MRF

ANNUAL REPORT 2009-10

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CHAIRMAN'S MESSAGE

Dear Shareholder,

The last financial year was a difficult and trying year. However, MRF excelled to a degree greater than ever before in our history, scoring the highest leap in turnover in one single year. This high growth has been achieved through its premium products and strategies.

This growth is all the more commendable since it has been achieved in the face of steep rise in input costs and stiff competition from domestic and international brands.

We expect the Indian Auto Industry to continue to grow, and to meet the growing demand, we have inaugurated our new factory at Ankenpally in record time.

We are continuing to increase our capacities in our existing factories and also commenced work at a new green field project in Trichy to maintain our share and market leadership.

K. M. Mammen
Chairman and Managing Director

MRF WINS FIA APRC TITLES FOR THE THIRD TIME

After winning the FIA Asia Pacific Rally Championship (APRC), Driver's and Co-driver's titles in 2003 and 2005, Team MRF's drivers, Katsuhiko Taguchi (Japan) and co-driver, Glenn Macneall (New Zealand) won the APRC titles for MRF again in 2010. They were awarded their trophies at the FIA Gala Dinner in Monaco.

Katsuhiko Taguchi

Glenn Macneall

MRF TOPS J.D. POWER STUDY – FOR THE SEVENTH TIME

MRF was ranked highest in the *J.D Power Asia Pacific 2010 India Original Equipment Tire Customer Satisfaction Index (TCSI) Study – thanks to its customers.

Receiving the highest ranking on four factors that drive satisfaction – appearance, durability, traction / handling and ride, MRF continues to delight its customers.

This is the seventh time MRF has been awarded this honour.

*MRF received the highest numerical score among tire manufacturers in the proprietary J.D. Power Asia Pacific 2010 India Original Equipment Tire Customer Satisfaction Index (TCSI) Study.SM Study based on 3,874 new-vehicle owners who purchased their vehicles between May 2007 and August 2008. Proprietary study results are based on experiences and perceptions of owners surveyed May-August 2009. Your experiences may vary. Visit www.jdpower.com/corporate.

PRODUCT LAUNCHES

Two popular tyres were launched – MRF Meteor, a bike tyre for both tarmac and dirt; and the MRF Steel Muscle S3K4 truck radials for better mileage on diverse road conditions.

MRF METEOR

MRF S3K4

NEW PRODUCTION FACILITY

Exterior view of the Ankenpally factory

MRF's Ankenpally project at Medak district, Andhra Pradesh was completed in a record 12 months. This factory is a showpiece of automation and technology.

This factory and its constituent machinery will be a benchmark for our future projects.

A section of the modern plant

MRF T&S - DELIGHTING THE CUSTOMER

MRF T&S (Tyres & Service) is a one-stop-shop for a unique tyre buying experience. T&S outlets stock the entire range of MRF tyres and are equipped to provide services like computerized wheel alignment, wheel balancing and tyre changing. It's the answer to the increasing number of world-class cars which are cruising on Indian roads today.

MRF T&S showrooms – world-class layout

SPECIALITY COATINGS DIVISION

MRF TileGarde used on terracotta tiles and bricks has good anti-fungal properties, and resists fading

MRF's Speciality Coatings Division manufactures speciality coatings for a wide range of applications. The revolutionary 100% polyurethane finishes are available in formulations for applications on metal, wood, plastic, walls and glass. The coatings have been developed for colour and gloss retention, adhesion and durability. They guard against abrasion, corrosion, bad weather and ultra-violet radiation.

MRF WallCoat used on the exterior walls protects the walls from rain, smoke, dust, chemicals and UV rays

MRF IN CRICKET

Gautam Gambhir captained the Indian cricket team to victory in the ODI series when the New Zealand team toured India in November - December 2010.

The MRF Blimp was launched during the third edition of the Indian Premier League (IPL) in March 2010.

GAUTAM GAMBHIR

MRF BLIMP

MRF IN MOTORSPORTS

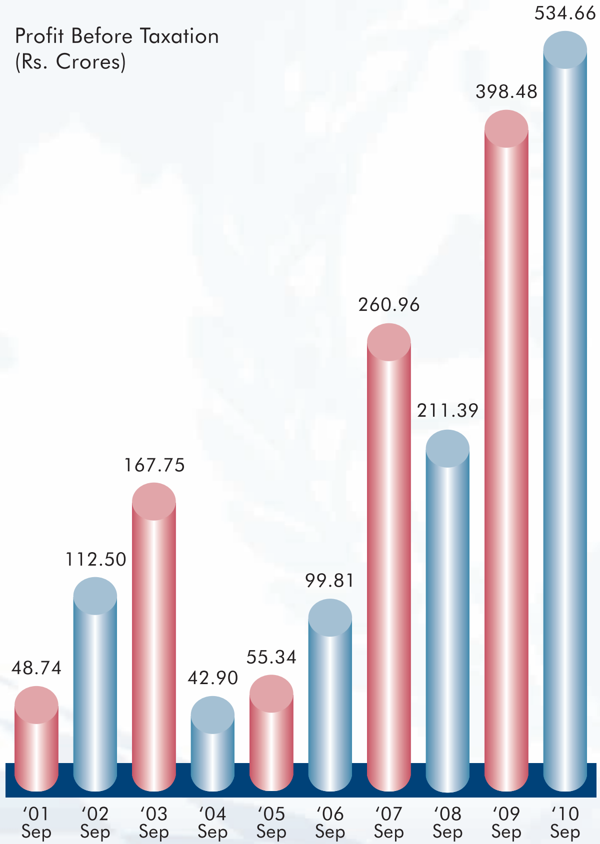
The MRF Racing Challenge - a popular event in Chennai

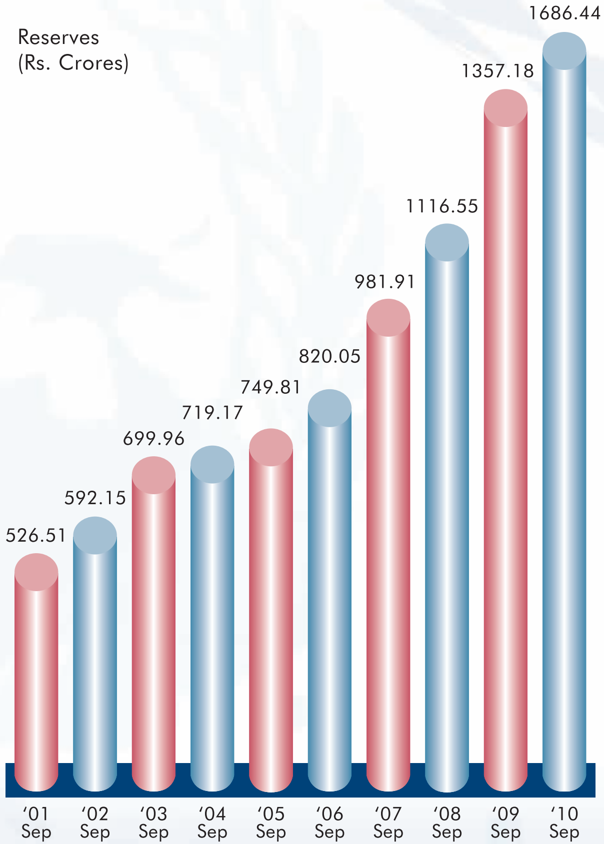
MRF Motocross Championship - a national competition for over a decade

In February 2010 the MRF Formula Challenge was organized during three weekends. The event featured MRF Formula Championship, Star Cup Championship, Saloon car racing and two-wheeler competitions.

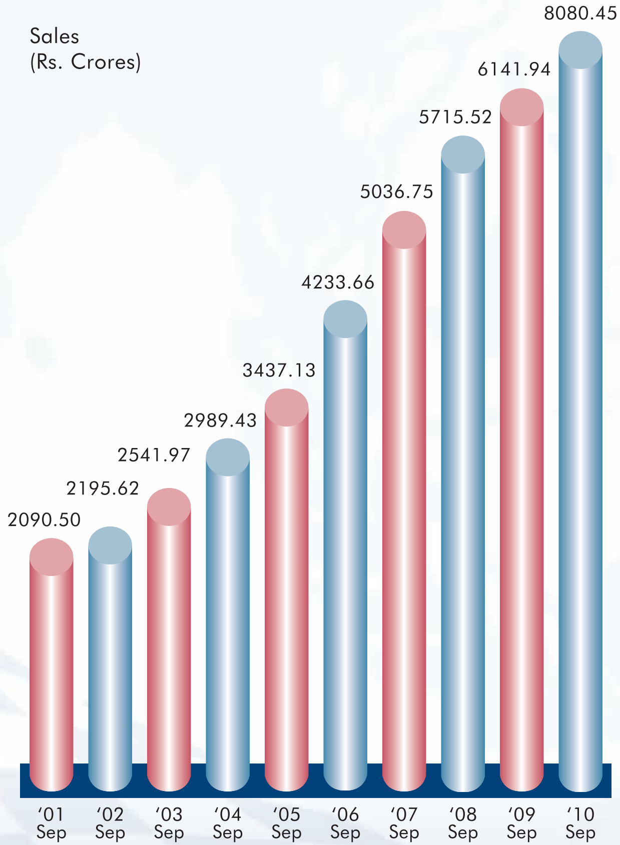
The MRF National Motocross Championship 2010 attracted top motocross riders from India.

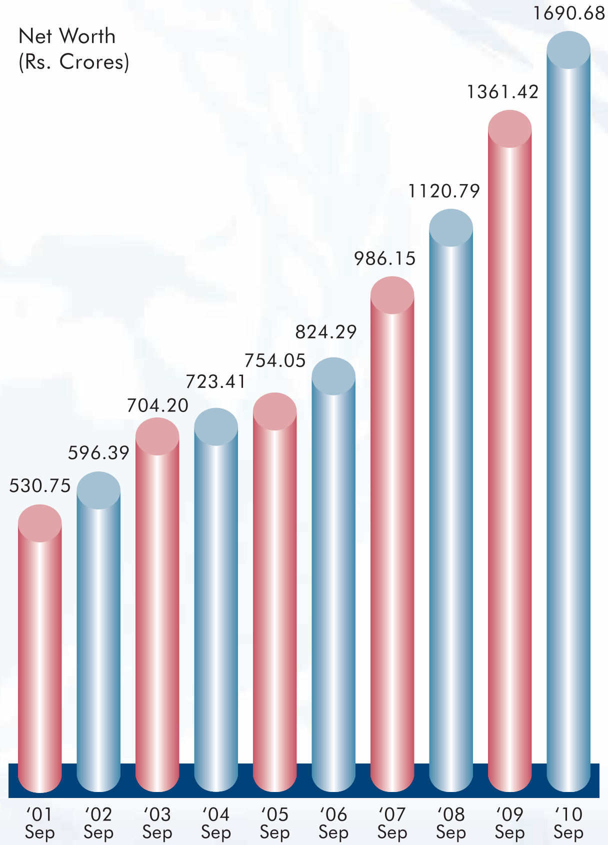
RACING AHEAD





RACING AHEAD





BOARD OF DIRECTORS

K.M. MAMMEN
Chairman & Managing Director

ARUN MAMMEN
Managing Director

K.M. PHILIP
Whole-time Director

RAHUL MAMMEN MAPPILLAI
Whole-time Director

Dr. K.C. MAMMEN

ASHOK JACOB

V. SRIDHAR

VIJAY R. KIRLOSKAR

N. KUMAR

RANJIT I. JESUDASEN

S.S. VAIDYA

Dr. SALIM JOSEPH THOMAS

Company Secretary
RAVI MANNATH

Auditors
SASTRI & SHAH, Chennai.
M.M. NISSIM and Co., Mumbai.

Legal Advisors
KURIAN & KURIAN

Registered Office:
New No.114 (Old No.124), Greams Road, Chennai -600 006.

Ten Year Financial Summary (Rs. Crore)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Sales	8080.45	6141.94	5715.52	5036.75	4233.66	3437.13	2989.43	2541.97	2195.62	2090.50
Other Income	41.97	34.40	40.83	24.17	27.07	44.96	58.54	65.71	45.08	33.95
Total Income	8122.42	6176.34	5756.35	5060.92	4260.73	3482.09	3047.97	2607.68	2240.70	2124.45
Profit before Taxation	534.66	398.48	211.39	260.96	99.81	55.34	42.90	167.75	112.50	48.74
Provision for Taxatiaon	180.68	145.45	66.83	89.18	19.90	15.03	14.10	50.37	34.04	17.00
Profit after Taxation	353.98	253.03	144.56	171.78	79.91	40.31	28.80	117.38	78.46	31.74
Share Capital	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24
Reserves	1686.44	1357.18	1116.55	981.91	820.05	749.81	719.17	699.96	592.15	526.51
Net Worth	1690.68	1361.42	1120.79	986.15	824.29	754.05	723.41	704.20	596.39	530.75
Fixed Assets Gross	3865.62	3020.57	2866.24	2289.77	1955.99	1787.85	1534.47	1348.80	1224.17	1155.15

DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the Fiftieth Annual Report and the Audited Statement of Accounts for the year ended 30th September, 2010.

