HINDUJA FOUNDRIES LIMITED

Annual Report 2011 - 12

HINDUJA GROUP

Contents

Message from the Managing Director

B. Swaminathan

Managing Director

Dear Shareholder,

It gives me great pleasure to communicate with you after my message last year. The year 2011-12 comprising 18 months ending September 30, 2012 has been a period of challenges for the Company. While the Company has been able to ramp up sales and production volumes across all the three units, the profitability of the Company has been a matter of concern due to market situation and operational issues as could be seen further in this message.

Global Outlook

As the year 2012 draws to a close, the global outlook is one of cautious gloom with limited prospects for a smart recovery in 2013. Global growth remains historically low for the second year running, with slow down in economic activity in 2012-13 in large emerging economies and advanced nations. It unfortunately validates the fear that the global economy is beset with problems of weak and sluggish recovery. While, growth remains unequally distributed, developing countries are relatively growing faster than advanced economies thus somewhat closing the income gap.

Global inflation risks have risen significantly over the last year in all the segments.

The Indian Economy

During 2011-12, Indian economy slowed down substantially compared to the previous year. Overall GDP growth rate has dropped from a high of 8.1% in 2010-11 to 6.9% in the first 3 quarters of the year.

This slowdown continued through the first half of 2012-13. In fact, India has seen the sharpest downgrade among global markets, with 2012-13 GDP growth projections being reduced from 6.2% to 4.9% in just 3 months. 2013-14 growth projections for India stand at 6%. For the first time in recent years, India's growth estimates are less than average growth estimates of emerging economies.

The Auto Sector

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

By 2015, India is set to become the sixth largest passenger vehicle producer globally touching a volume of 5 million cars per annum. India has sold 3.2 million Passenger Vehicles, in 2011-12. With 550,000 tractors sold in 2011-12, India is the largest tractor manufacturer in the world.

Although the long term prospects for the sector appear sound, in the short term, the sector is facing strong headwinds.

In the backdrop of rising commodity prices and higher interest rates, growth could be negative in 2012-13, this being part of the typical cyclicality exhibited by the Auto sector. The market is expected to calibrate itself.

In the backdrop of this economic slowdown, demand for key end-user sectors and OEMs barely held up in 2011-12 and have dropped substantially in 2012-13. The market for medium and heavy commercial vehicles grew by 8% in 2011-12 but contracted by 14% in the first half of FY 2012-13, compared to the same period in the previous year. The prognosis for the rest of the fiscal is bearish. The market for Light Commercial Vehicles grew marginally, primarily driven by new product introductions in the 2-3.5T GVW segment. The market for construction equipment has faced a severe drop of nearly 40% in 2012-13. While the Tractor market has slowed down by 4%, passenger car market is still showing growth due to SUV segment's robust performance. Overall, 2012-13 bears a dim outlook with the levels of contraction expected to persist for the rest of the year.

Having adequate foundry capacity, however, is critical to service the automobile industry in its quest for growth in the coming years, which will require the foundry industry to remain resilient

The Foundry Scene & Hinduja Foundries

India has nearly 4600 foundry units, 80% of them in SME sector. The industry is making a contribution of Rs 7000 per ton produced to the National exchequer by way of Excise and other levies. Sector exports touched US$ 215 Million in 2010-11. The manufacturing units are located in 12 identified and recognized clusters and in 20 other clusters. Only about 50 of these units have International Quality Accreditation and only about 10 of them have modern manufacturing facilities for high volume production. In India approximately 70% of the total production is from Grey Iron and Hinduja Foundries mainly operates in this segment. In the niche segment of cylinder blocks and heads, your Company continues to be the largest casting manufacturer in India.

Hinduja Foundries has a cherished history being one of the earliest grey iron foundries in India and has continued to be a key player in this segment. With an order book of nearly 100000 mts for FY 2013, mostly from marquee customers from India and abroad, your Company is well set to achieve this target by end March 2013. The year gone-by was beleaguered by many challenges in the form of quality concerns, high power cost owing to power cuts and power holidays in both Andhra Pradesh and Tamil Nadu and market slump affecting the top line.

During the 18 months ended September 2012, your Company has ended with a gross production of 157408 mts compared to 88545 mts in FY 2011 (12 months). Sales during the same period were at 130750 mts as against 73170 mts .These volumes were achieved on the back of substantial shares of business from commercial vehicle engine manufacturers such as Ashok Leyland and Tata Cummins Limited, growth due to new products such as the cylinder blocks and heads for the Ashok Leyland Nissan Dost vehicles and maintenance of share of business among major tractor customers.

The Company's performance in 2011-12 was affected due to the impact of rising material costs in the first 10 months, price increase from customers not adequately compensating increase in costs and higher level of rejections in new products, apart from power related factors. Your Company though recorded higher output and sales, could not brave all these challenges

The Company's machining project has made progress with the addition of new customers viz. Simpson, John Deere, Mahindra and Tata Cummins. We continue to service existing customers such as Renault and Ashok Leyland (Neptune blocks & heads).

A good number of new products were developed during in the last 2 years that are expected to deliver higher volumes in the coming years. Further efforts are under way to increase the share of business with existing manufacturers of commercial vehicles, tractors, power generation equipment and passenger cars.

An integrated transformation programme has been launched to enable achievement of better quality and throughput increase. The programme, christened "Mission New Leaf", will address issues of debottlenecking production lines to increase capacity headroom so that the units are equipped to handle upturn in demand when the market returns. This initiative is equally aimed at reducing quality issues and effecting cost control thereby increasing overall operational efficiency. It is expected that Mission New Leaf will usher in a new chapter in our endeavour to improve our performance against global benchmarks.

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

General Information

Board of Directors	R Seshasayee	Chairman
	D G Hinduja (Alternate : Y M Kale)	Co-Chairman
	D J Balaji Rao	
	Jean Brunol	
	Jorma Antero Halonen	
	S Ragothaman	
	F Sahami	
	Sridhar Venkiteswaran	
	B Swaminathan	Managing Director
Chief Financial Officer	P K Ranganathan	
Company Secretary	Govind M Joshi	
Bankers	Bank of America Canara Bank DBS Bank Limited HDFC Bank Limited ICICI Bank Limited IDBI Bank Limited Karur Vysya Bank Limited Standard Chartered Bank State Bank of India State Bank of Travancore Union Bank of India	
Auditors	BSR and Company 10, Mahatma Gandhi Road, Nungambakkam, Chennai 600 034	
Registered Office	Kathivakkam High Road Ennore, Chennai 600 057	
Plant Locations	Ennore, Chennai 600 057 Ductron Casting Unit IDA, Uppal, Hyderabad 500 039 Plot K - 2, SIPCOT Industrial Estate Arneri Village, Sriperumbudur 602 105	

Five Year Review

(Rs. Lakhs)

