



Ten Year Financial Summary (Rs. Crore)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Sales	6141.94	5715.52	5036.75	4233.66	3437.13	2989.43	2541.97	2195.62	2090.50	2321.07
Other Income	34.40	40.83	24.17	27.07	44.96	58.54	65.71	45.08	33.95	36.60
Total Income	6176.34	5756.35	5060.92	4260.73	3482.09	3047.97	2607.68	2240.70	2124.45	2357.67
Profit before Taxation	398.48	211.39	260.96	99.81	55.34	42.90	167.75	112.50	48.74	96.36
Provision for Taxation	145.45	66.83	89.18	19.90	15.03	14.10	50.37	34.04	17.00	32.30
Profit after Taxation	253.03	144.56	171.78	79.91	40.31	28.80	117.38	78.46	31.74	64.06
Share Capital	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24
Reserves	1357.18	1116.55	981.91	820.05	749.81	719.17	699.96	592.15	526.51	501.82
Net Worth	1361.42	1120.79	986.15	824.29	754.05	723.41	704.20	596.39	530.75	506.06
Fixed Assets Gross	3020.57	2866.24	2289.77	1955.99	1787.85	1534.47	1348.80	1224.17	1155.15	1063.35

DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the Forty Ninth Annual Report and the Audited Statement of Accounts for the year ended 30th September, 2009.

WORKING OF THE COMPANY

Financial Results

During the year under review, the Company achieved the following financial results:

	(Rs. Crore)	
	2008-09	2007-08
Total Income	6176.34	5756.35
Profit before tax	398.48	211.39
Provision for taxation	145.45	66.83
Net Profit	253.03	144.56

Your Company sustained its leadership position in the tyre industry with its sales registering a growth of 7% over the previous year, despite extremely difficult market scenario and the production loss caused due to labour problem. During this period, the prices of key raw materials, especially that of natural rubber and petroleum derivatives came down. This development coupled with better operating efficiencies and overall cost reduction undertaken by the Company contributed to improved results during the year.

Two interim dividends of Rs.3 each per share (30% each) for the year ended 30th September, 2009 were declared by the Board of Directors on 27-07-2009 and on 27-10-2009. The Board of Directors is now pleased to recommend a final dividend of Rs.19 per share (190%) on the paid-up equity share capital of the Company, for consideration and approval of the shareholders at the Annual General Meeting. With this, the total dividend for the entire year works out to Rs.25 per share (250%). The total amount of dividends aggregates to Rs.10.60 Crore.

The Directors recommend that after making provision for taxation and proposed dividend, the amount of Rs.240.63 Crore be transferred to General Reserve. With this, the Company's reserves and surplus stand at Rs.1357.18 Crore.

INDUSTRIAL RELATIONS

The industrial relations in all our manufacturing plants have been harmonious as well as cordial, except in Arkonam and Puducherry, for a short duration. Both production and productivity were maintained at the desired satisfactory levels throughout the year in all the plants.

The Management Discussion and Analysis Report gives an overview of the developments in human resources/industrial relations during the year.

EXPORTS

During the year, taking forward the initiatives of 2007-08 in the identified focus markets, the Company concentrated on efforts in strengthening end

customer contact and creating preference for MRF brand. Impetus was given on segmentation of truck and light truck markets and providing product marketing support to the distributors in each segment to create product differentiation and preference among customers.

The first half of the year was very challenging in terms of generally low activity and slump in demand on account of global recession. The second half definitely showed quick recovery and the situation returned to normalcy by the fourth quarter.

During the year, the Company however managed to maintain its market share and volumes close to 2007-08 levels. Export turnover was Rs.500.56 Crore for the year ended 30th September, 2009 as against Rs.497.22 Crore for the previous year.

PROSPECTS FOR THE CURRENT YEAR

With multinationals looking to India, it is expected that more vehicle manufacturers may set up facilities in India which could trigger increased original equipment demand in the future.

The Company also expects the government to increase expenditure in infrastructure and other sectors in the coming years. Government spending, coupled with the lowering of interest rates should hopefully give effect to a push in demand.

Wide fluctuations in the prices of natural rubber, petroleum derivatives and other duties can be anticipated in the coming years. The Company is geared to handle the situation by concentrating on improving operating efficiencies and implementing all round cost reduction measures to ensure that the cost push does not impact our profitability.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) they have, in selection of the accounting policies, consulted the statutory auditors and applied them consistently making judgements and estimates that are 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 that period;

- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

SUBSIDIARIES

The Ministry of Corporate Affairs, Government of India, vide its letter No.47/682/2009–CL-III dated 14-10-2009, in exercise of its powers under Section 212(8) of the Companies Act, 1956, granted an exemption to the Company from the provisions of Section 212(1) of the Companies Act, 1956, with regard to attaching the balance sheet, profit & loss account etc., of the subsidiaries for the year ended 30th September, 2009, since the consolidated financial statement presented by the Company includes the financial information of the subsidiaries. In view of this, the annual reports of the subsidiary Companies have not been annexed.

The annual accounts of the subsidiary Companies along with the report of the directors and auditors thereon and all related detailed information will be made available to shareholders of the Company on request and will also be kept open for inspection at the registered office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details as required under the Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988 are given as an annexure to the Directors' Report.

BOARD

We report with profound sorrow, the sad demise of our Director Mr S Nandagopal on 31-12-2008. He had served on the Board of the Company for almost 8 years. We place on record the valuable services rendered by him as Director on the Board as well as Chairman of the Audit and Remuneration Committees.



Mr Ranjit I Jesudasen, Mr Ashok Jacob and Mr V Sridhar retire by rotation at the Annual General Meeting and are eligible for re-election.

CORPORATE GOVERNANCE

In accordance with Clause 49 of the listing agreement with the stock exchanges, a separate report on corporate governance along with the Auditors' certificate confirming compliance is attached to this report.

The Chairman & Managing Director has confirmed and declared that all the members of the Board and the senior management have affirmed compliance with the code of conduct.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms an integral part of the Directors' Report. However, in terms of the provisions of Section 219(1) (b) of the Companies Act, 1956, the report and accounts are being sent to shareholders of the Company excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of such statement may write to the Company Secretary at the registered office of the Company and will be provided with a copy of the same.

DEPOSITS

6 deposits aggregating Rs.2.38 lakhs remain unclaimed as at the close of the year ended 30th September, 2009.

AWARDS RECEIVED DURING THE YEAR

During the year, we have received AIRIA's "Top Export Awards (Auto tyre sector)" and Chemicals & Allied Products Export Promotion Council (CAPEXIL) – "Merit Award".

AUDITORS

Messrs Sastri & Shah and M.M. Nissim and Co., who are our auditors, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from the auditors to the effect that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

COST AUDIT

Cost audit for the year ended 30th September, 2009 will be conducted by the cost auditor Mr C Govindan Kutty, B.Com., A.C.A., A.I.C.W.A., A.C.S., Chennai and the report will be submitted to the Government.

APPRECIATION

Your Directors place on record their appreciation of the invaluable contribution made by our employees which made it possible for the Company to achieve these results. They would also like to take this opportunity to thank the customers, dealers, suppliers, bankers, financial institutions, business associates and our valued shareholders for their continuous support and encouragement.

Chennai
21st December, 2009

On behalf of the Board of Directors,
K. M. MAMMEN
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a) The major energy conservation measures implemented during the year include improved insulation on curing press pipe lines, improved pressure control system on compressed air distribution system, monitoring boilers for optimum air usage during combustion, periodical checking of steam traps along with standardisation of steam traps and optimisation of process pumps.

Usage of CFL lamps in place of high Bay Sodium Vapour and incandescent lamps, energy saver devices for the lighting circuits, usage of high efficiency motors, low HP rating DC motors replaced with AC motors, automatic power factor controller introduced with detuned filters and pressure controllers with VFD for hot water pumps and cold water pumps.

- b) Additional investments are being proposed for installation of Co-gen Plant, Coal Fired Boilers, regular energy audit by external agency and optimization of pumps.
- c) The programs initiated for conservation of energy has resulted in the reduction of electrical energy and furnace oil consumption per unit metric ton of production over the previous financial year.

Total Energy consumption and energy consumption per unit of production:

FORM "A"

I. POWER AND FUEL CONSUMPTION

1. Electricity

	2008-09	2007-08
(a) Purchased:		
Units	277499589	286717930
Total Amount – (Rs. Lacs)	12074.16	10524.18
Rate/Unit (Rs.)	4.35	3.67
(b) Own Generation:		
Through Diesel Generator Units	44129999	31171380
Units/Ltr. of Diesel /Furnace Oil	3.60	3.60
Cost/Unit (Rs.)	8.08	8.46

2. Furnace Oil

Quantity (KL)	63891	64348
Total amount (Rs. Lacs)	12660.51	16479.91
Average Rate (Rs./Ltr)	19.82	25.61

II. CONSUMPTION PER UNIT OF PRODUCTION

	2008-09	2007-08
Production (MT)	345177	353641
Electricity (Unit/MT)	932	899
Furnace Oil (on applicable production) (Ltrs./MT)	186	184

B. TECHNOLOGY ABSORPTION

FORM "B"

RESEARCH & DEVELOPMENT (R & D)

1. Specific Areas in which R & D was carried out by the Company

- a) Development of high performance tyres required for domestic and export market
- b) New process development for conservation of fuel and energy



- c) Modification of existing machinery and development of new equipment
- d) Development of alternate domestic sources for raw materials and equipment for import substitution and cost competitiveness
- e) New formulation development to meet specific customer requirements

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

The R & D activities are co-ordinated in our separate, independent, fully equipped R&D Center, in the R&D laboratories at all manufacturing units, the R&D laboratory for Natural Rubber at Kottayam and the shop floor of all our manufacturing operations.

In order to meet the high performance requirements as demanded by the new Original Equipment customers, new products have been developed for specific applications.

New processes adopted for conservation of fuel and energy has resulted in increased productivity and cost saving.

Domestic sources are developed for different raw materials and machineries and this has improved cost competitiveness.

New products are developed for the following applications:-

- (a) Domestic and Export market
- (b) Original Equipment Manufacturers and replacement market
- (c) Defence sector
- (d) Tyres for Rallies and Races
- (e) Farm service and Off the Road
- (f) Aircraft tyres
- (g) Inner tubes
- (h) Belting industry
- (i) Retread market

Modification and adaptation of sophisticated equipment by the R&D Engineering department is done to obtain narrow tolerances as demanded by the new OE car manufacturers.

3. Future plan of action

R&D work is carried out to develop high performance bias truck tyre which can offer higher mileage, lower heat build up and lower rolling resistance.

Efforts are on to develop and perfect radial tyres to meet the increased radialisation in segments such as truck, motor cycle and farm.

To meet the increased demand for off the road tyres, development of new sizes with high performance compounds are given priority.

In order to meet the requirement of new automobile manufacturers, new products which can offer specific property requirements, such as improved traction, lower rolling resistance and higher speed, are being developed.

Efforts are also on to develop aircraft tyres to meet defence requirement.

In order to meet the increased export market requirement, products are being developed for specialized application such as race and rallies and PCTR with new designs.

R&D work is also directed towards developing alternate raw materials to meet certain stringent environmental requirements as demanded by new car Companies.

4. Expenditure on R & D	2008-09 (Rs. Crore)	2007-08 (Rs. Crore)
R & D Expenses		
a) Capital	1.45	2.00
b) Recurring	14.02	11.70
Total	15.47	13.70
Total R & D Expenses as a % of turnover & other income	0.25%	0.24%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

a) Evaluation of New Materials

New raw materials are being evaluated and regularized to offer specific properties.

b) New Product Development

To meet the stringent requirements of the customer, new products with special designs and compounds are continuously developed.

c) New Process Development

New processes are being developed to offer fuel and energy savings and to improve the product performance.

New process techniques are being continuously adopted for improving product consistency and energy saving.

d) Development of Equipment and Machinery

New equipments and machineries are being developed to improve consistency, reduce wastage and to achieve higher productivity.

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

a) Product Improvement

Improvements in Product performance noticed with the development of new compounds and through process improvements.

b) Cost Reduction

Development of alternate sources of raw materials and changes made in the process, which results in energy saving, have resulted in cost reduction.

c) Product Development

Efforts taken to meet the new requirements demanded by the OE customers have resulted in developing high performance products.

Usage of new formulations with specific raw materials have improved product performance.

d) Import Substitution

Evaluation and introduction of new domestic sources for raw materials and modification of machineries have helped in import substitution.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. Crore)

Foreign Exchange Earnings:

(a) On account of Export Sales (FOB Value)	500.56
(b) Others	0.43
	<u>500.99</u>

Foreign Exchange Outgo: 1154.98

Chennai
21st December, 2009

On behalf of the Board of Directors,
K. M. MAMMEN
Chairman & Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

(Within the limits set by the Company's competitive position)

The core business of MRF is manufacturing, distribution and sale of tyres for various kinds of vehicles. The management discussion and analysis given below discusses the key issues for various sectors of the business.

INDUSTRY STRUCTURE & DEVELOPMENT

The Indian tyre Industry consists of 36 tyre Companies; 10 major tyre Companies accounting for 95% of the tyre business. The tyre Companies produce mainly truck tyres and a range of non-truck tyres. Most tyre Companies produce bias belted tyres. However, this scenario is changing in favour of radial tyres. The market for tyres is primarily driven by original equipment manufacturers.

In the heavy commercial vehicle segment, Tata Motors and Ashok Leyland lead with Volvo, Eicher Motors, Force Motors etc., entering the market in recent times. This segment is undergoing a change since multi-axle vehicles are more in demand and manufacturers are changing their product mix accordingly. Due to the recession, the period October 2008-September 2009 witnessed a substantial drop in production in this segment by around 45% – in the previous year this segment experienced a growth rate of around 0.5%. The impact of recession is also noticed in the negative growth of 16% in the light commercial vehicle segment – the segment enjoyed a positive growth of 14% last year. The passenger car, scooter and three wheeler segments witnessed a growth of 8%, 14% and 2% respectively.

Radial tyres have shown significant increase in its usage every year. In India, 98% of the tyres in the passenger car segment are radial tyres. The commercial vehicles viz., the trucks, buses and light trucks, continue to run on bias tyres. However, this trend is gradually changing with radialisation reaching 8% in heavy commercial vehicles and 18% in the LCV segment.

OPPORTUNITIES AND THREATS

The tyre industry is dependent on the performance of automobile and infrastructure sectors. The year gone by was a period when the domestic market was impacted significantly and market sentiment was low. The acute slump in the commercial, heavy vehicle segment, which constitutes the bulk of the tyre market, was an indicator to what the tyre industry was

to anticipate in the medium term. In the first three months of the year, the commercial vehicle manufacturers were compelled to resort to layoffs, production cuts and closures of some factories. These manufacturers were bailed out mainly by the Government's stimulus packages. Despite the recovery, the manufacturers had still not reached the level of production achieved in the previous year.

Fortunately, the demand slump bottomed out by March 2009 and India witnessed a revival.

Thanks to our brand equity and preference, our sales of premium tyres increased and helped us improve our market share. During the same period, commodity prices fell sharply, especially that of natural rubber and petroleum derivatives. To some extent, this development helped in our overall performance.

Around 90% of the tyres imported are Chinese tyres. The silver lining was the restriction imposed on the import of Chinese truck tyres. The Government mandated that an importer required to have a license to import Chinese tyres unlike in the past when imports were not controlled. This move, to some extent, curtailed the flow of Chinese radial tyres into the country. However, the threat continues to the extent that intermediaries are still finding ways to beat the system and still import tyres illegally. This issue should be addressed and corrected before the situation becomes as alarming as in the past. While the anti-dumping duty of the Government is levied on bias tyres, the industry is pushing to extend the duty to radial tyres. The tyre industry is also keen on duty reliefs on raw materials not produced in India to enable Indian Companies to compete with Chinese products.

Tyre industry is raw material intensive with raw materials accounting for 60% of the industry turnover. The sharp volatility in the raw material prices, in particular the natural rubber prices, has been the main problem facing the tyre industry in India.

SEGMENT WISE & PRODUCT WISE PERFORMANCE

During the year 2008-09, in spite of the extremely difficult market scenario and the production cuts caused by the labour problem in two of our major plants, our net sales increased by 12% over the corresponding period last year. This increase, much higher than other major players, during difficult times, was significant.

The launch of the MRF Wanderer SUV tyres in February 2009, during the peak of the recession period, enhanced our brand image in the SUV

segment in the radial passenger market. Tata Nano is a technology marvel in the automobile industry. It is a tribute to MRF that the Nano rolled out on MRF tyres. MRF has been appointed a major supplier of tyres to the prestigious Tata World Truck project which indicates that while we dominate in the bias-belt segment, we are not far behind in truck radials.

SPECIALITY COATINGS

Compared to the previous year, the cost of raw materials came down during the first three months of the year. Even though we had reduced prices in January 2009, the continued down trend in the input costs helped us to improve the profitability. In addition to this, the contribution of dealer/decorative sales went up to 80% and the more profitable product mix also contributed in no small measure to the improved margins.

The Division introduced this year, a two pack water-based exterior wood coating called Aquacoat PU. Some of the other new products introduced during the year were – Freshwood PU for interiors and exteriors, acrylic superfine finishes, maintenance coating products and other industry specific products.