Working of the Company

Financial Results

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

(Rs. Crore)

	2009-10	2008-09
Total Income	8122.42	6176.34
Profit before tax	534.66	398.48
Provision for taxation	180.68	145.45
Net Profit	353.98	253.03

Your Company this year has crossed a sales turnover of Rs.8000 Crore, which is a landmark achievement. This reflects a sales growth of 31%. The growth was primarily driven by a remarkable turnaround in the automobile market, lower interest rates and the general recovery of business. During the year, there was an unprecedented increase in the price of natural rubber and other key raw materials, which has impacted the performance of the Company. Despite the above, your Company could achieve improved results due to better operating efficiencies, value systems and cost cutting measures which the Company has undertaken over a period of time.

Two interim dividends of Rs.3 each per share (30% each) for the year ended 30th September, 2010 were declared by the Board of Directors on 28-07-2010 and on 21-10-2010. The Board of Directors is now pleased to recommend a final dividend of Rs.19 per share (190%) and a special dividend of Rs.25 per share (250%) 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.50 per share (500%). The total amount of dividends aggregates to Rs.21.20 Crore.

The Directors recommend that after making provision for taxation and proposed dividend, an amount of Rs.329.26 Crore be transferred to General Reserve. With this, the Company's Reserves and Surplus stands at Rs.1686.44 Crore.

Industrial Relations

Overall, the industrial relations in all our manufacturing units have been harmonious as well as cordial. Both production and productivity were maintained at the desired satisfactory levels throughout the year in all the units.

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

Exports

The Company's exports stood at Rs.669.27 Crore for the year ended 30th September, 2010 as against Rs.500.56 Crore for the previous year.

MRF leveraged its efforts of 2007-08 and 2008-09 wherein focus was on a few markets. Initiatives were directed at getting closer to the consumer and offering market specific product solutions which helped in substantially increasing volumes during 2009-10.

The heavy commercial vehicle segment volumes grew by close to 40% and light commercial vehicle segment grew by over 50%. Overall export sales revenues grew by around 34% over 2008-09.

However, one disturbing trend during the year was the unabated increase in prices of key raw materials putting tremendous pressure on input costs and the need to make frequent price corrections.

Prospects for the Current Year

Whilst all tyre companies are expecting favourable growth ahead, rising raw material costs such as that of natural rubber, oil and oil derivatives which are used in the manufacture of tyres, interest costs and rising imports of tyres, until expansions can meet additional demand, will be a concern for all tyre companies. Since the tyre industry is highly competitive and price sensitive, it is unable to pass on completely the increase in raw material costs to its customers. Moreover, the imbalance in duty structure on import of raw materials which is at 20% while import on tyre which is at 8-10% is bound to affect the Indian tyre manufacturers in terms of efficiency and competition.

Despite the above, your Company hopes to record satisfactory results on account of MRF's high brand preference and trust reposed by customers in MRF products.

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.47/681/2010–CL-III dated 08-09-2010, in exercise of its powers under Section 212(8) of the Companies Act, 1956, granted exemption to the Company from the provisions of Section 212(1) of the Companies Act, 1956, from attaching the balance sheet, profit & loss account etc., of the subsidiaries for the year ended 30th September, 2010, 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

Dr K C Mammen, Mr Vijay R Kirloskar and Mr K M Philip retire by rotation at the Annual General Meeting and are eligible for re-election.

Mr Rahul Mammen Mappillai was appointed as Additional Director and as Whole-time Director of the Company by the Board at its meeting held on 25-11-2010.

Mr S S Vaidya who was appointed as a Director effective from 23-01-2009 in the casual vacancy caused by the demise of Mr S Nandagopal, retires at this Annual General Meeting. A notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director of the Company.

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

10 deposits aggregating Rs.5.49 Lakhs remain unclaimed as at the close of the year ended 30th September, 2010.

Awards received during the year

During the year, MRF won the All India Rubber Industries Association's (AIRIA) award for "Highest Export Awards (Auto Tyre Sector)" category and "Top Export Award" from Chemicals & Allied Products Export Promotion Council (CAPEXIL) for 2009-10.

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 certificates from both the auditors to the effect that their appointments 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, 2010 will be conducted by the cost auditor Mr C Govindan Kutty, B.Com., ACA., AICWA., ACS., 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.

On behalf of the Board of Directors,

Chennai
25th November, 2010

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, boiler economisers provided with additional soot blowers for better heat transfer, reduced blow down losses by providing R O water for boiler feed in place of soft water, periodical checking of steam traps and optimisation of process pumps.

Usage of variable frequency drives for loads with variable demand, optimizing of operating voltages, usage of energy efficient light fittings, design optimisation of pumps and fans, electronic sensing of pressure with PLC control systems in air compressors.

b) Additional investments are being proposed for the replacement of old economisers in boilers, replacement of softeners with RO plants, installation of coal fired boilers, revamping the condensate system, regular energy audit by an 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 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

	2009-10	2008-09
1. Electricity		
(a) Purchased:		
Units	327902015	277499589
Total Amount – (Rs. Lacs)	15434.75	12074.16
Rate/Unit (Rs.)	4.71	4.35
(b) Own Generation:		
Through Diesel Generator - Units	65059986	44129999
Units/Ltr. of Diesel/Furnace Oil	3.56	3.60
Cost/Unit (Rs.)	9.28	8.08
2. Furnace Oil		
Quantity (KL)	68180	61364
Total Amount (Rs. Lacs)	17783.13	12501.49
Average Rate (Rs./Ltr.)	26.08	20.37
3. Coal		
Quantity (MT)	22235	5053
Total Amount (Rs. Lacs)	803.18	159.02
Average Rate (Rs./Kg)	3.61	3.15

II. CONSUMPTION PER UNIT OF PRODUCTION

	2009-10	2008-09
Production (MT)	430236	345177
Electricity (Unit/MT)	913	932
*Furnace Oil & Coal (on applicable production) (Ltrs./MT)	181	186

* Coal is converted to equivalent FO Ltrs.

B. TECHNOLOGY ABSORPTION

FORM "B"

RESEARCH & DEVELOPMENT (R & D)

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

a) Evaluation of new materials

b) Development of alternate sources for raw materials and machineries

c) New process development

d) Development of new formulations

e) Development of new designs and patterns

f) Development of new products for domestic and export markets

g) Modification of equipment and machinery

h) Development of import substitution for raw materials and machineries

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.

Evaluation of new raw materials and development of new formulations are regularly carried out to offer special properties and to meet specific property requirements of the customers. New process techniques are adopted to meet stringent tolerances, for energy savings and productivity increase. New tyre designs and patterns are developed and introduced to meet certain specific performance requirement of the customers.

New products are developed for the following applications:

(a) Original Equipment Manufacturers and replacement market

(b) Defence sector

(c) Domestic and Export market

(d) Farm service and Off The Road

(e) Tyres for Rallies and Races

(f) Inner tubes

(g) Retread market

(h) Belting industry

R & D efforts are taken in the engineering area for developing machinery to meet specific plant requirement. Domestic sources are developed for different raw materials and machineries and this has improved cost competitiveness.

3. Future plan of action

R & D efforts are being taken to develop products with stringent performance requirements such as higher mileage, rolling resistance, traction, higher speed capabilities as demanded by the new multinational automotive manufacturers.

With the development of Quadrilateral highways connecting all metropolitan cities, the performance requirement of truck tyres with respect to speed and durability will be higher. R & D work is carried out to develop bias and truck radial tyres to meet this higher performance requirement.

Efforts are also taken to further improve and perfect radial tyres to meet the increased radialisation in segments such as truck, motor cycle and farm.

In view of the growing demand in areas such as off the road segment, farm sector, sports utility vehicle, race and rally tyres, PCTR and conveyor belts, priorities are being given to develop high performance products which can perform in different terrain.

Efforts are taken to develop substitutes for certain raw materials which are classified as hazardous and cause environmental pollution.

4. Expenditure on R & D

	2009-10 (Rs. Crore)	2008-09 (Rs. Crore)
R & D Expenses		
a) Capital	0.28	1.45
b) Recurring	17.28	14.02
Total	17.56	15.47
Total R & D Expenses as a % of turnover & other income	0.22%	0.25%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

a) Evaluation of New Materials

Evaluation of new raw materials are taken up under technical programmes. These projects have resulted in adoption of several new raw materials which offer improved performance.

b) New Product Development

New products with special designs and compounds are being continuously developed to meet the stringent requirements of the customer.

c) New Process Development

New process techniques are adopted to achieve consistency and for energy savings and productivity increase.

d) Development of Equipment and Machinery

Continuous upgradation, adaptation and modifications of process equipment are regularly carried out to improve productivity, product consistency and energy saving.

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

a) Product Improvement

Introduction of new specialized raw materials and development of new formulations have contributed to improved product performance.

b) Cost Reduction

Usage of alternate materials and improvements made in the process, results in cost reduction and energy saving.

c) Product Development

Efforts taken in the R & D have resulted in the development of new products which are designed to meet stringent requirements of the customers. This has resulted in developing new high performance products and improving the performance of the existing product.

d) Import Substitution

Development of domestic sources for the 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)	669.27
(b)	Others	0.41
		669.68
Foreign Exchange Outgo:		2004.26

On behalf of the Board of Directors,

Chennai
25th November, 2010

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 is valued at approximately Rs.25000 crore per annum, with only around Rs.3000 crore estimated to be the value of exports. There are 39 tyre companies which operate a total of 60 factories located all over India. In fact 10 major tyre companies account for 88% of the tyre business in the country.

Originally, bias tyres were made but this scenario is changing with radialisation levels having risen to 98% for passenger car tyres, 18% in the case of light commercial vehicle and 12% in the heavy commercial vehicle segment. Roughly 55% tyres are sold in the replacement market, followed by 30% sold to OEMs directly - the remaining is exported.

Tyre companies in the past few years have built up a network of dealers, depots and other outlets which now cover the entire country.

While it was earlier thought that foreign auto manufacturers would import tyres, it is now clear that foreign manufacturers are opting for Indian tyres for the domestic market as these tyres are better suited for the Indian conditions.

In the heavy commercial vehicle segment, Tata Motors and Ashok Leyland lead, with Volvo, Eicher Motors, Force Motors, Asia Motor Works, Mercedes-Benz, etc. having entered the market only recently.

Although statistically the segment-wise production change was high in 2009-10 over the previous year – heavy commercial vehicles by 98%, light commercial vehicles by 36%, passenger cars by 36%, utility vehicles by 33%, motorcycles by 33%, scooters by 43%, auto by 40%, tractor by 32% - the percentage growth should not be considered significant as the 2008-09 figures largely reflect recession numbers.

Opportunities and Threats

Although there was worldwide recession, this situation affected Indian tyre manufacturers only partially as India's exports are not too high. In the early part of 2009, manufacturers resorted to production cuts due to the slowdown.

The reduction of excise duties from 14% to 10% in December 2008, and later to 8% in February 2009 provided the tyre manufacturers with temporary relief.

The increasing costs of raw materials, mainly natural rubber, which constitutes approximately 70% of the input costs, put pressure on the finances of most tyre companies. The high input costs affected the profitability of all companies as there is a limit to the increases that can be passed on to consumers.

Due to our road conditions and the high cost of radial machinery, the pace of radialisation has been slow. However, last year, 95% of passenger car tyres made were radial tyres; and 12% of truck tyres produced were radials. With the improvements in infrastructure and the impending entry of multinational tyre companies, the concentration in future would be a structural conversion of truck tyres to radial tyres. While radialisation in the truck segment will increase, bias and radial tyres will co-exist for some time to come.

With low automotive demand in most countries, the lucrative Indian market was made a dumping ground for cheap and low quality tyres, especially from China. With domestic production costs high, it is difficult for Indian tyre manufacturers to compete with such tyres.

The inverted tax structure issue has still not been addressed. The import of raw material at 20% duty, and the 8-10% duty on tyre imports is an imbalance that is bound to affect the Indian tyre manufacturers in terms of efficiency and competition. Representations have been made to the Government to address this anomaly. However, a decision is yet to be taken.

Segment wise and Product wise performance

During the period 2009-10, despite the increase in natural rubber prices, in the major segments constituting the bulk, the percentage increase in production was higher than the industry growth. In the heavy commercial vehicle group against the 13% industry growth MRF's increase was 17%; in the light commercial vehicle segment, MRF's production rose by 30% whilst the industry registered a 10% growth. In the passenger/jeep category against a 39% industry growth, MRF's production increased by 40%.

Compared to last year's figures, in 2009-10 MRF's tyre production increased in most of the segments - heavy commercial vehicles by 17%, light commercial vehicles by 30%, passenger by 65%, motorcycle by 31%, scooter/auto by 22%, farm by 30% and off-the-road by 45%.

Speciality Coatings

The Speciality Coatings Division achieved a turnover of Rs. 63.89 crore - a 28% growth over the previous year's turnover. The raw material prices were stable during the first six months of the year but have shown an increasing trend during the second half. It is anticipated that the raw material prices would further rise in the coming months. However, the Division has held prices during the year even though most of the competitors had increased prices.

Conveyor Belting

During the year, the Conveyor Belting Division managed to maintain sales despite the recession that impacted demand from many sectors and overseas markets.

