.96		1 202.33
Net Sales		32 616.00		46 739.92
Operating Income	"J (b)"	659.95		1 010.85
			33 275.95	47 750.77
Other Income	"J (c)"		511.16	674.66
			33 787.11	48 425.43
EXPENDITURE:				
Manufacturing and other expenses	"K "	31 239.19		44 502.36
Depreciation and amortisation	"K (a) "	2 451.16		2 517.32
			33 690.35	47 019.68
Operating Profit for the year before Exceptional Item & Taxation			96.76	1 405.75
Exceptional Item of Expenditure (See Note 5)			(742.14)	(298.92)
Profit/(Loss) for the year before Income from Associate & Taxation			(645.38)	1 106.83
Income/(Loss) from Associate			(1.62)	(4.58)
Provision for Taxation :				
Current Tax (Including Wealth Tax Rs. 2.20 million Previous year Rs. 2.20 million)		522.37		311.67
Less: MAT credit available for Set off in subsequent years		-		(157.40)
Deferred Tax		(403.39)		488.47
Fringe Benefit Tax		-		53.00
			118.98	695.74
Net Profit/(Loss) after taxation			(765.98)	406.51
Less: Minority Interest			(131.76)	(176.14)
Net Profit after Minority Interest			(634.22)	582.65
As per last Account			6 930.52	6 753.08
			6 296.30	7 335.73
Adjustments relating to earlier years :				
Excess/ (Short) provision for taxation and tax payments			0.43	(29.04)
Pension Liabilities (Net of Deferred Tax)			(49.41)	-
Impact on adoption of International Financial Reporting Standards by Subsidiaries			-	30.42
Profit available for Appropriation			6 247.32	7 337.11
APPROPRIATIONS:				
Debenture Redemption Reserve			206.22	26.10
General Reserve			127.50	120.00
Proposed Dividend		232.79		222.65
Tax on Proposed Dividend		38.66		37.84
			271.45	260.49
Balance carried to Balance Sheet			5 642.15	6 930.52
Earning Per Share:				
(Face value of Rs. 2/-)				
Net Profit/(Loss) after Minority Interest			(634.22)	582.65
Prior period adjustments			(48.98)	(29.04)
Net Profit/(Loss) after Prior period adjustments			(683.20)	553.61
Number of shares Issued & subscribed			222 652 271	222 652 271
Basic			(3.07)	2.49
Diluted			(3.07)	2.49
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS :	"L"			

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

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

G. K. AGARWAL
Deputy Managing Director

Consolidated Cash Flow Statement for the year ended 31st March, 2010:

(Rs. in Million)

Sr. No.	Particulars		2009-10	2008-09
A	CASH FLOW FROM OPERATING ACTIVITIES:			
	Profit before tax		(647.00)	1 102.25
	Add /(Less) : Share of (Profit)/Loss in Associate		1.62	4.58
			(645.38)	1 106.83
	Adjustments For:			
	Interest/Depreciation/Other Non Cash Expenses:			
	i) Depreciation and amortisation		2 451.16	2 517.32
	ii) Amount written off against technical know-how		2.10	2.08
	iii) Loss on assets sold, demolished, discarded (Net)		9.99	1.48
	iv) Provision for doubtful debts & advances		5.00	97.79
	v) Adjustments in respect of earlier years:			
	Excess /(short) provision for taxation and tax refunds		(48.98)	(29.04)
	Impact on adoption of International Financial Reporting Standards by Subsidiaries		-	51.77
	vi) Bad debts, irrecoverable advances, and sundry balances written off		101.16	38.00
	vii) Proportionate deferred revenue expenses written off		4.34	5.06
	viii) Interest paid		1 303.02	1 291.36
	ix) Exchange Loss / (Gain)		(249.55)	725.88
	Total		3 578.24	4 701.70
	Interest/Dividend/Other Income Adjustments:			
	i) Interest Received		(111.33)	(137.73)
	ii) Dividend		(75.14)	(217.02)
	iii) Profit on sale of investments		(61.74)	(23.14)
	iv) Provisions no longer required		(82.56)	(160.34)
	v) Provision for doubtful debts & advances written back		(28.43)	-
	Total		(359.20)	(538.23)
	OPERATING CASH PROFIT BEFORE WORKING CAPITAL CHANGES		2 573.66	5 270.30
	Changes in Working Capital:			
	(Increase)/Decrease in Current Assets:			
	i) Inventories		1 341.95	(645.43)
	ii) Sundry debtors		289.31	1 269.06
	iii) Other current assets and loans and advances		(3.56)	82.76
			1 627.70	706.39
	Increase/(Decrease) in Current Liabilities:			
	Liabilities		1 582.32	(2 829.74)
			1 582.32	(2 829.74)
	Total		3 210.02	(2 123.35)
	CASH GENERATED FROM OPERATIONS		5 783.68	3 146.95
	Direct taxes paid		(493.60)	(711.18)
	CASH FROM OPERATING ACTIVITIES		5 290.08	2 435.77
	Less: Minority Interest		(131.76)	(176.14)
	NET CASH FROM OPERATING ACTIVITIES	(A)	5 421.84	2 611.91

Consolidated Cash Flow Statement for the year ended 31st March, 2010 (Contd.):

(Rs. in Million)

Sr. No.	Particulars			2009-10	2008-09
B	CASH FLOW FROM INVESTMENT ACTIVITIES:				
	i) (Increase)/Decrease in Investment in Mutual funds			(2 297.65)	2 982.08
	ii) Investment in Joint Ventures/Associates			(436.89)	3.95
	iii) Capital Expenditure			(1 350.10)	(5 354.73)
	iv) Sale proceeds of assets/adjustments to gross block			(274.54)	(38.54)
	v) Interest Capitalised			25.84	51.72
	vi) Non Operating Income			248.21	377.89
	vii) Project Expenses			(75.67)	(117.33)
		Total		(4 160.80)	(2 094.96)
	NET CASH USED IN INVESTING ACTIVITIES		(B)	(4 160.80)	(2 094.96)
C	CASH FLOW FROM FINANCING ACTIVITIES:				
	Increase/(Decrease) in Share Capital/Borrowings:				
	i) Secured loans - Term Loans			3 399.34	4 008.88
	ii) Fixed deposits, unsecured loans			567.95	(262.91)
	iii) Cash credit, & other borrowings from banks			(2 086.84)	(540.16)
		Total		1 880.45	3 205.81
	Adjustments to net worth:				
	i) Foreign Currency Translation Reserve			(287.61)	204.87
	ii) Revaluation Reserve for Security Investment			24.23	(24.23)
	iii) Minority Interest			(171.13)	251.91
	iv) Debenture Issue Expenses			(27.09)	(23.22)
	v) Exchange (Gain)/Loss adjusted to Carrying cost of asset			-	(297.80)
	vi) Adjustment on adoption of International Financial Reporting Standards			10.03	10.52
		Total		(451.57)	122.05
	Interest Paid:				
	i) Interest Paid			(1 310.07)	(1 183.63)
	ii) Capitalised			(25.84)	(51.72)
		Total		(1 335.91)	(1 235.35)
	Dividend			(260.86)	(909.55)
	NET CASH USED IN FINANCING ACTIVITIES		(C)	(167.89)	1 182.96
	Net change in cash and cash equivalents		(A+B+C)	1 093.15	1 699.91
	Cash and cash equivalents as at 01.04.09 (Opening balance)			4 883.40	3 183.49
	Cash and cash equivalents as at 31.03.10 (Closing balance)			5 976.55	4 883.40

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

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

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

G. K. AGARWAL
Deputy Managing Director

Schedule "A" to "L"

Schedule "A" to "L" annexed to and forming part of the Consolidated Financial Statements for the year ended 31st March, 2010.