The Speciality Coatings Division achieved a turnover of Rs.49.82 crore against Rs.50.25 crore for the previous year.

CONVEYOR BELTING

Muscleflex Conveyor Belting, available in a wide range of Cover Grades, are engineered for various applications. These products, operating in the most demanding conditions across the world, have gained preference with many a customer. The ever increasing list of customers is testimony to MRF's superior product quality and the highest levels of performance that Muscleflex is known for.

EXPORTS

MRF continued its efforts to develop the MRF brand in markets which were identified in 2007-08.

The first half of the year was challenging due to slump in demand on account of global recession. The second half was better and exports in this period was an indication of recovery. By the fourth quarter, the situation had changed to normalcy.

Despite the adverse times, MRF managed to maintain its market share and volumes close to the 2007-08 level. Export turnover was Rs.500.56 crore for the year ended 30th September 2009 against Rs.497.22 crore for the previous year.

During the period under review, MRF won the All India Rubber Industries Association for "Top Export Awards [Auto Tyre Sector]" category and the Merit Award from the Chemicals & Allied Products Export Promotion Council.

OUTLOOK

It can be anticipated that prices of natural rubber and other duties would fluctuate widely in the coming years. We should be conscious of this fact and concentrate on improving on overall efficiency and implement rigid cost-control measures to ensure the cost push does not impact our profitability.

With worldwide recession showing signs of little progress, multinationals are looking towards India for survival in the future. More vehicle manufacturers can be expected to set up facilities in India, raising the hopes of a large OE demand in the offing.

We expect government expenditure in infrastructure and other sectors to increase further. Government spending, coupled with a lowering in the interest rates to offset the weak market sentiment, will hopefully give effect to a push in demand.

The tyre industry in India is faced with an unfortunate situation whereby the import of rubber as raw material is discouraged while the import of tyres is encouraged. The import duty on natural rubber is around 20%, while that on tyres is as low as 10%. The industry has repeatedly pleaded to the Government to rectify this situation either by decreasing the import duty on natural rubber or by increasing the import duty on tyres.

PERFORMANCE OF THE COMPANY

The sales turnover of the Company during the year increased from Rs.5715.52 crore in 2007-08 to Rs.6141.94 crore in 2008-09. Earnings before depreciation, interest and tax [EBIDTA] amounted to Rs.716.72 crore, the highest ever recorded by the Company, as against Rs.447.16 crore in the previous year. After providing for depreciation, interest and income tax, the net profit for the year was Rs.253.03 crore as compared to Rs.144.56 crore in the previous year.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place an adequate system of internal control, supported by documented procedures covering all financial and



operating functions, commensurate with the size and complexities of the organization. These are further strengthened with inbuilt checks and balances in the SAP system which covers most functions.

Some salient features of the internal control systems in vogue are:

- i) Preparation of annual budgets for all operating and service functions and monitoring the same frequently.
- ii) Correct and accurate accounting of transactions with internal verification and timely reporting.
- iii) An efficient ERP system connecting all the plants, the sales offices and head office, enabling efficient and seamless flow of information.
- iv) Compliance with applicable statutes, listing requirements and management policies and procedures as well as statutory and applicable accounting standards and policies.
- v) A well established internal audit team which carries out periodic audit at all locations and functions and highlights any deviation in internal control procedures.
- vi) All significant audit observations, suggestions and follow up actions are placed before the Audit Committee of the Board of Directors.
- vii) A detailed report to the Audit Committee of the Board of Directors on various operational, financial and other business risks faced by the Company and steps taken by the Company to mitigate the same.
- viii) All the assets are safeguarded and protected against loss from unauthorized use or disposal.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

(Rupees Crore)

	2008-09	2007- 08
Sales	6141.94	5715.52
Other income	34.40	40.83
Total income	6176.34	5756.35
Profit before taxation	398.48	211.39
Provision for taxation	145.45	66.83
Net profit	253.03	144.56

The operations of the Company predominantly relate to manufacture of rubber products such as tyres, tubes, flaps, tread rubber and conveyor belt and this constitutes the major business segment. Other business operations of the Company consisting of manufacturing and dealing in speciality coatings, sports goods and other products, though profitable, do not contribute significantly to the total revenue of the Company.

The raw material prices continued to rise from April 2008 onwards and these high price levels continued into the first quarter of the current year (i.e. Oct to Dec 2008), thus adversely impacting the margins. Soon after the raw material prices eased off, industrial relation problems at two of our plants affected operations for about two months in the second half of the year.

During the year, due to constant monitoring, we were able to drastically reduce current assets by about Rs.340 crore and this enabled the Company to reduce its loan liability.

RISKS AND CONCERNS

The financial and non financial risks faced by the industry because of the turbulent economic and financial conditions faced during the year under review posed a major challenge in dealing with the financial and non financial risk factors.

Based on the review carried out by the Company's external auditors last year, the various risks that departments like marketing, production, planning, purchase, taxation, finance and legal are exposed to, were further reviewed and appropriate steps taken to mitigate the same.

The Board has been apprised of such major business risks identified by the Company and the steps taken and proposed to be taken to mitigate them.

HUMAN RESOURCES

The year was challenging for the industry as the economic downturn had set in during the early period of the financial year. The job market almost came to a standstill. Companies started reducing manpower and putting a freeze on revision of compensation. Some Companies had put their recruitment on hold.

During this period, the Company was able to attract better talent for the vacancies due to expansion. The regular process of selection also contained tests assessment for selection of better candidates. It was a

year in which we have redefined our induction process and offered a comprehensive induction program for all inductees. All new recruits were given rigorous induction on products and processes, which included mini assignments to understand process related bottlenecks and pitfalls that resulted in scrap generation and losses.

There was a significant thrust on learning and development activities. Based on the training need analysis [TNA], training calendar was prepared and programs were conducted as per schedule both at corporate office and in units for the benefit of staff members. Unit specific training programs were followed up with productivity linked projects. The programs were facilitated by external and internal faculty members. The ongoing technical training program on products, processes and technology for operators and technical staff continued during the year. In addition, soft skill training-taking into consideration the specific need for relationship building, was also organized to build positive interpersonal relationship. The total employee strength as on 30-09-2009 is 12,187.

During the year, we had faced industrial unrest in 2 of our units and steps and strategies are being implemented to improve our relationship with workmen. Long term agreements have been signed in three of our units.

TPM [Total Productive Maintenance] continued to be a way of life in MRF units and the benefits are seen on maintaining a clean and hygienic work environment. The employees were continuously encouraged and motivated to present more 'Kaizens' which were duly rewarded and implemented at the work place.

There was a continuous improvement made in using SAP. Many customized developments were made for using specific features of SAP. Overall productivity went up significantly after implementation of SAP.

Plants of the Company are located at the following places:

Tiruvottiyur	– Tiruvottiyur, Chennai, Tamilnadu
Kottayam	– Vadavathoor, Kottayam, Kerala
Goa	– Usgao, Ponda, Goa
Arkonam	– Icchiputhur – Arkonam, Tamilnadu
Medak	– Sadasivapet, Medak, Andhra Pradesh
Puducherry	– Eripakkam Village, Nettapakkam Commune, Puducherry
Gummidipoondi	– Sipcot Industrial Complex, Gummidipoondi, Tamilnadu.

CORPORATE SOCIAL RESPONSIBILITY

MRF is deeply committed towards the development and nurturing of the local communities with whom it is involved. The Company has been implementing several CSR initiatives, with special focus on the areas of health, education, employability and environment.

During the year 2008-09, some of the key initiatives undertaken were the organizing of several health camps across various categories such as general, ophthalmic, dental and cardiac, alcoholism, aids awareness, with due emphasis on both curative and preventive aspects of wellness, continued focus on education during the year, with a series of career guidance sessions, coaching sessions spread across multiple centres and merit-based scholarship awards to children based on performance in academics and sports. Besides, several vocational training courses – such as tailoring, beauty care, nutrition and catering, detergent making etc., were conducted by the Company towards empowerment of women through skill development. The Company also continued its commitment to preserving and improving the environment by distributing and planting thousands of saplings both within its premises and in the larger community.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

Your Company's philosophy is to uphold sound corporate governance practices and maintain the highest standards of corporate values and ethics in all its activities and processes. At MRF, we believe in the following principles for effective corporate governance:

- (i) transparency in governance and in disclosure practices,
- (ii) ethical standards in all our activities,
- (iii) fair and equitable treatment of all its stakeholders and
- (iv) voluntary compliance with laws and regulations.

Your Company believes that good corporate governance is essential to achieving long-term corporate goals and for meeting the needs and aspirations of its stakeholders, including shareholders.

2. Board of Directors

(a) Composition of the Board:

As at 30th September, 2009 in compliance with corporate governance norms, the Board comprises of 11 Directors. It includes a Chairman & Managing Director, a Managing Director, a Whole- time Director, 2 Non-Executive Directors and 6 Non-Executive Independent Directors. None of the Directors on the Board is a member of more than 10 committees or act as Chairman of more than 5 committees across all Companies in which he is a director.

(b) Number of Board Meetings, attendance of Directors at Board Meetings and at the Annual General Meeting, outside directorships and board committee memberships:

During the year 2008-09, six Board Meetings were held on 21-10-2008, 19-12-2008, 23-01-2009, 19-03-2009, 13-04-2009 and 27-07-2009. The interval between any two successive meetings did not exceed four calendar months.

Name of Director	Category	No. of Directorships in other Public Ltd. Companies	No. of Committee Memberships in other Public Ltd. Companies	No. of Board Meetings attended during 2008-09	Attended last AGM on 19-03-2009
Mr K M Mammen * Chairman & Managing Director	Promoter Executive Director	4	Nil	6	Yes
Mr Arun Mammen * Managing Director	Promoter Executive Director	3	Nil	6	Yes
Mr K M Philip Whole-time Director	Promoter Executive Director	3	Nil	4	No
Dr K C Mammen	Non-Executive Director	3	Nil	6	Yes
Mr Ashok Jacob (NRI)	Non-Executive Director	3 (Incl. 2 Overseas Companies)	Nil	1	Yes
Mr S Nandagopal **	Non-Executive Independent Director	3	2-Chairman 1-Member	2	N.A.
Mr V Sridhar	Non-Executive Independent Director	Nil	Nil	6	Yes
Mr Vijay R Kirloskar	Non-Executive Independent Director	9 (Incl. 4 Overseas Companies)	1-Member	4	No
Mr N Kumar	Non-Executive Independent Director	7 (Incl. 1 Overseas Company)	5-Chairman 2-Member	6	Yes
Mr Ranjit I Jesudasan	Non-Executive Independent Director	Nil	Nil	6	Yes
Mr S S Vaidya @	Non-Executive Independent Director	9	4-Chairman 5-Member	3	Yes
Dr Salim Joseph Thomas @@	Non-Executive Independent Director	Nil	Nil	3	Yes

* Mr K M Mammen, Chairman and Managing Director and Mr Arun Mammen, Managing Director, are brothers and hence related to each other within the meaning of Section 6 of the Companies Act, 1956.

** Ceased to be Director consequent to his demise on 31/12/2008.
The number of Directorships/Committee membership in other public limited Companies, is as on the date of cessation.

@ Mr S S Vaidya was appointed as Director of the Company on 23/01/2009 to fill the casual vacancy caused by the demise of Mr S Nandagopal.

@@ Dr Salim Joseph Thomas was appointed as Additional Director of the Company on 23/01/2009 and appointed as a Director, liable to retire by rotation, in the AGM held on 19/03/2009.

(c) Information placed before the Board

The Company holds 6 Board Meetings a year to review the financial results and other items that are required to be placed before the Board under the various statutes including the Companies Act, 1956, and the listing agreements entered into with the stock exchanges. All the departments in the Company provide well in advance, matters which require approval of the Board/Committees, to the Company Secretary to enable him to prepare the agenda for the Board/Committee meetings.

(d) Code of Conduct

The Board has laid down a Code of Conduct for all Directors and senior management staff of the Company. The code of conduct is available on the website: www.mrftyres.com. All Directors and members of the senior management have affirmed their compliance with the code of conduct.

The Chairman & Managing Director has confirmed and declared that all the members of the Board and senior management have affirmed compliance with the code of conduct.

3. Committees of the Board

A. Audit Committee:

(i) Composition:

The Audit Committee comprises of 3 Directors all of them being Non-Executive Independent Directors. The members of the Committee including its Chairman are as follows:

Mr S S Vaidya	Chairman
Mr V Sridhar	Member
Mr Ranjit I Jesudasen	Member

Mr S S Vaidya was appointed by the Board as Member & Chairman of the Audit Committee w.e.f 01-02-2009, consequent to the demise of Mr S Nandagopal on 31-12-2008.

Mr Ravi Mannath, Company Secretary, is the Secretary of the Committee.

Mr K M Mammen, Chairman & Managing Director and Mr Arun Mammen, Managing Director, are permanent invitees. Heads of finance, internal audit, statutory auditors and such other executives, as considered appropriate, also attend the meetings on invitation.

(ii) Reference:

The powers, role and terms of reference of the audit committee covers the area as mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process, internal controls and disclosures of financial information, reviewing the adequacy of the internal audit team, reviewing with management the quarterly/annual financial statements before submission to the Board, recommending the appointment of statutory auditors and fixation of their remuneration.

Apart from the above, the Committee also reviews Management Discussion and Analysis, statement of related party transactions and the management letters issued by statutory auditors and the response thereto by the management.

(iii) Meetings and Attendance:

During the year 2008-09, the Audit Committee met on the following dates:



Dates of Meetings: 21-10-2008, 19-12-2008, 23-01-2009, 13-04-2009 and 27-07-2009.

The members and attendance of Committee members are given below:

Name of the Member	Meetings Attended
Mr S Nandagopal	2
Mr S S Vaidya	2
Mr V Sridhar	5
Mr Ranjit I Jesudasan	5

Mr S Nandagopal ceased to be Chairman of the Audit Committee with effect from 31-12-2008, consequent to his demise.

B. Remuneration Committee:

(i) Composition:

The Committee comprises of 3 Non-Executive Independent Directors and 2 Executive Directors. The Chairman is a Non-Executive Independent Director. The Committee comprises of:

Mr S S Vaidya	Chairman
Mr V Sridhar	Member
Mr Ranjit I Jesudasan	Member
Mr K M Mammen	Member
Mr Arun Mammen	Member

Mr S S Vaidya was appointed by the Board as Member & Chairman of the Remuneration Committee w.e.f 01-02-2009, consequent to the demise of Mr S Nandagopal on 31-12-2008.

Mr Ravi Mannath, Company Secretary, is the Secretary of the Committee.

(ii) Reference:

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing and Whole-time Directors.

(iii) Meetings and Attendance:

During the year 2008-09, the Remuneration Committee met on 21-10-2008, 13-04-2009 and 27-07-2009. The members of the Committee who were present for the meetings are as follows :

Name of the Member	Meetings Attended
Mr S Nandagopal	1
Mr S S Vaidya	2
Mr V Sridhar	3
Mr Ranjit I Jesudasan	3
Mr K M Mammen	3
Mr Arun Mammen	3

Mr S Nandagopal ceased to be Chairman of the Remuneration Committee with effect from 31-12-2008, consequent to his demise.

The Remuneration policy of the Company is:

- For Managing and Whole-time Directors, the total remuneration consists of salary, perquisites & commission within the limits approved by the shareholders. No sitting fee is payable.
- Non-Executive Directors do not draw any remuneration from the Company except the sitting fees as permitted under the Companies Act, 1956 for attending the meetings of the Board/Committee thereof.

Details of Remuneration to all the Directors for the year 2008-09:

The aggregate value of salary and perquisites and commission paid to the Managing and Whole-time Directors are as follows:

(a) Name	(b) Designation	(c) Salary and perquisites (Rs.)	(d) Commission (Rs.)	(e) Total (Rs.)
----------	-----------------	----------------------------------	----------------------	-----------------

(a) Mr K M Mammen	(b) Chairman & Managing Director	(c) 16692902	(d) 5100000	(e) 21792902
(a) Mr Arun				

Mammen (b) Managing Director (c) 14569039 (d) 4500000 (e) 19069039 (a) Mr K M Philip (b) Whole-time Director (c) 17134043 (d) 5100000 (e) 22234043.

Note: Salary and perquisites include all elements of remuneration i.e., salary, allowances and benefits. The Company has not issued any stock options to any of the directors. The term of executive directors does not exceed five years.

The sitting fees paid for the year 2008-09 to Non-Executive Directors and their shareholdings are as follows:

(a) Name	(b) Designation	(c) Sitting fees (Rs.)	(d) No. of shares held
----------	-----------------	------------------------	------------------------

(a) Dr K C Mammen	(b) Director	(c) 30000	(d) 9043,
(a) Mr Ashok Jacob	(b) Director	(c) 5000	(d) 1856, (a) Mr S Nandagopal
(b) Director	(c) 25000	(d) Nil, (a) Mr V Sridhar	(b) Director
(c) 80000	(d) Nil, (a) Mr Vijay R Kirloskar	(b) Director	(c) 20000
(d) 355, (a) Mr N Kumar	(b) Director	(c) 30000	(d) Nil, (a) Mr Ranjit I Jesudasan
(b) Director	(c) 80000	(d) Nil, (a) Mr S S Vaidya	(b) Director
(c) 35000	(d) Nil, (a) Dr Salim Joseph Thomas	(b) Director	(c) 15000
(d) Nil,			

There were no material pecuniary relationship or transactions by Non-Executive Directors vis-à-vis the Company.