MRF - Muscleflex range of Conveyor Belting is preferred by users in every segment, from power, steel, cement, fertilizers, and paper - to a variety of other applications. Muscleflex Conveyor Belting is also exported to many markets abroad. Manufactured in the Company's state-of-the-art facility at Arkonam in Tamilnadu, a variety of cover grades suited to meet varied applications have helped customers derive enhanced life from these superior products.

Exports

MRF leveraged its efforts of 2007-08 and 2008-09 wherein focus was on a few markets and initiatives were directed to getting closer to the consumer and offering market specific product solutions. This helped in substantially increasing volumes during 2009-10.

The heavy commercial vehicle segment volumes grew by close to 40% and light commercial vehicle segment grew by over 50%. Overall export sales revenues grew by around 34% over 2008-09.

However, one disturbing trend during the year was the unabated increase in prices of key raw materials putting tremendous pressure on input costs and the need to make frequent price corrections.

During the period under review, MRF won the All India Rubber Industries Association's award for "Highest Export Awards (Auto Tyre Sector)" category and "Top Export Award" from the Chemicals & Allied Products Export Promotion Council for 2009-10.

Outlook

The Indian tyre industry experienced recovery in the year 2009-10 despite a slowdown due to the recession in 2009. The growth was primarily driven by the remarkable turnaround in the automobile market, lower interest rates and the recovery of business in general.

The entire industry is witnessing a structural change. Most companies are investing heavily in expansions and most of the expansion will probably cater to the shift to radialisation mainly in the passenger car segment which has become 98% radial, and truck and bus tyres which rose to 12%.

Whilst all tyre companies are expecting favourable growth ahead, rising raw material costs, interest costs and rising imports of tyres (until expansions being carried out by the industry can take care of additional demand), will be a concern for all tyre companies. One expects the availability of natural rubber to be a constraint in the future and costs will continue to be high. Under such circumstances, it would be prudent to conserve resources to tide over the resultant cost-push.

Performance of the Company

The sales turnover of the Company during the year increased from Rs. 6141.94 crore in 2008-09 to Rs.8080.45 crore in 2009-10, an increase of 31%. Earnings before depreciation, interest and tax (EBIDTA) amounted to Rs. 858.51 crore, the highest ever recorded by the Company, as against Rs.716.72 crore in the previous year. After providing for depreciation, interest and income tax, the net profit for the year is Rs.353.98 crore as compared to Rs.253.03 crore in the previous year.

Internal Control Systems and their adequacy

The Company has maintained adequate internal control systems and there is a reasonable assurance of recording the transaction of its operations in all material respects and of providing protection against significant misuse or loss of Company assets. The Company has in place, documented procedures covering all financial and operational functions, commensurate with the size and complexities of the organization.

The Company has a strong internal audit department manned by professionally qualified people to conduct periodic audits covering various activities of the plants, sales offices and other business establishments. Some of the salient features of the internal control system in vogue are:

(i) Preparation of annual budget for operations and service functions and monitoring the same at regular intervals.

(ii) A robust ERP system connecting all the plants, sales offices and head office, enabling seamless flow of information. This is constantly reviewed with a view to enhancing the internal control system.

(iii) Internal controls have been designed in order to reasonably ensure that assets are safeguarded, transactions are properly authorized and consequently, there is a system for prevention or timely detection of material errors or irregularities.

(iv) The internal audit department carries out periodic audit at all locations and functions based on the plan approved by the Audit Committee. The observations arising out of the audit is periodically reviewed at the Audit Committee meetings along with the follow up action.

(v) A detailed presentation is made to the Audit Committee and the Board of Directors on various business, operational and financial risks faced by the Company and the action plan of the Company to mitigate the same.

(vi) All assets are safeguarded and protected against losses and against unauthorized use or disposal.

Discussion on Financial Performance with respect to Operational Performance

(Rupees Crore)

	2009-10	2008-09
Sales	8080.45	6141.94
Other income	41.97	34.40
Total income	8122.42	6176.34
Profit before taxation	534.66	398.48
Provision for taxation	180.68	145.45
Net profit	353.98	253.03

The operations of the Company primarily relate to the 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, which though profitable, do not contribute significantly to the total revenue of the Company.

The volatile price of natural rubber, our major raw material, has impacted the performance of the Company. The Company saw swings in natural rubber prices ranging from Rs.106 per Kg to Rs.187 per Kg. This has forced your Company to effect price corrections in the market.

Despite this, the Company has crossed the sales turnover of Rs.8000 crore, which is a landmark achievement. This reflects a sales growth of 31%. The earnings before depreciation, interest and tax stood at Rs. 858.51 crore which is the highest ever in the history of the Company. Similarly, the profit before tax and the profit after tax are the highest in the Company's history.

Risks and Concerns

The Indian Automotive Industry is expanding to become one of the fastest growing markets in the world. Many of the global and local tyre manufacturers are expanding their manufacturing facilities to cater to this growing demand. There is concern that this will result in increasing levels of competition with resultant intense pressure on profit margins for all the players.

Natural rubber, the main raw material input in the manufacture of tyre, has seen an unprecedented rise in price during the last one year. The trend for the future appears to be similar. Due to competitive pressures, coupled with cheaper imported tyres now available in the market, (on account of lower customs duty on tyre than on imported natural rubber) the price increase in the raw materials could not be fully passed on to the customers immediately.

The Company has put in place a comprehensive risk management system. All the risk factors relating to the business have been identified, proper action taken and necessary measures are planned to further mitigate such risks.

The Audit Committee and the Board of Directors have been apprised of the major business and operational risks identified by the Company and the steps proposed to be taken to mitigate the same.

Human Resources

When the industrial world was reeling under recession and many Indian industries were slowly recovering, the Company has recorded a landmark achievement of business growth and sales volume through its human assets. The Company continued to be a preferred employer and was able to retain talent and also attract good talent. Strategically working with the line functions and making critical hiring decisions, the Company was able to meet the staffing requirements aligning with the business strategy of the Company.

It was a significant year for learning and development in MRF. During the period, need based training programs were conducted for executives and operatives. The emphasis for executive development program was more on managerial skills, development and driving change. Inputs on leadership style and people skills were also given with the focus to lead the organization in the future. The training for the operatives was focussed on knowledge and skills to achieve higher levels of performance during the period of rapid change and growth.

The induction training program for newly recruited supervisors and engineers was refurbished to cover general induction, technical training and supervisory skills. This will enable the new recruits to understand the basics of functional stream and acquire people skills to inspire the workforce.

Industrial relations across plants were generally harmonious and cordial. Though the Company resolved most labour issues through continued efforts of mutual consultation and negotiations, there were few work stoppages limited to short period in a few plants during the year.

TPM (Total Productive Maintenance) initiatives, which started in the year 2004 continues to be a way of life in MRF units and the benefits are being reaped through better utilization and productivity. Large number of 'Kaizens' were generated from employees which were evaluated for implementation during the year.

There was continuous improvement made in using SAP. Many customized solutions were developed for using specific features of SAP.

The total employee strength as on 30.09.2010 is 13,812.

Plants of the Company are located at the following places:

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.

Corporate Social Responsibility

MRF's commitment in developing and nurturing the communities surrounding its factories continued this year too with extensive programmes being conducted in areas of health, education, skill development, leadership training, environment and infrastructure.

In keeping with our health motto of prevention of diseases rather than cure, several health camps were organized. The areas covered were gynaecology, ENT, diabetic screening, dental, ophthalmic, paediatric as also several awareness programmes on AIDS, de-addiction, alcoholism and anti-tobacco.

Continuing our focus on education, coaching centres have been established and career guidance sessions conducted for children. Academic scholarships were also awarded to students of local government village schools. By investing in education, we are ensuring a better quality of life for the future citizens of India. Help in infrastructure for government schools was provided keeping in mind the safety of the students.

In our pursuit towards empowerment of women through skill development, tailoring classes for self help groups are being conducted through tailoring centres set up by us.

Leadership training is provided for all village leaders. Support for local social organizations was also rendered.

Several awareness programmes/competitions have been conducted on World Environment Day for students and the Company in its continuous commitment to preserve the environment, distributes and plants thousands of saplings each year.

Infrastructural requirement in the villages to improve everyday life, like street lights and walkways, are provided.

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, 2010 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 2009-10, six Board Meetings were held on 27-10-2009, 21-12-2009, 28-01-2010, 11-03-2010, 29-04-2010 and 28-07-2010. 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 2009-10	Attended last AGM on 11-03-2010
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	5	Yes
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 V Sridhar	Non-Executive Independent Director	Nil	Nil	6	Yes
Mr Vijay R Kirloskar	Non-Executive Independent Director	9 (Incl. 5 Overseas Companies)	1-Member	4	Yes
Mr N Kumar	Non-Executive Independent Director	7 (Incl. 1 Overseas Company)	5-Chairman 2-Member	6	Yes
Mr Ranjit I Jesudasen	Non-Executive Independent Director	Nil	Nil	6	Yes
Mr S S Vaidya	Non-Executive Independent Director	10	4-Chairman 2-Member	6	Yes
Dr Salim Joseph Thomas	Non-Executive Independent Director	Nil	Nil	6	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.

(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 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 2009-10, the Audit Committee met on the following dates:

Dates of Meetings: 27-10-2009, 21-12-2009, 28-01-2010, 29-04-2010 and 28-07-2010.

The members and attendance of Committee members are given below:

Name of the Member	Meetings Attended
Mr S S Vaidya	5
Mr V Sridhar	5
Mr Ranjit I Jesudasen	5

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 Jesudasen	Member
Mr K M Mammen	Member
Mr Arun Mammen	Member

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 2009-10, the Remuneration Committee met on 21-12-2009, 11-03-2010 and 29-04-2010. The members of the Committee who were present for the meetings are as follows:

Name of the Member	Meetings Attended
Mr S S Vaidya	3
Mr V Sridhar	3
Mr Ranjit I Jesudasen	3
Mr K M Mammen	3
Mr Arun Mammen	3

The Remuneration policy of the Company is:

(a) 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.

(b) 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 2009-10:

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) 17463520 (d) 5700000 (e) 23163520; (a) Mr Arun Mammen (b) Managing Director (c) 15596386 (d) 5100000 (e) 20696386; (a) Mr K M Philip (b) Whole-time Director (c) 17442241 (d) 5700000 (e) 23142241.

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 2009-10 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 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 Jesudasen (b) Director (c) 80000 (d) Nil; (a) Mr S S Vaidya (b) Director (c) 70000 (d) Nil; (a) Dr Salim Joseph Thomas (b) Director (c) 30000 (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 Jesudasen	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 21-12-2009 and 28-07-2010. All the members of the Committee were present for the meetings.

One investor complaint was received during the year under review and the complaint was resolved to the satisfaction of the shareholder.

Number of Share Transfers/Transmissions/issue of Duplicate share certificates pending as on 30th September, 2010, was 9. 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, 2010.

4. Details of Annual General Meeting

AGM for the Year	Date	Time	Venue
2006-2007	20-03-2008	11.00 A.M.	TTK Auditorium 'The Music Academy' 168 TTK Road, Chennai 600014
2007-2008	19-03-2009	11.00 A.M.	"
2008-2009	11-03-2010	11.00 A.M.	"

No Special Resolution was put through Postal Ballot last year.

As required under Clause 49, particulars of Directors namely Dr K C Mammen, Mr Vijay R Kirloskar and Mr K M Philip seeking re-appointment and Mr Rahul Mammen Mappillai and Mr S S Vaidya seeking appointment as Directors are given after the Explanatory Statement to the notice of the Annual General Meeting to be held on 10-02-2011.

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 52 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern, etc. are provided in the website www.corpfiling.co.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	:	10-02-2011, 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 31-12-2010	Middle of February, 2011
Unaudited Results for 2nd Quarter ending 31-03-2011	End of April, 2011
Unaudited Results for 3rd Quarter ending 30-06-2011	End of July, 2011
Financial Results for the Year ending 30-09-2011	End of November, 2011
Annual General Meeting for the year ending 30-09-2011	Middle of February, 2012

c) Dates of Book Closure : 01-02-2011 to 10-02-2011

d) Dividend Payment Date

Interim Dividend	:	20-08-2010 Rs.3 per share (30%)
II Interim Dividend	:	16-11-2010 Rs.3 per share (30%)
Final and Special Dividend	:	17-02-2011 Rs. 44 per share (440 %) (Subject to approval of Shareholders)

e) Registered Office : New No. 114, (Old No. 124)
Greams Road,
Chennai – 600 006.
Tel : (044) 28292777
Fax : (044) 28295087
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 600 001.
2. National Stock Exchange of India Ltd.,
   Exchange Plaza, 5th Floor, Plot No.C/1, 5 G Block,
   Bandra-Kurla Complex, Bandra (E),
   Mumbai 400 051.
3. The Bombay Stock Exchange Ltd.,
   Phiroze Jeejeebhoy Towers, Dalal Street,
   Mumbai 400 001.

Listing Fees upto the year ending 31st March, 2011 have been paid to all the above mentioned Stock Exchanges.