(Rs. in Million)

				As at 31st March, 2009
Schedule "A" Share Capital:				
Authorised:				
300 000 000	Equity Shares of Rs. 2/- each		600.00	600.00
43 000 000	Cumulative Preference Shares of Rs. 10/- each		430.00	430.00
2 000 000	Unclassified Shares of Rs. 10/- each		20.00	20.00
			1 050.00	1 050.00
Issued:				
222 828 621	Equity Shares of Rs. 2/- each		445.66	445.66
			445.66	445.66
Subscribed:				
222 652 271	Equity Shares of Rs. 2/- each fully paid		445.31	445.31
172 840	Add: Forfeited Equity Shares (amount paid up)		0.09	0.09
		Total	445.40	445.40

Notes: Of the above Shares:

A Prior to Sub-division of Share Capital:

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

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

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

(iv) The Company had issued 3 636 500 Equity Shares of Rs. 10/- each (later sub-divided into 18 182 500 Equity Shares of Rs. 2/- each) in April and May, 2005 represented by 3 636 500 Global Depository Receipts (GDRs) (on sub division 18 182 500 GDRs) evidencing "Master GDR Certificates" at a price of U.S.$ 27.50 per GDR (including premium). GDRs outstanding at the close of the year are 9 200. The Funds raised has been utilised towards the object of the issue.

(v) The Company had also issued Foreign Currency Convertible Bonds (FCCBs) aggregating U.S.$ 199.90 million optionally convertible at an initial price specified in offering circular (see note 18). As the initial price is subject to adjustments specified in the offering circular and inability to assess the proportion of conversion, no amounts have been shown under issued Equity Share Capital, in respect of Equity shares deemed to be issued on exercise of conversion by bondholders. Outstanding Bonds at the close of the year aggregated 8,236.49 million of which Bonds aggregating U.S.$ 1.25 Million were converted on April 09, 2010 and Bonds aggregating U.S.$ 102.25 million were redeemed on April 20, 2010.

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

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

C Since the Close of the year:-

(i) 142 045 Equity Shares were issued and allotted on April 09, 2010 at a premium of Rs. 382.12 per share on Conversion of U.S.$ 1 250 000 0.50% Foreign Currency Convertible Bonds (FCCBs) Tranche-2 in terms of Offering Circular dated 15th April, 2005.

(ii) The Company issued and allotted 10 000 000 Equity Shares of Rs. 2/- each at a price of Rs. 272/- per share aggregating to Rs. 2 720 million on 28th April, 2010 simultaneous with the issue of 1 760 10.75% Non-Convertible Debentures (NCDs) of a face value of Rs. 1 000 000/- at par , together with 6 500 000 warrants at a price of Rs. 2/- each entitling the holder of each warrant to subscribe for 1 equity share of Rs. 2/- each at a price of Rs. 272/- at any time within 3 years from the date of allotment. The above securities were subscribed and alloted to Qualified Institutional Buyers (QIBs) on 28th April 2010.

Schedule “B” Reserves and Surplus:

(Rs. in Million)

				As at 31st March, 2 009
Capital Reserve:				
i) Special Capital Incentive				
(Under the 1988 Package Scheme of Incentives)				
As per last Account		2.50		2.50
ii) Capital Surplus arising from early retirement of				
Sales tax deferral liability/Loan under package				
Scheme of Incentive of Government of Maharashtra				
As per last Account	69.92			78.56
Less: Transferred to General Reserve	8.64			8.64
		61.28		69.92
			63.78	72.42
Revaluation Reserve for Security Investments:				
As per last Account			(24.23)	
Less: Transferred to Profit & Loss account			(24.23)	
			-	(24.23)
Capital Redemption Reserve Account:				
As per last Account			300.00	300.00
Securities Premium Account:				
As per last Account		7 019.35		7 042.57
Less: Premium on Redemption of Foregin Currency Convertible Bonds in terms of Section 78 of the Companies Act, 1956 (Net of Deferred Tax Asset of Rs. 485.13 million)		975.32		-
Less: Debenture Issue Expenses in terms of Section 78 of the Companies Act, 1956 (Net of Deferred Tax Asset of Rs. 13.95 million)		27.09		23.22
			6 016.94	7 019.35
Foreign Currency Translation Reserve			(34.20)	253.41
Debenture Redemption Reserve:				
As per last Account		26.10		-
Set aside during the year		206.22		26.10
			232.32	26.10
General Reserve:				
As per last Account		1 645.88		1 727.99
Add: Transferred from Capital Reserve		8.64		8.64
		1 654.52		1 736.63
Less: Adjustment on Account of exercise of option on amendment to Accounting Standard (AS-11) “ The effects of changes in Foreign Exchange Rates “ (Net of Deferred Tax)		-		349.31
Add: Adjustments on adoption of International Financial Reporting Standards by Subsidiaries		10.03		10.52
Add: Difference on Capital Consolidation adjusted on adoption of International Financial Reporting Standards by Subsidiaries		-		128.04
Add: Set aside from Profit & Loss Account		127.50		120.00
			1 792.05	1 645.88
Hedge Reserve:				
Arising during the year			171.52	-
Surplus as per Annexed Account				
Surplus as per Annexed Account			5 642.15	6 930.52
Total			14 184.56	16 223.45

Schedule "C" Secured Loans:

(Rs. in Million)

			As at 31st March, 2 009
Debentures:			
2 500 11.95% Redeemable Secured Non-Convertible Debentures (2009-2017) Sixteenth Series of Rs. 1 000 000/-each		2 500.00	2 500.00
3 500 (--) 10.75% Redeemable Secured Non-Convertible Debentures (2009-2015) Seventeenth Series of Rs. 1 000 000/- each		3 500.00	-
Term Loans:			
Foreign Currency Term Loans:			
From Bank of Baroda, London		-	253.60
From Bank of India, London		336.82	507.20
From Calyon, Singapore		2 245.50	2 536.00
From Bank of India, New York		254.44	390.06
From Commerzbank AG		82.47	114.65
From Skandinaviska Enskilda Banken AB		-	496.02
From Hypo Vereins Bank		3.03	6.74
From Standard Chartered Bank		-	811.52
From Bank of Communication		343.93	-
Short Term Loan :			
From Bank of India, London		1 210.60	-
From Calyon, London		204.26	-
Others:			
From Banks, against hypothecation of Stocks of Semi finished and Finished goods, Raw materials, Finished Dies and Die Blocks, Work-in-Progress, Consumable Stores and Spares, Book Debts etc.			
Cash Credit	502.32		1 218.65
Preshipment Packing Credit-Foreign Currency	530.26		328.82
Preshipment Packing Credit -Rupee	-		1 571.95
Interest accrued and due on above	0.01		0.28
		1 032.59	3 119.70
Total		11 713.64	10 735.49

Schedule "D" Unsecured Loans:

Foreign Currency Convertible Bonds (FCCBs):			
0.5% Tranche 1 FCCBs , outstanding U.S. $ 43.5 million	1 953.58		2 206.32
0.5% Tranche 2 FCCBs, outstanding U.S. $ 60.0 million	2 694.60		3 043.20
0% Tranche A FCCBs , outstanding U.S. $ 40.0 million	1 796.40		2 028.80
0% Tranche B FCCBs , outstanding U.S. $ 39.9 million	1 791.91		2 023.73
		8 236.49	9 302.05
Sales tax deferral liability under Government of Maharashtra Package Scheme of Incentives		69.44	69.44
Short Term Loans from Banks for Working Capital		1 506.60	1 398.45
Term Loans from Banks & Financial Institutions		-	402.37
Fixed Deposits matured but unclaimed		0.40	0.57
Short Term Borrowings by issue of "Commercial Paper" by the Company (Maximum balance during the period Rs. 1 000 million)		1 000.00	-
Total		10 812.93	11 172.88

Schedule "E" Fixed Assets:

(Rs. in Million)

Sr. No.	FIXED ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Upto 31/03/09	Additions During the Year and Foreign currency exchange rate adjustments	Deductions During the Year	As at 31/03/10	Up to 31/03/09	Recoupments and Foreign currency exchange rate adjustments	For the year	Up to 31/03/10	As at 31/03/10	As at 31/03/09
1	Land, Free hold	255.21	142.00	70.88	326.33	-	-	-	-	326.33	255.21
2	Land, Lease hold	264.51	(17.58)	5.25	241.68	-	-	-	-	241.68	264.51
3	Buildings	3 477.26	38.32	32.84	3 482.74	546.81	35.44	103.77	615.14	2 867.60	2 930.45
4	Plant & machinery	30 233.25	928.51	245.37	30 916.39	12 798.36	500.35	1 724.71	14 022.72	16 893.67	17 434.89
5	Dies & fixtures	398.06	349.30	26.42	720.94	47.28	8.46	24.18	63.00	657.94	350.78
6	Railway sidings	0.45	-	-	0.45	0.43	-	-	0.43	0.02	0.02
7	Electrical installations	333.21	(2.96)	-	330.25	147.53	-	25.56	173.09	157.16	185.68
8	Factory equipments	458.97	17.36	-	476.33	204.32	-	71.34	275.66	200.67	254.65
9	Engineering instruments	0.09	-	-	0.09	0.09	-	-	0.09	-	-
10	Furniture & Fittings	254.41	8.53	27.12	235.82	127.25	26.33	22.88	123.80	112.02	127.16
11	Office equipments	51.07	2.18	4.80	48.45	26.49	4.50	3.52	25.51	22.94	24.58
12	Vehicles & Aircraft	2 278.64	(53.38)	22.03	2 203.23	374.79	21.31	136.88	490.36	1 712.87	1 903.85
13	Power Line	7.14	90.63	-	97.77	7.14	-	8.92	16.06	81.71	-
14	Intangible assets	421.43	23.75	1.48	443.70	175.06	17.74	23.91	181.23	262.47	246.37
15	Software	4.38	0.45	-	4.83	2.23	0.33	1.12	3.02	1.81	2.15
16	Other equipments	1 832.67	57.09	78.82	1 810.94	1 136.65	159.85	299.83	1 276.63	534.31	696.02
	Total	**40 270.75**	**1 584.20**	**515.01**	**41 339.94**	**15 594.43**	**774.31**	**2 446.62**	**17 266.74**	**24 073.20**	**24 676.32**
	Previous Year's Total	**30 988.88**	**9 394.79**	**112.92**	**40 270.75**	**13 227.91**	**149.98**	**2 516.50**	**15 594.43**	**24 676.32**	

Schedule “F” Technical Know-how:

(Rs. in Million)

				As at 31st March, 2009
Acquired by the Company				
As per last Account			2.10	4.18
Less: Written Off			2.10	2.08
Total			-	2.10

Schedule “G” Investments:

Long Term:				
In Joint Ventures			258.90	0.30
In Associates			0.41	2.03
In Subsidiaries			29.91	-
In Equity Shares:				
Others			150.00	-
In Mutual Fund Units			2 297.65	-
Total			2 736.87	2.33

Schedule “H” Current Assets, Loans and Advances:

a) Inventories, as valued and certified by the Chairman & Managing Director:				
Stores, Spares and Loose Tools (at cost)*		828.75		921.05
Die Blocks & Die & Tool Steel (at cost)		372.24		525.86
Raw Materials & Components (at cost)*		1 667.75		1 645.77
Work-in-Progress (at lower of cost or realisable value)		2 362.12		2 560.08
Finished Goods (at lower of cost or selling price)		439.08		1 015.41
Dies (at cost, less amortisation) & Dies under fabrication*		887.20		1 231.67
Scrap (at estimated realisable value)		17.37		16.62
(*) Slow moving and obsolute Inventory is valued at Cost or Estimated realisable value whichever is lower			6 574.51	7 916.46
b) Sundry Debtors, Unsecured: (unless otherwise stated) (Net of Bills Discounted with Banks):				
(i) Over six months:				
Good		647.54		1 291.49
Doubtful	105.54			113.24
Less: Provision	105.54			113.24
		-		-
		647.54		1 291.49
(ii) Other:				
Good		4 396.28		4 021.60
Doubtful	12.74			36.56
Less: Provision	12.74			36.56
		-		-
			5 043.82	5 313.09
carried over			11 618.33	13 229.55

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

(Rs. in Million)

						As at 31st March, 2009
	brought over				11 618.33	13 229.55
c)	Cash and Bank Balances:					
	Cash on hand			0.80		0.94
	Bank balances:					
	With Scheduled banks:					
	In Cash credit and Current accounts		219.21			605.59
	In Fixed deposits		4 799.29			3 327.64
	Interest funded on cumulative Fixed deposits		0.01			0.01
			5 018.51			3 933.24
	With Other Banks outside India:					
	In Current account		567.99			277.37
	In Fixed deposits**		389.25			671.85
			957.24			949.22
				5 975.75		4 882.46
					5 976.55	4 883.40
d)	Other Current Assets:					
	Interest receivable			28.87		42.03
	Other current assets			829.74		604.44
	Energy credit receivable-Wind Mill			1.93		2.52
	Certified emission reduction units receivable			8.64		4.33
	Export incentives receivable			502.51		766.60
					1 371.69	1 419.92
e)	Loans and Advances, Unsecured, Good:					
	(Unless otherwise stated)					
	Loan to a Company			309.09		309.09
	Advances recoverable in cash or in kind or for value to be received					
	Good		1 779.16			1 905.37
	Doubtful advances	23.12				20.35
	Less: Provision	23.12				20.35
			-			-
				1 779.16		1 905.37
	Expenditure to date on projects pending adjustment on completion / conclusion			285.91		210.24
	Security deposit for supply/ Purchase of power			211.45		211.45
	Balances with Customs, Central excise departments etc.			375.04		306.07
	MAT credit available for set off			157.40		157.40
	Tax paid in advance			2 086.17		2 683.95
					5 204.22	5 783.57
	Total				24 170.79	25 316.44

** Fixed Deposits include Rs. 72.46 million (Euro 1.20 million) (Previous year Rs. 66.38 million (Euro 0.98 million)) earmarked to secure employees claims due to agreements for early retirement against insolvency.