Particulars	2011-12 (18 Months Period)	2010-11	2009-10	2008-09	2007-08
Income and Dividend					
Sales/Operating Income	**102936**	55116	39154	36313	45142
Other Income	**742**	668	992	546	147
Total Income	**103678**	55783	40146	36859	45289
Operating Profit / (Loss)	**(13388)**	6688	5853	3012	5209
Profit/Loss(-) Before Tax	**(30138)**	845	65	(1859)	2590
Profit/Loss(-) After Tax	**(29134)**	748	35	(1198)	1692
Dividend including Tax	**-**	-	-	-	612
Assets Employed					
Net Fixed Assets @ $	**71110**	65282	59723	55003	29338
Net Current Assets	**14485**	33297	20829	17458	14100
Other Assets/Expenditure not written off	**259**	334	21	149	22
Total	**85854**	98913	80573	72610	43460
Financed by					
Net Worth	**18518**	40852	35132	35142	12501
Borrowed Funds	**67336**	57057	44534	36591	29502
Deferred Tax Liability	**-**	1004	907	877	1457
Total	**85854**	98913	80573	72610	43460
General					
Sales Units - Tonnes	**130750**	73170	57701	49130	74184
Earning Per Share	**(102.21)**	2.09	(0.48)	(7.30)	9.31
Book Value Per Share	**56.01**	133.49	176.41	175.78	61.24
@ includes addition on Revaluation of Fixed Assets	**18863**	18885	18900	18926	379
$ includes Investments	**1204**	1204	3	-	-

To

THE MEMBERS:

Your Directors present the Fifty Second Annual Report together with the Audited Accounts of your Company for the 18 months period ended September 30, 2012.

FINANCIAL RESULTS

(Rs. In Lakhs)

PARTICULARS	2011-12 (18 Months)	2010-11 (12 Months)
Profit / (Loss) before Depreciation and Taxation	(24972.12)	3262.26
Less : Depreciation	5166.02	2417.42
Less: Provision for Taxation	(1004.19)	97.19
Profit / (Loss) after Taxation	(29133.95)	747.65
Add : Balance brought forward from previous year	793.08	45.43
Balance carried to Balance Sheet	(28340.87)	793.08
Basic and Diluted Earnings Per Share of face value of Rs. 10/- each. (in Rs.)	(102.21)	2.09

The Company's performance during the period has been adversely impacted by steep hike in power tariff, incremental power costs incurred on account of power purchase through exchange, price increase from customers not adequately compensating costs incurred and other adverse market conditions. These are in addition to high structural costs, new product development costs and rejections. Net loss before depreciation and tax for the current period is after considering the difference between book stock and physical stock aggregating to Rs 8295.00 lakhs as explained in Note No 38 of the Financial Statements. As a result, the losses for the period were exceptionally high.

DIVIDEND

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

BUSINESS OPERATIONS

The Company earned a sales revenue for the 18 months ended September 30, 2012 at Rs.102936 lakhs compared to Rs.55116 lakhs for the 12 months ended March 31, 2011.

The Company incurred a loss of Rs.30138 lakhs for the 18 months period September 30, 2012 against a profit before tax of Rs. 845 lakhs in the previous accounting year. Total Net sales of ferrous and non-ferrous castings were proportionately higher at 130750 tonnes in the present accounting period compared to 73170 tonnes in the previous year. Gross production of ferrous and non -ferrous castings during the year increased to 157408 tonnes from 88545 tonnes in 2010-11.

In the year under review, the Company expanded the customer base through inclusion of John Deere, Tata Cummins and JCB in the commercial vehicles/ tractors / construction equipment segments. The domestic market share of the Company, in commercial vehicles, tractors and construction equipment segments, has been steadily increasing, signifying the Company's business growth at a good pace. The Company expects to improve the market share further with the new products, which are under development.

The Company has successfully completed the schedules with John Deere, Simpson (S3 Block) and JCB for the development of their new products. The above projects are expected to realize the estimated potential after commercial implementation in the coming years. The Company has however faced several operational and commercial challenges during the year in the form of contraction in demand due to market slow down, customers not adequately compensating for cost increases, acute power shortage in Tamil Nadu and Andhra Pradesh leading to purchase of power from outside and challenges relating to volume ramp up at SPU. Your Company has been taking all necessary steps to face the above challenges and devise measures to operate efficiently and viably.

TECHNOLOGY UPGRADATION/MODERNIZATION

Your Company's drive for technology upgradation to gain an advantageous position in the market continues to be pursued. Sriperumbudur unit is now producing contemporary blocks and heads for both commercial vehicles and tractor segments. The Company has commenced sale of machined castings leading to better value realization. The particulars required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 to the extent applicable are furnished in Annexure – A to this report.

PUBLIC DEPOSITS

The Company has not accepted any fixed deposits from public during the year under review. However, the amount of matured and unclaimed deposits as of September 30, 2012 was Rs. 0.10 Lakhs.

WITHDRAWAL OF THE RIGHTS ISSUE

The Rights Issue of 1,66,63,812 equity shares of Rs.10/- each for cash at a price of Rs.75/- (including a premium of Rs.65/-) per equity share aggregating Rs. 124.98 Lakhs approved by the shareholders at their 51st Annual General Meeting held on July 20, 2011 was withdrawn considering the volatile stock market conditions, price of the Company's shares quoted at the bourses, and therefore challanges to acheive complete subscription of the issue. Since the Promoters of the Company hold 70.38% of the share capital and further, since 4.25% of the equity share capital is held by overseas depository consequent to the Issue of Global Depository Receipts (GDR's) in 2009, promoters would have been able to subscribe only a small portion of the Issue in excess of their rights entitlement (due to the restrictions imposed by the capital market regulations prohibiting promoters holding shares in excess of 75%) in the event of under subscription to the issue. All the above factors prompted the Board of Directors to withdraw the rights issue.

EXTENSION OF FINANCIAL YEAR 2011-12

The Board of Directors of your Company had extended the Financial Year 2011-12 from the current period of 12 months ending March 31, 2012 to 18 months ended September 30, 2012 for the purpose of capital restructuring and obtained special permission of the Deputy Registrar of Companies, Chennai, vide letter dated April 3, 2012 under Section 210(4) of the Companies Act, 1956.

Accordingly, the Accounts for the Financial Year 2011-12 had been prepared for a period of 18 months from 1st April, 2011 to 30th September, 2012.

EXTENSION OF TIME FOR HOLDING THE ANNUAL GENERAL MEETING

The Deputy Registrar of Companies, Chennai, vide letter dated April 4, 2012 has granted extension of time up to December 31, 2012 for holding the Annual General Meeting as per Section 166(1) of the Companies Act, 1956 in view of the fact that the financial year 2011-12 has been extended to September 30,2012 on the grounds of capital restructuring.