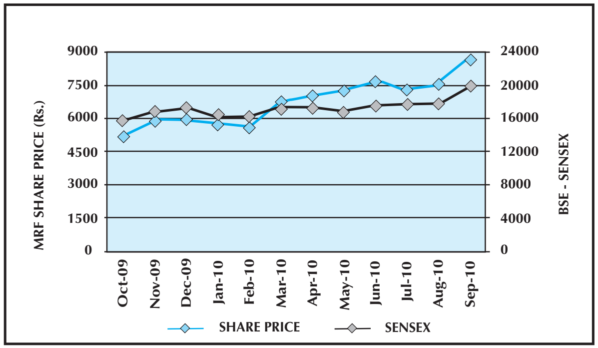
g) Stock Code:

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

h) Market Price Data:

	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
Month	**High (Rs.)**	**Low (Rs.)**	**No. of Shares**	**High (Rs.)**	**Low (Rs.)**	**No. of Shares**
October, 2009	6,375.00	5,184.00	2,57,213	6,370.00	5,205.35	3,40,506
November, 2009	6,329.85	5,190.00	2,73,895	6,336.00	5,122.10	3,61,560
December, 2009	6,899.00	5,810.00	5,04,478	6,890.00	5,805.00	6,57,935
January, 2010	6,595.00	5,600.00	2,31,626	6,549.50	5,555.00	3,17,236
February, 2010	6,230.00	5,580.00	94,368	6,225.00	5,580.00	1,37,790
March, 2010	7,324.00	5,485.00	4,61,048	7,318.00	5,297.00	6,13,416
April, 2010	7,365.00	6,760.00	2,33,407	7,360.00	6,804.00	3,43,075
May, 2010	7,624.00	6,710.10	1,73,038	7,612.00	6,723.00	2,12,446
June, 2010	7,999.00	7,125.00	2,33,468	7,990.00	7,100.00	2,88,950
July, 2010	8,037.70	7,250.00	1,27,893	8,040.00	7,300.00	1,65,411
August, 2010	8,300.00	7,250.00	2,13,215	8,300.00	7,285.00	2,56,793
September, 2010	9,424.00	7,610.00	3,79,675	9,439.80	7,608.00	5,44,616

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



j) **Registrars and Transfer Agents :** In-house Share Transfer
MRF Limited
New No. 114, (Old No. 124)
Greams 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, New No. 114, (Old No. 124) Greams Road, Chennai 600006.

k) **Share Transfer System:**

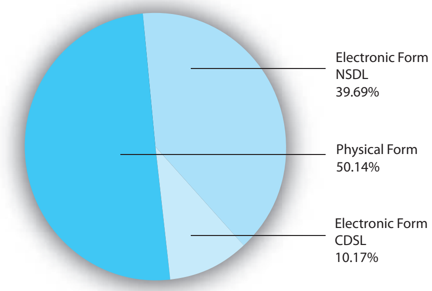
The average time taken for processing and registration of share transfer requests received is less than 15 days. All dematerialisation requests are processed within 10 days.

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

Shareholding	No. of Shareholders	%	No. of Shares	%
Upto 500	33346	98.71	879341	20.73
501 - 1000	193	0.57	141370	3.33
1001 - 2000	102	0.30	148957	3.51
2001 - 3000	26	0.08	64739	1.53
3001 - 4000	13	0.04	44556	1.05
4001 - 5000	18	0.05	80251	1.89
5001 - 10000	25	0.07	184914	4.36
10001 and above	58	0.17	2697015	63.59
TOTAL	33781	100.00	4241143	100.00

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

49.86% of total Equity Capital is held in dematerialised form with NSDL and CDSL upto 30th September, 2010.



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
New No. 114, (Old No. 124)
Greams 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 website (www.corpfiling.co.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 2009-10.

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, 2010, 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 Firm Regn. No. 0036435	M.M. NISSIM AND CO. Chartered Accountants Firm Regn. No. 107122W
C. R. Kumar Partner Mem. No. 26143	N. Kashinath Partner Mem. No. 36490

Chennai, Dated 25th November, 2010

AUDITORS' REPORT

To the Shareholders of MRF Limited, on the Accounts for the year ended 30th September, 2010.

1. We have audited the attached Balance Sheet of MRF Limited as at 30th September, 2010 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 as on 30th September, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2010 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 together with the 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, 2010;

      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
Firm Regn. No. 0036435

C. R. Kumar
Partner
Mem. No. 26143

For M. M. Nissim and Co.
Chartered Accountants
Firm Regn. No. 107122W

N. Kashinath
Partner
Mem. No. 36490

Chennai, Dated 25th November, 2010

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, 2010 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, 2010 on account of any dispute, are as under:

Statute and nature of dues	Financial year to which the matter pertains	Forum where the dispute is pending	Rs. Crore
Central Sales Tax Act, 1956 & VAT Laws			
Sales tax/VAT and penalty	1992-93, 1999-2000, 2000-01, 2002-03 to 2004-05	Appellate Commissioner	0.49
	1994-95, 1995-96, 1997-98 to 2004-05 & 2006-08	Appellate Tribunal	1.82
	1993-94, 1995-96, 1997-98 & 1998-99	High Court	0.23
	1996-97, 2000-01 to 2002-03	Supreme Court	0.54
Customs Act, 1962			
Customs Duty and penalty	2003-04	Appellate Tribunal	0.16
	1992-93 to 1994-95	High Court	74.89
Central Excise Act, 1944			
Excise Duty and penalty	1997-98, 1998-99 & 2006-07	Appellate Commissioner	0.09
	1993-94, 1996-97 to 2005-06	Appellate Tribunal	7.06
	1997-98 to 2000-01	High Court	0.15
	2001-02	Supreme Court	0.06
Income Tax, 1961			
Income Tax	1998-99, 1999-2000 & 2005-06	Appellate Commissioner	12.26

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.

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, on or by the Company, has been noticed or reported during the year.

For Sastri & Shah	For M. M. Nissim and Co.
Chartered Accountants	Chartered Accountants
Firm Regn. No. 0036435	Firm Regn. No. 107122W
C. R. Kumar	N. Kashinath
Partner	Partner
Mem. No. 26143	Mem. No. 36490

Chennai, Dated 25th November, 2010

MRF LIMITED, CHENNAI

BALANCE SHEET AS AT 30TH SEPTEMBER, 2010

		Schedule	Rs. Crore	Rs. Crore	As at 30.09.2009 Rs. Crore	Rs. Crore
I.	**SOURCES OF FUNDS**					
(1)	Shareholders' Funds					
a)	Share Capital	1		4.24		4.24
b)	Reserves and Surplus	2		1686.44		1357.18
				1690.68		1361.42
(2)	Loan Funds					
a)	Secured Loans	3		495.57		137.89
b)	Unsecured Loans	4		820.12		482.28
(3)	Deferred Payment Credit			46.38		51.86
				3052.75		2033.45
II.	**APPLICATION OF FUNDS**					
(1)	Fixed Assets	5				
a)	Gross Block		3367.90		2734.33	
b)	Less: Depreciation		2038.99		1800.77	
c)	Net Block		1328.91		933.56	
d)	Capital Work-in-Progress		497.72	1826.63	285.01	1218.57
(2)	Investments	6		72.69		148.57
(3)	Deferred Tax Asset			15.00		12.35
(4)	Current Assets, Loans and Advances	7				
a)	Inventories		1110.68		650.47	
b)	Sundry Debtors		811.49		580.03	
c)	Cash and Bank Balances		52.79		59.89	
d)	Loans and Advances		127.29		97.99	
			2102.25		1388.38	
	Less: Current Liabilities and Provisions	8				
(a)	Current Liabilities		792.67		587.17	
(b)	Provisions		171.15		147.25	
			963.82		734.42	
	Net Current Assets			1138.43		653.96
				3052.75		2033.45

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	For M. M. NISSIM AND CO.			
Chartered Accountants	Chartered Accountants		S. S. VAIDYA	K. M. MAMMEN
C. R. Kumar	N. Kashinath	RAVI MANNATH	V. SRIDHAR	Chairman and
Partner	Partner	Company Secretary	Directors	Managing Director

Chennai, Dated 25th November, 2010

MRF LIMITED, CHENNAI

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

	Schedule	Rs. Crore	Rs. Crore	Year ended 30.09.2009 Rs. Crore	Rs. Crore
INCOME					
Sales		8080.45		6141.94	
Less: Excise Duty		627.73	7452.72	478.14	5663.80
Export Incentives			11.02		9.04
Other Income	9		30.95		25.36
			7494.69		5698.20
EXPENDITURE					
Materials	10		5015.31		3709.74
Interest	11		63.10		68.92
Other Expenses	12		1620.87		1271.74
Depreciation	5		260.75		249.32
			6960.03		5299.72
Profit for the year before Taxation			534.66		398.48
Less: Provision for Taxation:					
Current Tax		182.50		159.00	
Deferred Tax (Note 3 (a))		(2.65)		(18.04)	
Fringe Benefit Tax		–		1.20	
Short provision of earlier years		0.83	180.68	3.29	145.45
Profit for the year after Taxation available for appropriation			353.98		253.03
Amount available for appropriation			353.98		253.03
Appropriations					
Dividends					
Interim		2.54		2.54	
Final - Proposed		8.06		8.06	
Special - Proposed		10.60		–	
Tax thereon		3.52	24.72	1.80	12.40
Balance Surplus transferred to General Reserve			329.26		240.63
			353.98		253.03
Basic & Diluted Earning per Share (in Rs.)			834.63		596.61

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 25th November, 2010

MRF LIMITED, CHENNAI

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

				Year ended 30.09.2009	
		Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
A.	CASH FLOW FROM OPERATING ACTIVITIES				
	NET PROFIT BEFORE TAX	534.66		398.48	
	Adjustment for:				
	Depreciation	260.75		249.32	
	Provision for Doubtful Debts	(0.12)		2.76	
	Provision for diminution in value of Investments	4.98		–	
	Unrealised Exchange Gain	(6.69)		(0.17)	
	Income/Profit relating to Investment Activity	(10.17)		(7.36)	
	Interest-Net	62.26		66.42	
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		845.67		709.45
	Adjustment for:				
	Trade and other receivables	(262.11)		22.24	
	Inventories	(460.21)		333.81	
	Trade Payable	254.04		(117.41)	
			(468.28)		238.64
	CASH GENERATED FROM OPERATIONS		377.39		948.09
	Direct Taxes paid	(219.90)		(101.33)	
			(219.90)		(101.33)
	NET CASH FROM OPERATING ACTIVITIES		157.49		846.76
B.	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase of Fixed Assets	(869.65)		(162.28)	
	Proceeds from Sale of Fixed Assets	2.75		0.59	
	(Purchase)/Sale of Investments (Net)	78.98		(73.07)	
	Interest received	1.27		2.29	
	Income from Investments	0.16		0.24	
	NET CASH FROM INVESTING ACTIVITIES		(786.49)		(232.23)
			(629.00)		614.53
C.	CASH FLOW FROM FINANCING ACTIVITIES				
	Total (repayments)/proceeds from borrowings	670.79		(662.20)	
	Dealers' Security Deposit (net of repayments)	30.34		91.95	
	Repayments towards Sales Tax Deferral Scheme	–		(0.89)	
	Repayments towards Deferred Payment Credit	(5.48)		(5.08)	
	Interest paid	(61.36)		(70.97)	
	Dividend/Corporate Dividend tax paid	(12.39)		(9.80)	
	NET CASH FROM FINANCING ACTIVITIES		621.90		(656.99)
	NET DECREASE IN CASH AND CASH EQUIVALENTS		(7.10)		(42.46)
	CASH AND CASH EQUIVALENTS AS AT 30.09.09		59.89		102.35
	CASH AND CASH EQUIVALENTS AS AT 30.09.10		52.79		59.89

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 25th November, 2010

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

			As at 30.09.2009	
	Rs. Crore	Rs. Crore	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				
Share Premium Account				
As per last Balance Sheet		9.42		9.42
General Reserve				
As per last Balance Sheet	1347.76		1107.13	
Add: Transfer from				
Profit and Loss Account	329.26	1677.02	240.63	1347.76
		1686.44		1357.18

			As at 30.09.2009	
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
(3) SECURED LOANS				
Term Loan:				
From Banks				
(Secured by hypothecation of specific items of machinery)		205.64		111.24
(Repayable within one year - Rs.51.70 Crore)				
Other Loans:				
Banks		289.93		26.65
(Secured by hypothecation of stock-in-trade, stores & spare parts and book debts)				
		495.57		137.89
(4) UNSECURED LOANS				
Fixed Deposits		50.95		18.45
(Repayable within one year - Rs.5.07 Crore)				
Other Loans:				
Term Loan from Banks		275.00		–
From Others:				
Dealers' Security Deposit	409.58		379.24	
Sales Tax Deferral Scheme (Repayable within one year - Rs. 3.67 Crore)	84.59	494.17	84.59	463.83
		820.12		482.28

(5) FIXED ASSETS

Rs. Crore

	Land	Buildings	Plant & Machinery	Moulds	Vehicles	Others	Intangibles	Total	Previous Year
Original Cost as at 1.10.2009	91.83	306.54	1942.98	238.50	15.68	121.14	17.66	2734.33	2422.56
Additions	1.33	131.65	480.54	27.69	2.13	13.36	0.24	656.94	320.95
Deductions	–	0.71	5.55	2.86	1.53	8.14	4.58	23.37	9.18
GROSS BLOCK	93.16	437.48	2417.97	263.33	16.28	126.36	13.32	3367.90	2734.33
DEPRECIATION									
As at 1.10.2009	1.16	122.89	1370.12	202.08	10.05	84.37	10.10	1800.77	1556.01
For the year	0.10	18.96	207.53	18.81	2.06	10.60	2.69	260.75	253.49*
Deductions	–	0.33	5.34	2.82	1.50	7.96	4.58	22.53	8.73
As at 30.09.2010	1.26	141.52	1572.31	218.07	10.61	87.01	8.21	2038.99	1800.77
NET BLOCK AS AT 30.09.2010	91.90	295.96	845.66	45.26	5.67	39.35	5.11	1328.91	933.56
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 30.09.2010								1328.91	933.56
Capital Work-in-Progress and Advances on Capital Account								497.72	285.01
								1826.63	1218.57

Note:
Land includes Agricultural Land - Rs.0.12 Crore and Leasehold Land - Rs.4.33 Crore.
* Includes deferred tax adjustment - Rs.4.17 Crore.