Schedule "I" Current Liabilities and Provisions:

(Rs. in Million)

					As at 31st March, 2009
(a)	LIABILITIES:				
	Acceptances		1 887.99		1 414.97
	Sundry creditors:				
	Dues to Micro and small enterprises	-			1.57
	Dues to other than Micro and small enterprises	7 735.69			6 860.04
			7 735.69		6 861.61
	Premium on redemption of FCCBs		1 305.53		-
	Advance against orders		64.96		84.34
	Unclaimed dividends		14.77		15.14
	Interest accrued but not due on loans		155.09		161.87
				11 164.03	8 537.93
(b)	PROVISIONS:				
	For Long Term Employee Benefits		853.33		940.11
	For Taxation		1 773.20		2 342.21
	For Proposed Dividend		232.79		222.65
	For Tax on Proposed Dividend		38.66		37.84
				2 897.98	3 542.81
	Total			14 062.01	12 080.74

Schedule "I(I)" Miscellaneous expenditure:

(To the extent not written off or adjusted)

	Preliminery Expenses			0.05	0.05
	Total			0.05	0.05

Schedule "J" Sales, Operating & Other Income:

					Previous year
(a)	Sales:				
	Sales (Net of returns, rebates etc.)		31 788.18		44 952.78
	Job work receipts		143.74		146.08
	Sale of manufacturing scrap		1 556.04		2 843.39
				33 487.96	47 942.25
(b)	Operating Income:				
	Export incentives		419.59		630.02
	Die design and preparation charges		236.05		376.49
	Sale of certified emission reduction units		4.31		4.34
				659.95	1 010.85
(c)	Other Income:				
	Dividend income from investment in mutual funds		75.14		217.02
	Profit on sale of non trade, Current investments		61.74		23.14
	Interest on deposits etc.: (Gross, tax deducted Rs. 7.93 million, Previous year Rs. 13.54 million)		111.33		137.73
	Miscellaneous receipts		151.96		136.43
	Provision for doubtful debts and advances written back		28.43		-
	Provisions no longer required		82.56		160.34
				511.16	674.66
	Total			34 659.07	49 627.76

Schedule "K" Manufacturing and Other Expenses:

(Rs. in Million)

						Previous year
(1)	Materials:					
	Raw materials & components consumed			14 959.75		23 896.11
	Die blocks, Die & Tools steel consumed			545.84		998.47
	Merchandise & Finished goods purchased			78.05		3.68
	Excise duty on year end inventory:					
	On Closing stock		1.63			1.27
	Less: On Opening stock		1.27			3.30
				0.36		(2.03)
	(Increase) / Decrease in Stocks:					
	Stocks at Close:					
	Work-in-Progress		2 362.12			2 560.08
	Finished goods		439.08			1 015.41
	Die room inventory		887.20			1 231.67
	Scrap		17.37			16.62
			3 705.77			4 823.78
	Less: Stocks at commencement:					
	Work-in-Progress		2 560.08			2 521.63
	Finished goods		1 015.41			513.72
	Die room inventory	1 231.67				1 115.37
	Less: Reclassified as Fixed Asset	375.35				181.51
			856.32			933.86
	Scrap		16.62			26.19
			4 448.43			3 995.40
				742.66		(828.38)
					16 326.66	24 067.85
(2)	Manufacturing Expenses:					
	Stores, Spares & Tools consumed			1 433.17		1 754.35
	Octroi duty			18.99		12.76
	Machining Charges			940.44		1 408.52
	Power, Fuel & Water		2 801.75			3 274.91
	Less: Credit for Energy Generated		31.36			43.74
				2 770.39		3 231.17
	Other Manufacturing Expenses			81.34		178.59
	Building Repairs & Road Maintenance			37.14		91.29
	Machinery Repairs			621.41		1 046.79
					5 902.88	7 723.47
(3)	Payments to & Provisions for employees:					
	Salaries, Wages, Bonus, Allowances, etc.			4 084.23		5 513.33
	Contribution to Provident & Other funds and schemes			84.16		158.13
	Social security costs			829.07		1 122.98
	Welfare expenses			241.04		297.15
					5 238.50	7 091.59
(4)	Other Expenses:					
	Rent			158.81		172.30
	Rates & taxes			29.48		32.47
	Insurance (Including Key Man Insurance)			95.59		101.58
	Commission & Discount			108.36		136.12
	Interest & Finance charges:					
	Interest:					
	On Debentures, including Bonds		520.87			99.71
	On Fixed loans		89.51			112.34
	Others		524.82			752.46
			1 135.20			964.51
	Discounting charges		167.82			326.85
				1 303.02		1 291.36
				1 695.26		1 733.83
	carried over				27 468.04	38 882.91

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

(Rs. in Million)

				Previous year
brought over			27 468.04	38 882.91
		1 695.26		1 733.83
Miscellaneous expenses including travelling expenses, printing, stationery, postage, telephone, Bank charges etc.		1 352.62		1 770.69
Donations:				
Maharashtra Pradesh Congress Committee (Political party)	10.00			-
Others	38.60			2.57
		48.60		2.57
Loss on Foreign exchange fluctuations		45.05		1 037.30
Freight forwarding charges etc.		594.45		899.55
Royalty		8.13		7.73
Directors' fees and travelling expenses		3.31		5.53
Managing and Whole Time Directors' Commission		39.00		39.00
Commission to Directors other than Managing and Whole Time Directors		4.00		4.00
Loss on assets sold, discarded & scrapped (Net)		9.99		1.48
Bad debts, irrecoverable advances and sundry balances written off		86.77		38.00
Provision for doubtful debts and advances		19.39		97.79
Amount written off against Technical Know-how		2.10		2.08
EVRS Compensation written off		4.34		5.06
			3 913.01	5 644.61
			31 381.05	44 527.52
Less: Expenses capitalised			141.86	25.16
Total			31 239.19	44 502.36

Schedule "K (a)" Depreciation and Amortisation:

Depreciation *			2 445.91	2 516.37
Amount Written off against Lease hold Land			5.25	0.95
Total			2 451.16	2 517.32

* Excludes Rs. 0.71 million (Previous year Rs. 0.13 million) Consolidated as Pre-operative expenditure.

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

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

Subsidiaries :

Name of the Company	Country of Incorporation	Parent's ultimate holding as on 31st March, 2010	Financial year ends on
CDP Bharat Forge GmbH :-	Germany	100%	31/Dec/09
and its wholly owned subsidiary			
i. Bharat Forge Holding GmbH	Germany	100%*	31/Dec/09
and its wholly owned subsidiary			
- BF Aluminiumtechnik GmbH & Co KG.	Germany	100%*	31/Dec/09
and its wholly owned subsidiary			
- BF Aluminiumtechnik Verwaltungs GmbH	Germany	100%*	31/Dec/09
ii. Bharat Forge Beteiligungs GmbH	Germany	100%*	31/Dec/09
and its wholly owned subsidiary			
a. Bharat Forge Kilsta AB, Sweden	Sweden	100%*	31/Dec/09
and its wholly owned subsidiary			
- Bharat Forge Scottish Stampings Ltd.	Scotland	100%*	31/Dec/09
b. Bharat Forge Hong Kong Limited	Hong Kong	100%*	31/Dec/09
and its Joint Venture Subsidiary			
- FAW Bharat Forge (Changchun) Company Ltd.	China	52%*	31/Dec/09
iii. Bharat Forge Daun GmbH	Germany	100%*	31/Dec/09
iv. BF New Technologies GmbH	Germany	100%*	31/Dec/09
Bharat Forge America Inc.	U.S.A.	100%	31/Dec/09
BF NTPC Energy Systems Limited.	India	51%	31/Mar/10
Kalyani ALSTOM Power Limited	India	51%	#

* held through subsidiaries

Associate:

Name of the Company	Country of Incorporation	Parent's ultimate holding as on 31st March, 2010	Financial year ends on
Tecnica UK Limited (shares held through subsidiary)	UK	30%	31/Dec/09

Joint Venture:

Name of the Company	Country of Incorporation	Parent's ultimate holding as on 31st March, 2010	Financial year ends on
ALSTOM Bharat Forge Power Limited	India	49%	#

\# The Company has during the year entered in to a Joint Venture with ALSTOM Power Holdings SA which culminated into the incorporation of ALSTOM Bharat Forge Power Ltd. and Kalyani ALSTOM Power Ltd. wherein the Company holds 49% and 51% of the total equity share capital respectively. Since the first Financial year of the Company is for a period of 15 months ending on 31st March, 2011, no financial information thereof has been disclosed herein.