CHANGE IN CAPITAL STRUCTURE

With your approval given at the extra-ordinary general meeting held on July 4, 2012, the authorized share capital of the Company was increased from 95,00,00,000 (Rupees Ninty Five Crores only) divided into 5,00,00,000 (Five Crores only) Equity Shares of Rs.10/- each and 45,00,000 (Forty Five Lakhs only) Redeemable Preference Shares of Rs. 100/- each to Rs.550,00,00,000 (Rupees Five Hundred and Fifty Crores only) divided into 20,00,00,000 (Twenty Crores only) Equity Shares of Rs. 10 each and 3,50,00,000 (Three Crores, Fifty Lakhs only) Redeemable Preference Shares of Rs. 100 each.

ISSUE OF 9% REDEEMABLE, NON-CONVERTIBLE, CUMULATIVE PREFERENCE SHARES (RNCCPS) OF RS.100/- EACH

Further, your approval given at the extra-ordinary general meeting held on July 4, 2012, authorizes the Board of Directors and their duly constituted Committee thereof to create, issue / offer, allot and deliver in one or more tranches on a private placement and / or preferential basis not exceeding 3,00,00,000 (Three Crores Only), 9% Redeemable, Non-Convertible, Cumulative Preference Shares of Rs.100 RNCCPS each of an aggregate nominal amount not exceeding Rs. 300,00,00,000 (Rupees Three Hundred Crores only) to the Promoters of the Company.

Accordingly, on September 28, 2012, the Company offered 9%, 150,00,000 RNCCPS of Rs. 100/- each of an aggregate nominal amount of Rs. 150 Crores to Ashok Leyland Limited to be subscribed in two tranches of Rs. 75 Crores each.

Ashok Leyland Limited, had accepted the offer on September 29, 2012 and subscribed to the first tranche/allotment of 75,00,000 RNCCPS of Rs.100/- each of an aggregate nominal value of Rs.75 Crores. With the above allotment of RNCCPS on September 29, 2012, the paid up preference share capital of the Company as at September 30, 2012 increased from Rs.21.66 Crores to Rs. 96.66 Crores.

Subsequently, the Company had, vide its letter dated October 10, 2012 offered another 75,00,000 RNCCPS of Rs.100/- each of an aggregate nominal value of Rs.75 Crores in the second tranche to Ashok Leyland Limited (ALL). Accordingly ALL accepted the offer on October 18, 2012 and subscribed to the second tranche and was allotted the said RNCCPS on October 19, 2012.

CORPORATE GOVERNANCE

Your Company is fully compliant with the Corporate Governance guidelines as laid down in Clause 49 of the Listing Agreement except the fact that in the Audit Committee Meeting held on Februrary 02, 2012, there were two members present but with only one Independent Director of the Committee as against the requirement of two Independent Directors as per Clause 49(II)(B) of the Listing Agreement. The Statutory Auditors of the Company have drawn attention of this fact in their Certificate on Corporate Governance attached in Annexure – C to the Directors' Report. The Company would like to submit that apart from the two directors present at the meeting of the Audit Committee, the said meeting was attended by two other Independent Directors of the Board as invitees thereby upholding the independence of the Audit Committee.

All the Directors (and also the members of the Senior Management of the rank General Managers and above) have confirmed in writing their compliance with and adherence to the Code of Conduct adopted by the Company.

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

The Statutory Auditors of the Company have examined the contents of the Report on Corporate Governance with reference to Clause 49 of the Listing Agreement and have certified the compliance as required under SEBI guidelines. The said Certificate of the Statutory Auditors is attached in Annexure – C. The Management Discussion and Analysis Report is attached in Annexure – D.

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

DIRECTORS

Mr. F Sahami, Mr. S Ragothaman and Mr. Jean Brunol retire at the ensuing Annual General Meeting and are eligible for re-appointment. Necessary resolutions are being placed before the shareholders for approval.

COST AUDITORS

The Central Government has mandated industry wise Cost Audit for specific companies falling under specific chapters as per HSN code. In line with the above, since Hinduja Foundries Limited clears its finished goods, being excisable product under Chapter 7325 of the HSN code, cost audit is applicable to the Company with effect from FY 2012-13 onwards. M/s. GEE YES & CO (Firm Registration Number 00044) has been appointed as the Cost Auditors for the FY 2012-13. Necessary declarations have been received from the above Cost Auditors certifying their independence and arm's length relation with the Company and compliance of Section 233B read with Section 224 (3), 224 (I-B) and 226 of the Companies Act, 1956. The Audit Committee of the Board has recommended their appointment for the financial year 2012-13.

AUDITORS

M/s. B S R and Company, Chartered Accountants, Chennai, retire at the close of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received confirmation from the statutory auditors that their appointment will be within the limits prescribed under Section 224(IB) of the Companies Act, 1956. The Audit Committee of the Board has recommended their re-appointment for the year 2012-13. The necessary resolution is being placed before the shareholders for approval.

AUDITORS' REPORT

As regards observation in paragraph 4 of Auditors' Report, the Statutory Auditors have drawn the attention of the Members to the differences observed during physical verification of stocks amounting to Rs. 82.95 Crores (physical stock lower than book stock) and the treatment thereof in books. The Auditors have also taken on record the explanation provided by the Company based on the report of the Committee appointed for this purpose and have acknowledged the Company's confirmation that there had been no unaccounted dispatches of materials related to this matter. Management's responses to the qualifications by Auditors are given in the attachment to the Directors' Report.

PERSONNEL

Overall the Company enjoys good relationship with its employees. The details of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Amendment Rules, 2011 are furnished in Annexure – F.

FORWARD LOOKING STATEMENTS

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

Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements due to risks, uncertainties or even inaccurate assumptions. No undue reliance should be placed on these forward looking statements that speak only as of their dates. This report should be read in conjunction with the financial statements included herein and the notes thereto.

ACKNOWLEDGEMENT

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

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

By Order of the Board

Chennai
November 23, 2012

R.Seshasayee
Chairman

Response to Auditors' Qualification in Audit Report

Auditors' Report Reference

Para 4, Para 6(b) and Para 7 of Audit Report

Management Response

The Board appointed a Special Committee to thoroughly enquire into the differences, analyze causes for such differences, identify inefficiencies in the system, suggest plan for corrective action and initiate an appropriate implementation plan therefor. The Committee has submitted its report which was discussed by the Directors at the Board Meeting held on November 23, 2012. The Board has taken on record the suggestions of the Committee with regard to corrective action and the implementation plan therefor.

The Committee, based on its analysis, has confirmed that there had been no unaccounted despatches in respect of these shortages. The Management has committed to implement the corrective action to address the inefficiencies pointed out by the Committee, by December 31, 2012.