C. Shareholders/Investors Grievance Committee:

(i) Composition:

The Company has constituted a Shareholders/Investors Grievance Committee of the Board of Directors under the Chairmanship of a Non-Executive Independent Director to specifically look into the redressing of Shareholder/Investor Grievances.

The members of the committee comprise of:

Mr V Sridhar	Chairman
Mr Ranjit I Jesudasan	Member
Mr K M Mammen	Member

Mr Ravi Mannath, Company Secretary, is the Secretary of the Committee.

(ii) Reference:

The Committee looks into redressing of grievances of the investors namely shareholders and fixed deposit holders. The Committee deals with grievances pertaining to transfer of shares, non-receipt of annual report, non-receipt of dividend, dematerialisation of shares, complaint letters received from Stock Exchanges, SEBI, non-receipt of interest warrants, repayment of Fixed Deposit issues etc. The Board of Directors have delegated the power of approving transfer/transmission of shares to a Share Transfer Committee.

(iii) Meetings and Attendance:

During the year, the Shareholders/Investors Grievance Committee met twice on 19-12-2008 and 27-07-2009. All the members of the Committee were present for the meetings.

The total number of investor complaints received during the year under review was 3. All the complaints were resolved to the satisfaction of the shareholders.

Number of Share Transfers/Transmissions/issue of Duplicate share certificates pending as on 30th September, 2009, was 10. As on date, out of these pending matters, 3 matters were completed to the satisfaction of the respective shareholders. The balance pending will be approved/dealt with by the Company after completion of their respective documentation.

Mr Ravi Mannath, Company Secretary, is the Compliance Officer of the Company.

The Securities and Exchange Board of India vide notification dated 20th February, 2002 has amended the SEBI (Insider Trading) Regulations, 1992. As required by the above Regulations, the Company has adopted a Code of Conduct for prevention of insider trading. All the Officers of the Company including the Directors on the Board as well as designated employees have affirmed their compliance with the code.



CEO/CFO Certification:

Mr Arun Mammen, Managing Director and Mr John Zachariah, Vice-President Finance, have certified to the Board in accordance with Clause 49 (v) of the Listing Agreement pertaining to CEO/CFO Certification for the year ended 30th September, 2009.

4. Details of Annual General Meeting

AGM for the Year	Date	Time	Venue
2005-06	22-03-2007	11.00 A.M.	TTK Auditorium 'The Music Academy' 168 TTK Road, Chennai 600014
2006-07	20-03-2008	11.00 A.M.	"
2007-08	19-03-2009	11.00 A.M.	"

No Special Resolution was put through Postal Ballot last year.

As required under Clause 49 VI (A), particulars of Directors namely Mr Ranjit I Jesudasan, Mr Ashok Jacob and Mr V Sridhar seeking re-appointment are given after the Explanatory Statement to the notice of the Annual General Meeting to be held on 11-03-2010.

5. Disclosures

Besides the transactions reported elsewhere in the annual report, there were no materially significant related party transactions with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authority on all matters related to capital markets during the last 3 years. No penalties or strictures have been imposed on the Company by these authorities.

The Board has obtained disclosures from key management personnel confirming that they do not have any material, financial and commercial interest in transactions with the Company, that may have a potential conflict with the interests of the Company at large.

The Board noted the detailed presentation made on procedures for minimization of major business risks identified by the Company and the steps taken to mitigate them.

6. Means of Communication

Quarterly results are published in prominent daily newspapers viz., Financial Express (all over India) and Dinamani (Vernacular). The quarterly results are also displayed on the Company's website www.mrftyres.com. As per the requirement of Clause 51 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern, etc. are provided in the website www.sebidifar.nic.in within the time prescribed in this regard.

Management Discussion & Analysis Report has been attached to the Directors Report and forms part of the Annual Report.

7. Shareholder Information

a) Annual General Meeting:

Date and Time : 11-03-2010, 11.00 A.M.
 Venue : TTK Auditorium
 'The Music Academy'
 No. 168 TTK Road,
 Chennai 600014

b) Financial Calendar : (tentative and subject to change)

Unaudited Results for
 1st Quarter ending 31-12-2009 : End of January, 2010
 Unaudited Results for
 2nd Quarter ending 31-03-2010 : End of April, 2010
 Unaudited Results for
 3rd Quarter ending 30-06-2010 : End of July, 2010
 Financial Results for the Year
 ending 30-09-2010 : End of December, 2010
 Annual General Meeting for
 the year ending 30-09-2010 : Middle of March, 2011

- c) **Dates of Book Closure** : 01-03-2010 to 11-03-2010
- d) **Dividend Payment Date**
- Interim Dividend : 18-08-2009 - 30%
- II Interim Dividend : 18-11-2009 - 30%
- Final Dividend : 18-03-2010 - 190% (Subject to approval of Shareholders)
- e) **Registered Office** : 124, Greams Road
Chennai – 600 006.
Tel : (044) 28292 777
Fax : (044) 28295 087
E-mail : mrfshare@mrfmail.com
- f) **Listing on Stock Exchanges at:**
1. The Madras Stock Exchange Ltd.,
'Exchange Building' P B No.183, 11 Second Line Beach,
Chennai 600001.
 2. National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor, Plot No.C/1, 5 G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai 400051.
 3. The Bombay Stock Exchange Ltd.,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai 400001,

Listing Fees upto the year ending 31st March, 2010 have been paid to all the above mentioned Stock Exchanges.

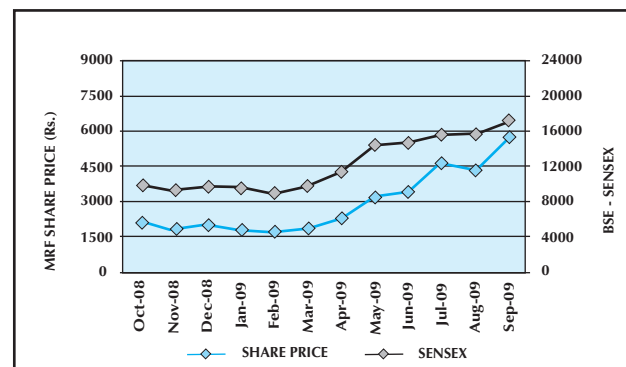
g) **Stock Code:**

Bombay Stock Exchange	Code	500290
National Stock Exchange	Symbol	MRF
Madras Stock Exchange	Code	MRF

h) **Market Price Data:**

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs.)	Low (Rs.)	No. of Shares	High (Rs.)	Low (Rs.)	No. of Shares
October, 2008	3188.00	1790.00	33128	3140.00	1800.00	60410
November, 2008	2320.00	1650.60	36802	2249.00	1600.00	31086
December, 2008	2149.00	1651.10	23420	2150.00	1651.00	30268
January, 2009	2094.90	1552.00	21026	2100.00	1565.00	28469
February, 2009	1743.80	1550.00	9228	1750.00	1600.00	15222
March, 2009	1841.00	1501.00	34541	1789.00	1470.00	20270
April, 2009	2359.00	1765.00	41912	2360.00	1701.00	73476
May, 2009	3490.00	2201.40	50216	3500.00	2205.25	95604
June, 2009	3825.00	3170.00	81295	3900.00	3140.00	140222
July, 2009	4947.70	3105.00	212618	4958.00	3100.05	296580
August, 2009	4890.00	4100.00	73067	4895.00	4126.00	109166
September, 2009	5925.00	4138.00	303543	5918.00	4130.00	396773

i) **STOCK PERFORMANCE: (Monthly Closing Price)**
Performance in comparison to BSE Sensex





- j) **Registrars and Transfer Agents :** In-house Share Transfer
MRF Limited
124, Greaves Road,
Chennai – 600 006.

In terms of SEBI Circular No. O&CC/FITTC/CIR-15/2002 dated 27th December, 2002, your Company is now carrying out share registry work in terms of both physical transfer work as well as electronic connectivity in-house.

In-house investor relations department comprises of experienced and qualified employees who are committed to provide prompt and proactive services to its shareholders and investors. The department provides various services viz.,

- Dematerialisation and Rematerialisation through in-house connectivity to the depositories
- Share Transfers/Transmissions
- Disbursement of dividend
- Issue of duplicate share certificates
- Dissemination of information
- Fixed Deposit related activities

The department is well equipped with state of the art hardware and licensed software packages for its operations to ensure high investor satisfaction and confidence. Members are therefore requested to communicate pertaining to both physical and electronic connectivity to Secretarial Department, MRF Limited, 124 Greaves Road, Chennai 600006.

k) **Share Transfer System:**

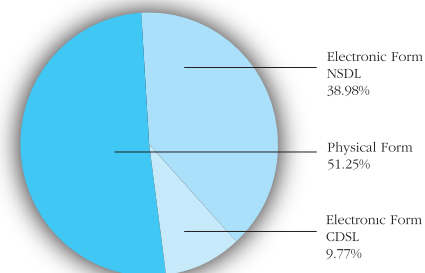
The average time taken for processing and registration of share transfer requests received is less than 15 days. All dematerialization requests are processed within 10 days.

l) **Distribution of Shareholding: (as at the year end)**

Shareholding	No. of Shareholders	%	No. of Shares	%
Upto 500	37859	98.88	944972	22.28
501 - 1000	200	0.52	146483	3.45
1001 - 2000	100	0.26	143330	3.38
2001 - 3000	23	0.06	56436	1.33
3001 - 4000	13	0.04	44010	1.04
4001 - 5000	13	0.04	57978	1.37
5001 - 10000	24	0.06	174709	4.12
10001 and above	55	0.14	2673225	63.03
TOTAL	38287	100.00	4241143	100.00

m) **Dematerialisation of Shares and Liquidity:**

48.75% of total Equity Capital is held in dematerialised form with NSDL and CDSL upto 30th September, 2009.



Trading in equity shares of the Company is permitted only in dematerialised form w.e.f. 17-01-2000 as per notification issued by the Securities and Exchange Board of India [SEBI].

n) Secretarial Audit

A qualified practising Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Ltd (NSDL), Central Depository Services (India) Ltd (CDSL) and in physical form with the total number of paid-up/listed capital. The audit confirms that the total paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

o) Plant Locations:

- | | | |
|------------------|---|---|
| 1. Tiruvottiyur | — | Tiruvottiyur, Chennai, Tamilnadu |
| 2. Kottayam | — | Vadavathoor, Kottayam, Kerala |
| 3. Goa | — | Usgao, Ponda, Goa |
| 4. Arkonam | — | Icchiputhur, Arkonam, Tamilnadu |
| 5. Medak | — | Sadasivapet, Medak, Andhra Pradesh |
| 6. Puducherry | — | Eripakkam Village, Nettapakkam Commune, Puducherry |
| 7. Gummidipoondi | — | Sipcot Industrial Complex, Gummidipoondi, Tamilnadu |

p) Address for Correspondence : MRF Limited
124, Grems Road,
Chennai – 600 006.
Tel : (044) 28292777
Fax : (044) 28295087
E-mail : mrfshare@mrfmail.com

q) Adoption, compliance and Non-Adoption of Non-Mandatory requirements under Clause 49 of the Listing Agreement:

1. Maintaining Non-Executive Chairman's Office:

Not Applicable as the Chairman is an Executive Director.

2. Remuneration Committee:

The information pertaining to Remuneration Committee is provided in Item No. 3 (B) of this Report.

3. Shareholder Rights:

The Company's quarterly and half yearly results are published in the newspapers and also uploaded on its website (www.mrftyres.com) and SEBI website (www.sebiedifar.nic.in). Therefore no individual communications are sent to the shareholders in this regard.

4. Audit Qualification:

There are no qualifications in the Auditors' Report on the accounts for the year 2008-09.

5. Others:

Adoption of the other non-mandatory requirements is being reviewed by the Board from time to time.



AUDITORS' CERTIFICATE

To the Members of MRF Limited

We have examined the compliance of conditions of Corporate Governance by MRF Limited, for the year ended on 30th September, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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 opinion on the financial statements of the Company.

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

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

For and on behalf of

SASTRI & SHAH
Chartered Accountants
C. R. Kumar
Partner
Mem. No. 26143

M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner
Mem. No. 36490

Chennai, Dated 21st December, 2009

AUDITORS' REPORT

To the Shareholders of MRF Limited, on the Accounts for the year ended 30th September, 2009.

1. We have audited the attached Balance Sheet of MRF Limited as at 30th September, 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by the 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 issued by the Central Government of India in terms of Section 227 (4A) of Companies Act, 1956 and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to in Paragraph (3) above, we report that:
 - i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit;
 - ii) 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;
 - iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
- iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) on the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Note No. 1 (Q) in the notes forming part of the accounts, in respect of changes in accounting policies relating to provision for warranty and change in the basis of providing depreciation, resulting in the profit for the year and the reserves being stated lower by Rs. 37 Crore and read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2009;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Sastri & Shah
Chartered Accountants
C. R. Kumar
Partner
Mem. No. 26143

For M.M. Nissim and Co.
Chartered Accountants
N. Kashinath
Partner
Mem. No. 36490

Chennai, Dated 21st December, 2009



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our Report of even date)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- b) As explained to us, the fixed assets have been physically verified by the management, at reasonable intervals, in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification;
- c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- ii) a) The inventory has been physically verified by the management during the year at reasonable intervals, except for materials lying with third parties, where confirmations are obtained;
- b) The procedures of physical verification of the inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business;
- c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) 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 Companies Act, 1956. Accordingly, clauses 4(iii) (b) to (d) of the Order are not applicable.
- b) The Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii) (f) and (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) a) Based on the audit procedures applied by us and according to the information, explanations and representations given to us, we are of the opinion that particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 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 contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time.
- vi) The Company has complied with the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 with regard to deposits accepted from the Public. 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 in this regard.
- vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
- viii) We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.

- ix) a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 30th September, 2009 for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us, the details of disputed sales tax, customs duty, excise duty and income tax which have not been deposited as at 30th September, 2009 on account of any dispute, are as under:

Statute & Nature of Dues	Financial year to which the matter pertains	Forum where the dispute is pending	Rs. Crore
Central Sales Tax Act & Local Sales Tax Acts			
Sales tax and penalty	1992-93, 1999-2000, 2000-01, 2002-03, to 2007-08	Appellate Commissioner	0.74
	1984-85, 1985-86, 1987-88, 1988-89, 1990-91, 1993-94, to 2004-05	Appellate Tribunal	2.88
	1989-90 to 1998-99, 2003-04 & 2004-05	High Court	4.86
	1996-97, 2000-01 to 2002-03	Supreme Court	0.54
Customs Act			
Customs Duty and penalty	2003-04	Appellate Tribunal	0.16
	1992-93 to 1994-95	High Court	77.89

Statute & Nature of Dues	Financial year to which the matter pertains	Forum where the dispute is pending	Rs. Crore
Central Excise Act			
Excise duty and penalty	1997-98, 1998-99 & 2006-07	Appellate Commissioner	0.09
	1993-94, 1999-2000 to 2005-06	Appellate Tribunal	4.47
	1997-98 & 1999-2000	High Court	0.15
Income Tax	1998-99, 1999-2000 & 2005-06	Appellate Commissioner	3.36

- x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of its dues to banks.
- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
- xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly, requirements of Clause 4(xiv) of the said Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi) On the basis of the records examined by us, and relying on the information compiled by the Company for correlating the funds raised to the end use of term loans, we have to state that, the Company has, prima-facie, applied the term loans for the purposes for which they were obtained.



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- xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix) The Company has not issued any debentures during the year. Accordingly, requirements of clause 4(xix) of the said Order are not applicable to the Company.
- xx) The Company has not raised any money by way of public issues during the year. Hence the requirements of clause 4(xx) of the said Order are not applicable to the Company.

- xxi) On the basis of our examination and according to the information and explanations given to us, considering the size of the Company and nature of its business, no fraud of material significance, on or by the Company, has been noticed or reported during the year.