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

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

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

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

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

ii) The operations of the subsidiaries are not considered as an integral part of the operations of the parent. Hence, all monetary and non monetary assets and liabilites have been translated at the exchange rate prevailing at the close of the subsidiaries financial year (ie. 31st December, 2009). Income and Expenditure have been translated at the daily average rate of exchange prevailing for the subsidiaries financial year. Translation losses and gains on the above are carried to "Foreign Currency Translation Reserve" for future adjustments. Foreign Exchange rates so applied are adjusted for any subsequent material fluctuations as compared to rates prevailing on 31st March, 2010.

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

iv) For calender year 2009, CDP Bharat Forge GmbH and its wholly owned subsidiaries have prepared their consolidated accounts under IFRS. Bharat Forge America Inc. has prepared their financial statements under US GAAP. No adjustments have been made to the financial statements of the subsidiaries on account of diverse accounting policies followed by them under respective GAAPs. However, the diverse accounting policies followed by the subsidiaries to the extent they would materially impact these consolidated financial statements have been detailed in Note 4 below.

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

The financial statements in respect of subsidiary companies other than BF-NTPC Energy Systems Ltd. are drawn for the year ended 31st December, 2009, whereas the financial statements of the company are drawn for the year ended 31st March, 2010. The effect of significant transactions and other events that occur between 1st January, 2010 and 31st March, 2010 are considered in the consolidated financial statements if it is of material nature. Material transactions with all subsidiaries taken together between the period 1st January, 2010 and 31st March, 2010 have been given effect on account of the inconsistent reporting periods, but which are eliminated in the consolidation, are as given below:

(Rs. in Million)

Transaction	**Amount**
Investment in Subsidiary	79.20

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

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

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

a) *Dies : In respect of CDP Bharat Forge GmbH (CDP BF), Bharat Forge Kilsta, AB (BFK), Bharat Forge Scottish Stampings Limited (BFSSL), FAW Bharat Forge (Changchun) Company Limited (FAW BF) and Bharat Forge America Inc. (BFA):*

Dies are considered as Fixed Assets and amortised by scheduled depreciation with reference to an assumed economic life as against the parents accounting policy to treat them as a Inventory under "Current Asset" and amortise the cost, as "manufacturing expenses", on the basis of actual usage.

b) Employee Benefits Pension:

In case of CDP Bharat Forge GmbH and its subsidiaries, the service cost/interest cost for pension are debited to Profit and Loss Account and acturial gains and losses are charged to Reserves. The amount credited to the reserves for calender year 2009 is Euro 241k (gross of tax). This is in contrast to the practise followed by the parent where the difference between acturial valuation is charged to Profit and Loss Account.

c) *Inventories : In respect of Bharat Forge America Inc. and Bharat Forge Kilsta AB, Sweden:*

The cost of inventory is determined on the basis of first-in first out (FIFO) method in contrast to Bharat Forge Ltd. which determines on the basis of weighted average.

5 Exceptional item of expenditure includes:

a) Restructuring and redundancy cost related to overseas subsidiaries of Rs. 874.14 million.

b) Profit on sale of Land of Rs. 132.00 million by Bharat Forge Scottish Stampings Limited.

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

6 The subsidiaries have not reported any transactions with related parties, other than with the consolidated group. Hence, disclosures in this regard are fairly reflected in the statement of related party transactions annexed to Schedule "L" to the independent financial statements of Bharat Forge Ltd. and those made by the Joint Venture Subsidiary, FAW Bharat Forge (Changchun) Company Ltd. which are attached hereto.

7 Consolidated contingent liability not provided for:

The subsidiaries have not reported any contingent liabilities which are not provided for and outstanding at the close of their financial year. Hence, the contingent liabilities not provided for in respect of the parent are representative of the consolidated group and can be directly viewed in Note 1 to the independent financial statements of the parent.

8 Consolidated capital commitments to the extent not provided for, net of advances as at 31st March, 2010 Rs. 814.07 million. (Previous year Rs. 969.97 million).

9 Significant notes to financial statements of subsidiaries which provide a better understanding to these financial statements:

A) FAW Bharat Forge (Changchun) Company Limited:

i) As per the joint venture contract entered into with China FAW group Corporation (minority shareholder) for establishment of FAW Bharat Forge (Changchun) Company Ltd., the minority share holders injected net assets into joint venture company. However, the legal title of the property and land amounting to RMB 34.026 million has not been transferred in the name of joint venture company. As per the discussion with the management of the joint venture company, the titles are in the process of being transferred.

ii) FAW Bharat Forge (Changchun) Company Ltd. owes the investor, China FAW Group Corporation, RMB 14,894,100 towards the rent payable for land use right.

B) Bharat Forge America Inc. (BFA):

i) During calender year 2009, BFA changed its method of calculating depreciation expense on production related assets from a years of service method to units of production method, for better estimation of matching depreciation charges with the revenue generated from the use of production assets. The change in calculating depreciation has been accounted for on a prospective basis from the effective date of January 1, 2009 and such change has resulted in lower depreciation expense of US$ 1,568,793 for the year 2009.

ii) The financial statements of BFA have been prepared with the assumption of continuation of the Company as a going concern. This is based on the fact that despite continued losses and an unprecedented downturn in the automotive sector in BFA's principal market, viz., North America, the management of BFA believes that there is an opportunity for it to continue its operations as a going concern. To realize this opportunity, its management is working on an action plan that includes:

1. BFA has upgraded some of the legacy production lines with new, flexible, automated production lines that require less down time for the tool changes between products. This will allow BFA to reduce production costs through decreased setup times and increased automation. The flexibility of the machines to be reconfigured without significant costs will also allow BFA to service a larger number of contracts and customers.
2. As a continuing process, BFA is actively reviewing costs on a part-by-part basis and with this additional information, management of BFA believes it will be able to better deploy resources to projects that will provide the greatest return. In addition, this will allow management of BFA to focus on parts and areas of the business that need additional restructuring.
3. Management of BFA is in the process of negotiating price increases with several customers.
4. BFA is making efforts to expand its sales base among a larger group of customers and into new segments of the parts market in an effort to maintain more stable profitability and production levels with less reliance on one single customer.
5. Significant investment has occurred to launch new products.
6. As a result of the continued investments in capital equipment, BFA has the capacity for growth and no additional capital expenditures would be required. Further, the management of BFA has carried out an impairment test on the assets of BFA as per US GAAP which were subjected to the audit procedures by their auditors. As per the result of this test, there was no impairment in the value of its assets which was required to be recognized in the Profit and Loss Account.