Auditors' Report Reference

Para 2(b), Para 2(c) and Para 7 of Annexure

Management Response

The internal audit function of the Company along with the operating functions at the manufacturing units will conduct periodical inventory verification of raw materials, WIP and finished goods and discrepancies, if any, noticed on such verification will be thoroughly investigated and analyzed for cause and action.

Internal audit will ensure conduct of periodical reviews of the inventory records and report to the Management on the efficacy of the inventory recording and accounting.

Auditors' Report Reference

Para 17 of Annexure

Management Response

In the current scenario of continuous incurrence of losses, the Company had constraints in obtaining long term fund from the market / institutions to meet the expenditure including cash losses. This had to be met through working capital and short term loans. To address this situation, the shareholders of the Company have approved the issue of Redeemable Non-Cumulative Convertible Preference Shares for a total value of Rs.300 Crores which would be subscribed by the Promoters of the Company. Out of this amount, Rs.150 Crores has been subscribed to and paid by Ashok Leyland, one of the Promoters, during September / October 2012. The balance of Rs.150 Crores is programmed to be subscribed during March 2013 as per the current schedule of subscription. To a certain extent, this infusion of equity by the Promoters will reduce debt and enable the Company meet the cash losses through term funding.

Annexure A to the Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended September 30, 2012 (18 months).

A) CONSERVATION OF ENERGY

Energy Conservation measures taken:

The Company has for many years now been laying great emphasis on the conservation of energy and has taken several measures including monitoring of consumption, reduction of transmission losses and improved maintenance of systems. Some of the more significant projects implemented on a continuous basis across the manufacturing plants are:

a) Use of wind and gas power as an alternate source of power to address the power cut situation.

b) Use of natural lighting and ventilation.

c) Optimal utilisation of Plant and Equipment.

d) Installation of screw compressors in place of reciprocating air compressors.

e) Conducting Energy Audit.

f) Installation of energy efficient machine tools, improved furnace lining, high speed robotic core lines etc.

g) In-built control circuit to switch off the machines automatically if not in operation continuously for more than five minutes.

h) Gas fired melting furnace has been commissioned to mitigate the continued power cut situation.

B) TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

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

Spearheading Research and Development

- Research and development is at the very core of the Company. All major system software have been developed and commissioned to validate design, manufacturing and product. Along with CAD / CAM computers simulation for solidification, study is made for every new casting development for automotive application.
- Alternate materials like import substitutes for core wash, core assemblies sand and veining additives have been developed and standardised to improve productivity, internal cleanliness and finish of the castings.
- Efforts are on to work with customers for new casting designs including weight optimization.

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

- Improved dimensional accuracy, higher quality and better surface finish castings.
- Import Substitute.
- Development of intellectual property.
- Reduction in development time for new products.

3. Future Plan of Action:

- Energy efficient sand mixing system.
- Re-engineering of existing process flow to optimize output.
- Unidirectional flow with low cost automatic single flow system.
- Sand reclamation for core and moulding sand.

4. Expenditure on R & D:

a) Capital	:	Rs. 83.31 Lakhs
b) Recurring	:	Rs. 832.19 Lakhs
c) Total	:	Rs. 915.50 Lakhs
d) Total R & D expenditure as a percentage of total turnover	:	0.89%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. **Efforts in brief, made towards technology absorption, adaptation and innovation:**
    1. Installation of automatic sand mixer, new material for channel furnace lining to reduce energy requirements for hot metal holding.
    2. Installation of pre-machining facilities for Car Blocks.
    3. Implementation of Auto pour facility.
    4. Machining of cylinder blocks and heads made using compacted graphite.
    5. Aluminium cylinder heads have been developed for diesel engines from LPDC to GDC.
2. **Benefits derived as a result of above efforts:**

    The Company is keeping itself ahead in technology and is geared to play a pioneering role in the foundry industry in relation to future engine requirements and be in a position to manufacture castings to the expectation of customers.

    Cost reduction in an inflationary environment.

    Development of several new products and line developments.

    Substitution of imported raw materials.

    Product quality improvement and better stability.
3. **Other Information**

    a) Technology Imported:

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

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

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

    c) Foreign Exchange Earnings and Outgo:

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

Annexure B to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Hinduja Foundries Limited (HFL) is committed to good corporate governance through an effective Board and by the constitution of independent Committees to oversee critical areas. HFL's Corporate Governance philosophy encompasses not only regulatory and legal requirements but also strives to enhance shareholders' value through transparency, accountability and equity across all facets of operations in letter and spirit.

2. BOARD OF DIRECTORS

I. Composition and Membership in other Boards and Board Committees

The Company's Board comprises of Nine Directors headed by a Non-Executive Chairman. The composition of the Board is in conformity with Clause 49 of the Listing Agreement .The composition and category of the Board as at September 30, 2012 and the number of other Directorships/ Committee Memberships held by them are as under:

Category	Name	Membership	
		Other Boards	Other Board Committees
Non-Executive Directors			
Non – Independent	Mr. R Seshasayee (Chairman)	10 (As Chairman – 4)	3
	Mr. D G Hinduja (Co-Chairman)	7 (As Chairman – 1)	2
	Mr. F Sahami	1	1
Independent	Mr. D J BalajiRao	9 (As Chairman – 1)	9 (As Chairman – 3)
	Mr. S Ragothaman	6	4 (As Chairman – 3)
	Mr. Jean Brunol	1	-
	Mr. Sridhar Venkiteswaran	1	-
	Mr. Jorma Antero Halonen	1	-
Executive Director	Mr. B Swaminathan	1	-
Alternate Director	Mr. Y M Kale (Alternate to Mr. D G Hinduja)	2	1 (As Chairman – 1)

Notes:

a. Other Directorships exclude Foreign Companies, Private Limited Companies and Alternate Directorships.

b. Only membership in Audit Committees and Shareholders'/Investment Grievance Committees (other than HFL) of Public Limited Companies are reckoned for Other Board Committee memberships.

c. Mr. Narendar Nagpal, Non- Independent Director, resigned from the Board on May 9, 2012.

d. During the year under review, none of the Directors of the Company was a member of more than 10 specified Committees or Chairman of more than 5 such Committees in companies in which he was a Director.

e. Non-Executive Directors are entitled to a Sitting Fee of Rs.20,000/- for attending each of the Board / Committee Meetings.