		Face Value Rs.	Rs. Crore	As at 30.09.2009 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	*	*
4,000	(800) Equity Shares in Housing Development Finance Corporation Ltd.	2 (10)	*	*
33	Equity Shares in JK Tyres & Industries 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) UTI Balanced Fund - Income Reinvestment Plan (Redeemed during the year)	10	–	0.40
	Growth Plan:			
–	(30,00,000) UTI Fixed Income Interval Fund - Annual Interval Plan Series - II Institutional (Redeemed during the year)	10	–	3.00
–	(60,13,258) HDFC Short Term Plan (Redeemed during the year)	10	–	10.00
–	(40,902) Reliance Money Manager Fund - Institutional Option (Redeemed during the year)	1000	–	5.00
–	(31,19,911) Reliance Short Term Fund - Retail Plan (Redeemed during the year)	10	–	5.00
–	(48,89,733) TATA Short Term Bond Fund (Redeemed during the year)	10	–	8.00
–	(77,33,927) ICICI Prudential Institutional Short Term Plan - Cumulative Option (Redeemed during the year)	10	–	14.00
–	(72,74,552) HSBC Income Fund - Short Term - Institutional (Redeemed during the year)	10	–	8.50
–	(54,46,148) GSTG - IDFC - SSIF - Short Term (Redeemed during the year)	10	–	10.00
–	(98,29,298) Canara Robeco Short Term Institutional (Redeemed during the year)	10	–	10.00
–	(29,36,633) Kotak Bond - Short Term (Redeemed during the year)	10	–	5.00
–	(40,86,169) Templeton Floating Rate Income Fund (Redeemed during the year)	10	–	5.00
–	(36,96,174) M17G Fortis Money Plus Institutional (Redeemed during the year)	10	–	5.00
–	(35,12,617) LICMF Savings Plus Fund (Redeemed during the year)	10	–	5.00
82,485	(35,190) Templeton India Short Term Income Plan Institutional (47295 units Purchased during the year)	1000	12.00	5.00

		Face Value		As at 30.09.2009
		Rs.	Rs. Crore	Rs. Crore
86,66,269	(59,46,232) HDFC Short Term Plan (2720037 units Purchased during the year)	10	15.00	10.00
1,69,91,456	(1,18,24,932) Birla Sun Life Dynamic Bond Fund - Retail (5166524 units Purchased during the year)	10	25.00	17.00
60,95,089	(60,95,089) Reliance Short Term Fund - Retail Plan	10	10.00	10.00
27,17,258	(27,17,258) ICICI Prudential Institutional Short Term Plan - Cumulative Option	10	5.00	5.00
30,00,000	(-) UTI Fixed Maturity Plan Yearly FMP Series - IGP (Purchased during the year)	10	3.00	–
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 Pvt. Ltd.	Sri Lankan Rupee 10	4.98	4.98
Others:				
1,48,500	Equity Shares in Funskool (India) Ltd.	10	0.15	0.15
17,50,000	Equity Shares in Arkay Energy (Rameswarm) 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	*	*
			77.58	148.48
	Less: Provision for diminution in value of Investments		4.98	–
			72.60	148.48
			72.69	148.57
Aggregate Market Value of Quoted Investments			3.04	2.43

Figures in brackets are in respect of previous year.

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

	Rs. Crore	Rs. Crore	As at 30.09.2009 Rs. Crore	Rs. Crore
(7) CURRENT ASSETS, LOANS AND ADVANCES				
(a) Inventories				
Stores & Spares	56.00		44.27	
Stock-in-trade				
Raw Materials	594.70		304.58	
Work-in-Progress	147.16		101.23	
Finished Goods	312.82	1110.68	200.39	650.47
(b) Sundry Debtors				
(i) Debts outstanding for a period exceeding six months				
Unsecured - Considered Good	2.95		2.42	
- Considered Doubtful	2.64		2.76	
Less: Provision for Doubtful Debts	(2.64)		(2.76)	
	2.95		2.42	
(ii) Other Debts (Considered Good)				
Secured	376.86		345.44	
Unsecured (Note 4)	431.68	811.49	232.17	580.03
(c) Cash and Bank Balances				
Cash, Cheques and Stamps on hand	40.57		33.60	
Bank Balances:				
With Scheduled Banks:				
In Current/Collection Accounts	11.61		25.57	
In Deposit Accounts	0.52		0.29	
With Others (Note 5)	0.09	52.79	0.43	59.89
(d) Loans and Advances				
(Unsecured, Considered Good)				
Advances to Staff	3.67		2.37	
Loan to a Subsidiary	4.00		4.00	
Advances recoverable in cash or in kind or for value to be received (Note 6)	64.70		56.42	
Balances with Customs, Excise and Port Trust	34.50		18.35	
Other Deposits	12.13		10.44	
Advance Tax less Provision	8.29	127.29	6.41	97.99
		2102.25		1388.38

	Rs. Crore	Rs. Crore	As at 30.09.2009 Rs. Crore	Rs. Crore
(8) CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities				
Acceptances	124.76		95.30	
Sundry Creditors				
Outstanding dues of Micro Enterprises & Small Enterprises (Note 7)	3.23		5.85	
Outstanding dues of creditors other than Micro Enterprises & Small Enterprises	660.10		483.22	
Interest Accrued but not due	3.40		1.66	
Liability towards Investor Education and Protection Fund not due:				
Unclaimed Dividends	1.13		1.12	
Matured Fixed Deposits and Interest	0.05	792.67	0.02	587.17
(b) Provisions				
Provision for Taxation less Advance Tax	38.44		73.13	
Dividend				
Interim	1.27		1.27	
Final - Proposed	8.06		8.06	
Special - Proposed	10.60		–	
Dividend Tax	3.31		1.59	
Retirement Benefits	27.45		22.99	
Others	82.02	171.15	40.21	147.25
		963.82		734.42

	Rs. Crore	Year ended 30.09.2009 Rs. Crore
INCOME		
(9) OTHER INCOME		
Income from Investments (Other than trade):		
Dividend	0.18	0.28
Interest (Gross)	0.84	2.50
Profit on Sale of Investments	8.08	6.94
Profit on Sale of Assets (Net)	1.91	0.14
Windmill Power Generated, captively consumed	12.84	13.08
Sales Tax / Entry Tax Refunds	1.65	–
Provision for Doubtful Debts written back	0.12	–
Miscellaneous Income	5.33	2.42
	30.95	25.36
Tax Deducted at Source	0.12	0.11

	Rs. Crore	Rs. Crore	Year ended 30.09.2009 Rs. Crore	Rs. Crore
EXPENDITURE				
(10) MATERIALS				
Raw Materials Consumed		5145.98		3482.67
Purchase of Traded Goods		13.85		6.48
(Increase) / Decrease in Stock				
Opening Stock				
Work-in-Progress	101.23		134.77	
Finished Goods	200.39		381.09	
	301.62		515.86	
Less: Closing Stock				
Work-in-Progress	147.16		101.23	
Finished Goods	312.82		200.39	
	459.98	(158.36)	301.62	214.24
Differential Excise Duty on Opening and Closing Stock of Finished Goods		13.84		6.35
		5015.31		3709.74
(11) INTEREST				
On Fixed Loans		10.35		11.35
On Deferred Payment Credit		4.05		4.50
Others		48.70		53.07
		63.10		68.92

		Year ended 30.09.2009
	Rs. Crore	Rs. Crore
(12) OTHER EXPENSES		
Salaries, Wages, Bonus & Commission	301.52	248.10
Contribution to Provident & Other Funds	37.63	30.15
Staff Welfare Expenses	39.02	38.57
Stores & Spares Consumed	155.09	123.56
Loose Tools, Dies, etc., written off	0.22	0.49
Power, Fuel & Light	405.08	285.54
Processing Expenses	72.98	46.75
Rent	16.66	15.40
Rates & Taxes	6.92	5.06
Insurance	3.80	3.44
Repairs & Maintenance:		
Buildings	9.00	7.31
Machinery	37.94	29.42
Others	12.47	11.96
Printing & Stationery	2.61	2.07
Postage, Telegrams & Telephones	5.58	5.66
Vehicle Expenses	3.09	3.07
Directors' Sitting Fees	0.03	0.03
Directors' Travelling Expenses	0.11	0.46
Travelling & Conveyance	21.77	17.07
Auditors' Remuneration	0.49	0.48
Advertisement	85.23	51.97
Commission & Discount	170.04	154.58
Warranty	12.39	21.25
Freight & Transport	176.82	135.69
Sales Tax	0.16	1.78
Provision for diminution in value of Investments	4.98	–
Provision for Doubtful Debts	–	2.76
Bad Debts	0.26	1.36
Exchange (Gain) / Loss (Net)	(9.23)	0.99
Others	48.21	26.77
	1620.87	1271.74

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

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 Balancing 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 and warranty claims.

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 on 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. WARRANTY:

Provision for product warranties is recognised based on management estimate regarding possible future outflows on servicing the customers during the warranty period. These estimates are computed on scientific basis as per past trends of such claims.

Q. 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 realized.

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

A. **Cost of Materials**

	Quantity M. Tons	Value Rs. Crore	Year ended 30.09.2009 Quantity M.Tons	Value Rs. Crore
a. Consumption				
Rubber	2,22,172	3075.42	1,81,133	1920.19
Carbon Black	1,07,641	610.21	84,919	453.41
Fabric	37,721	791.23	29,766	582.79
Chemicals	61,974	480.39	51,248	376.05
Others		188.73		150.23
TOTAL		5145.98		3482.67

	% of total Consumption	Value Rs. Crore	% of total Consumption	Value Rs. Crore
b. Percentage of Consumption				
Raw Materials				
Imported at landed cost	32.18	1655.81	33.73	1174.71
Indigenous	67.82	3490.17	66.27	2307.96
	100.00	5145.98	100.00	3482.67
Stores and Spares				
Imported at landed cost	7.51	11.65	8.61	10.64
Indigenous	92.49	143.44	91.39	112.92
	100.00	155.09	100.00	123.56

B. Production, Sales and Stock of each Class of Goods

	Class of Goods	Licensed Capacity	Installed Capacity +	Opening Stock Quantity	Opening Stock Value Rs. Crore	Production	Closing Stock Quantity	Closing Stock Value Rs. Crore	Sales Quantity	Sales Value Rs. Crore
(i)	Manufactured Goods:									
	Automobile Tyres (Nos.)	@	31700000	565920	128.88	31302161	762953	221.71	31105128	6886.82
			(28450000)	(1138789)	(282.39)	(23539929)	(565920)	(128.88)	(24112798)	(5195.26)
	Automobile Tubes (Nos.)	@	31600000	1387720	30.84	29641636	1525735	42.13	29503621	780.46 #
			(29700000)	(2161536)	(53.40)	(23980118)	(1387720)	(30.84)	(24753934)	(601.49)#
	Tread Rubber (MT)	7946	8943	263	2.47	1325	260	3.34	1328	18.35
		(7946)	(8943)	(299)	(3.51)	(1185)	(263)	(2.47)	(1221)	(14.43)
	Pre-cured Treads (MT)	@	24000	1360	16.40	6342	1206	17.25	6497	94.28
			(24000)	(1266)	(16.65)	(7179)	(1360)	(16.40)	(7085)	(89.80)
	Bicycle Tyres (Nos.)	2000000	2000000	328	–		225	–	103	*
		(2000000)	(2000000)	(388)	(–)		(328)	(–)	(60)	(*)
	Conveyor Belting (MT)	@	3000	269	3.70	1946	158	1.35	2056	34.22
			(3000)	(146)	(1.56)	(2780)	(269)	(3.70)	(2656)	(46.78)
	Speciality Surface Coatings (KL)	@	2000	335	7.48	2817 **	371	9.96	2781	63.89
			(2000)	(336)	(7.38)	(2031)	(335)	(7.48)	(2032)	(49.82)
	Others				7.79			9.24		187.86 #
					(11.76)			(7.79)		(134.02)#
(ii)	Traded Goods:		Purchases Value Rs. Crore							
	Rubber Products		–		–			–		4.39
			(1.94)		(1.06)			(–)		(4.89)
	Others		13.85		2.83			7.84		10.18
			(4.54)		(3.38)			(2.83)		(5.45)
					200.39			312.82		8080.45
					(381.09)			(200.39)		(6141.94)

@ Not Applicable, since delicensed.
+ On 3 shifts per day basis for 300 days per annum.
# Includes Sales Value of Traded Goods - Rubber Products
** Outsourced production
Figures below Rs.50,000 are denoted by an *
Figures in brackets are in respect of previous year.