C) Bharat Forge Scottish Stampings Limited (BFSSL):

Basis of preparation:

In light of adverse European automotive market had its impact on the financial performance of BFSSL, all possible options were considered by its parent companies, including its potential closure of BFSSL. The overall situation showed no sign of significant recovery. The Directors have announced that, following a long period of consultation, the decision had been taken to cease production in light of group restructuring plan initiated in 2009, and transfer the business operations of BFSSL to other Group Companies. BFSSL has ceased production in February, 2010 and in process of transferring assets to its Parent Company - Bharat Forge Kilsta AB (BFK), Sweden and settlement of all liabilities. Accordingly, the financial statements of BFSSL have not been prepared on a going concern basis.

As per our attached report of even date
For DALAL & SHAH
Firm Registration No. 102021 W
Chartered Accountants

ANISH AMIN
Partner
Membership No. 40451
Mumbai: May 22, 2010

BEEJAL DESAI
Company Secretary

Mumbai: May 22, 2010

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

G. K. AGARWAL
Deputy Managing Director

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

Disclosure of transaction with Related Parties as required by the Accounting Standard - 18:

Name of related parties	Nature of transaction	2009-10 (Rs. in Million) Transaction value	2009-10 (Rs. in Million) Outsanding amounts carried in Balance Sheet	2008-09 (Rs. in Million) Transaction value	2008-09 (Rs. in Million) Outstanding amounts carried in Balance Sheet
Axle Branch Company FAW Jiefang Automobile Co. Ltd.	Forging sales	0.07	0.09	-	-
	Procurement of semi finished products	0.30	-	-	-
Changchun FAW Automobile Parts Industrial Co. Ltd.	Forging sales	-	-	0.41	-
Changchun FAW Jiaxin Heat Treatment & Plating Technological Co. Ltd.	Forging sales	-	-	8.59	-
	Procurement of spare parts	-	-	-	0.26
Changchun FAW Equipment Technology Manufacturing Co. Ltd.	Forging sales	-	-	1.42	6.43
	Procurement of spare parts	-	-	0.66	-
Changchun FAW Jianshe Industrial Co. Ltd.	Accounts payable	-	-	-	3.63
	Spare parts sales	-	-	0.01	-
Changchun FAW Regeneration and Reuse Co. Ltd.	Forging sales	-	-	126.30	0.22
	Procurement of Labor Insurance Products	-	-	0.01	-
Changchun FAW Tool & Equipment Co. Ltd.	Forging & Waste sales	-	-	69.95	-
	Procurement of Die	-	-	126.33	67.20
Changchun FAW-SIHUAN Automobile Co. Ltd. Wheel Company	Forging sales	-	-	1.46	-
Changchun FAW Landi Automatic Engineering Co. Ltd.	Procurement of spare parts	-	-	1.12	-
Changchun Gear Factory of FAW CAR Co. Ltd.	Forging sales	74.84	20.92	75.55	15.89
Die Manufacturing Co. Ltd. of FAW	Waste sales	-	-	0.25	-
Drive shaft Branch Company of Fawer Automobile Part Co. Ltd.	Forging sales	-	-	308.27	-
Purchase Centre of FAW	Procurement of section steel	902.52	208.85	-	-
Warehouse Centre of FAW	Transportation service	11.92	5.34	-	-
FAW Jiefang Automobile Co. Ltd. (Procurement Division)	Forging sales	873.19	192.58	935.50	-
	Procurement of section steel	573.03	349.93	1,887.45	556.26
FAW Jiefang Automobile Co. Ltd. Transmission Company	Forging sales	241.56	141.81	150.78	88.12
FAW Power Energy Branch Company	Labor Service	0.07	-	-	-
FAW Power Energy Branch Company	Procurement of energy	-	185.43	384.01	324.30
	Spare Parts sales	-	-	0.11	-
FAW School--run Industrial Company	Procurement of services	-	-	-	0.30
FAW Volkswagen Automobile Co. Ltd.	Forging sales	-	-	-	1.76
FAW Import & Exports Corporation	Procurement of section steel	-	57.40	84.71	64.54
FAW Shangdong Refitted Automobile Factory	Account receivable	-	-	-	1.80
FAW Special—Purpose Auto Co. Ltd.	Forging sales	5.44	13.79	29.59	16.18
FAW Foundry Co. Ltd. Foundry Model Tooling Plant	Forging sales	14.26	-	16.72	-
	Procurement of Die	14.95	48.06	65.61	69.73
Harbin Light--duty truck Factory of FAW	Forging sales	122.99	30.52	83.04	24.43
Inspection Center of FAW	Account payable	-	1.01	-	0.72
Material Supply Station of Changchun FAW	Account payable	-	-	-	0.07
No.1 Motor Vehicle Industry School-Run Company	Procurement of printing	-	-	0.28	-
Pumps Branch Company of Fawer Automobile Part Co. Ltd.	Forging sales	-	-	2.74	0.85
Qiming Information Technology Co. Ltd.	Web service	1.04	-	1.09	-
Shock Absorbers Branch Company of Fawer Automobile Part Co. Ltd.	Forging sales	-	-	80.37	1.82
Standard Components Branch Company of Fawer Automobile Part Co. Ltd.	Procurement of section steel	-	-	1.14	-
Technical Center of FAW	Forging sales	0.05	-	23.58	-
The First Branch Company of Changchun FAW Automobile Parts Industrial Co. Ltd.	Forging sales	-	-	0.05	-
The Gongxing Cast Industrial Co. Ltd. of Changchun FAW	Forging & Waste sales	-	-	12.53	-
	Spare Parts sales	-	-	0.02	-
	Procurement of spare parts	-	-	0.09	-
	Procurement of maintenance services	-	-	-	1.24
The Gongxing Die Manufacturing Industrial Co. Ltd. of Changchun FAW	Procurement of mould / Die	-	-	2.21	2.37
Work Meal Center of Changchung FAW	Procurement of work meal	-	-	8.66	8.62
Wuxi Diesel Oil Branch Company of FAW Jiefang Automobile Co. Ltd.	Forging sales	12.86	0.79	-	-

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

Annexure referred to in Note No. 27 of Notes forming part of the Financial Statements

Segment reporting as required by Accounting Standard 17:

(Rs. in Million)