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

The Board of Directors met seven times during the Financial Year 2011 – 12 (i.e. 18 months ended 30th September, 2012) and the details are as under :

Date of Meeting	Board Strength	No. of Directors Present
May 20, 2011	10	9
July 20, 2011	10	8
November 4, 2011	10	9
February 02, 2012	10	8
March 16, 2012	10	8
May 15, 2012	9	9
July 23, 2012	9	9

The following are the details of attendance of each director at the Board Meetings and last Annual General Meeting held on July 20, 2011:

Name of Director	No. of Board Meetings Attended	Attendance at AGM
Mr. R Seshasayee	7	YES
Mr. D G Hinduja	7	YES
Mr. F Sahami	7	YES
Mr. D J BalajiRao	7	YES
Mr. S Ragothaman	6	YES
Mr. Sridhar Venkiteswaran	7	YES
Mr. Jean Brunol	6	NO
Mr. Jorma Antero Halonen	4	NO
Mr. B Swaminathan	7	YES
Mr. Y M Kale	-	NO
Mr. Narendar Nagpal	2	YES

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

SECRETARIAL STANDARDS

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

3. AUDIT COMMITTEE

(i) Terms of Reference

The Audit Committee is responsible for overseeing the Company's financial reporting process and monitors the scope and quality of internal and statutory audits. Before submission to the Board for approval, the Committee reviews the quarterly / half-yearly/ annual financial statements with reference to changes if any, in the accounting policies, adherence to mandatory Accounting Standards and disclosure requirements, adequacy of accounting records in accordance with the provisions of the Companies Act, 1956 etc.,

The Committee also looks into the matters as are specifically referred to it by the Board of Directors besides looking into the mandatory requirements of Clause 49 of the Listing Agreement and provisions of Section 292 A of the Companies Act, 1956.

(ii) Composition of the Audit Committee:

The Audit Committee comprises of the following members:

Sl. No.	Name	Category
1)	Mr. D J Balaji Rao – Chairman	Independent
2)	Mr. S Ragothaman	Independent
3)	Mr. F Sahami	Non-Independent

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

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

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

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

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

(iii) Meetings and Attendance

Date of Meeting	Committee Strength	No. of Directors Present
May 20, 2011	3	3
July 20, 2011	3	3
November 4, 2011	3	3
February 02, 2012	3	2
May 15, 2012	3	3
July 23, 2012	3	3

4. REMUNERATION COMMITTEE

(i) Terms of Reference

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

(ii) Composition, Meetings and Attendance

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

The Company Secretary is the Secretary to the Committee.

(iii) Remuneration Policy:

The following is the managerial remuneration policy of the Company:

(a) For Managing Director:

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

(b) Non-Executive Directors:

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

(iv) Remuneration paid for 2011-12

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

Name of Director	Amount (Rs.)
Mr. R Seshasayee	4,80,000
Mr. D G Hinduja	2,80,000
Mr. F Sahami	2,60,000
Mr. D J Balaji Rao	2,80,000
Mr. S Ragothaman	4,20,000
Mr. Sridhar Venkiteswaran	2,40,000
Mr. Jean Brunol	2,00,000
Mr. Jorma Antero Halonen	80,000
Mr. Narendar Nagpal	40,000

b. Managing Director (Mr. V. Mahadevan - upto April 2011)

Description	Amount (Rs.)
Salary and Allowances	6,90,000
Contribution to Provident and Other Funds	58,000
Perquisites	Nil
Commission	Nil
Total	7,48,000

c. Managing Director (Mr. B. Swaminathan – From May 2011)

Description	Amount Rs.
Salary and Allowances	1,19,00,000
Contribution to Provident and Other Funds	8,16,000
Perquisites*	41,14,000
Commission	Nil
Total	1,68,30,000

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

Mr. B. Swaminathan, Managing Director is under contract of employment with the Company which stipulates a notice period of 3 months from either side.

No severance fee is payable to the Managing Director and no Employee Stock Option has been offered by the Company.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

(i) Terms of Reference

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

(ii) Composition, Meetings and Attendance

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

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

Date of Meeting	Strength	No. of Members present
May 20, 2011	3	3
July 20, 2011	3	3
September 30, 2011	3	3
November 4, 2011	3	3
February 02, 2012	3	2
May 15, 2012	3	3
July 23, 2012	3	3

(iii) Details of complaints received and redressed

During the FY 2011-12, 74 complaints were received, which were redressed to the satisfaction of the complainants. There were no pending complaints at the year-end.

6. RISK ASSESSMENT AND MINIMISATION PROCEDURE

The Company has engaged a professional firm of Chartered Accountants to carry out the exercise of identification and assessment of the "Enterprise Level of Risks and its Management" across the Company and its plants. The Company had formulated an Enterprise Risk Management (ERM) system to manage and mitigate unforeseen risks. The implementation of this system is through the Risk Management Steering Committee at the Corporate Office and is supported at the plant by the Plant Risk Management Committee. As on date, all manufacturing plants have been visited by the consultants and discussions were held with functional heads, explaining the ERM process, preparation of specific set of risks applicable to the plants and firming up the ERM plan etc., At Sriperumbudur plant, the consultants have completed risk profiling and risk mapping.

The Consultants have planned to complete training across all units, prepare a charter of action plan comprising of risk profile, risk mapping and upto risk register at Hyderabad Plant and Ennore Plant and develop Risk Champions and Risk Process Owners who would drive the ERM process through CFTs across the Units.

The Consultants are hopeful of completing the ERM implementation across all the three units by March 2013 with a comprehensive ERM Framework across HFL put in place.

7. MANAGEMENT DISCUSSION AND ANALYSIS

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

8. GENERAL BODY MEETINGS

Details of Annual General Meetings, Extra-Ordinary General Meetings and Special Resolutions:

AGM	YEAR	VENUE	DATE	TIME
49	2009	Rani Seethai Hall 603, Anna Salai, Chennai 600 006	July 29, 2009	3.15 p.m.
50	2010	Rani Seethai Hall 603, Anna Salai, Chennai 600 006	July 28, 2010	2.00 p.m.
51	2011	Rani Seethai Hall 603, Anna Salai, Chennai 600 006	July 20, 2011	3.00 p.m.

All special resolutions passed in the last three AGM's were passed with requisite majority on show of hands by the shareholders present at the meeting. There were no resolutions requiring approval through postal ballot and no such resolution is being proposed.

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

9. DISCLOSURES

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

ii. There have been no instances of non-compliance by the Company on any matters related to the Capital markets nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

iii. Directors and Senior Management Personnel of the Company make periodical disclosures to the Board relating to all material, financial and commercial transactions where they have interest, conflicting with the interest of the Company. The interested Directors do not participate in the discussions, nor do they vote on such matters when the matter is considered by the Board of Directors.

10. MEANS OF COMMUNICATION

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

The Company's website also displays official press/news releases and several other details/information of interest to various stakeholders.