		Rs. Crore	Year ended 30.09.2009 Rs. Crore
C.	**CIF Value of Imports**		
	a. Raw Materials	1818.22	1058.71
	b. Components and Spare Parts	14.61	24.92
	c. Capital Goods	151.55	48.37
D.	**Earnings in Foreign Exchange**		
	FOB Value of Exports	669.27	500.56
	Others	0.41	0.43
E.	**Expenditure in Foreign Currency paid or payable by the Company**		
	a. Interest and Finance Charges	3.06	3.10
	b. Professional and Consultation Fees	2.79	2.47
	c. Commission and Discount	0.33	0.84
	d. Travelling	1.46	1.04
	e. Advertisements	6.74	6.36
	f. Others	5.50	4.62

3. (a) The break up of net Deferred Tax Asset as at 30th September, 2010:

Rs. Crore

Particulars		For the year	Year Ended 30.09.2009
Depreciation	3.66	(0.48)	4.14
Expenditure allowable on actual payment	11.34	3.13	8.21
Deferred Tax	15.00	2.65	12.35

(b) Provision for Taxation has been made in respect of the income presently determined for the period 1st April, 2010 to 30th September, 2010 which is subject to appropriate revision/adjustment on final determination of Income for the year to end on 31st March, 2011, relevant to assessment year 2011-12. Further, provision for the assessment year 2010-11 has been determined and adjusted considering the provision already made in the accounts for the year ended 30th September, 2009.

4. Sundry Debtors include dues from a subsidiary company Rs.4.97 Crore (Previous Year - Rs.3.79 Crore).

5. Cash and Bank balances include Current Account balances lying with non-scheduled banks:

Rs. Crore

Bank Name	Balances		Maximum Outstanding	
		As at 30.09.2009		Previous Year
Bank for Foreign Trade of Vietnam	0.01	*	0.03	0.04
National Bank of Abu Dhabi-Dubai	0.08	*	0.15	0.14
Standard Chartered Bank-Dubai	*	0.43	0.70	1.41
	0.09	0.43		

6. Loans and Advances include:

i) Due from an Officer of the Company - Rs.0.04 Crore. Maximum balance due at any time during the year - Rs.0.06 Crore. (Previous Year - Rs.0.06 Crore and maximum balance due at any time during the year Rs.0.08 Crore)

ii) Due from a subsidiary company Rs.0.20 Crore (Previous Year - Rs.0.31 Crore)

7. The Micro, Small and Medium Enterprises Development Act, 2006 (`MSMED'):

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.

			Year ended 30.09.2009 Rs. Crore
(i)	Principal amounts due to suppliers under MSMED	3.23	5.85
(ii)	Interest accrued and due to suppliers under MSMED on above amount, unpaid	0.01	0.06
(iii)	Payment made to suppliers (other than interest) beyond the appointed date during the year	6.70	7.72
(iv)	Interest paid to suppliers under the MSMED	–	–
(v)	Interest due and payable towards suppliers under MSMED towards payment already made	0.03	0.03
(vi)	Amount of cumulative interest accrued and unpaid as at the year end	0.04	0.09

8. The Company's leasing arrangements are in respect of operating leases for premises (residential, office, godowns, etc). The leasing arrangements 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, 2010:

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	Buyer's Line of Credit	USD

   (ii) Forward Contract Outstanding as on 30th September, 2010:

Particulars	Currency	Amount	Nature
Forward Contract	USD	5.50 Million	Packing Credit Loan

   (The amount of premium carried forward to be accounted in the subsequent year - Rs.0.47 Crore).

   (iii) Un-hedged foreign currency exposure is Rs.123.13 Crore, net payable (Previous Year - Rs.110.34 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.5.90 Crore (Previous Year - Rs.12.60 Crore).

12. Auditors' remuneration includes:

			Year ended 30.09.2009
		Rs. Crore	Rs. Crore
a.	As Auditors	0.18	0.18
b.	In other capacity:		
	For Tax Audit	0.05	0.05
	For Certificates and Other Matters	0.11	0.14
c.	Cost Audit Fees	0.02	0.02
d.	Expenses Reimbursed	0.13	0.09

13. (a) Managerial Remuneration:

	Rs. Crore	Year ended 30.09.2009 Rs. Crore
Salary	1.65	1.47
Commission	1.65	1.47
Provident and Other Funds	0.45	0.40
Perquisites and Allowances	2.95	2.97
	6.70	6.31

(Exclusive of contributions to the Group Gratuity Scheme)

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

				Rs. Crore Year ended 30.9.2009	
Profit before Taxation			534.66		398.48
Add:	Depreciation	260.75		253.49	
	Remuneration to Whole-time Directors	6.70		6.31	
	Provision for diminution in value of Investments	4.98		–	
	Provision for Doubtful Debts	–		2.76	
	Profit on Sale of Assets as per Section 350 of the Companies Act, 1956	0.55		–	
	Directors' Sitting Fees	0.03	273.01	0.03	262.59
			807.67		661.07
Deduct:	Depreciation calculated as per Section 350 of the Companies Act, 1956	255.67		235.42	
	Profit on Sale of Investments	8.08		6.94	
	Profit on Sale of Assets	1.91		0.14	
	Provision for Doubtful Debts Written back	0.12		–	
	Loss on Sale of Assets as per Section 350 of the Companies Act, 1956	–	265.78	0.77	243.27
			541.89		417.80
	Commission payable @ 1% of Net Profit to Whole-time Directors		16.26		12.53
	Restricted to annual salary		1.65		1.47

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. Pending the issuance of the Guidance note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the Provident Fund liability. 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.

b) During the year, the Company has recognised the following amounts in the Profit and Loss Account:

		30.09.2009
	Rs. Crore	Rs. Crore
i) Employer's contribution to Provident Fund & Family Pension Fund*	15.31	12.63
ii) Employer's contribution to Superannuation Fund *	3.40	2.66
* Included in "Contribution to Provident and Other Funds" (Refer Schedule 12).		
iii) Defined benefit obligation:		
a) Gratuity - Funded		
Service Cost	5.05	4.69
Interest Cost	5.70	4.70
Expected return of plan assets	(5.36)	(4.17)
Actuarial (Gain)/Loss	9.60	6.93
Net Cost	14.99	12.15
b) Leave Encashment - Unfunded	3.61	2.34
c) Post Retirement Medical Benefit - Unfunded	1.06	2.60

	Gratuity - Funded	
		30.09.2009
d) Reconciliation of benefit obligation and plan assets for the year:	Rs. Crore	Rs. Crore
Present value of defined benefit obligation	86.71	73.45
Fair value of plan assets	74.14	62.87
Net Liability as at 30th September, 2010 recognised in the Balance Sheet	(12.57)	(10.58)
e) Change in defined benefit obligation:		
Present value of obligation as at 1st October, 2009	73.45	61.06
Service Cost	5.05	4.69
Interest Cost	5.70	4.70
Actuarial (Gain)/Loss	6.86	7.83
Benefits paid	(4.35)	(4.83)
Present value of obligation as at 30th September, 2010	86.71	73.45

	Gratuity - Funded	
		30.09.2009
	Rs. Crore	Rs. Crore
f) Change in fair value of plan assets:		
Fair value of plan assets as at 1st October, 2009	62.87	46.63
Expected return on plan assets	5.36	4.17
Contribution by employer	13.00	16.00
Actuarial Gain/(Loss)	(2.74)	0.90
Benefits paid	(4.35)	(4.83)
Fair value of plan assets as at 30th September, 2010	74.14	62.87
g) The principal actuarial assumptions:		
Discount rate	8.0%	8.0%
Salary Escalation	5.5%	5.5%
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:		30.09.2009	30.09.2008
Defined Benefit Obligation	86.71	73.45	61.06
Plan Assets	74.14	62.87	46.63
Net Deficit	12.57	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, 2010		
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, 2010		
Leave Encashment	9.45	7.85
Post Retirement Medical Benefits	4.90	4.03

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.0.24 Crore (Previous Year - Rs.0.02 Crore). Fixed Deposits outstanding as at the year end - Rs. 3.23 Crore (Previous year - Rs.0.95 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 (KMP):
- 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) Mr. Rahul Mammen Mappillai (Son of Chairman & Managing Director)

(c) Transactions with related parties: (Rs. Crore)

Nature of Transactions	Subsidiaries		Relatives of Key Management Personnel	
		Year Ended 30.09.2009		Year Ended 30.9.2009
Sale of Materials	3.43	3.08		
Remuneration			0.31	0.29
Loan given during the year	–	1.00		
Outstanding:				
Loan Receivable	4.00	4.00		
Debts Outstanding	4.97	3.79		
Other Receivables	0.20	0.31		

Notes:

(i) Provision for Diminution in value of Investment in a subsidiary - Rs.4.98 Crore. No amounts have been written off or written back during the year.

(ii) Transactions with KMP in respect of remuneration / interest paid & outstanding Fixed Deposits - refer notes - 13 & 15

17. The amount due and paid during the year to "Investor Education and Protection Fund" is Rs.0.16 Crore (Previous Year - Rs.0.13 Crore).

18. Earnings Per Share:

			Year Ended 30.09.2009
Profit after Taxation	Rs. Crore	353.98	253.03
Number of equity shares (Face Value Rs.10/- each)	Nos.	4241143	4241143
Earnings per share - Basic & Diluted	Rs.	834.63	596.61

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

Rs. Crore

	As at 01.10.2009	Provided during the year	Paid during the year	As at 30.09.2010
(i) Warranty	21.25	12.39	–	33.64
	(–)	(21.25)	(–)	(21.25)
(ii) Litigation and related disputes	11.32	18.85	3.00	27.17
	(–)	(11.32)	(–)	(11.32)

Figures in brackets are in respect of previous year.

Notes:

(i) Cash outflow towards Warranty provision would generally occur during the next two years. Such claims are netted off from sales.

(ii) Litigation and related disputes represents estimates mainly for probable claims arising out of litigations/disputes pending with the authorities under various statutes (i.e. Service Tax, Excise & Customs Duty, Power charges, 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. (i) Revenue expenditure on Research and Development activities during the year 2009-10:

		Rs. Crore
		Year Ended 30.09.2009
1) Salaries Wages and Other Benefits	9.08	6.75
2) Repairs and Maintenance	0.42	0.85
3) Power	1.28	0.92
4) Travelling and Vehicle Running	1.47	0.98
5) Cost of Materials/Tyres used for Rallies/Test purposes	2.91	2.37
6) Other R & D expenses	2.12	2.15
	17.28	14.02

(ii) Capital Expenditure on Research and Development during the year, as certified by the Management is Rs.0.28 Crore (Previous Year - Rs.1.45 Crore).

This information complies with the terms of the R&D recognition granted upto 31st March 2012 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-15 (253) /170/ 2010 dated 24th August 2010.

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

Rs. Crore

Name of the Company	Balance As At		Maximum balance during the year	
		30.09.2009		30.09.2009
MRF Lanka (P) Ltd.	4.00	4.00	4.00	4.00

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.

22. 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.

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

Particulars	Face Value	No. of Units	Cost Rs. Crore
Fortis Money Plus Institutional Growth	10	11013333	15.00
Templeton India Short Term Income Plan Institutional - Growth	10	16198592	20.00
HDFC Floating Rate Income Fund Short Term Plan - Wholesale Option Growth	10	16081131	25.00
ICICI Prudential Flexible Income Plan Premium - Growth	100	297203	5.00
Kotak Flexible Debt Scheme Institutional - Growth	10	28166111	35.00
LIC Savings Plus Fund - Growth Plan	10	13948813	20.00
Reliance Money Manager Fund - Institutional Option - Growth Plan	1000	121633	15.00
Reliance Medium Term Fund Retail Plan - Growth Plan - Growth Option	10	7889657	15.00
TATA Treasury Managership - Growth	1000	289547	30.00
UTI Floating Rate Fund - Short Term Plan - Institutional Growth Option	1000	325849	35.00

24. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - Rs.778.46 Crore. (Previous Year - Rs.384.20 Crore).

25. Contingent Liabilities not provided for:
   (i) Guarantees given by the banks - Rs.17.75 Crore (Previous Year - Rs.16.87 Crore).
   (ii) Letters of Credit issued by the banks - Rs.217.65 Crore (Previous Year - Rs.115.23 Crore).
   (iii) Customs duty on import of equipments and spare parts under EPCG Scheme - Rs.36.92 Crore (Previous Year - Rs.23.94 Crore).
   (iv) Bills discounted with a bank - Rs. Nil. (Previous Year - Rs.16.44 Crore).
   (v) Claims not acknowledged as debts:
      (a) Disputed Sales / Purchase Tax demands - Rs.3.09 Crore (Previous Year - Rs.3.20 Crore).
      (b) Disputed Excise/Customs Duty demands - Rs.83.15 Crore (Previous Year - Rs.80.49 Crore).
      (c) Disputed Income Tax Demands - Rs.17.17 Crore (Previous Year - Rs.4.88 Crore).
      (d) Contested ESIC Demands - Rs.0.06 Crore (Previous Year - Rs.0.19 Crore).