Sr. No.	Particulars		Year ended 31st March, 2010	Year ended 31st March, 2009
1	Segment Revenue:			
	a	Forgings	33 217.83	47 686.50
	b	Gen. Engg. Trading, etc.	114.79	116.80
		Total	33 332.62	47 803.30
		Less: Inter segment revenue- at cost	60.97	56.83
		Net Sales/Income from operations	33 271.65	47 746.47
2	Segment Results:			
	Profit/(Loss) (before tax and interest from each segment)			
	a	Forgings	3 020.30	5 597.00
	b	Gen. Engg. Trading, etc.	26.30	25.40
		Total	3 046.60	5 622.40
		Less:		
	1	Interest	1 303.02	1 291.36
	2	Other un-allocable expenditure net of un-allocable income	1 646.82	2 925.29
		Total Profit before tax & exceptional items	96.76	1 405.75
		Exceptional items		
		- Customer claim and Manpower Redundancy cost	(742.14)	(298.92)
		Profit /(Loss) before tax	(645.38)	1 106.83
3	Total carrying amount of segment assets:			
	a	Forgings	38 568.54	42 029.83
	b	Gen. Engg. Trading, etc.	333.85	199.49
	c	Unallocable		
		- unutilised fund temporarily deployed	8 017.80	3 383.26
		- others	6 043.00	7 608.10
		Total	52 963.19	53 220.68
4	Total amount of segment liabilities:			
	a	Forgings	11 236.22	8 261.29
	b	Gen. Engg. Trading, etc.	11.05	15.35
	c	Unallocable	2 805.21	3 804.05
		Total	14 052.48	12 080.69
5	Capital Employed (Segment assets - Segment Liabilities):			
	a	Forgings	27 332.32	33 768.54
	b	Gen. Engg. Trading, etc.	322.80	184.14
	c	Unallocable		
		- unutilised fund temporarily deployed	8 017.80	3 383.26
		- others	3 237.79	3 804.05
		Total	38 910.71	41 139.99
6	Total cost incurred during the year to acquire segment assets that are expected to be used during more than one period:			
	a	Forgings	1 287.98	8 560.40
	b	Gen. Engg. Trading, etc.	271.12	0.70
	c	Unallocable	25.10	833.69
		Total	1 584.20	9 394.79
7	Depreciation:			
	a	Forgings	1 937.87	2 017.20
	b	Gen. Engg. Trading, etc.	9.37	1.69
	c	Unallocable	503.92	498.43
		Total	2 451.16	2 517.32
8	Secondary information in respect of Geographical segment on the basis of location of customers:			
	a	Within India	11 455.05	10 561.37
	b	Outside India	21 820.90	37 189.40

The Company has identified its business segments as its primary reporting format which comprises of Forgings and General Engineering. The main segment is Forgings. All products made by the Company essentially emanate from forgings and therefore, it is reported as an independent business segment. General Engineering is a fabrication unit which constitute a miniscule portion of the Company's activities.

Above consolidated results for the year includes the result of subsidiary companies, viz. CDP Bharat Forge GmbH Germany, BF America Inc., U.S.A. and BF NTPC Energy Systems Ltd., India.

Annexure - 1

Summarized Statement of Financials of Subsidiary Companies pursuant to approval u/s 212 (8) of the Companies Act, 1956:

(Rs. in Million)

Sr. No.	Name of the Subsidiary	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments	Turnover	Profit Before taxation	Provision for taxation	Profit After taxation	Proposed dividend
1	CDP Bharat Forge GmbH, Germany [1]	302.65	3 893.23	5 926.49	1 730.61	0.26	5 307.46	(881.02)	20.17	(901.19)	-
2	Bharat Forge Holding GmbH, Germany	1.51	83.24	320.63	235.88	-	84.47	81.68	7.88	73.80	-
3	Bharat Forge Aluminiumtechnik Gmbh & Co. KG, Germany	84.03	233.04	804.84	487.77	-	2 061.57	18.28	8.35	9.93	-
4	Bharat Forge Aluminiumtechnik Verwaltungs Gmbh & Co. KG, Germany	1.55	2.03	3.58	-	-	0.32	0.31	0.05	0.26	-
5	Bharat Forge America Inc. U.S.A.	-	229.37	775.91	546.54	-	993.21	(234.54)	-	(234.54)	-
6	Bharat Forge Beteiligungs GmbH, Germany	1.51	2 927.15	2 948.40	19.73	8.96	110.95	75.07	6.78	68.28	-
7	Bharat Forge Kilsta AB, Sweden [2]	124.80	838.39	3 096.73	2 133.54	-	2 685.10	(815.32)	(204.49)	(610.84)	-
8	Bharat Forge Scottish Stampings Ltd., Scotland [3]	204.12	(394.36)	830.84	1 021.08	-	714.29	(12.06)	1.37	(10.70)	-
9	Bharat Forge Hong Kong Ltd., Hong Kong	1 405.68	(125.08)	1 281.72	1.12	-	0.13	(2.38)	-	(2.38)	-
10	FAW Bharat Forge (Changchun) Company Limited, China [4]	2 701.56	(1 092.07)	5 686.22	4 076.73	-	3 398.14	(315.13)	-	(315.13)	-
11	Bharat Forge Daun GmbH, Germany [1]	3.03	214.11	524.80	307.66	-	614.49	-	-	-	-
12	BF New Technologies GmbH, Germany [1]	1.51	93.82	126.39	31.05	-	0.14	-	-	-	-
13	BF-NTPC Energy Systems Ltd. [4]	21.00	-	120.00	99.00	-	-	-	-	-	-

Note: The above information has been drawn up to co-relate with the Consolidated Financial Statements.

1 Results of operations of Bharat Forge Daun GmbH and BF New Technologies GmbH has been transferred to CDP Bharat Forge GmbH as a result of Profit and Loss Pooling Agreement.

2 Loss before tax includes provision made towards loan extended to 100% Subsidiary viz. Bharat Forge Scottish Stampings Ltd., which gets eliminated in the consolidated financial statements of Bharat Forge Kilsta AB.

3 Loss before tax includes profit on transfer of business to immediate parent company viz. Bharat Forge Kilsta AB., which gets eliminated in the consolidated financial statements of Bharat Forge Kilsta AB.

4 Figures are as per Financial Statements and represent 100% of the Company's Financials before Minority Interest.

N O T I C E

NOTICE is hereby given that the Forty-ninth Annual General Meeting of the Members of **Bharat Forge Limited** will be held at the Registered Office of the Company at Mundhwa, Pune Cantonment, Pune 411 036 on Monday, July 26, 2010 at 10.00 A.M. (I.S.T.) to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on March 31, 2010 and the Reports of the Directors and of the Auditors.

2. To declare Dividend on Equity Shares.

3. To appoint a Director in place of MR. G.K. AGARWAL, who retires by rotation, but being eligible, offers himself for re-appointment.

4. To appoint a Director in place of MR. P.C. BHALERAO, who retires by rotation, but being eligible, offers himself for re-appointment.

5. To appoint a Director in place of MR. P.G. PAWAR, who retires by rotation, but being eligible, offers himself for re-appointment.

6. To appoint a Director in place of MR. S.D. KULKARNI, who retires by rotation, but being eligible, offers himself for re-appointment.

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT THE COMPANY'S AUDITORS, M/S. DALAL AND SHAH, CHARTERED ACCOUNTANTS, MUMBAI, BEARING FIRM REGISTRATION NUMBER 102021W WITH THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI) BE AND ARE HEREBY RE-APPOINTED AS AUDITORS OF THE COMPANY TO HOLD OFFICE FROM THE CONCLUSION OF THIS MEETING UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY AND THAT THE BOARD OF DIRECTORS BE AND IS HEREBY AUTHORISED TO FIX THEIR REMUNERATION FOR THE PERIOD."

SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT MR. NARESH NARAD BE AND IS HEREBY APPOINTED A DIRECTOR OF THE COMPANY, LIABLE TO RETIRE BY ROTATION."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION:

   "RESOLVED THAT DR. T. MUKHERJEE BE AND IS HEREBY APPOINTED A DIRECTOR OF THE COMPANY, LIABLE TO RETIRE BY ROTATION."

By Order of the Board of Directors
For BHARAT FORGE LIMITED

BEEJAL DESAI
Senior Vice President (Legal)
& Company Secretary

Mumbai: May 22, 2010

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. Members who hold shares in dematerialised form are requested to bring their CLIENT ID AND DP ID numbers for easy identification of attendance at the Meeting.