11. GENERAL SHAREHOLDER INFORMATION

i. 52nd Annual General Meeting

Day : Friday

Date : December 28, 2012

Venue : Rani Seethai Hall, 603, Anna Salai, Chennai 600 006.

ii. **Financial Calendar**

FINANCIAL YEAR 2012-13

First quarter results	Second week of February 2013
Audited results for the year 2012 – 13	Before end of May 2013

iii. **Book Closure Dates : December 21, 2012 to December 28, 2012 (both days inclusive)**

iv. **Dividend payment date** : N.A.

v. **Listing/Stock Code of Equity Shares**

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

vi. **MARKET PRICE DATA**

MONTH & YEAR	BOMBAY STOCK EXCHANGE				NATIONAL STOCK EXCHANGE			
	Share Price (Rs.)		Sensex		Share Price (Rs.)		S & P CNX Nifty points	
	High	Low	High	Low	High	Low	High	Low
Apr-11	110.10	91.95	19811.14	18976.19	111.90	88.05	5944.45	5693.25
May-11	104.50	79.00	19253.87	17786.13	105.00	80.55	5775.25	5328.70
Jun-11	89.00	69.00	18873.39	17314.38	84.50	70.10	5657.90	5195.90
Jul-11	102.00	71.85	19131.70	18131.86	95.40	72.00	5740.40	5453.95
Aug-11	81.50	66.65	18440.07	15765.53	81.00	65.95	5551.90	4720.00
Sep-11	78.00	63.55	17211.80	15801.01	78.50	65.30	5169.25	4758.85
Oct-11	73.45	64.70	17908.13	15745.43	73.85	63.85	5399.70	4728.30
Nov-11	79.65	61.00	17702.26	15478.69	78.00	60.75	5326.45	4639.10
Dec-11	69.85	55.60	17003.71	15135.86	71.90	57.15	5099.25	4531.15
Jan-12	78.75	54.75	17258.97	15358.02	77.60	56.30	5217.00	4588.05
Feb-12	73.75	59.40	18523.78	17061.55	73.20	59.20	5629.95	5159.00
Mar-12	68.60	51.30	18040.69	16920.61	68.90	54.70	5499.40	5135.95
Apr-12	70.80	57.80	17664.10	17010.16	70.00	58.40	5378.75	5154.30
May-12	63.20	48.05	17432.33	15809.71	62.95	46.70	5279.60	4788.95
Jun-12	63.30	49.15	17448.48	15748.98	63.85	49.55	5286.25	4770.35
Jul-12	72.00	53.00	17631.19	16598.48	71.95	53.95	5348.55	5032.40
Aug-12	64.25	51.60	17972.54	17026.97	65.00	52.00	5448.60	5164.65
Sep-12	58.45	51.05	18869.94	17250.80	57.85	51.10	5735.15	5215.70

vii. **REGISTRAR AND SHARE TRANSFER AGENTS**

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

viii. **SHARE TRANSFER SYSTEM**

The authority relating to transfer, transmission and transposition of shares are vested with the Shareholders'/Investors' Grievance Committee. In order to speed up the process of transfer related activities, the said Committee has authorized the Managing Director to approve all routine transfer, transmission and transposition of the shares.

The dematerialized shares are directly transferred to the beneficiaries account by the depositories.

ix. COMPLIANCE OFFICER

Mr. Govind M Joshi, Company Secretary of the Company is the Compliance Officer for complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing Agreement entered with the Stock Exchanges.

x. NOMINATION FACILITY

Shareholders holding physical shares may file nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956 to the Registrar and Share Transfer Agents of the Company. Those holding shares in dematerialized form may contact the respective Depository Participant (DP) to avail the nomination facility.

xi. DISTRIBUTION OF SHAREHOLDING AS ON SEPTEMBER 30, 2012

Range	Shareholders		Shares	
	Number	%	Number	%
UPTO 100	5121	61.00	213887	0.74
101 – 200	1370	16.33	211949	0.74
201 – 500	1170	13.95	384204	1.34
501 – 1000	410	4.88	304343	1.06
1001 – 5000	262	3.12	524955	1.83
5001 – 10000	22	0.26	153192	0.53
10000 AND ABOVE	39	0.46	26938181	93.76
	8394	100.00	28730711	100.00

xii. SHAREHOLDING PATTERN AS ON SEPTEMBER 30, 2012

Sl. No.	Category	No. of Shareholders	No. of Shares	%
A.	**Promoters**			
1	Hinduja Automotive Limited – UK	1	1,48,14,609	51.56
2	Ashok Leyland Limited	1	54,05,793	18.82
	Total Promoter Holding (A)	**2**	**2,02,20,402**	**70.38**
B	**Non Promoter Holding**			
1	Residents (Individuals/Clearing Members)	8226	40,51,574	14.11
2	Financial Institutions/Insurance Co./Banks/UTI	2	4,011	0.01
3	Foreign Institutional Investors	1	18,22,679	6.35
4	Bodies Corporate	159	14,05,614	4.89
5	Directors and Relatives	2	5,290	0.01
6	Non Resident Indians	-	-	-
7	Trusts	1	141	0.00
8	Overseas Depository for GDRs	1	12,21,000	4.25
	Total Non Promoter Holding (B)	**8392**	**85,10,309**	**29.62**
	GRAND TOTAL (A) + (B)`	**8394**	**2,87,30,711**	**100.00**

xiii. DEMATERIALIZATION OF SHARES AND LIQUIDITY

The shares, listed in BSE, NSE and MSE are to be traded only in dematerialized form.

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

As on September 30, 2012, 28464561 shares were held in dematerialized form representing 99.07 % of the total shares. The balance was held in physical form.

xiv. RECONCILIATION OF SHARE CAPITAL AUDIT

A practicing Company Secretary of the Institute of Company Secretaries of India, has carried out the Reconciliation of Share Capital Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

xv. PLANT LOCATIONS:

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

xvi. ADDRESS FOR CORRESPONDENCE

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

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

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

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

Annexure B to the Directors’ Report

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

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

a. We have reviewed the financial statements and the cash flow statement for the 18 months ended September 30, 2012 and that to the best of our knowledge and belief:

   i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

   ii) These statements together present a true and fair view of the Company’s affairs and are in compliance with the existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company’s Code of Conduct.

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

d. We have indicated to the Statutory Auditors and the Audit Committee that:

   i) There has not been any significant change in the internal control over financial reporting during the year under review.

   ii) There has not been any significant change in the accounting policies during the year requiring disclosure in the notes to the financial statements and

   iii) To the best of our knowledge and belief, there was no instance of any significant fraud during the year with the involvement therein of the management or any employee having a significant role in the Company’s internal control system over financial reporting.

Chennai	**B. SWAMINATHAN**	**P K RANGANATHAN**
November 23, 2012	Managing Director	Chief Financial Officer

DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT

Pursuant to clause I (D) of Clause 49 of the Listing Agreement, it is hereby affirmed that for the 18 months period ended September 30, 2012 , all the Board members and Senior Management personnel have affirmed compliance with the Code of Conduct adopted by the Company.