26. Figures are rounded off to nearest lakh. Figures below Rs.50,000 are denoted by an * .

27. 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 25th November, 2010

MRF LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	18-4306	State Code	18
Balance Sheet Date	30 09 10 (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
	40165834	40165834
Sources of Funds	Paid-up Capital	Reserves & Surplus
	42411	16864349
	Secured Loans	Unsecured Loans
	4955695	8201241
Application of Funds	Net Fixed Assets	Investments
	18266326	726961
	Net Current Assets	Misc. Expenditure
	11070409	—
	Accumulated Losses	
	—	

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

Turnover (Including Other Income)	Total Expenditure
81224245	75877656
Profit/Loss before Tax	Profit/Loss after Tax
+ 5346589	+ 3539789
Earning Per Share in Rs.	Dividend Rate %
834.63	500

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

Item Code No. (ITC Code)	40111000 0
Product Description	NEW PNEUMATIC TYRES OF RUBBER
Item Code No. (ITC Code)	40130000
Product Description	INNER TUBES OF RUBBER
Item Code No. (ITC Code)	40129049
Product Description	TYRE FLAPS
Item Code No. (ITC Code)	40061000
Product Description	CAMEL BACK STRIPS FOR RETREADING RUBBER TYRES

RAVI MANNATH Company Secretary	S.S. VAIDYA V. SRIDHAR Directors	K.M. MAMMEN Chairman and Managing Director

Place : Chennai
Date : 25th November, 2010

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

		MRF CORP LIMITED	MRF INTERNATIONAL LIMITED	MRF LANKA (P) LIMITED
[A]	The Financial Year of the Subsidiary Companies	March 31, 2010	September 30, 2010	September 30, 2010
[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, 2010 amounted to			
	(i) for the subsidiaries financial year ended as in (A) above	Profit Rs.80,523	Profit Rs.8,39,621	Loss Rs.1,54,99,315
	(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	Profit Rs.9,38,919	Profit Rs.31,06,986	Loss Rs. 5,72,50,162
	(b) dealt with in the accounts of MRF Limited for the year ended September 30, 2010 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, 2010	None	None	None
[E]	Material changes between the end of the financial year of the Subsidiary Companies and September 30, 2010			
	(i) Fixed Assets	None	None	None
	(ii) Investments	None	None	None
	(iii) Moneys lent by the Susidiary Companies	None	None	None
	(iv) Moneys borrowed by the Subsidiary Companies for any purpose other than meeting current liabilities	None	None	None

		S. S. VAIDYA	K. M. MAMMEN
Chennai	RAVI MANNATH	V. SRIDHAR	Chairman and
Dated 25th November, 2010	Company Secretary	Directors	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, 2010 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, 2010 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.6.73 Crore as at 30th September, 2010 and total revenue of Rs.9.44 Crore and net cash inflows amounting to Rs.0.32 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, 2010 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.

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, 2010.

(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
Firm Regn. No. 0036435

C. R. Kumar
Partner
Mem. No. 26143

FOR M. M. NISSIM AND CO.
Chartered Accountants
Firm Regn. No. 107122W

N. Kashinath
Partner
Mem. No. 36490

Chennai, Dated 25th November, 2010

MRF LIMITED

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2010

	Schedule	Rs. Crore	Rs. Crore	As at 30.09.2009 Rs. Crore	Rs. Crore
I. SOURCES OF FUNDS					
(1) Shareholders' Funds					
a) Share Capital	1		4.24		4.24
b) Reserves and Surplus	2		1684.19		1351.46
			1688.43		1355.70
(2) Minority Interest			0.07		0.06
(3) Loan Funds					
a) Secured Loans	3		495.57		137.89
b) Unsecured Loans	4		819.99		482.16
(4) Deferred Tax Liability (Net)			–		0.04
(5) Deferred Payment Credit			46.38		51.86
			3050.44		2027.71
II. APPLICATION OF FUNDS					
(1) Fixed Assets	5				
a) Gross Block		3372.80		2739.15	
b) Less: Depreciation		2042.16		1803.19	
c) Net Block		1330.64		935.96	
d) Capital Work-in-Progress		497.72	1828.36	285.01	1220.97
(2) Investments	6		72.87		144.39
(3) Deferred Tax Asset (Net)			15.09		12.35
(4) Current Assets, Loans and Advances	7				
a) Inventories		1112.41		652.87	
b) Sundry Debtors		807.04		576.75	
c) Cash and Bank Balances		54.06		60.13	
d) Loans and Advances		124.80		95.26	
		2098.31		1385.01	
Less: Current Liabilities and Provisions	8				
a) Current Liabilities		793.00		587.72	
b) Provisions		171.19		147.29	
		964.19		735.01	
Net Current Assets			1134.12		650.00
			3050.44		2027.71

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 25th November, 2010

MRF LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

	Schedule	Rs. Crore	Rs. Crore	Year ended 30.09.2009 Rs. Crore	Rs. Crore
INCOME					
Sales		8086.46		6146.43	
Less: Excise Duty		627.73	7458.73	478.14	5668.29
Export Incentives			11.02		9.04
Other Income	9		30.69		25.12
			7500.44		5702.45
EXPENDITURE					
Materials	10		5019.58		3712.72
Interest	11		63.16		68.96
Other Expenses	12		1618.14		1274.12
Depreciation	5		261.50		250.40
			6962.38		5306.20
Profit for the year before Taxation			538.06		396.25
Less: Provision for Taxation:					
Current Tax		182.51		159.01	
Less: MAT Entitlement		(0.01)		–	
Deferred Tax (Note 3)		(2.78)		(18.04)	
Fringe Benefit Tax		–		1.20	
Short provision of earlier years		0.83	180.55	3.29	145.46
Profit for the year after Taxation			357.51		250.79
Less: Profit attributable to minority interest			0.01		0.01
Amount available for appropriation			357.50		250.78
Appropriations					
Dividends					
Interim		2.54		2.54	
Final – Proposed		8.06		8.06	
Special - Proposed		10.60		–	
Tax thereon		3.52	24.72	1.80	12.40
Balance Surplus transferred to General Reserve			332.78		238.38
			357.50		250.78
Basic & Diluted Earning per Share (in Rs.)			842.93		591.30

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
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Partner

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Company Secretary

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V. SRIDHAR
Directors

K. M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 25th November, 2010

MRF LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2010

				Year ended 30.09.2009	
		Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
A.	CASH FLOW FROM OPERATING ACTIVITIES				
	NET PROFIT BEFORE TAX	538.06		396.25	
	Adjustment for :				
	Depreciation	261.50		250.40	
	Provision for Doubtful Debts	(0.12)		2.76	
	Unrealised Exchange (Gain)/Loss	(6.74)		0.15	
	Income/Profit relating to Investment Activity	(10.26)		(7.46)	
	Interest-Net	62.67		66.46	
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		845.11		708.56
	Adjustment for :				
	Trade and other receivables	(261.18)		24.04	
	Inventories	(459.54)		332.66	
	Trade Payable	253.82		(117.06)	
			(466.90)		239.64
	CASH GENERATED FROM OPERATIONS		378.21		948.20
	Direct Taxes paid	(219.90)		(101.33)	
			(219.90)		(101.33)
	NET CASH FROM OPERATING ACTIVITIES		158.31		846.87
B.	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase of Fixed Assets	(869.73)		(162.36)	
	Proceeds from Sale of Fixed Assets	2.75		0.59	
	(Purchase)/Sale of Investments (Net)	79.68		(73.07)	
	Interest received	0.92		2.36	
	Income from Investments	0.17		0.24	
	NET CASH FROM INVESTING ACTIVITIES		(786.21)		(232.24)
			(627.90)		614.63
C.	CASH FLOW FROM FINANCING ACTIVITIES				
	Total (repayments)/proceeds from borrowings	670.78		(662.20)	
	Dealers' Security Deposit (net of repayments)	30.34		91.95	
	Repayments towards Sales Tax Deferral Scheme	–		(0.89)	
	Repayments towards Deferred Payment Credit	(5.48)		(5.08)	
	Interest paid	(61.42)		(71.01)	
	Dividend/Corporate Dividend tax paid	(12.39)		(9.80)	
	NET CASH FROM FINANCING ACTIVITIES		621.83		(657.03)
	NET DECREASE IN CASH AND CASH EQUIVALENTS		(6.07)		(42.40)
	CASH AND CASH EQUIVALENTS AS AT 30.09.09		60.13		102.53
	CASH AND CASH EQUIVALENTS AS AT 30.09.10		54.06		60.13

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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V. SRIDHAR
Directors

K. M. MAMMEN
Chairman and
Managing Director

Chennai, Dated 25th November, 2010

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

		Rs. Crore	Rs. Crore	As at 30.09.2009 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	1342.46		1104.08	
	Add: Transfer from Profit and Loss Account	332.78	1675.24	238.38	1342.46
Foreign Currency Translation Reserve					
	As per last Balance Sheet	(0.89)		(1.21)	
	Less: Adjustments during the year	(0.05)	(0.94)	0.32	(0.89)
			1684.19		1351.46
(3) SECURED LOANS					
Term Loan:					
	From Banks		205.64		111.24
	(Secured by hypothecation of specific items of machinery)				
	(Repayable within one year – Rs. 51.70 Crore)				
Other Loans:					
	Banks		289.93		26.65
	(Secured by hypothecation of stock-in-trade, stores & spare parts and book debts)				
			495.57		137.89

	Rs. Crore	Rs. Crore	As at 30.09.2009 Rs. Crore	Rs. Crore
(4) UNSECURED LOANS				
Fixed Deposits		50.82		18.33
(Repayable within one year – Rs.5.07 Crore)				
Other Loans:				
Term Loan from Banks		275.00		–
From Others:				
Dealers' Security Deposit	409.58		379.24	
Sales Tax Deferral Scheme (Repayable within one year – Rs.3.67 Crore)	84.59	494.17	84.59	463.83
		819.99		482.16

(5) FIXED ASSETS

Rs. Crore

	Land	Buildings	Plant & Machinery	Moulds	Vehicles	Others	Intangibles	Total	Previous Year
Original Cost as at 1.10.2009	91.85	307.29	1945.82	239.56	15.68	121.29	17.66	2739.15	2427.30
Additions	1.33	131.65	480.58	27.72	2.13	13.37	0.24	657.02	321.03
Deductions	–	0.71	5.55	2.86	1.53	8.14	4.58	23.37	9.18
GROSS BLOCK	93.18	438.23	2420.85	264.42	16.28	126.52	13.32	3372.80	2739.15
DEPRECIATION									
As at 1.10.2009	1.18	123.12	1371.61	202.70	10.05	84.43	10.10	1803.19	1557.35
For the year	0.10	19.02	208.01	18.99	2.06	10.63	2.69	261.50	254.57 *
Deductions	–	0.33	5.34	2.82	1.50	7.96	4.58	22.53	8.73
As at 30.09.2010	1.28	141.81	1574.28	218.87	10.61	87.10	8.21	2042.16	1803.19
NET BLOCK AS AT 30.09.2010	91.90	296.42	846.57	45.55	5.67	39.42	5.11	1330.64	935.96
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 30.09.2010								1330.64	935.96
Capital Work-in-Progress and Advances on Capital Account								497.72	285.01
								1828.36	1220.97

Note:
Land includes Agricultural Land – Rs.0.12 Crore and Leasehold Land – Rs.4.35 Crore.
*Includes deferred tax adjustment – Rs.4.17 Crore.