For Sastri & Shah
Chartered Accountants
C. R. Kumar
Partner
Mem. No. 26143

Chennai, Dated 21st December, 2009

For M.M. Nissim and Co.
Chartered Accountants
N. Kashinath
Partner
Mem. No. 36490

MRF LIMITED, CHENNAI

BALANCE SHEET AS AT 30TH SEPTEMBER, 2009

	Schedule	Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore
I. SOURCES OF FUNDS					
(1) Shareholders' Funds					
a) Share Capital	1		4.24		4.24
b) Reserves and Surplus	2		1357.18		1116.55
			1361.42		1120.79
(2) Loan Funds					
a) Secured Loans	3		137.89		577.35
b) Unsecured Loans	4		482.28		615.19
(3) Deferred Tax Liability (Net)			—		9.86
(4) Deferred Payment Credit			51.86		56.94
			2033.45		2380.13
II. APPLICATION OF FUNDS					
(1) Fixed Assets	5				
a) Gross Block		2734.33		2422.56	
b) Less: Depreciation		1800.77		1556.01	
c) Net Block		933.56		866.55	
d) Capital Work-in-Progress		286.24	1219.80	443.68	1310.23
(2) Investments	6		148.57		68.56
(3) Deferred Tax Asset (Net)			12.35		—
(4) Current Assets, Loans and Advances	7				
a) Inventories		650.47		984.28	
b) Sundry Debtors		580.03		610.05	
c) Cash and Bank Balances		59.89		102.35	
d) Loans and Advances		393.24		300.31	
		1683.63		1996.99	
Less: Current Liabilities and Provisions	8				
(a) Current Liabilities		587.17		737.94	
(b) Provisions		443.73		257.71	
		1030.90		995.65	
Net Current Assets			652.73		1001.34
			2033.45		2380.13

The Schedules referred to and the accompanying notes form an integral part of the Balance Sheet and the Profit and Loss Account.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009



MRF LIMITED, CHENNAI

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2009

	Schedule	Rs. Crore	Rs. Crore	Year ended 30.09.2008 Rs. Crore	Rs. Crore
INCOME					
Sales		6141.94		5715.52	
Less: Excise Duty		<u>478.14</u>	5663.80	<u>673.18</u>	5042.34
Export Incentives			9.04		4.57
Other Income	9		25.36		36.26
			5698.20		5083.17
EXPENDITURE					
Materials	10		3709.74		3455.90
Interest	11		68.92		66.25
Other Expenses	12		1271.74		1180.11
Depreciation (Net of Deferred Tax - Note I (Q) (iii))	5		249.32		169.52
			5299.72		4871.78
Profit for the year before Taxation			398.48		211.39
Less: Provision for taxation:					
Current Tax		159.00		67.50	
Deferred Tax (Note 3 (a))		(18.04)		(0.37)	
Fringe Benefit Tax		1.20	142.16	2.29	69.42
Profit for the year after Taxation			256.32		141.97
Excess / (Short) provision for taxation of earlier years			(3.29)		2.59
Amount available for appropriation			253.03		144.56
Appropriations					
Dividends					
Interim		2.54		2.54	
Final-Proposed		8.06		5.94	
Tax thereon		<u>1.80</u>	12.40	<u>1.44</u>	9.92
Balance Surplus transferred to General Reserve			240.63		134.64
			253.03		144.56
Basic & Diluted Earning per Share (in Rs.)			596.61		340.85

The Schedules referred to and the accompanying notes form an integral part of the Balance Sheet and the Profit and Loss Account.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009

MRF LIMITED, CHENNAI
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2009

	Rs. Crore	Rs. Crore	Year ended 30.09.2008	
			Rs. Crore	Rs. Crore
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAX	398.48		211.39	
Adjustment for:				
Depreciation	249.32		169.52	
Provision for Doubtful Debts	2.76		–	
Unrealised Exchange Loss	13.13		13.30	
Income/Profit relating to Investment Activity	(7.36)		(9.04)	
Interest-Net	66.42		64.91	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		722.75		450.08
Adjustment for:				
Trade and other receivables	34.33		(38.05)	
Inventories	333.81		(290.94)	
Trade Payable	(126.63)		241.45	
		241.51		(87.54)
CASH GENERATED FROM OPERATIONS		964.26		362.54
Direct Taxes paid	(101.33)		(93.54)	
		(101.33)		(93.54)
NET CASH FROM OPERATING ACTIVITIES		862.93		269.00
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(163.51)		(583.63)	
Proceeds from Sale of Fixed Assets	0.59		3.57	
(Purchase)/Sale of Investments (Net)	(73.07)		12.34	
Interest received	2.29		1.12	
Income from Investments	0.24		0.31	
NET CASH FROM INVESTING ACTIVITIES		(233.46)		(566.29)
		629.47		(297.29)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Total (repayments)/proceeds from borrowings	(677.14)		347.78	
Dealers' Security Deposit (net of repayments)	91.95		60.09	
Repayments towards Sales Tax Deferral Scheme	(0.89)		(3.70)	
Deferred Payment Credit (net of payments)	(5.08)		(4.69)	
Interest paid	(70.97)		(63.14)	
Dividend/Corporate Dividend tax paid	(9.80)		(9.87)	
NET CASH FROM FINANCING ACTIVITIES		(671.93)		326.47
NET INCREASE IN CASH AND CASH EQUIVALENTS		(42.46)		29.18
CASH AND CASH EQUIVALENTS AS AT 30.09.08		102.35		73.17
CASH AND CASH EQUIVALENTS AS AT 30.09.09		59.89		102.35

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009



SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Rs. Crore	Rs. Crore	As at 30.09.2008	
				Rs. Crore	Rs. Crore
(1) SHARE CAPITAL					
Authorised					
1,00,000	Taxable Redeemable Cumulative Preference Shares of Rs.100 each		1.00		1.00
90,00,000	Equity Shares of Rs.10 each		9.00		9.00
			10.00		10.00
Issued					
42,41,214	Equity Shares of Rs.10 each		4.24		4.24
Subscribed					
42,41,143	Equity Shares of Rs.10 each fully paid-up Of the above		4.24		4.24
	(i) 5,54,461 Equity Shares allotted as fully paid-up pursuant to a contract without payments being received in cash.				
	(ii) 17,81,118 Equity Shares allotted as fully paid-up by way of Bonus Shares by Capitalisation of Reserves				
			4.24		4.24
(2) RESERVES AND SURPLUS					
Share Premium Account					
	As per last Balance Sheet		9.42		9.42
General Reserve					
	As per last Balance Sheet	1107.13		972.49	
	Add: Transfer from Profit and Loss Account	240.63	1347.76	134.64	1107.13
			1357.18		1116.55

	Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore					
(3) SECURED LOANS									
Term Loan:									
From Banks (Secured by hypothecation of specific items of machinery) (Repayable within one year – Rs.Nil)		111.24		113.42					
Other Loans:									
Banks (Secured by hypothecation of stock-in-trade, stores & spare parts and book debts)		26.65		463.93					
		137.89		577.35					
(4) UNSECURED LOANS									
Fixed Deposits (Repayable within one year – Rs.3.24 Crore)		18.45		12.42					
Other Loans:									
Term Loan from Banks		–		230.00					
From Others:									
Dealers' Security Deposit	379.24		287.29						
Sales Tax Deferral Scheme (Repayable within one year – Rs.Nil)	84.59	463.83	85.48	372.77					
		482.28		615.19					
(5) FIXED ASSETS									
	Land	Buildings	Plant & Machinery	Moulds	Vehicles	Others	Intangibles	Total	Rs. Crore Previous Year
Original Cost as at 1.10.2008	78.03	263.63	1713.55	224.96	15.33	111.81	15.25	2422.56	2046.74
Additions	13.80	42.94	232.70	14.86	2.06	12.18	2.41	320.95	382.98
Deductions	–	0.03	3.27	1.32	1.71	2.85	–	9.18	7.16
GROSS BLOCK	91.83	306.54	1942.98	238.50	15.68	121.14	17.66	2734.33	2422.56
DEPRECIATION									
As at 1.10.2008	1.06	105.98	1171.59	183.18	9.78	76.91	7.51	1556.01	1389.99
For the year	0.10	16.93	201.57	20.15	1.90	10.25	2.59	253.49	169.52
Deductions	–	0.02	3.04	1.25	1.63	2.79	–	8.73	3.50
As at 30.09.2009	1.16	122.89	1370.12	202.08	10.05	84.37	10.10	1800.77	1556.01
NET BLOCK AS AT 30.09.2009	90.67	183.65	572.86	36.42	5.63	36.77	7.56	933.56	866.55
NET BLOCK AS AT 30.09.2008	76.97	157.65	541.96	41.78	5.55	34.90	7.74	866.55	656.75
NET BLOCK AS AT 30.09.2009								933.56	866.55
Capital Work-in-Progress and Advances on Capital Account								286.24	443.68
								1219.80	1310.23

Note:

Land includes Agricultural Land - Rs.0.12 Crore and Leasehold Land – Rs.4.33 Crore.



As at 30.09.2008

		Face Value Rs.	Rs. Crore	Rs. Crore
(6) INVESTMENTS (At Cost)				
Long Term, Non-Trade				
Fully Paid-up				
Quoted				
23,333	Equity Shares in ICICI Bank Ltd.	10	0.09	0.09
2,000	Equity Shares in EIH Associated Hotels Ltd.	10	*	*
800	Equity Shares in Housing Development Finance Corporation Ltd.	10	*	*
33	Equity Shares in JK Tyres & Industries Ltd.	10	*	*
–	(11) Equity Shares in Netflier Finco Ltd. **	10	–	*
2	Equity Shares in Bengal & Assam Company Limited **	10	*	–
400	Equity Shares in HDFC Bank Ltd.	10	*	*
			0.09	0.09
Unquoted				
	In Mutual Fund Units:			
	Income Plan:			
1,87,923	(1,79,402) UTI Balanced Fund - Income Reinvestment Plan (8521 Units Dividend reinvested)	10	0.40	0.39
	Growth Plan:			
–	(50,00,000) UTI Fixed Maturity Plan - Yearly Series 0807 - Institutional (Redeemed during the year)	10	–	5.00
–	(40,00,000) Reliance Fixed Horizon Fund IV - Annual Plan - Series 5 - Institutional (Redeemed during the year)	10	–	4.00
–	(50,00,000) LICMF Fixed Maturity Plan - Series 32 (Redeemed during the year)	10	–	5.00
–	(30,00,000) Canara Robeco Fixed Maturity Plan Series 2 (Redeemed during the year)	10	–	3.00
–	(20,00,000) ICICI Prudential Fixed Maturity Plan Series 43 (Redeemed during the year)	10	–	2.00
–	(50,00,000) Fortis Fixed Term Plan Series 11 (Redeemed during the year)	10	–	5.00
–	(50,00,000) HDFC Fixed Maturity Plan VI (Redeemed during the year)	10	–	5.00
–	(30,00,000) Templeton Fixed Horizon Fund Series VIII (Redeemed during the year)	10	–	3.00
–	(20,00,000) Kotak Fixed Maturity Plan 12M Series 7 (Redeemed during the year)	10	–	2.00
–	(50,00,000) Fortis Fixed Term Plan Series 12 Plan B - Institutional (Redeemed during the year)	10	–	5.00
–	(35,00,000) UTI Fixed Term Fund Series IV (Redeemed during the year)	10	–	3.50
–	(30,00,000) UTI Fixed Term Fund Series V (Redeemed during the year)	10	–	3.00
–	(50,00,000) Reliance Fixed Horizon Fund VIII Series V - Institutional (Redeemed during the year)	10	–	5.00
–	(50,00,000) DWS Fixed Term Fund Series 52 (Redeemed during the year)	10	–	5.00
–	(50,00,000) HSBC Fixed Term Series 59 (Redeemed during the year)	10	–	5.00
30,00,000	(–) UTI Fixed Income Interval Fund - Annual Interval Plan Series - II Institutional (Purchased during the year)	10	3.00	–
1,19,59,490	(–) HDFC Short Term Plan (Purchased during the year)	10	20.00	–
92,15,000	(–) Reliance Short Term Fund - Retail Plan (Purchased during the year)	10	15.00	–
40,902	(–) Reliance Money Manager Fund - Institutional Option (Purchased during the year)	1000	5.00	–

As at 30.09.2008

		Face Value Rs.	Rs. Crore	Rs. Crore
48,89,733	(-) TATA Short Term Bond Fund (Purchased during the year)	10	8.00	—
1,04,51,185	(-) ICICI Prudential Institutional Short Term Plan - Cumulative Option (Purchased during the year)	10	19.00	—
72,74,552	(-) HSBC Income Fund - Short Term - Institutional (Purchased during the year)	10	8.50	—
54,46,148	(-) GSTG - IDFC - SSIF - Short Term (Purchased during the year)	10	10.00	—
1,18,24,932	(-) Birla Sun Life Dynamic Bond Fund - Retail (Purchased during the year)	10	17.00	—
98,29,298	(-) Canara Robeco Short Term Institutional (Purchased during the year)	10	10.00	—
29,36,633	(-) Kotak Bond - Short Term (Purchased during the year)	10	5.00	—
35,190	(-) Templeton India Short Term Income Plan Institutional (Purchased during the year)	1000	5.00	—
40,86,169	(-) Templeton Floating Rate Income Fund (Purchased during the year)	10	5.00	—
36,96,174	(-) M17G Fortis Money Plus Institutional (Purchased during the year)	10	5.00	—
35,12,617	(-) LICMF Savings Plus Fund (Purchased during the year)	10	5.00	—
Subsidiary Companies:				
50,100	Equity Shares in MRF Corp. Ltd.	10	*	*
5,32,470	Equity Shares in MRF International Ltd.	10	0.53	0.53
1,12,50,000	Equity Shares in MRF Lanka (P) Ltd.	Sri Lankan Rupee 10	4.98	4.98
Others:				
1,48,500	Equity Shares in Funschool (India) Ltd.	10	0.15	0.15
17,50,000	Equity Shares in Arkay Energy (Rameswaram) Ltd.	10	1.75	1.75
65,000	Equity Shares in Mammen Mappillai Investments Pvt. Ltd.	10	0.07	0.07
1,00,000	Equity Shares in M M Research Company Pvt. Ltd.	10	0.10	0.10
1,600	Ordinary Shares in MRF Employees Co-operative Society Ltd.	25	*	*
50	Ordinary Shares in The Ranipet Leather Finishing Servicing Industrial Co-operative Society Ltd.	100	*	*
10	Ordinary Shares in Co-operative Housing Societies	50	*	*
5	Equity Shares in Chennai Willingdon Corporate Foundation	10	*	*
			<u>148.48</u>	<u>68.47</u>
			148.57	68.56
Aggregate Market Value of Quoted Investments			2.43	1.50

** Pursuant to the scheme of Amalgamation between Netflir Finco Ltd (NFL) and its subsidiaries, 2 equity shares issued in lieu of 11 equity shares of NFL.

Figures in brackets are in respect of previous year.

Figures below Rs.50,000 are denoted by an *



			As at 30.09.2008	
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
(7) CURRENT ASSETS, LOANS AND ADVANCES				
(a) Inventories				
Stores & Spares	44.27		43.42	
Stock-in-trade				
Raw Materials	304.58		425.00	
Work-in-Progress	101.23		134.77	
Finished Goods	<u>200.39</u>	650.47	<u>381.09</u>	984.28
(b) Sundry Debtors				
(i) Debts outstanding for a period exceeding six months				
Unsecured - Considered Good	2.42		7.87	
- Considered Doubtful	2.76		—	
Less: Provision for Doubtful Debts	<u>(2.76)</u>			—
	2.42		<u>7.87</u>	
(ii) Other Debts (Considered Good)				
Secured	345.44		266.15	
Unsecured	<u>232.17</u>	580.03	<u>336.03</u>	610.05
(c) Cash and Bank Balances				
Cash, Cheques and Stamps on hand	33.60		68.41	
Bank Balances:				
With Scheduled Banks:				
In Current/Collection Accounts	25.57		33.29	
In Deposit Accounts	0.29		0.29	
With Others (Note 5)	<u>0.43</u>	59.89	<u>0.36</u>	102.35
(d) Loans and Advances (Unsecured, Considered Good)				
Advances to Staff	2.37		2.44	
Loan to a Subsidiary	4.00		3.00	
Advances recoverable in cash or in kind or for value to be received (Note 6)	55.19		50.01	
Balances with Customs, Excise and Port Trust	18.35		29.13	
Other Deposits	10.44		12.94	
Advance Tax	<u>302.89</u>	393.24	<u>202.79</u>	300.31
		1683.63		1996.99

			As at 30.09.2008	
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
(8) CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities				
Acceptances	95.30		103.73	
Sundry Creditors				
Outstanding dues of Micro Enterprises & Small Enterprises (Note 7)	5.85		4.72	
Outstanding dues of creditors other than Micro Enterprises & Small Enterprises	483.22		624.69	
Interest Accrued but not due	1.66		3.71	
Liability towards Investor Education and Protection Fund not due:				
Unclaimed Dividends	1.12		1.01	
Matured Fixed Deposits and Interest	0.02	587.17	0.08	737.94
(b) Provisions				
Provision for Taxation	369.61		207.35	
Proposed Dividend				
Interim	1.27		1.27	
Final	8.06		5.94	
Dividend Tax	1.59		1.22	
Retirement Benefits	22.99		23.41	
Others	40.21	443.73	18.52	257.71
		1030.90		995.65
INCOME				
	Rs. Crore	Rs. Crore	Year ended 30.09.2008	
			Rs. Crore	Rs. Crore
(9) OTHER INCOME				
Income from Investments:				
Dividend	0.28		0.13	
Interest	—	0.28	0.12	0.25
Interest (Gross)		2.50		1.34
Profit on Sale of Investment		6.94		8.88
Profit on Sale of Assets (Net)		0.14		—
Windmill Power Generated, captively consumed		13.08		11.54
Sales Tax/Entry Tax Refunds		—		11.30
Miscellaneous Income		2.42		2.95
		25.36		36.26
Tax Deducted at Source		0.11		0.17