Chennai	**B Swaminathan**
November 23, 2012	Managing Director

Annexure C to the Directors' Report

Auditors' Certification on Corporate Governance

To

The Members of **Hinduja Foundries Limited**

We have examined the compliance of conditions of Corporate Governance by Hinduja Foundries Limited ("the Company") for the year (eighteen month period) ended on September 30, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

(i) *As regards the composition of the Board of Directors and Shareholders / Investor Grievance Committee, the Company has reconstituted the Board / Shareholders / Investors Grievance Committee on May 1, 2011 / May 20, 2011 respectively to comply with the requirements of Clause 49 of the listing agreement.*

(ii) *As per the provisions of Clause 49(II) (B), with regard to the meetings of the Audit Committee, the quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, subject to a minimum of two independent members being present. In the Audit Committee meeting held on February 2, 2012, there were two members present but with only one independent director.*

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

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

S Sethuraman
Partner
Membership No : 203491

Chennai
November 23, 2012

Management Discussion and Analysis Report

Industry Structure and Development

Foundry business is a key component of the global manufacturing sector, with over 90% of all manufactured goods including capital goods using metal castings. The automotive industry dominates the sector with approximately 44% of the global castings volumes, spread across engine components, suspension, transmission systems and body work. Non-ferrous cast parts include aluminium, copper and magnesium based castings.

The Foundry Scene

Currently India has achieved the distinction of being the second largest casting manufacturer in the world, producing nearly 7.5 million mt per annum of castings, overtaking Russia and the US. China at 35 million mt continues to dominate the market with a 43% market share in the foundry segment.

Foundry industry in the USA is still in the downsizing phase brought about by non-availability of skilled labour and high input costs. Europe records a mixed story of stability and weakness. Like USA, high input costs and lack of skilled labour continue to be the cause of shutting down foundries.

In India, there are approx. 4500 units out of which 80% can be classified as small scale units and 10% each as Medium and Large Scale units. Around 50 Indian cast iron foundries have International Quality Accreditation. Your Company, Hinduja Foundries Ltd., engaged in the Automotive sector, predominantly operates in the niche segment of cast iron cylinder blocks and heads and is the largest Indian manufacturer in this domain.

Economy Growth and Outlook

During 2011-12, Indian economy slowed down substantially compared to the previous year. Overall GDP growth rate dropped from a high of 8.1% in 2010-11 to 6.9% in the first 3 quarters of the year.

This slowdown continued through the first half of 2012-13. In fact, India has seen the sharpest downgrade among global markets, with 2012-13 GDP growth projections being reduced from 6.2% to 4.9% in just 3 months. 2013-14 growth projections for India stand at 6%. For the first time in recent years, India's growth estimates are less than average growth estimates of emerging economies. In the backdrop of this economic slowdown, demand for key end-user sectors and OEMs barely held up in 2011-12 and have dropped substantially in 2012-13. The market for medium and heavy commercial vehicles grew by 8% in 2011-12 but contracted by 13% in the first half of FY 2012-13, compared to the same period in the previous year. The market for Light Commercial Vehicles grew marginally, primarily driven by new product introductions in the 2-3.5T GVW segment. The market for construction equipment has faced a severe drop of nearly 40% in 2012-13. While the Tractor market has slowed down by 4%, passenger car market is still showing growth due to SUV segment's robust performance. Overall, 2012-13 bears a dim outlook with the levels of contraction expected to persist for the rest of the year.

The Auto Sector

The Indian industry and in particular the Auto sector is believed to have huge scope for expansion. The Indian automobile industry is considered to be near inflection point. The Auto component sector has matured into being recognized as a stable supplier of parts. By 2015, India is set to become the sixth largest passenger vehicle producer touching a volume of 5 million cars per annum. India has sold 3.2 million Passenger Vehicles, in 2011-12. With 550,000 tractors sold in 2011-12, India is the largest tractor manufacturer in the world.

Although the long term prospects for the sector appear sound, in the short term, the sector is facing some headwinds.

In the backdrop of rising commodity prices and higher interest rates, growth could be negative in 2012-13, this being part of the typical cyclicality exhibited by the Auto sector. The market is expected to calibrate itself.

Hinduja Foundries performance

In this backdrop, HFL achieved a gross production of 110,000 mt and a net delivery of 93,000 mt respectively in the period April 2011 to March 2012. However, this slowed down to a gross production of 47,502 mt in the six months ending 30 September 2012 with a net delivery of 37,117 mt. These volumes were achieved on the back of existing share of business with Ashok Leyland and Tata Cummins and new products such as the cylinder blocks and heads for AL Nissan Dost. Share of business with major tractor customers has been maintained.

All efforts are being made to increase share of business among existing commercial vehicle, tractor and passenger car customers and to increase value addition through machining.

An integrated transformation program has been launched to enable this. This program, christened "Mission New Leaf" will address the following:

1) Debottlenecking of production lines to increase capacity headroom, so that the units are equipped to handle upturn in demand when the market returns

2) Improvement in quality, thereby increasing overall operational efficiency for the Foundry and its customers

3) Stable processes and systems.

It is expected that Mission New Leaf will add substantially to the Company's bottom line as well as drive top line growth in the coming years.

Internal Control Systems and their Adequacy

The Company has an in-house Internal Audit Department (IAD) headed by a qualified chartered accountant. The adequacy and the effectiveness of the internal controls are reviewed by the IAD periodically. The issues are discussed with the unit operations and finance heads and corrective steps are taken wherever required. Significant deviations are discussed at the Audit Committee meetings and actions taken are reported.

The system of internal controls focus on safety of assets, correct recording of transactions and prompt reporting thereon, review of business plan and capital investment, compliance with various applicable statutes, and internal operating guidelines of the Company. The system of internal audit is designed to bring out weaknesses in the internal control system of the organization especially those areas which escape the grips of regular control mechanism. These control weaknesses are reviewed periodically and corrective steps taken wherever required.

Steps have been taken to further strengthen Internal Audit processes and coverage.

Financial Performance vis a vis Operational Performance

Gross production in Iron foundries for 18 months ended 30th September 2012 was 156699 mt as compared to 88,183 mt in the previous year. Sales for the year 2011-12 were 130080 mt as against 72,790 mt in the previous year. In the Aluminum foundry gross production was 709 mt compared to 362 mt in the previous period. Sales of Aluminium foundry were at 670 mt compared to 380 mt in the previous period.

Net sales for the 18 months for the period ended 30th September 2012, were Rs. 102936 lakhs as compared to Rs. 55116 lakhs during the previous year. The prices of all major input items were very volatile during the entire year. Net loss before tax for the year was Rs. 30138 lakhs as against a Profit of Rs. 845 lakhs during the previous period.

Net loss before tax for the current period is after considering the difference between book stock and physical stock aggregating to Rs. 82.95 Crores as explained in Note No.38 of the financial statement.

During the year the Company incurred capital expenditure of Rs. 11981 lakhs compared to

Rs. 7190 lakhs in the previous year. As on September 30, 2012 net current assets were at Rs.2332 lakhs compared to Rs.22541 lakhs as at March 31, 2011.