	Rs. Crore	Rs. Crore	As at 30.09.2009 Rs. Crore	Rs. Crore
(6) INVESTMENTS (At Cost)				
Long Term, Non-Trade				
Fully Paid-up				
Quoted				
Equity Shares	0.09			0.10
Unquoted				
In Mutual Fund Units	70.18			142.22
Ordinary/Equity Shares	2.60			2.07
	72.78			144.29
	72.87			144.39
Aggregate Market Value of Quoted Investments	3.04			2.47
(7) CURRENT ASSETS, LOANS AND ADVANCES				
(a) Inventories				
Stores & Spares	56.25		44.51	
Stock-in-trade:				
Raw Materials	595.26		305.38	
Work-in-Progress	147.29		101.45	
Finished Goods	313.61	1112.41	201.53	652.87
(b) Sundry Debtors				
(i) Debts outstanding for a period exceeding six months				
Unsecured - Considered Good	2.95		2.42	
- Considered Doubtful	2.64		2.76	
Less: Provision for Doubtful Debts	(2.64)		(2.76)	
	2.95		2.42	
(ii) Other Debts (Considered Good)				
Secured	376.86		345.19	
Unsecured	427.23	807.04	229.14	576.75
(c) Cash and Bank Balances				
Cash, Cheques and Stamps on hand	40.57		33.60	
Bank Balances:				
With Scheduled Banks:				
In Current/Collection Accounts	12.88		25.81	
In Deposit Accounts	0.52		0.29	
With Others	0.09	54.06	0.43	60.13
(d) Loans and Advances				
(Unsecured, Considered Good)				
Advances to Staff	3.67		2.37	
Advances recoverable in cash or in kind or for value to be received	66.14		57.62	
Balances with Customs, Excise and Port Trust	34.50		18.35	
Other Deposits	12.19		10.50	
Advance Tax less provision	8.30	124.80	6.42	95.26
		2098.31		1385.01

			As at 30.09.2009	
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
(8) CURRENT LIABILITIES AND PROVISIONS				
(a) Current Liabilities				
Acceptances	124.76		95.30	
Sundry Creditors				
Outstanding dues of Micro Enterprises & Small Enterprises (Note 4)	3.23		5.85	
Outstanding dues of creditors other than Micro Enterprises & Small Enterprises	660.43		483.77	
Interest Accrued but not due	3.40		1.66	
Liability towards Investor Education and Protection Fund not due:				
Unclaimed Dividends	1.13		1.12	
Matured Fixed Deposits and Interest	0.05	793.00	0.02	587.72
(b) Provisions				
Provision for Taxation less Advance Tax	38.46		73.15	
Dividend				
Interim	1.27		1.27	
Final - Proposed	8.06		8.06	
Special - Proposed	10.60		–	
Dividend Tax	3.31		1.59	
Retirement Benefits	27.47		23.01	
Others	82.02	171.19	40.21	147.29
		964.19		735.01

INCOME

		Year ended 30.09.2009
	Rs. Crore	Rs. Crore
(9) OTHER INCOME		
Income from Investments (Other than trade):		
Dividend	0.19	0.28
Interest (Gross)	0.49	2.50
Profit on Sale of Investments	8.16	7.04
Profit on Sale of Assets (Net)	1.91	0.14
Windmill Power Generated, captively consumed	12.84	13.08
Sales Tax/Entry Tax Refunds	1.65	–
Provision for Doubtful Debts written back	0.12	–
Miscellaneous Income	5.33	2.08
	30.69	25.12
Tax Deducted at Source	0.12	0.11

	Rs. Crore	Rs. Crore	Year ended 30.09.2009 Rs. Crore	Rs. Crore
EXPENDITURE				
(10) MATERIALS				
Raw Materials Consumed		5149.82		3486.13
Purchase of Traded Goods		13.85		6.48
(Increase)/Decrease in Stock				
Opening Stock				
Work-in-Progress	101.44		135.06	
Finished Goods	201.53		381.68	
	302.97		516.74	
Less: Closing Stock				
Work-in-Progress	147.29		101.45	
Finished Goods	313.61		201.25	
	460.90	(157.93)	302.70	214.04
Differential Excise Duty on Opening and Closing Stock of Finished Goods		13.84		6.07
		5019.58		3712.72
(11) INTEREST				
On Fixed Loans		10.34		11.34
On Deferred Payment Credit		4.05		4.50
Others		48.77		53.12
		63.16		68.96

		Rs. Crore	Year ended 30.09.2009 Rs. Crore
(12)	**OTHER EXPENSES**		
	Salaries, Wages, Bonus & Commission	301.82	248.37
	Contribution to Provident & Other Funds	37.66	30.17
	Staff Welfare Expenses	39.03	38.59
	Stores & Spares Consumed	155.17	122.84
	Loose Tools, Dies etc. written off	0.23	0.50
	Power, Fuel & Light	405.43	285.93
	Processing Expenses	73.86	47.64
	Rent	16.66	15.40
	Rates, Taxes & Octroi	6.92	5.06
	Insurance	3.82	3.47
	Repairs & Maintenance:		
	Buildings	9.01	7.33
	Machinery	37.97	30.34
	Others	12.53	11.99
	Printing & Stationery	2.62	2.08
	Postage, Telegrams & Telephones	5.60	5.67
	Vehicle Expenses	3.15	3.13
	Directors' Sitting Fees	0.03	0.03
	Directors' Travelling Expenses	0.11	0.46
	Travelling & Conveyance	21.78	17.13
	Auditors' Remuneration	0.50	0.49
	Advertisement	85.23	51.97
	Commission & Discount	170.08	154.61
	Warranty	12.39	21.25
	Freight & Transport	176.90	135.77
	Sales Tax	0.16	1.78
	Provision for Doubtful Debts	–	2.76
	Bad Debts	0.26	1.36
	Exchange (Gain)/Loss (Net)	(9.19)	1.09
	Others	48.41	26.91
		1618.14	1274.12

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 2010.

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:

i. The consolidated financial statements have been prepared in accordance with the Accounting Standards-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, 2010:

Name	Country of incorporation	Proportion of ownership interest	Financial Statement as on
MRF Corp Ltd.	India	100%	March 31, 2010
MRF International Ltd.	India	94.66%	September 30, 2010
MRF Lanka (P) Ltd.	Sri Lanka	100%	September 30, 2010

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.

ii. 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.

iii. 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.

iv. 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 and warranty claims.

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. WARRANTY:

Provision for product warranties is recognised based on management estimate regarding possible future outflows on servicing the customers during the warranty period. These estimates are computed on scientific basis as per past trends of such claims.

Q. 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.

3. The break up of net deferred tax assets/liability as at 30th September, 2010: (Rs. Crore)

Particulars	Liability	Liability Year Ended 30.09.2009	Asset	Asset Year Ended 30.09.2009
Depreciation	–	0.04	3.66	4.14
Expenditure allowable on actual payment	–	–	11.34	8.21
Unabsorbed Business Losses	–	–	0.09	–
	–	0.04	15.09	12.35
Net Deferred Tax	–	0.04	15.09	

4. The Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'):

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	Year Ended 30.09.2009 Rs. Crore
i)	Principal amounts due to suppliers under MSMED	3.23	5.85
ii)	Interest accrued and due to suppliers under MSMED on above amount, unpaid	0.01	0.06
iii)	Payment made to suppliers (other than interest) beyond the appointed date during the year	6.70	7.72
iv)	Interest paid to suppliers under the MSMED	–	–
v)	Interest due and payable towards suppliers under MSMED towards payment already made	0.03	0.03
vi)	Amount of cumulative interest accrued and unpaid as at the year end	0.04	0.09

5. Related Party disclosure:

(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) Mr. Rahul Mammen Mappillai (Son of Chairman & Managing Director)

(b) Transactions with related parties: (Rs. Crore)

Nature of Transactions	Key Management Personnel	Key Management Personnel Year Ended 30.09.2009	Relatives of Key Management Personnel	Relatives of Key Management Personnel Year Ended 30.09.2009
Remuneration	6.70	6.31	0.31	0.29

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) 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.0.24 Crore (Previous Year - Rs.0.02 Crore). Fixed Deposits outstanding as at the year end - Rs. 3.23 Crore (Previous year - Rs.0.95 Crore).

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. Pending the issuance of the Guidance note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the Provident Fund liability. 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.

b) During the year, the group has recognised the following amounts in the Profit and Loss Account:

	Funded		Unfunded	
		30.09.2009		30.09.2009
	Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
i) Employer's contribution to Provident Fund & Family Pension Fund*	15.33	12.65	–	–
ii) Employer's contribution to Superannuation Fund *	3.40	2.66	–	–
* Included in "contribution to Provident and other Funds" (Refer Schedule 12).				
iii) Defined benefit obligation:				
(a) Gratuity				
Service Cost	5.05	4.69	–	–
Interest Cost	5.70	4.70	0.01	0.01
Expected return of plan assets	(5.36)	(4.17)	–	–
Actuarial (Gain)/Loss	9.60	6.93	–	–
Net Cost	14.99	12.15	0.01	0.01
(b) Leave Encashment			3.61	2.34
(c) Post Retirement Medical Benefit			1.06	2.60

		Gratuity - Funded	
			30.09.2009
		Rs. Crore	Rs. Crore
(d)	Reconciliation of benefit obligation and plan assets for the year:		
	Present value of defined benefit obligation	86.71	73.45
	Fair value of plan assets	74.14	62.87
	Net Liability as at 30th September, 2010 recognised in the Balance Sheet	(12.57)	(10.58)
(e)	Change in defined benefit obligation:		
	Present value of obligation as at 1st October, 2009	73.45	61.06
	Service Cost	5.05	4.69
	Interest Cost	5.70	4.70
	Actuarial (Gain)/Loss	6.86	7.83
	Benefits paid	(4.35)	(4.83)
	Present value of obligation as at 30th September, 2010	86.71	73.45
(f)	Change in fair value of plan assets:		
	Fair value of plan assets as at 1st October, 2009	62.87	46.63
	Expected return on plan assets	5.36	4.17
	Contribution by employer	13.00	16.00
	Actuarial Gain/(Loss)	(2.74)	0.90
	Benefits paid	(4.35)	(4.83)
	Fair value of plan assets as at 30th September, 2010	74.14	62.87
(g)	The principal actuarial assumptions:		
	Discount rate	8.0%	8.0%
	Salary Escalation	5.5%	5.5%
	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.

			30.09.2009	30.09.2008
(h)	Amounts for the current and previous periods are as under:			
	Defined Benefit Obligation	86.71	73.45	61.06
	Plan Assets	74.14	62.87	46.63
	Net Deficit	12.57	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, 2010		
	Investments with Life Insurance Corporation of India	100%	100%

iv) Other Long Term Employee Benefits;

Present value of obligation as at 30th September, 2010

	Rs. Crore	Rs. Crore
Leave Encashment	9.45	7.85
Post Retirement Medical Benefits	4.90	4.03

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

7. Earnings Per Share:

			Year Ended 30.09.2009
Profit after Taxation	Rs. Crore	357.50	250.78
Number of equity shares (Face Value Rs.10/- each)	Nos.	42,41,143	42,41,143
Earnings per share - Basic & Diluted	Rs.	842.93	591.30

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

(Rs. Crore)

	As at 01.10.2009	Provided during the year	Paid during the year	As at 30.09.2010
(i) Warranty	21.25	12.39	–	33.64
	(–)	(21.25)	(–)	(21.25)
(ii) Litigation and related disputes	11.32	18.85	3.00	27.17
	(–)	(11.32)	(–)	(11.32)

Previous Year's figures are in brackets.

Notes:

(i) Cash outflow towards Warranty provision would generally occur during the next two years. Such claims are netted off from sales.

(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, Power charges, 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 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.778.46 Crore. (Previous Year - Rs.384.20 Crore).

12. Contingent Liabilities not provided for:

    (i) Guarantees given by the banks - Rs.17.75 Crore (Previous Year - Rs.16.87 Crore).

    (ii) Letters of Credit issued by the banks - Rs.217.65 Crore (Previous Year - Rs.115.23 Crore).

    (iii) Customs duty on import of equipments and spare parts under EPCG Scheme - Rs.36.92 Crore (Previous Year - Rs.23.94 Crore).

    (iv) Bills discounted with a bank - Rs. Nil. (Previous Year - Rs.16.44 Crore).

    (v) Claims not acknowledged as debts:

        (a) Disputed Sales / Purchase Tax demands - Rs.3.09 Crore (Previous Year - Rs.3.20 Crore).

        (b) Disputed Excise/Customs Duty demands - Rs.83.15 Crore (Previous Year - Rs.80.49 Crore).

        (c) Disputed Income Tax Demands - Rs.17.17 Crore (Previous Year - Rs.4.88 Crore).

        (d) Contested ESIC Demands - Rs.0.06 Crore (Previous Year - Rs.0.19 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	For M.M. NISSIM AND CO.			
Chartered Accountants	Chartered Accountants		S.S. VAIDYA	K. M. MAMMEN
C. R. Kumar	N. Kashinath	RAVI MANNATH	V. SRIDHAR	Chairman and
Partner	Partner	Company Secretary	Directors	Managing Director

Chennai, Dated 25th November, 2010

Disclosure of Information Relating to Subsidiaries

(Vide letter No.47/681/2010 - CL - III dated 08.09.2010 of the Ministry of Corporate Affairs, Government of India)

(Rs.)

		MRF Corp Ltd. *		MRF International Ltd.		MRF Lanka (P) Ltd.	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1.	Share Capital	5,01,000	5,01,000	56,25,000	56,25,000	4,50,93,506	4,71,29,953
2.	Reserves & Surplus	10,19,442	9,38,919	85,29,324	76,45,512	(7,03,92,463)	(5,83,80,444)
3.	Total Liabilities @	1,03,996	99,853	1,39,255	88,719	9,33,62,222	8,83,50,893
4.	Total Assets (including Investments)+	16,24,438	15,39,772	1,42,93,579	1,33,59,231	6,80,63,266	7,71,00,403
5.	Investments	14,38,829	12,88,929	69,58,410	1,32,35,839	–	–
6.	Turnover	1,24,479	1,05,957	9,26,856	10,35,720	9,41,49,803	7,56,89,138
7.	Profit before Tax	1,15,916	98,451	8,83,768	10,12,339	(1,68,29,173)	(2,33,89,715)
8.	Provision for Taxation						
	- Current	35,393	30,537	(44)	56,180	–	–
	- Deferred	–	–	–	–	(13,29,858)	49,714
9.	Profit/(Loss) after Tax	80,523	67,914	8,83,812	9,56,159	(1,54,99,315)	(2,34,39,429)
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

MRF

ANNUAL REPORT 2009-10

MRF

MRF Limited, New No.114 (Old No.124), Greams Road, Chennai - 600 006.