			Year ended 30.09.2008	
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
EXPENDITURE				
(10) MATERIALS				
Raw Materials Consumed		3482.67		3533.14
Purchase of Trade Goods		6.48		14.35
(Increase)/Decrease in Stock				
Opening Stock				
Work-in-Progress	134.77		93.15	
Finished Goods	381.09		333.48	
	<u>515.86</u>		<u>426.63</u>	
Less: Closing Stock				
Work-in-Progress	101.23		134.77	
Finished Goods	200.39		381.09	
	<u>301.62</u>	214.24	<u>515.86</u>	(89.23)
Differential Excise Duty on Opening and Closing Stock of Finished Goods		6.35		(2.36)
		3709.74		3455.90
(11) INTEREST				
On Fixed Loans		11.35		6.78
On Deferred Payment Credit		4.50		4.92
Others		53.07		54.55
		68.92		66.25

		Year ended 30.09.2008
	Rs. Crore	Rs. Crore
(12) OTHER EXPENSES		
Salaries, Wages, Bonus & Commission	248.10	218.46
Contribution to Provident & Other Funds	29.88	32.10
Staff Welfare Expenses	38.84	25.15
Stores & Spares Consumed	123.56	104.96
Loose Tools, Dies etc. written off	0.49	0.40
Power, Fuel & Light	285.54	294.88
Processing Expenses	46.75	57.78
Rent	15.40	13.88
Rates & Taxes	5.06	4.99
Insurance	3.44	5.52
Repairs & Maintenance:		
Buildings	7.31	6.50
Machinery	29.42	22.66
Others	11.96	9.00
Printing & Stationery	2.07	3.33
Postage, Telegrams & Telephones	5.66	4.92
Vehicle Expenses	3.07	3.07
Directors' Sitting Fees	0.03	0.02
Directors' Travelling Expenses	0.46	0.27
Travelling & Conveyance	17.07	17.52
Auditors' Remuneration	0.48	0.37
Advertisement	51.97	45.26
Commission & Discount	154.58	139.65
Warranty	21.25	–
Freight & Transport	135.69	129.63
Sales Tax	1.78	–
Provision for Doubtful Debts	2.76	–
Bad Debts	1.36	0.02
Loss on Sale of Assets (Net)	–	0.09
Exchange Loss (Net)	0.99	15.55
Others	26.77	24.13
	1271.74	1180.11



NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2009

1. ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING:

The financial statements are prepared under the historical cost convention on an accrual basis, in accordance with relevant requirements of the Companies Act, 1956 and applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

B. USE OF ESTIMATES:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialise.

C. FIXED ASSETS AND DEPRECIATION:

a. Fixed Assets are stated at cost net of credits under Cenvat/VAT Schemes. All costs relating to the acquisition including freight and installation of Fixed Assets are capitalised and also include interest on borrowings upto the date of capitalisation.

b. Depreciation:

- (i) Depreciation in respect of buildings, plant and machinery, moulds and a part of the other assets acquired/purchased upto September, 1986 has been provided on straight line method and additions from 1st October, 1986 to 30th September, 1987 on reducing balance method at the rates corresponding to the rates applicable under the Income Tax Rules in force at the time of acquisition/purchase of assets pursuant to Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs in accordance with the provisions of Section 205 of the Companies Act, 1956.
- (ii) Depreciation on buildings, plant and machinery, moulds and a part of other assets acquired/purchased on or after 1st October, 1987 is being provided on reducing balance method at the revised rates and on the basis as specified in Schedule XIV to the Companies Act, 1956. From 1st October, 1993, assets acquired/purchased costing less than Rupees five thousand have been depreciated at the rate of 100%.
- (iii) Depreciation on Renewable Energy Saving Devices, viz., Windmills, is being charged on Reducing Balance Method, as Continuous Process Plant at the rates and on the basis as specified in Schedule XIV to the Companies Act, 1956.
- (iv) Depreciation is being charged on straight line method at the rate of 20% in respect of vehicles and a part of other assets.
- (v) Leasehold land is amortised over the period of the lease.
- (vi) Intangible assets are amortised over 5 years commencing from the year in which the expenditure is incurred.

D. IMPAIRMENT OF ASSETS:

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

E. INVESTMENTS:

Long term Investments are stated at cost. Current investments are stated lower of cost and fair value. Diminution is provided to recognise a decline, other than temporary, in the value of long term investments.

F. INVENTORIES:

Inventories consisting of stores & spares, raw materials, work-in-progress and finished goods are valued at lower of cost and net realisable value.

The cost is computed on FIFO basis except for stores and spares which are on Weighted Average Cost basis and is net of credits under Cenvat/VAT Schemes.

Work-in-Progress and Finished Goods inventories include materials, labour cost and other related overheads.

G. REVENUE RECOGNITION:

Sale of goods and services are recognised when risks and rewards of ownership are passed on to the customers which generally coincides with delivery and when the services are rendered. Sales include excise duty but exclude VAT.

H. EXCISE DUTY:

Excise duty has been accounted on the basis of both payments made in respect of goods despatched and also provision made for goods lying in bonded warehouses.

I. RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure on Research and Development is included as additions to fixed assets.

J. TAXATION:

Provision for current tax is made on the basis of estimated taxable income for the current accounting period and in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been enacted or substantially enacted on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty except for carry forward losses and unabsorbed depreciation which is recognised on virtual certainty that the assets will be adjusted in future.

K. LEASES:

Lease payments under operating leases are recognised as expenses on straight line basis over the lease term in accordance with the period specified in respective agreements.

L. EMPLOYEE BENEFITS:

The Company's contribution to the Provident Fund is remitted to a Trust established for this purpose based on fixed percentage of the eligible employees' salary and charged to the Profit and Loss Account. The Company is liable for annual contributions and any shortfall in the fund assets, based on the government specified minimum rate of return and recognises such contributions and shortfall, if any, as an expense in the year incurred. The Company also contributes to Regional Provident Fund on behalf of some of its employees who are not part of the above Trust and such contributions are charged to the Profit and Loss Account.

The Company also contributes to a government administered Pension Fund on behalf of its employees, which are charged to the Profit and Loss Account.

Superannuation benefits to employees, as per Company's Scheme, have been funded with Life Insurance Corporation of India (LIC) and the contribution is charged to the Profit and Loss Account.



Liabilities with regard to Gratuity are determined under Group Gratuity Scheme with LIC and the provision required is determined as per Actuarial Valuation as at the Balance Sheet date, using the Projected Unit Credit Method.

Short term employee benefits are recognised as an expense as per the Company's Scheme based on expected obligation on undiscounted basis. Other long term employee benefits are provided based on the Actuarial Valuation done at the year end, using the Projected Unit Credit Method.

Actuarial gains/loss are charged to the Profit and Loss Account and not deferred.

M. FOREIGN CURRENCY TRANSACTIONS:

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the contracted rate is recognised as exchange difference. Premium paid on forward contracts has been recognised over the life of the contract. Non monetary foreign currency items are carried at cost.

In respect of branches, which are integral foreign operations, all transactions are translated at rates prevailing at the time of transaction or that approximates the actual rate as at the date of transaction. Branch monetary assets and liabilities are restated at the year end rates. Any income or expense on account of exchange rate difference either on settlement or on translation is recognised in the Profit and Loss Account.

N. DERIVATIVE TRANSACTIONS:

The Company uses derivative financial instruments, such as Forward Exchange Contracts, Currency Swaps and Interest Rate Swaps, to hedge its risks associated with foreign currency fluctuations and interest rates. Currency and interest rate swaps are accounted in accordance with their contract. At every period end all outstanding derivative contracts are fair valued on a marked-to-market basis and any loss on valuation is recognised in the Profit and Loss Account, on each contract basis. Any gain on marked-to-market valuation on respective contracts is not recognised by the Company, keeping in view the principle of prudence as enunciated in AS-1 "Disclosure of Accounting Policies".

O. BORROWING COSTS:

Borrowing costs that are attributable to the acquisition of or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

P. PROVISIONS AND CONTINGENT LIABILITIES:

A provision is recognised when there is a present obligation as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Q. CHANGE IN ACCOUNTING POLICIES:

- i) The warranty provision has been recognised based on management estimate regarding possible future outflow on servicing the customers during the warranty period, on the sales effected during the year. These estimates are computed on scientific basis as per past trends of such claims which hitherto were accrued and recognised based on claims preferred. Due to this change, the profit for the year is lower by Rs.21.25 Crore.
- ii) The Company has hitherto been charging depreciation on windmills on Straight Line Method, as Continuous Process Plant at the rates and on the basis specified in Schedule XIV to the Companies Act, 1956. The management has thought it prudent to switchover from Straight Line Method to Reducing Balance Method to follow a uniform practice and has recalculated the depreciation from the date of such assets coming into use. As a result, the charge for depreciation is more by Rs.15.75 Crore (including Rs.8.11 Crore net of Deferred Tax of Rs.4.17 Crore for the earlier years) and the profit for the year is lower by the said amount.

2. INFORMATION REQUIRED BY PARAS 3 AND 4 OF PART-II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

A. **Cost of Materials**

A. Cost of Materials			Year ended 30.09.2008	
	Quantity M. Tons	Value Rs. Crore	Quantity M. Tons	Value Rs. Crore
a. Consumption				
Rubber	1,81,133	1920.19	1,86,469	2024.57
Carbon Black	84,919	453.41	87,749	421.54
Fabric	29,766	582.79	30,510	538.97
Chemicals	51,248	376.05	55,438	381.66
Others		150.23		166.40
TOTAL		3482.67		3533.14
	% of total Consumption	Value Rs. Crore	% of total Consumption	Value Rs. Crore
b. Percentage of Consumption				
Raw Materials				
Imported at landed cost	33.73	1174.71	20.07	709.10
Indigenous	66.27	2307.96	79.93	2824.04
	100.00	3482.67	100.00	3533.14
Stores and Spares				
Imported at landed cost	8.60	10.62	8.78	9.22
Indigenous	91.40	112.94	91.22	95.74
	100.00	123.56	100.00	104.96



B. Production, Sales and Stocks of each class of goods

Class of Goods	Licensed Capacity	Installed Capacity+	Opening Stock Quantity	Value Rs. Crore	Production	Closing Stock Quantity	Value Rs. Crore	Sales Quantity	Value Rs. Crore
(i) Manufactured Goods:									
Automobile Tyres (Nos.)	@	28450000	1138789	282.39	23539929	565920	128.88	24112798	5195.26
		(25350000)	(1239345)	(262.56)	(25092229)	(1138789)	(282.39)	(25192785)	(4849.26)
Automobile Tubes (Nos.)	@	29700000	2161536	53.40	23980118	1387720	30.84	24753934	601.49 #
		(26000000)	(1911453)	(41.34)	(25419334)	(2161536)	(53.40)	(25169251)	(541.01) #
Tread Rubber (MT)	7946	8943	299	3.51	1185	263	2.47	1221	14.43
	(7946)	(8943)	(287)	(2.63)	(1305)	(299)	(3.51)	(1293)	(14.53)
Pre-cured Treads (MT)	@	24000	1266	16.65	7179	1360	16.40	7085	89.80
		(24000)	(1254)	(11.93)	(6716)	(1266)	(16.65)	(6704)	(83.95)
Bicycle Tyres (Nos.)	2000000	2000000	388	0.00		328	0.00	60	*
	(2000000)	(2000000)	(390)	(0.00)		(388)	(0.00)	(2)	(*)
Conveyor Belting (MT)	@	3000	146	1.56	2780	269	3.70	2657	46.78
		(3000)	(0)	(0.00)	(2452)	(146)	(1.56)	(2306)	(38.41)
Specialty Surface Coatings (KL)		2000	336	7.38	2031 **	335	7.48	2032	49.82
		(2000)	(328)	(4.85)	(2211)	(336)	(7.38)	(2203)	(50.25)
Others				11.76			7.79		134.02 #
				(7.89)			(11.76)		(128.54) #
		Purchases Value Rs. Crore							
(ii) Trade Goods:									
Rubber Products		1.94		1.06			–		4.89
		(11.89)		(0.31)			(1.06)		(4.27)
Others		4.54		3.38			2.83		5.45
		(2.46)		(1.97)			(3.38)		(5.30)
				381.09			200.39		6141.94
				(333.48)			(381.09)		(5715.52)

@ Not Applicable, since delicensed.

+ On 3 shifts per day basis for 300 days per annum.

Includes Sales Value of Trade Goods - Rubber Products.

** Outsourced production

Figures below Rs.50,000 are denoted by an *

Figures in brackets are in respect of previous year.

		Year ended 30.09.2008
	Rs. Crore	Rs. Crore
C. CIF Value of Imports		
a. Raw Materials	1058.71	791.68
b. Components and Spare Parts	24.92	15.33
c. Capital Goods	48.37	145.14
D. Earnings in Foreign Exchange		
FOB Value of Exports	500.56	497.22
Others	0.43	0.58
E. Expenditure in foreign currency paid or payable by the Company		
a. Interest and Finance Charges	7.65	6.25
b. Professional and Consultation Fees	2.47	1.78
c. Commission and Discount	0.84	1.54
d. Travelling	1.04	0.99
e. Advertisements	6.36	3.67
f. Others	4.62	2.94



3. (a) The break up of net deferred tax asset/liability as at 30th September 2009: Rs. Crore

Particulars	Liability	Asset
	Year Ended 30.09.2008	Year Ended 30.09.2008
Depreciation	–	4.14
Expenditure allowable on actual payment	–	8.21
	–	12.35
Net Deferred Tax	9.86	12.35

- (b) Provision for Taxation has been made in respect of the income presently determined for the period 1st April, 2009 to 30th September, 2009 which is subject to appropriate revision/adjustment on final determination of Income for the year to end on 31st March, 2010, relevant to assessment year 2010-11. Further, provision for the assessment year 2009-10 has been determined and adjusted considering the provision already made in the accounts for the year ended 30th September, 2008.
4. Sundry Debtors include due from a subsidiary Company Rs.3.79 Crore (Previous Year - Rs.2.23 Crore)
5. Cash and Bank balances include Current Account balances lying with non-scheduled banks:

Bank Name	Balances	Maximum Outstanding
	As at 30.09.2008	(Rs. Crore) Previous Year
Bank for Foreign Trade of Vietnam	* 0.01	0.04 0.05
National Bank of Abu Dhabi-Dubai	* 0.01	0.14 0.41
Standard Chartered Bank-Dubai	0.43 0.34	1.41 1.47
	0.43 0.36	

6. Loans and Advances include:
- i) Due from an Officer of the Company - Rs.0.06 Crore. Maximum balance due at any time during the year - Rs.0.08 Crore. (Previous Year - Rs.0.08 Crore and maximum balance due at any time during the year Rs.0.10 Crore)
- ii) Due from a subsidiary Company Rs.0.31 Crore (Previous Year - Rs.0.15 Crore)
7. The Micro, Small and Medium Enterprises Development Act, 2006:

The information given below and that given in Schedule 8 "Current Liabilities and Provisions" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

	Rs. Crore
(i) Interest amounts unpaid as at the year end	0.09
(ii) Principal amounts paid after appointed date during the year	7.72
(iii) Amount of interest accrued and unpaid as at the year end	0.09

8. The Company's leasing arrangements are in respect of operating leases for premises (residential, office, godowns, etc). The leasing arrangements, which are not non-cancellable, range between eleven months and three years generally and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.
9. The Company enters into Forward Exchange Contracts, Currency Swaps and Interest Rate Swaps being derivative instruments, which are not intended for trading or speculative purposes, but for hedging purposes, to establish the amount of reporting currency required or available at the date of settlement of certain payables and receivables.

The outstanding position and exposures are as under:

- (i) Derivative instruments outstanding as on 30th September, 2009:

Particulars	Currency	Amount	Nature	Cross Currency
Currency Swap	Japanese Yen (JPY)	1760.65 Million	ECB Loan	USD
Currency/Interest Rate Swap	Japanese Yen (JPY)	270.73 Million	Buyers Line of Credit	USD

- (ii) Un-hedged foreign currency exposure is Rs.110.34 Crore net payable. (Previous Year - Rs.88.92 Crore).

10. The Company decided not to exercise the option available under Notification No. G.S.R. 225(E) dated March 31, 2009 issued by the Government of India optionally providing for a modification in accounting certain foreign currency items pursuant to AS-11 prescribed under Section 211(3C) of the Companies Act, 1956. Accordingly, the treatment in that respect continues to be in conformity with AS-11.