3. Members holding shares in dematerialised form are requested to intimate any change in their address, bank details, ECS details etc. to their respective Depositories Participants and those holding shares in physical form are to intimate the abovesaid changes to the Secretarial Department at the Registered Office of the Company.

4. If the dividend on Equity Shares as recommended by the Board of Directors is declared at the Meeting, the Dividend Warrants will be posted on and from August 12, 2010 to those Members whose names appear in the Company's Register of Members i.e. for those holding Shares in the physical form and those holding Shares in demat form as beneficiary owners in the record of the Depositories on July 26, 2010.

5. **The Share Transfer Books and the Register of Members of the Company will remain closed from Saturday, July 17, 2010 to Monday, July 26, 2010 (both days inclusive).**

6. Documents referred to in any of the items of the Notice are available for inspection at the Registered Office of the Company on any working day upto July 26, 2010 during business hours of the Company.

7. Those Members who have not encashed/received their Dividend Warrants for the previous years may approach the Secretarial Department at the Registered Office of the Company for claiming unpaid/unclaimed Dividend. (Also refer to Note No. 8 below).

8. Dividends which remain unclaimed/unencashed for a period of 7 years will be transferred by the Company to Investor Education and Protection Fund (IEPF) constituted by the Central Government under Sections 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim by the Shareholders shall lie for the unclaimed Dividend transferred to IEPF.
9. Equity Shares of the Company are under compulsory demat trading by all investors. Those Members who have not dematerialised their shareholding are advised to dematerialise their shareholding to avoid inconvenience in future.
10. On July 27, 2005 the Company had sub-divided its Equity Shares of the face value of Rs.10/- each into Equity Shares of the face value of Rs. 2/- each. Accordingly, the Members were requested to surrender their old Share Certificate/s of the face value of Rs. 10/- each and obtain from the Company the new Share Certificate/s of the face value of Rs. 2/- each. Those Members who have still not so obtained the new Share Certificate/s of the face value of Rs. 2/- each are requested to approach the Secretarial Department at the Registered Office of the Company and exchange their old Share Certificate/s of the face value of Rs. 10/- each for the new Share Certificate/s of the face value of Rs. 2/- each.

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956.

The following Explanatory Statement sets out, as required by Section 173 of the Companies Act, 1956, the material facts relating to Item Nos. 8 and 9 mentioned in the accompanying Notice dated May 22, 2010.

Item No. 8:

MR. NARESH NARAD, who was appointed as Additional Director with effect from 24 July, 2009, under Article 141 of the Articles of Association of the Company, holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956. However, being eligible, MR. NARESH NARAD offers himself for appointment as regular Director. The Company has received a notice in writing from a Member, under Section 257 of the Companies Act, 1956, proposing MR. NARESH NARAD as candidate for the office of Director, liable to retire by rotation.

Mr. Naresh Narad (66) holds a bachelor's degree in arts, LL.B. and has been a veteran I.A.S. Civil Servant. Mr. Naresh Narad has held various important positions in the Government of India and Government of Madhya Pradesh.

Mr. Naresh Narad is also a Director on the Board of Directors of FAT Pipe Networks Ltd. and NAFTO Gaz India Pvt. Ltd.

Committee Memberships of Mr. Naresh Narad are as follows:-

FAT Pipe Networks Ltd. (Member of Audit Committee and Shareholders' Grievances Committee).

Mr. Naresh Narad does not hold any Equity Shares of the Company.

Mr. Naresh Narad is not related to any Director.

It is considered desirable that the Company should continue to have the benefit of experience and advice of MR. NARESH NARAD and, accordingly, the Resolution for his appointment as Director is recommended to the Members for approval.

None of the Directors, other than MR. NARESH NARAD, is interested in the Resolution.

Item No. 9:

DR. T. MUKHERJEE, who was appointed as Additional Director with effect from 23 January, 2010, under Article 141 of the Articles of Association of the Company, holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956. However, being eligible, DR. T. MUKHERJEE offers himself for appointment as regular Director. The Company has received a notice in writing from a Member, under Section 257 of the Companies Act, 1956, proposing DR. T. MUKHERJEE as candidate for the office of Director, liable to retire by rotation.

Dr. T. Mukherjee (67) is M. Met. and Ph.D. Dr. Mukherjee, a veteran Metallurgist, has authored 134 papers in his career spanning four decades. He has been a visiting lecturer at University of Sheffield, U.K. and Adjunct Professor at I.I.T. Kharagpur. He is also a recipient of various prestigious awards. Dr. Mukherjee has total work experience of 42 years.

Dr. T. Mukherjee is also Director on the Board of Directors of TIL India Ltd., NICCO Corporation Ltd., WBIDC, Rane (Madras) Ltd. and Tractors India Pvt. Ltd.

Committee Membership of Dr. T. Mukherjee is as follows:-

TIL India Ltd. (Member of Audit Committee).

Dr. T. Mukherjee does not hold any Equity Shares of the Company.

Dr. T. Mukherjee is not related to any Director.

It is considered desirable that the Company should continue to have the benefit of experience and advice of DR. T. MUKHERJEE and, accordingly, the Resolution for his appointment as Director is recommended to the Members for approval.

None of the Directors, other than DR. T. MUKHERJEE, is interested in the Resolution.

By Order of the Board of Directors
For BHARAT FORGE LIMITED

BEEJAL DESAI
Senior Vice President (Legal)
& Company Secretary

Mumbai: May 22, 2010

KALYANI

ATTENDANCE SLIP

BHARAT FORGE LIMITED

Registered Office : Mundhwa, Pune Cantonment, Pune - 411 036.

NAME OF MEMBER/PROXY*			
DPID / CLIENT ID**		No. of Share held	
FOLIO NO.			

I hereby record my presence at the Forty-ninth Annual General Meeting held at the Registered Office at Mundhwa, Pune Cantonment, Pune - 411 036, on Monday, July 26, 2010 at 10.00 a.m. (I.S.T.)

SINGATURE OF THE SHAREHOLDER/PROXY*

* Strike out whichever is not applicable.

** Applicable for Members holding shares in Dematerialised form.

Note : Please handover this slip at the entrance of the Meeting venue.

-------------------------------- (Cut here) --------------------------------

PROXY

BHARAT FORGE LIMITED

Registered Office : Mundhwa, Pune Cantonment, Pune - 411 036.

I/We ....

of..

being a Member(s) of BHARAT FORGE LIMITED, Pune, hereby appoint ....

....of..

or failing him/her ....

of..as my/our proxy to attend and vote for me/us on my/our behalf at the Fourty-ninth Annual General Meeting of the Company to be held on Monday, July 26, 2010 at 10.00 a.m. (I.S.T.) and at any adjournment thereof.

Signed ....this ....day of 2010

DPID /CLIENT ID*		No. of Shares held	
FOLIO NO.			

* Applicable for Members holding shares in Dematerialised form.

Please affix 15 Paise Revenue Stamp

Signature(s) of Member(s) across the stamp

Note : The Proxy must be desposited with the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.

KALYANI

BHARAT FORGE

Bharat Forge Limited, Mundhwa, Pune Cantonment, Pune -411 036, Maharashtra, India.
Phone: +91.20.2670 2777, 2670 2476 Fax: +91.20.2682 2163
Email: info@bharatforge.com website: www.bharatforge.com