11. The total borrowing cost capitalised during the year is Rs.12.60 Crore (Previous Year - Rs.6.29 Crore).

12. Auditors' remuneration includes:

		Rs. Crore	Year ended 30.09.2008 Rs. Crore
a. As Auditors		0.18	0.13
b. In other capacity:			
For Tax Audit		0.05	0.05
For Certificates and Other Matters		0.14	0.09
c. Cost Audit Fees		0.02	0.02
d. Expenses Reimbursed		0.09	0.08
13. (a) Managerial Remuneration:			
Salary		1.47	1.29
Commission		1.47	1.29
Provident and Other Funds		0.40	0.35
Perquisites and Allowances		2.97	2.56
		<u>6.31</u>	<u>5.49</u>

(Exclusive of contributions to the Group Gratuity Scheme)



(b) Computation of Net Profit for ascertaining the commission payable to the Whole-time Directors:

			Year ended 30.09.2008	
			Rs. Crore	
Profit before Taxation			398.48	211.39
Add:	Depreciation	253.49	169.52	
	Remuneration to Whole-time Directors	6.31	5.49	
	Provision for Doubtful Debts	2.76	—	
	Loss on Sale of Assets (Net)	—	0.09	
	Directors' Sitting Fees	0.03	0.02	175.12
		<u>262.59</u>	<u>0.02</u>	<u>175.12</u>
		661.07		386.51
Deduct:	Depreciation calculated as per Section 350 of the Companies Act, 1956	235.42	175.60	
	Profit on Sale of Investment	6.94	8.88	
	Profit on Sale of Assets	0.14	—	
	Loss on Sale of Assets as per Section 350 of the Companies Act, 1956	0.77	0.26	184.74
		<u>243.27</u>	<u>0.26</u>	<u>184.74</u>
		417.80		201.77
		<u>417.80</u>		<u>201.77</u>
	Commission payable @ 1% of Net Profit, to each Whole-time Director	12.53		6.04
	Restricted to annual salary	1.47		1.29

14. (a) In terms of the guidance on implementing the revised AS 15 issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the Provident Fund Trust set up by the Company is treated as defined benefit plan since the Company has to meet the shortfall in the fund assets, if any. However, as at the year end, no shortfall remains unprovided for. Further, having regard to the assets of the Fund and the Return on the Investments, the Company does not expect any deficiency in the foreseeable future. Accordingly, other related disclosures in respect of Provident Fund have not been disclosed.

	Rs. Crore	30.09.2008 Rs. Crore
(b) During the year, the Company has recognised the following amounts in the Profit and Loss Account:		
i) Employer's contribution to Provident Fund & Family Pension Fund*	12.63	11.54
ii) Employer's contribution to Superannuation Fund *	2.66	2.22
* Included in "contribution to Provident and other Funds" (Refer Schedule 12).		
iii) Defined benefit obligation:		
(a) Gratuity - Funded		
Service Cost	4.69	3.41
Interest Cost	4.70	3.42
Expected return of plan assets	(4.17)	(3.15)
Actuarial (Gain)/Loss	6.93	11.95
Net Cost	12.15	15.63
(b) Leave Encashment - Unfunded	2.34	1.59
(c) Post Retirement Medical Benefit - Unfunded	2.60	0.49
	Gratuity - Funded	
	Rs. Crore	30.09.2008 Rs. Crore
(d) Reconciliation of benefit obligation and plan assets for the year:		
Present value of defined benefit obligation	73.45	61.06
Fair value of plan assets	62.87	46.63
Net Liability as at 30th September, 2009 recognised in the Balance Sheet	(10.58)	(14.43)
(e) Change in defined benefit obligation:		
Present value of obligation as at 1st October, 2008	61.06	45.88
Service Cost	4.69	3.41
Interest Cost	4.70	3.42
Actuarial (Gain)/Loss	7.83	14.56
Benefits paid	(4.83)	(6.21)
Present value of obligation as at 30th September, 2009	73.45	61.06



		Gratuity - Funded	
		Rs. Crore	30.09.2008 Rs. Crore
(f)	Change in fair value of plan assets:		
	Fair value of plan assets as at 1st October, 2008	46.63	38.08
	Expected return on plan assets	4.17	3.15
	Contribution by employer	16.00	9.00
	Actuarial Gain/(Loss)	0.90	2.61
	Benefits paid	(4.83)	(6.21)
	Fair value of plan assets as at 30th September, 2009	<u>62.87</u>	<u>46.63</u>
(g)	The principal actuarial assumptions:		
	Discount rate	8.0%	8.0%
	Salary Escalation	5.5%	4.5%
	Expected return on plan assets	8.0%	8.0%
The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as the supply and demand in the employment market.			
(h)	Amounts for the current and previous periods are as under:		
	Defined Benefit Obligation	73.45	61.06
	Plan Assets	<u>62.87</u>	<u>46.63</u>
	Net Deficit	<u>10.58</u>	<u>14.43</u>
	Experience adjustments on plan assets		Not Available *
	Experience adjustments on plan liabilities		Not Available *
* The management has relied on the overall actuarial valuation conducted by the Actuary. However, experience adjustments on plan assets and liabilities are not readily available and hence not disclosed.			
(i)	Investment of plan assets as at 30th September, 2009		
	Investments with Life Insurance Corporation of India	100%	100%
(iv)	Other Long Term Employee Benefits:	Rs. Crore	Rs. Crore
	Present value of obligation as at 30th September, 2009		
	Leave Encashment	7.85	7.19
	Post Retirement Medical Benefits	4.03	1.61
Note - No other disclosures have been furnished as per para 132 of AS-15 (Revised)			

15. Interest paid to Chairman & Managing Director and Managing Director on Fixed Deposits at the rates prescribed in the Companies (Acceptance of Deposits) Rules, 1975 - Rs.0.02 Crore (Previous Year - Rs.0.01 Crore).

16. Related Party disclosures:

(a) Names of related parties and nature of relationship where control exists are as under:

Subsidiary Companies:	i)	MRF Corp. Ltd.
	ii)	MRF International Ltd.
	iii)	MRF Lanka (P) Ltd.

(b) Names of other related parties with whom transactions have taken place during the year:

Key Management Personnel:	i)	Mr. K.M. Mammen, Chairman & Managing Director
	ii)	Mr. K.M. Philip, Whole-time Director
	iii)	Mr. Arun Mammen, Managing Director

Relatives of Key Management Personnel:	i)	Mrs. K.M. Mammen Mappillai
	ii)	Mr. Rahul Mammen Mappillai

(c) Transactions with related parties:

(Rs. Crore)

Nature of Transactions	Subsidiaries		Key Management Personnel		Relatives of Key Management Personnel	
	Year Ended 30.09.2008		Year Ended 30.09.2008		Year Ended 30.09.2008	
Sale of Materials	3.08	1.28				
Remuneration			6.31	5.49	0.29	0.20
Repairs & Maintenance Expenses					0.10	0.07
Loan given during the year	1.00	–				
Outstanding:						
Loan Receivable	4.00	3.00				
Debts Outstanding	3.79	2.23				
Other Receivables	0.31	0.15				

Notes:

- No amounts pertaining to related parties have been provided for as doubtful debts. No amounts have been written off or written back during the year.
- Dividend and Interest on Fixed Deposits / Loans, paid / received have not been considered by the Company as transactions falling under the purview of Accounting Standard 18 - Related Party Disclosures.



17. The amount due and paid during the year to “Investor Education and Protection Fund” is Rs.0.13 Crore (Previous Year - Rs.0.13 Crore).

18. Earnings Per Share:

Year Ended
30.09.2008
144.56
42,41,143
340.85

Profit after Taxation	Rs. Crore	253.03
Number of equity shares (Face Value Rs.10/- each)	Nos.	42,41,143
Earnings per share - Basic & Diluted	Rs.	596.61

19. Movement in provisions as required by Accounting Standard 29 - “Provisions, Contingent Liabilities and Contingent Assets”.

	As at 01.10.2008	Provided during the year	Paid during the year	Rs. Crore As at 30.09.2009
(i) Warranty	— (—)	21.25 (—)	— (—)	21.25 (—)
(ii) Litigation and related disputes	— (5.05)	11.32 (—)	— (5.05)	11.32 (—)

Figures in brackets are in respect of previous year.

Notes:

- The warranty provision has been recognised based on Management estimate regarding possible future outflow on servicing the customers during the warranty period, on the sales effected during the year. The cash outflow would generally occur during the next two years.
- Litigation and related disputes represents estimates mainly for probable claims arising out of litigations/disputes pending with authorities under various statutes (i.e. Service Tax, Excise & Customs Duty, etc). The probability and the timing of the outflow with regard to these matters will depend on the consequent decision/conclusion by the Management.

20. The Management is of the view that having regard to the future business projections and plans and considering the strategic and long term nature of investments in a subsidiary, the decline in the book value of investment is temporary in nature requiring no provision.

21. (i) Revenue expenditure on Research and Development activities during the year 2008-09:

	Rs. Crore Year Ended 30.09.2008
1) Salaries, Wages and Other Benefits	6.75
2) Repairs and Maintenance	0.85
3) Power	0.92
4) Travelling and Vehicle Running	0.98
5) Cost of Materials/Tyres used for Rallies/Test purposes	2.37
6) Other R & D expenses	2.15
	<u>14.02</u>
	<u>11.70</u>

- (ii) Capital Expenditure on Research and Development during the year, as certified by the Management is Rs.1.45 Crore (Previous Year- Rs.2.00 Crore).

This information complies with the terms of the R&D recognition granted upto 31st March, 2010 for the Company's in-house Research and Development activities by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, vide their Letter No.TU/IV-RD/118/2007 dated 19th November, 2007.

22. Particulars in respect of loans and advances in the nature of loans as required by the Listing Agreement:

Name of the Company	Balance as at		(Rs. Crore)	
			Maximum balance during the year	
		30.09.2008		30.09.2008
MRF Lanka (P) Ltd.	4.00	3.00	4.00	3.00

Note: 1) The terms and conditions of repayment of the principal and interest are as stipulated by the Central Bank of Sri Lanka and are within the purview of Clause 32 of the Listing Agreement.

2) Loans to employees have been considered to be outside the purview of disclosure requirements.

23. The Company is engaged mainly in the manufacture of Rubber Products such as Tyres, Tubes, Flaps, Tread Rubber and Conveyor Belt. These in the context of Accounting Standard 17 on Segment Reporting are considered to constitute one single primary segment. The Company's operations outside India do not exceed the quantitative threshold for disclosure envisaged in the Accounting Standard. Non-reportable segments have not been disclosed as unallocated reconciling item in view of their materiality. In view of the above, primary and secondary reporting disclosures for business/geographical segment are not applicable to the Company.

24. Details of Investments purchased and sold during the year:

Particulars	Face Value	No. of Units	Cost Rs. Crore
Kotak Floater Long Term - Growth	10	3514049	5.00
UTI Treasury Advantage Fund - Institutional Plan (Growth Option)	1000	41494	5.00
L1471G SBI-Ultra Short Term Fund - Institutional Plan - Growth	10	4272810	5.00
ICICI Prudential Flexible Income Plan Premium - Growth	10	2996506	5.00
Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	1000	49943	5.00
LICMF - Savings Plus Fund - Daily Dividend Plan	10	5000000	5.00
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	10	4728803	5.00
Templeton Floating Rate Income Fund Long Term Plan Super Institutional - Daily Dividend Reinvestment	10	4996802	5.00
M17DD Fortis Money Plus Institutional Plan Daily Dividend	10	4998450	5.00
UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option)	1000	49989	5.00
Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Option	10	2998535	4.58



25. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - Rs.384.20 Crore.
(Previous Year - Rs.153.13 Crore).
26. Contingent Liabilities not provided for:
- (i) Guarantees given by the banks - Rs.16.87 Crore (Previous Year - Rs.21.24 Crore).
 - (ii) Letters of Credit issued by the banks - Rs.115.23 Crore (Previous Year - Rs.144.74 Crore).
 - (iii) Customs duty on import of equipments and spare parts under EPCG Scheme - Rs.23.94 Crore (Previous Year - Rs.40.12 Crore).
 - (iv) Bills discounted with a bank - Rs.16.44 Crore (Previous Year - Rs.Nil).
 - (v) Claims not acknowledged as debts:
 - (a) Disputed Sales / Purchase Tax demands - Rs.3.20 Crore (Previous Year - Rs.18.06 Crore).
 - (b) Disputed Excise/Customs Duty demands - Rs.80.49 Crore (Previous Year - Rs.83.02 Crore).
 - (c) Disputed Income Tax Demands - Rs.4.88 Crore (Previous Year - Rs.Nil).
 - (d) Contested ESI Demands - Rs.0.19 Crore (Previous Year - Rs.0.30 Crore).
27. Figures are rounded off to nearest lakh. Figures below Rs.50,000 are denoted by an * .
28. Previous year's figures have been regrouped, wherever necessary.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009

MRF LIMITED**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration No. State Code Balance Sheet Date
Date Month Year**II. Capital raised during the year (Amount in Rs. Thousands)**Public Issue Rights Issue Bonus Issue Private Placement **III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities		Total Assets	
<input type="text" value="30643537"/>		<input type="text" value="30643537"/>	
Sources of Funds			
	Paid-up Capital		Reserves & Surplus
	<input type="text" value="42411"/>		<input type="text" value="13571736"/>
	Secured Loans		Unsecured Loans
	<input type="text" value="1378956"/>		<input type="text" value="4822914"/>
Application of Funds			
	Net Fixed Assets		Investments
	<input type="text" value="12198116"/>		<input type="text" value="1485729"/>
	Net Current Assets		Misc. Expenditure
	<input type="text" value="6132172"/>		<input type="text" value=""/>
	Accumulated Losses		
	<input type="text" value=""/>		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including Other Income)	Total Expenditure
<input type="text" value="61766127"/>	<input type="text" value="57781319"/>
Profit/Loss before Tax	Profit/Loss after Tax
<input type="text" value="3984808"/> <input type="text" value=""/>	<input type="text" value="2530346"/>
Earning Per Share in Rs.	Dividend Rate %
<input type="text" value="596.61"/>	<input type="text" value="250"/>

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

Item Code No.
(ITC Code)

Product
Description

Item Code No.
(ITC Code)

Product
Description

Item Code No.
(ITC Code)

Product
Description

Item Code No.
(ITC Code)

Product
Description

RAVI MANNATH
Company SecretaryS.S. VAIDYA
V. SRIDHAR
DirectorsK.M. MAMMEN
Chairman and
Managing DirectorPlace : Chennai
Date : 21st December, 2009



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO THE SUBSIDIARY COMPANIES

	MRF CORP LIMITED	MRF INTERNATIONAL LIMITED	MRF LANKA [P] LIMITED
(A) The Financial Year of the Subsidiary Companies	March 31, 2009	September 30, 2009	September 30, 2009
(B) Shares of the Subsidiary held by MRF Limited on the above dates:			
(a) Number and face value	50,100 Equity Shares of Rs.10 each fully paid-up	5,32,470 Equity Shares of Rs.10 each fully paid-up	1,12,50,000 Equity Shares of SLR.10 each fully paid-up
(b) Extent of Holding	100% Subsidiary under Sec. 4(1)(b)	95% Subsidiary under Sec. 4(1)(b)	100% Subsidiary under Sec. 4(1)(b)
(C) The net aggregate of Profits/Losses of the Subsidiary Companies so far as it concerns the members of MRF Limited			
(a) not dealt with in the accounts of MRF Limited for the year ended September 30, 2009 amounted to			
(i) for the Subsidiaries financial year ended as in (A) above	Profit Rs.67914	Profit Rs.908351	Loss Rs.23439429
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's Subsidiaries	Profit Rs.871005	Profit Rs.2198635	Loss Rs.33810733
(b) dealt with in the accounts of MRF Limited for the year ended September 30, 2009 amounted to			
(i) for the subsidiaries financial year ended as in (A) above	None	None	None
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's Subsidiaries	None	None	None
(D) Changes in the interest of MRF Limited between the end of the financial year of the Subsidiary Companies and September 30, 2009	None	None	None
(E) Material Changes between the end of the financial year of the Subsidiary Companies and September 30, 2009			
(i) Fixed Assets	None	None	None
(ii) Investments	None	None	None
(iii) Moneys lent by the Subsidiary Companies	None	None	None
(iv) Moneys borrowed by the Subsidiary Companies for any purpose other than meeting current liabilities	None	None	None

Chennai
Dated 21st December, 2009

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

CONSOLIDATED FINANCIAL STATEMENTS



AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MRF LIMITED, ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th SEPTEMBER, 2009 OF MRF LIMITED AND ITS SUBSIDIARIES

We have audited the attached Consolidated Balance Sheet of MRF Limited ('the Company'), and its subsidiaries (the Company and its subsidiaries constitute the 'Group') as at September 30, 2009 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements reflect total assets of Rs.7.09 Crore as at 30th September, 2009 and total revenue of Rs.7.57 Crore, and net cash inflows amounting to Rs.0.05 Crore for the year then ended of MRF Lanka (P) Limited, a subsidiary. These financial statements have been audited by their auditors whose reports have been furnished to us and our opinion is based solely on the report of their auditors.

The financial statements also reflect total assets of Rs.0.16 Crore as at 31st March, 2009 and total revenue of Rs.0.01 Crore and net cash inflows amounting to Rs.0.01 Crore for the year then ended of MRF Corp

Limited, a subsidiary. These financial statements have been audited by their auditors whose reports have been furnished to us and our opinion is based solely on the report of their auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.

Without qualifying our opinion, we draw attention to Note No. 1(Q) in the notes forming part of the accounts, in respect of changes in accounting policies relating to provision for warranty and change in the basis of providing depreciation. Consequently, the profit for the year and the reserves are lower by Rs.37 Crore.

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 and to the best of our information and according to the explanations given to us, the consolidated financial statements read with other notes thereon, 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 consolidated state of affairs of the Group as at September 30, 2009;
- (b) In the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date and
- (c) In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

FOR SASTRI & SHAH
Chartered Accountants

C.R. Kumar
Partner
Mem.No.26143

FOR M.M. NISSIM AND CO.
Chartered Accountants

N. Kashinath
Partner
Mem.No.36490

Chennai, Dated 21st December, 2009

MRF LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2009

	Schedule	Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore
I. SOURCES OF FUNDS					
(1) Shareholders' Funds					
a) Share Capital	1		4.24		4.24
b) Reserves and Surplus	2		1351.46		1112.76
			1355.70		1117.00
(2) Minority Interest			0.06		0.05
(3) Loan Funds					
a) Secured Loans	3		137.89		577.35
b) Unsecured Loans	4		482.16		615.07
(4) Deferred Tax Liability (Net)			0.04		9.90
(5) Deferred Payment Credit			51.86		56.94
			2027.71		2376.31
II. APPLICATION OF FUNDS					
(1) Fixed Assets	5				
a) Gross Block		2739.15		2427.30	
b) Less: Depreciation		1803.19		1557.35	
c) Net Block		935.96		869.95	
d) Capital Work-in-Progress		286.24	1222.20	443.68	1313.63
(2) Investments	6		144.39		64.28
(3) Deferred Tax Asset (Net)			12.35		-
(4) Current Assets, Loans and Advances	7				
a) Inventories		652.87		985.53	
b) Sundry Debtors		576.75		608.04	
c) Cash and Bank Balances		60.13		102.53	
d) Loans and Advances		390.51		298.18	
		1680.26		1994.28	
Less: Current Liabilities and Provisions	8				
a) Current Liabilities		587.72		738.15	
b) Provisions		443.77		257.73	
		1031.49		995.88	
Net Current Assets			648.77		998.40
			2027.71		2376.31

The Schedules referred to and the accompanying notes form an integral part of the Balance Sheet and the Profit and Loss Account.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009



MRF LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2009

	Schedule	Rs. Crore	Rs. Crore	Year ended 30.09.2008 Rs. Crore	Rs. Crore
INCOME					
Sales		6146.43		5719.63	
Less: Excise Duty		<u>478.14</u>	5668.29	<u>673.18</u>	5046.45
Export Incentives			9.04		4.57
Other Income	9		25.12		36.07
			5702.45		5087.09
EXPENDITURE					
Materials	10		3712.72		3458.69
Interest	11		68.96		66.27
Other Expenses	12		1274.12		1181.69
Depreciation (Net of Deferred Tax-Note I (Q) (ii))	5		250.40		170.21
			5306.20		4876.86
Profit for the year before Taxation			396.25		210.23
Less: Provision for Taxation:					
Current Tax		159.01		67.50	
Deferred Tax (Note 3)		(18.04)		(0.41)	
Fringe Benefit Tax		1.20	142.17	2.29	69.38
Profit for the year after Taxation			254.08		140.85
Excess/(Short) provision for taxation of earlier years			(3.29)		2.59
Less: Profit attributable to minority interest			0.01		*
Amount available for appropriation			250.78		143.44
Appropriations					
Dividends					
Interim		2.54		2.54	
Final – Proposed		8.06		5.94	
Tax thereon		<u>1.80</u>	12.40	<u>1.44</u>	9.92
Balance Surplus transferred to General Reserve			238.38		133.52
			250.78		143.44
Basic & Diluted Earning per Share (in Rs.)			591.30		338.21

Figures below Rs. 50,000 are denoted by an *

The Schedules referred to and the accompanying notes form an integral part of the Balance Sheet and the Profit and Loss Account.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants

For M.M. NISSIM AND CO.
Chartered Accountants

C.R. Kumar
Partner

N. Kashinath
Partner

RAVI MANNATH
Company Secretary

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V. SRIDHAR
Directors

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Chairman and
Managing Director

Chennai, Dated 21st December, 2009

MRF LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2009

	Rs. Crore	Rs. Crore	Year ended 30.09.2008 Rs. Crore	Rs. Crore
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAX	396.25		210.23	
Adjustment for :				
Depreciation	250.40		170.21	
Provision for Doubtful Debts	2.76		—	
Unrealised Exchange Loss	13.45		13.53	
Income/Profit relating to Investment Activity	(7.46)		(9.11)	
Interest-Net	66.46		65.19	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		721.86		450.05
Adjustment for :				
Trade and other receivables	36.13		(36.91)	
Inventories	332.66		(291.29)	
Trade Payable	(126.28)		241.56	
		242.51		(86.64)
CASH GENERATED FROM OPERATIONS		964.37		363.41
Direct Taxes paid	(101.33)		(93.54)	
		(101.33)		(93.54)
NET CASH FROM OPERATING ACTIVITIES		863.04		269.87
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(163.59)		(583.93)	
Proceeds from Sale of Fixed Assets	0.59		3.15	
(Purchase)/Sale of Investments (Net)	(73.07)		12.22	
Interest received	2.36		0.90	
Income from Investments	0.24		0.37	
NET CASH FROM INVESTING ACTIVITIES		(233.47)		(567.29)
		629.57		(297.42)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Total (repayments)/proceeds from borrowings	(677.14)		347.78	
Dealers' Security Deposit (net of repayments)	91.95		60.09	
Repayments towards Sales Tax Deferral Scheme	(0.89)		(3.70)	
Deferred Payment Credit (net of payments)	(5.08)		(4.69)	
Interest paid	(71.01)		(63.16)	
Dividend/Corporate Dividend tax paid	(9.80)		(9.93)	
NET CASH FROM FINANCING ACTIVITIES		(671.97)		326.39
NET INCREASE IN CASH AND CASH EQUIVALENTS		(42.40)		28.97
CASH AND CASH EQUIVALENTS AS AT 30.09.08		102.53		73.56
CASH AND CASH EQUIVALENTS AS AT 30.09.09		60.13		102.53

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
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Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009



SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore
(1) SHARE CAPITAL					
Authorised					
1,00,000	Taxable Redeemable Cumulative Preference Shares of Rs.100 each		1.00		1.00
90,00,000	Equity Shares of Rs.10 each		9.00		9.00
			10.00		10.00
Issued					
42,41,214	Equity Shares of Rs.10 each		4.24		4.24
Subscribed					
42,41,143	Equity Shares of Rs.10 each fully paid-up		4.24		4.24
	Of the above				
(i)	5,54,461 Equity Shares allotted as fully paid-up pursuant to a contract without payments being received in cash.				
(ii)	17,81,118 Equity Shares allotted as fully paid-up by way of Bonus Shares by Capitalisation of Reserves				
			4.24		4.24
(2) RESERVES AND SURPLUS					
Capital Reserve					
	As per last Balance Sheet		0.05		0.05
Capital Redemption Reserve					
	As per last Balance Sheet		0.42		0.42
Share Premium Account					
	As per last Balance Sheet		9.42		9.42
General Reserve					
	As per last Balance Sheet	1104.08		970.56	
	Add: Transfer from Profit and Loss Account	238.38	1342.46	133.52	1104.08
Foreign Currency Translation Reserve					
	As per last Balance Sheet	(1.21)		(1.15)	
	Less: Adjustments during the year	0.32	(0.89)	(0.06)	(1.21)
			1351.46		1112.76
(3) SECURED LOANS					
Term Loan:					
	From Banks		111.24		113.42
	(Secured by hypothecation of specific items of machinery)				
	(Repayable within one year – Rs. Nil)				
Other Loans:					
	Banks		26.65		463.93
	(Secured by hypothecation of stock-in-trade, stores & spare parts and book debts)				
			137.89		577.35

	Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore
(4) UNSECURED LOANS				
Fixed Deposits (Repayable within one year – Rs.3.24 Crore)		18.33		12.30
Other Loans:				
Term Loan from Banks		–		230.00
From Others:				
Dealers' Security Deposit	379.24		287.29	
Sales Tax Deferral Scheme (Repayable within one year – Rs.Nil)	84.59	463.83	85.48	372.77
		482.16		615.07

									Rs. Crore Previous Year
	Land	Buildings	Plant & Machinery	Moulds	Vehicles	Others	Intangibles	Total	
Original Cost as at 1.10.2008	78.05	264.38	1716.38	225.96	15.33	111.95	15.25	2427.30	2051.18
Additions	13.80	42.94	232.71	14.92	2.06	12.19	2.41	321.03	383.28
Deductions	–	0.03	3.27	1.32	1.71	2.85	–	9.18	7.16
GROSS BLOCK	91.85	307.29	1945.82	239.56	15.68	121.29	17.66	2739.15	2427.30
DEPRECIATION									
As at 1.10.2008	1.07	106.14	1172.39	183.51	9.78	76.95	7.51	1557.35	1391.06
For the year	0.11	17.00	202.26	20.44	1.90	10.27	2.59	254.57	170.21
Deductions	–	0.02	3.04	1.25	1.63	2.79	–	8.73	3.92
As at 30.09.2009	1.18	123.12	1371.61	202.70	10.05	84.43	10.10	1803.19	1557.35
NET BLOCK AS AT 30.09.2009	90.67	184.17	574.21	36.86	5.63	36.86	7.56	935.96	869.95
NET BLOCK AS AT 30.09.2008	76.98	158.24	543.99	42.45	5.55	35.00	7.74	869.95	660.12
NET BLOCK AS AT 30.09.2009								935.96	869.95
Capital Work-in-Progress and Advances on Capital Account								286.24	443.68
								1222.20	1313.63

Note:

Land includes Agricultural Land – Rs.0.12 Crore and Leasehold Land – Rs.4.35 Crore.



	Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore
(6) INVESTMENTS (At Cost)				
Long Term, Non-Trade				
Fully Paid-up				
Quoted				
Equity Shares		0.10		0.10
Unquoted				
In Mutual Fund Units	142.22		62.11	
Ordinary/Equity Shares	2.07		2.07	
		144.29		64.18
		144.39		64.28
Aggregate Market Value of Quoted Investments		2.47		1.56
(7) CURRENT ASSETS, LOANS AND ADVANCES				
(a) Inventories				
Stores & Spares	44.51		43.45	
Stock-in-trade:				
Raw Materials	305.38		425.34	
Work-in-Progress	101.45		135.06	
Finished Goods	201.53	652.87	381.68	985.53
(b) Sundry Debtors				
(i) Debts outstanding for a period exceeding six months				
Unsecured - Considered Good	2.42		7.87	
- Considered Doubtful	2.76		-	
Less: Provision for Doubtful Debts	(2.76)		-	
	2.42		7.87	
(ii) Other Debts (Considered Good)				
Secured	345.19		266.15	
Unsecured	229.14	576.75	334.02	608.04
(c) Cash and Bank Balances				
Cash, Cheques and Stamps on hand	33.60		68.41	
Bank Balances:				
With Scheduled Banks:				
In Current/Collection Accounts	25.81		33.47	
In Deposit Accounts	0.29		0.29	
With Others	0.43	60.13	0.36	102.53
(d) Loans and Advances				
(Unsecured, Considered Good)				
Advances to Staff	2.37		2.44	
Advances recoverable in cash or in kind or for value to be received	56.39		50.87	
Balances with Customs, Excise and Port Trust	18.35		29.13	
Other Deposits	10.50		12.94	
Advance Tax	302.90	390.51	202.80	298.18
		1680.26		1994.28

	Rs. Crore	Rs. Crore	As at 30.09.2008 Rs. Crore	Rs. Crore
(8) CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities				
Acceptances	95.30		103.73	
Sundry Creditors				
Outstanding dues of Micro Enterprises & Small Enterprises (Note 4)	5.85		4.72	
Outstanding dues of creditors other than Micro Enterprises & Small Enterprises	483.77		624.90	
Interest Accrued but not due	1.66		3.71	
Liability towards Investor Education and Protection Fund not due:				
Unclaimed Dividends	1.12		1.01	
Matured Fixed Deposits and Interest	0.02	587.72	0.08	738.15
(b) Provisions				
Provision for Taxation	369.63		207.36	
Proposed Dividend				
Interim	1.27		1.27	
Final	8.06		5.94	
Dividend Tax	1.59		1.22	
Retirement Benefits	23.01		23.42	
Others	40.21	443.77	18.52	257.73
		1031.49		995.88
INCOME				
	Rs. Crore	Rs. Crore	Year ended 30.09.2008 Rs. Crore	Rs. Crore
(9) OTHER INCOME				
Income from Investments:				
Dividend	0.28		0.15	
Interest	—	0.28	0.16	0.31
Interest (Gross)		2.50		1.08
Profit on Sale of Investment		7.04		8.89
Profit on Sale of Assets (Net)		0.14		—
Windmill Power Generated, captively consumed		13.08		11.54
Sales Tax/Entry Tax Refunds		—		11.30
Miscellaneous Income		2.08		2.95
		25.12		36.07
Tax Deducted at Source		0.11		0.17



Year ended 30.09.2008
Rs. Crore Rs. Crore

EXPENDITURE

(10) MATERIALS

Raw Materials Consumed		3486.13	3536.29
Purchase of Trade Goods		6.48	14.35
(Increase)/Decrease in Stock			
Opening Stock			
Work-in-Progress	135.06		93.20
Finished Goods	381.68		333.95
	<u>516.74</u>		<u>427.15</u>
Less: Closing Stock			
Work-in-Progress	101.45		135.06
Finished Goods	201.25		381.68
	<u>302.70</u>		<u>516.74</u>
		214.04	(89.59)
Differential Excise Duty on Opening and Closing Stock of Finished Goods		6.07	(2.36)

3712.72 3458.69

(11) INTEREST

On Fixed Loans	11.34	6.77
On Deferred Payment Credit	4.50	4.92
Others	53.12	54.58
	<u>68.96</u>	<u>66.27</u>

Year ended 30.09.2008

	Rs. Crore	Rs. Crore
(12) OTHER EXPENSES		
Salaries, Wages, Bonus & Commission	248.37	218.71
Contribution to Provident & Other Funds	29.90	32.12
Staff Welfare Expenses	38.86	25.16
Stores & Spares Consumed	122.84	105.06
Loose Tools, Dies etc. written off	0.50	0.41
Power, Fuel & Light	285.93	295.21
Processing Expenses	47.64	58.31
Rent	15.40	13.88
Rates & Taxes	5.06	5.00
Insurance	3.47	5.54
Repairs & Maintenance:		
Buildings	7.33	6.51
Machinery	30.34	22.71
Others	11.99	9.02
Printing & Stationery	2.08	3.34
Postage, Telegrams & Telephones	5.67	4.94
Vehicle Expenses	3.13	3.11
Directors' Sitting Fees	0.03	0.02
Directors' Travelling Expenses	0.46	0.27
Travelling & Conveyance	17.13	17.52
Auditors' Remuneration	0.49	0.38
Advertisement	51.97	45.26
Commission & Discount	154.61	139.66
Warranty	21.25	–
Freight & Transport	135.77	129.72
Sales Tax	1.78	–
Provision for Doubtful Debts	2.76	–
Bad Debts	1.36	0.02
Loss on Sale of Assets (Net)	–	0.09
Exchange Loss (Net)	1.09	15.54
Others	26.91	24.18
	1274.12	1181.69



BASIS OF CONSOLIDATION, SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER 2009.

1. BASIS OF CONSOLIDATION:

The Consolidated financial statements relate to MRF LTD. ('the Company'), and its subsidiary Companies. The Company and its subsidiaries constitute the Group.

a. Basis of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis, in conformity with applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and generally accepted accounting principles and practices.

b. Principles of consolidation:

- a) The consolidated financial statements have been prepared in accordance with the Accounting Standard-21 on Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006. Consolidated financial statements are prepared using uniform accounting policies except as stated in 2 (F) and (L) of this Schedule, the adjustments arising out of the same are not considered material.

The consolidated financial statements comprise of the financial statements of the Company and the following subsidiaries as on September 30, 2009:

<u>Name</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Financial Statement as on</u>
MRF Corp. Ltd.	India	100%	March 31, 2009
MRF International Ltd.	India	94.66%	September 30, 2009
MRF Lanka (P) Ltd.	Sri Lanka	100%	September 30, 2009

There are no significant transactions or other material events that have occurred between the balance sheet date of MRF Corp Ltd. and the parent Company.

- b) The financial statements of the Company and its subsidiary Companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses are fully eliminated.
- c) The difference between the cost of investment in the subsidiaries and the share of net assets at the time of acquisition of shares in the subsidiaries is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
- d) Foreign Subsidiary – Revenue items have been consolidated at the average rate of foreign exchange prevailing during the year. The assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate. Exchange differences arising on monetary and non-monetary items that in substance forms part of the Company's net investments in non-integral foreign operation are accumulated in the Foreign Currency Translation Reserve.

2. ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING:

The financial statements are prepared under the historical cost convention on an accrual basis, in accordance with relevant requirements of the Companies Act, 1956 and applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

B. USE OF ESTIMATES:

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialise.

C. FIXED ASSETS AND DEPRECIATION:

- (a) Fixed Assets are stated at cost net of credits under Cenvat/VAT Schemes. All costs relating to the acquisition including freight and installation of Fixed Assets are capitalised and also include interest on borrowings upto the date of capitalisation.
- (b) Depreciation:
 - (i) Depreciation in respect of buildings, plant and machinery, moulds and a part of the other assets acquired/purchased upto September, 1986 has been provided on straight line method and additions from 1st October, 1986 to 30th September, 1987 on reducing balance method at the rates corresponding to the rates applicable under the Income Tax Rules in force at the time of acquisition/purchase of assets pursuant to Circular 1/86 dated 21st May, 1986 issued by the Department of Company Affairs in accordance with the provisions of Section 205 of the Companies Act, 1956.
 - (ii) Depreciation on buildings, plant and machinery, moulds and a part of other assets acquired/purchased on or after 1st October, 1987 is being provided on reducing balance method at the revised rates and on the basis as specified in Schedule XIV to the Companies Act, 1956. From 1st October, 1993, assets acquired/purchased costing less than Rupees five thousand have been depreciated at the rate of 100%.
 - (iii) Depreciation on Renewable Energy Saving Devices, viz., Windmills, is being charged on Reducing Balance Method, as Continuous Process Plant at the rates and on the basis as specified in Schedule XIV to the Companies Act, 1956.
 - (iv) Depreciation is being charged on straight line method at the rate of 20% in respect of vehicles and a part of other assets.
 - (v) Leasehold land is amortised over the period of the lease.
 - (vi) Intangible assets are amortised over 5 years commencing from the year in which the expenditure is incurred.

D. IMPAIRMENT OF ASSETS:

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

E. INVESTMENTS:

Long term Investments are stated at Cost. Current investments are stated lower of cost and fair value. Diminution is provided to recognise a decline, other than temporary, in the value of long term investments.

F. INVENTORIES:

Inventories consisting of stores & spares, raw materials, work-in-progress and finished goods are valued at lower of cost and net realisable value. The cost is computed on FIFO basis except for stores and spares which are on Weighted Average Cost basis and is net of credits under Cenvat/VAT Schemes. Cost of Stores and Spares Inventories held by a foreign subsidiary are valued on FIFO basis.



Work-in-Progress and Finished Goods inventories include materials, labour cost and other related overheads.

G. REVENUE RECOGNITION:

Sale of goods and services are recognised when risks and rewards of ownership are passed on to the customers which generally coincides with delivery and when the services are rendered. Sales include excise duty but exclude VAT.

H. EXCISE DUTY:

Excise duty has been accounted on the basis of both payments made in respect of goods despatched and also provision made for goods lying in bonded warehouses.

I. RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged to the Profit and Loss Account of the year in which it is incurred. Capital expenditure on Research and Development is included as additions to fixed assets.

J. TAXATION:

Provision for current tax is made on the basis of estimated taxable income for the current Accounting Period and in accordance with the provisions as per the Income Tax Act, 1961.

Deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been enacted or substantially enacted on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty except for carry forward losses and unabsorbed depreciation which is recognised on virtual certainty that the assets will be adjusted in future.

K. LEASES:

Lease payments under operating leases are recognised as expenses on straight line basis over the lease term in accordance with the period specified in respective agreements.

L. EMPLOYEE BENEFITS:

The Company's contribution to the Provident Fund is remitted to a Trust established for this purpose based on fixed percentage of the eligible employees' salary and charged to the Profit and Loss Account. The Company is liable for annual contributions and any shortfall in the fund assets, based on the Government specified minimum rate of return and recognises such contributions and shortfall, if any, as an expense in the year incurred. The Company also contributes to Regional Provident Fund on behalf of some of its employees who are not part of the above Trust and such contributions are charged to the Profit and Loss Account. The foreign subsidiary has provided for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective statutes and regulations.

The Company also contributes to a government administered Pension Fund on behalf of its employees, which are charged to the Profit and Loss Account.

Superannuation benefits to employees, as per Company's Scheme, have been funded with Life Insurance Corporation of India (LIC) and the contribution is charged to the Profit and Loss Account.

Liabilities with regard to Gratuity are determined under Group Gratuity Scheme with LIC and the provision required is determined as per Actuarial Valuation as at the Balance Sheet date, using the Projected Unit Credit Method. As regards the foreign subsidiary, the gratuity liability is provided for as per local statutes and regulations and is not funded nor actuarially valued.

Short term employee benefits are recognised as an expense as per the Group's Scheme based on expected obligation on undiscounted basis. Other long term employee benefits are provided based on the Actuarial Valuation done at the year end, using the Projected Unit Credit Method. Actuarial gains/loss are charged to the Profit and Loss Account and not deferred.

M. FOREIGN CURRENCY TRANSACTIONS:

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the contracted rate is recognised as exchange difference. Premium paid on forward contracts is recognised over the life of the contract. Non-monetary foreign currency items are carried at cost.

In respect of branches, which are integral foreign operations, all transactions are translated at rates prevailing at the time of transaction or that approximates the actual rate as at the date of transaction. Branch monetary assets and liabilities are restated at the year end rates. Any income or expense on account of exchange rate difference either on settlement or on translation is recognised in the Profit and Loss Account.

N. DERIVATIVE TRANSACTIONS:

The Company uses derivative financial instruments, such as Forward Exchange Contracts, Currency Swaps and Interest Rate Swaps, to hedge its risks associated with foreign currency fluctuations and interest rates. Currency and interest rate swaps are accounted in accordance with their contract. At every period end all outstanding derivative contracts are fair valued on a marked-to-market basis and any loss on valuation is recognised in the Profit and Loss Account, on each contract basis. Any gain on marked-to-market valuation on respective contracts is not recognised by the Company, keeping in view the principle of prudence as enunciated in AS-1 "Disclosure of Accounting Policies".

O. BORROWING COSTS:

Borrowing costs that are attributable to the acquisition of or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

P. PROVISIONS AND CONTINGENT LIABILITIES:

A provision is recognised when there is a present obligation as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Group or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

Q. CHANGE IN ACCOUNTING POLICIES:

- i) The warranty provision has been recognised based on management estimate regarding possible future outflow on servicing the customers during the warranty period, on the sales effected during the year. These estimates are computed on scientific basis as per past trends of such claims which hitherto were accrued and recognised based on claims preferred. Due to this change, the profit for the year is lower by Rs.21.25 Crore.
- ii) The Company has hitherto been charging depreciation on windmills on Straight Line Method, as Continuous Process Plant at the rates and on the basis specified in Schedule XIV to the Companies Act, 1956. The management has thought it prudent to switchover from Straight Line Method to Reducing Balance Method to follow an uniform practice and has recalculated the depreciation from the date of such assets coming into use. As a result, the charge for depreciation is more by Rs.15.75 Crore (including Rs.8.11 Crore net of Deferred Tax of Rs.4.17 Crore for the earlier years) and the profit for the year is lower by the said amount.



3. The break up of net deferred tax asset/liability as at 30th September, 2009: (Rs. Crore)

Particulars	Liability		Asset	
		Year Ended 30.09.2008		Year Ended 30.09.2008
Depreciation	0.04	16.62	4.14	—
Expenditure allowable on actual payment	—	—	8.21	6.72
	0.04	16.62	12.35	6.72
Net Deferred Tax	0.04	9.90	12.35	

4. The Micro, Small and Medium Enterprises Development Act, 2006:

The information given below and that given in Schedule 8 “Current Liabilities and Provisions” regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Group.

Rs. Crore

(i) Interest amounts unpaid as at the year end	0.09
(ii) Principal amounts paid after appointed date during the year	7.72
(iii) Amount of interest accrued and unpaid as at the year end	0.09

5. Related Party disclosures:

(a) Names of related parties with whom transactions have taken place during the year:

Key Management Personnel:	i)	Mr. K.M. Mammen, Chairman & Managing Director
	ii)	Mr. K.M. Philip, Whole-time Director
	iii)	Mr. Arun Mammen, Managing Director

Relatives of Key Management Personnel:	i)	Mrs. K.M. Mammen Mappillai
	ii)	Mr. Rahul Mammen Mappillai

(b) Transactions with related parties:

(Rs. Crore)

Nature of Transactions	Key Management Personnel		Relatives of Key Management Personnel	
		Year Ended 30.09.2008		Year Ended 30.09.2008
Remuneration	6.31	5.49	0.29	0.20
Repairs & Maintenance Expenses			0.10	0.07

Notes:

- (i) No amounts pertaining to related parties have been provided for as doubtful debts. No amounts have been written off or written back during the year.
- (ii) Dividend and Interest on Fixed Deposits paid have not been considered by the Group as transactions falling under the purview of Accounting Standard 18 - Related Party Disclosures.
6. a) In terms of the guidance on implementing the revised AS 15 issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the Provident Fund Trust set up by the Company is treated as defined benefit plan since the Company has to meet the shortfall in the fund assets, if any. However, as at the year end, no shortfall remains unprovided for. Further, having regard to the assets of the Fund and the Return on the Investments, the Company does not expect any deficiency in the foreseeable future. Accordingly, other related disclosures in respect of Provident Fund have not been disclosed.
- b) During the year, the group has recognised the following amounts in the Profit and Loss Account:

	Funded		Unfunded	
	Rs. Crore	30.09.2008 Rs. Crore	Rs. Crore	30.09.2008 Rs. Crore
i) Employer's contribution to Provident Fund & Family Pension Fund*	12.65	11.56	–	–
ii) Employer's contribution to Superannuation Fund *	2.66	2.22	–	–
* Included in "contribution to Provident and other Funds" (Refer Schedule 12).				
iii) Defined benefit obligation:				
(a) Gratuity				
Service Cost	4.69	3.41	–	–
Interest Cost	4.70	3.42	0.01	0.01
Expected return of plan assets	(4.17)	(3.15)	–	–
Actuarial (Gain)/Loss	6.93	11.95	–	–
Net Cost	12.15	15.63	0.01	0.01
(b) Leave Encashment			2.34	1.59
(c) Post Retirement Medical Benefit			2.60	0.49



	Gratuity - Funded	
	Rs. Crore	30.09.2008 Rs. Crore
(d) Reconciliation of benefit obligation and plan assets for the year:		
Present value of defined benefit obligation	73.45	61.06
Fair value of plan assets	62.87	46.63
Net Liability as at 30th September, 2009 recognised in the Balance Sheet	(10.58)	(14.43)
(e) Change in defined benefit obligation:		
Present value of obligation as at 1st October, 2008	61.06	45.88
Service Cost	4.69	3.41
Interest Cost	4.70	3.42
Actuarial (Gain)/Loss	7.83	14.56
Benefits paid	(4.83)	(6.21)
Present value of obligation as at 30th September, 2009	73.45	61.06
(f) Change in fair value of plan assets:		
Fair value of plan assets as at 1st October, 2008	46.63	38.08
Expected return on plan assets	4.17	3.15
Contribution by employer	16.00	9.00
Actuarial Gain/(Loss)	0.90	2.61
Benefits paid	(4.83)	(6.21)
Fair value of plan assets as at 30th September, 2009	62.87	46.63
(g) The principal actuarial assumptions:		
Discount rate	8.0%	8.0%
Salary Escalation	5.5%	4.5%
Expected return on plan assets	8.0%	8.0%
The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as the supply and demand in the employment market.		
(h) Amounts for the current and previous periods are as under:		
Defined Benefit Obligation	73.45	61.06
Plan Assets	62.87	46.63
Net Deficit	10.58	14.43
Experience adjustments on plan assets		Not Available *
Experience adjustments on plan liabilities		Not Available *
* The management has relied on the overall actuarial valuation conducted by the Actuary. However, experience adjustments on plan assets and liabilities are not readily available and hence not disclosed.		
(i) Investment of plan assets as at 30th September, 2009		
Investments with Life Insurance Corporation of India	100%	100%

iv) Other Long Term Employee Benefits;	Rs. Crore	Rs. Crore
Present value of obligation as at 30th September, 2009		
Leave Encashment	7.85	7.19
Post Retirement Medical Benefits	4.03	1.61

Note - No other disclosures have been furnished as per para 132 of AS-15 (Revised)

7. Earnings Per Share:			Year Ended 30.09.2008
Profit after Taxation	Rs. Crore	250.78	143.44
Number of equity shares (Face Value Rs.10/- each)	Nos.	42,41,143	42,41,143
Earnings per share - Basic	Rs.	591.30	338.21

8. Movement in provisions as required by Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets.

	As at 01.10.2008	Provided during the year	Paid during the year	(Rs. Crore) As at 30.09.2009
(i) Warranty	— (—)	21.25 (—)	— (—)	21.25 (—)
(ii) Litigation and related disputes	— (5.05)	11.32 (—)	— (5.05)	11.32 (—)

Previous Year's figures are in brackets.

Notes:

- (i) The warranty provision has been recognised based on Management estimate regarding possible future outflow on servicing the customers during the warranty period, on the sales effected during the year. The cash outflow would generally occur during the next two years.
 - (ii) Litigation and related disputes represents estimates mainly for probable claims arising out of litigations/disputes pending with authorities under various statutes (i.e. Service Tax, Excise & Customs Duty, etc). The probability and the timing of the outflow with regard to these matters will depend on the consequent decision/conclusion by the Management.
9. The Group is engaged mainly in the manufacture of Rubber Products such as Tyres, Tubes, Flaps, Tread Rubber and Conveyor Belt. These in the context of Accounting Standard 17 on Segment Reporting are considered to constitute one single primary segment. The Company's operations outside India do not exceed the quantitative threshold for disclosure envisaged in the Accounting Standard. Non-reportable segments have not been disclosed as unallocated reconciling item in view of their materiality. In view of the above, primary and secondary reporting disclosures for business/geographical segment are not applicable.
 10. The Group's leasing arrangements are in respect of operating leases for premises (residential, office, godowns etc). The leasing arrangements, which are not non-cancellable, range between eleven months and three years generally and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.



11. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - Rs.384.20 Crore. (Previous Year Rs.153.13 Crore).
12. Contingent Liabilities not provided for:
 - (i) Guarantees given by the banks - Rs.16.87 Crore (Previous Year - Rs.21.24 Crore).
 - (ii) Letters of Credit issued by the banks - Rs.115.23 Crore (Previous Year - Rs.144.74 Crore).
 - (iii) Customs duty on import of equipments and spare parts under EPCG Scheme - Rs.23.94 Crore (Previous Year - Rs.40.12 Crore).
 - (iv) Bills discounted with a bank - Rs.16.44 Crore (Previous Year - Rs. Nil).
 - (v) Claims not acknowledged as debts:
 - (a) Disputed Sales/Purchase Tax demands - Rs.3.20 Crore (Previous Year - Rs.18.06 Crore).
 - (b) Disputed Excise/Customs Duty demands - Rs.80.49 Crore (Previous Year - Rs.83.02 Crore).
 - (c) Disputed Income Tax Demands - Rs.4.88 Crore (Previous Year - Rs. Nil).
 - (d) Contested ESI Demands - Rs.0.19 Crore (Previous Year - Rs.0.30 Crore).
13. Figures are rounded off to nearest lakh. Figures below Rs.50,000 are denoted by an *.
14. Figures pertaining to the subsidiary Companies have been reclassified wherever necessary to bring them in line with the Group's financial statement.
15. Previous year's figures have been regrouped, wherever necessary.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C.R. Kumar
Partner

For M.M. NISSIM AND CO.
Chartered Accountants
N. Kashinath
Partner

RAVI MANNATH
Company Secretary

S.S. VAIDYA
V. SRIDHAR
Directors

K.M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 21st December, 2009

Disclosure of Information Relating to Subsidiaries

(Vide letter No.47/682/2009 - CL - III dt. 14.10.2009 of the Ministry of Corporate Affairs, Government of India)

(Rs.)

	MRF Corp. Ltd. *		MRF International Ltd.		MRF Lanka (P) Ltd.	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
1. Share Capital	5,01,000	5,01,000	56,25,000	56,25,000	4,71,29,953	4,83,35,643
2. Reserves & Surplus	9,38,919	8,71,005	76,45,512	66,89,353	(5,83,80,444)	(3,67,81,505)
3. Total Liabilities @	99,853	1,03,908	88,719	38,116	8,83,50,893	5,59,27,298
4. Total Assets (including Investments)+	15,39,772	14,75,913	1,33,59,231	1,23,52,469	7,71,00,403	6,74,81,436
5. Investments	12,88,929	12,88,929	1,32,35,839	1,22,07,474	–	–
6. Turnover	1,05,957	1,03,390	10,35,720	7,11,089	7,56,89,138	5,38,54,710
7. Profit before Tax	98,451	96,989	10,12,339	6,88,814	(2,33,89,715)	(1,41,96,418)
8. Provision for Taxation						
- Current	30,537	33,768	56,180	11,150	–	–
- Deferred	–	–	–	1,626	49,714	(4,10,756)
9. Profit/(Loss) after Tax	67,914	63,221	9,56,159	6,76,038	(2,34,39,429)	(1,37,85,662)
10. Proposed dividend (including dividend tax)	NIL	NIL	NIL	NIL	NIL	NIL

@ Total Liabilities include: Secured Loan, Unsecured Loan, Current Liabilities and Deferred Tax Liability

+ Total Assets include: Net Fixed Assets, Investments and Current Assets

* April/March



Annual Report 2008-09



MRF

124, GREAMS ROAD, CHENNAI - 600 006