The Company's performance during the year has been impacted by hike in power tariff, incremental power costs incurred to mitigate power cut and price increase from customers not adequately compensating costs incurred and other adverse market conditions. These are in addition to high structural costs, new product development costs and rejections. As a result, the accumulated losses as at September 30, 2012 have significantly eroded the net worth of the Company.

The shareholders of the Company approved the resolution to raise funds from the promoters of the Company through issue of 9% redeemable non-convertible cumulative preference shares up to Rs. 300 Crores. Consequently, the Company has allotted 9% redeemable non-convertible cumulative preference shares of Rs. 75 Crores during the period and Rs. 75 Crores in the period subsequent to the balance sheet date. Further, the Company has initiated various steps to improve its operational performance / liquidity and remove bottlenecks relating to its projects. Based on the current business plans, independent impairment testing, availability of banking limits and commitment to subscribe for the preference share capital, the Company believes that it would be able to meet its financial requirements and no adjustments would be required in respect of the carrying value of assets and liabilities.

Human Resources

HFL has stepped up efforts to acquire and retain talent. This is also to enhance learning and productivity. As on September 30, 2012, the Company had 3322 employees.

Annexure E to the Directors' Report

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

Responsibility in relation to financial statements

The financial statements have been prepared in conformity, in all material respects, with the generally accepted accounting principles in India and the Accounting Standards prescribed by Institute of Chartered Accountants of India,ICAI, in a consistent manner and supported by reasonable and prudent judgements and estimates. The Directors believe that the financial statements reflect true and fair view of the financial position as on September 30, 2012(18 months period) and of the results of operations for the year ended September 30, 2012. The financial statements have been audited by M/s B S R and Company, Statutory Auditors in accordance with generally accepted auditing standards, which include an assessment of the systems of internal controls and tests of transactions to the extent considered necessary by them to support their opinion.

Going Concern

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

Maintenance of Accounting Records and Internal control

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

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

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

Annexure F to Directors' Report

Information as per Section 217(2A) (b) (ii) read with the Companies (Particulars of Employees) Amendment Rules, 2011

SL. NO	NAME	AGE	DESIGNATION / NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION	TOTAL EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT HELD
1	B SWAMINATHAN	65	MANAGING DIRECTOR	17,820,000	B.E. (Mech. Engg.)	43	April 01, 2011	Group President-Technology and Development, Hinduja Group India Limited, Mumbai.
2	V MAHADEVAN #	63	MANAGING DIRECTOR	60,25,600	B.E.	41	September 05, 2003	Special Director - Mfg, Ashok Leyland Limited

Employed for part of the year

Note:

1. Remuneration shown above is subject to tax and comprises Salaries, Bonus, Allowances, Medical Benefits, Leave Travel Assistance as applicable in accordance with the Company's Rules, Commission, Company's Contribution to Provident Fund and Superannuation Fund and Perquisites evaluated as per Income Tax Rules. In addition to the above, the employees are entitled to Gratuity.
2. All appointments are contractual.
3. None of the above employees are relative of any Director of the Company.

Report of the Auditors to the Members

To

The Members of Hinduja Foundries Limited

1. We have audited the attached Balance Sheet of Hinduja Foundries Limited ("the Company") as at September 30, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year (eighteen month period) ended on that date annexed thereto. 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

4. *Attention is invited to note 38 to the financial statements which explains that the physical verification of inventory had resulted in difference between book stock and physical stock (physical stock being lower than book stock) aggregating to Rs. 82.95 Crores. Such differences have been accounted in the statement of profit and loss. The Company, analyzed the aforesaid differences and ascertained that such differences were predominantly due to ineffective process standards and inadequate documentation and controls in connection with recording and usage of rejections and consumption of materials in the Company's factories. Whilst documentation as aforesaid might not be fully available, the Company has ascertained that on consideration of such differences in application of input/output ratios, the resultant ratios are within the normal range prevalent in the industry and there were no related unaccounted dispatches. Our comment in paragraph 6(a) and our opinion in paragraph 7 below should be considered in light of the aforesaid observation.*

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

6. Further to our comments in the Annexure referred to above, we report that:

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

   (b) in our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books *except in respect of inventory records, as referred to in paragraph 4 above.*

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

(d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) on the basis of written representations received from the Directors as on September 30, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on September 30, 2012 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

7. In our opinion and to the best of our information and according to the explanations given to us *(including the recognition of consumption based on physical inventories as stated in Paragraph 4 above),* the said accounts, give the information required by the Act in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2012;

(ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and

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

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

S Sethuraman
Partner
Membership No: 203491

Chennai
November 23, 2012

Annexure to the Auditor's Report

The Annexure referred to in the Auditors' Report to the members of Hinduja Foundries Limited ("the Company") for the year (18 months period) ended September 30, 2012. We report that:

1. (a) The Company has maintained records relating to fixed assets showing particulars including quantitative details and situation of its fixed assets. However, the asset register would need to be updated with details of quantitative particulars, accumulated depreciation etc for certain categories of assets in one of the units.

   (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme certain fixed assets were verified during the period and as explained to us, no material discrepancies were noticed on such verification.

   (c) Fixed assets disposed off during the period were not substantial, and therefore, do not affect the going concern assumption.

2. (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the period. In our opinion, having regard to the explanation that the Company is in the process of incrementally introducing a perpetual inventory system, the frequency of such verification is reasonable. For major portion stocks lying with third parties at the period-end, written confirmations have been obtained.

   (b) The procedures for the physical verification of inventories followed by the management *which needs strengthening* to be commensurate with the size and the nature of its business, for which the Company has initiated action through perpetual inventory count system.

   (c) *Attention is invited to paragraph 4 of our audit report in connection with inventory related matters such as ineffective process standards and inadequate documentation and controls on recording and usage of rejections, consumption of materials etc. Except for this,* the Company has maintained proper records of inventories. Discrepancies noted on verification between the physical stocks and book records have been accounted as consumption in the books. The Company has initiated adequate action to strengthen its internal controls in respect of maintenance of inventory records through ERP, improved controls on rejections etc.

3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialised requirements and similarly certain goods sold or services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, further to the corrective action initiated to the matter referred to in Note 38 to the financial statements, there is no continuing failure to correct major weaknesses in internal control system.

5. In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

6. The Company has not accepted any deposits from the public.

7. *In our opinion, the scope and coverage of internal audit may need to be further enhanced to make it commensurate with the size and nature of the Company's business.*

8. Attention is invited to paragraph 4 of our report in respect of inventory related matters. The Company is in the process of updating the cost records with appropriate details. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and having regard to the aforesaid matter, we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

   According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at September 30, 2012 for a period of more than six months from the date they became payable.

   (b) According to the information and explanations given to us, the dues set out in Appendix I in respect of Excise duty, Service tax, and Sales tax have not been deposited by the Company on account of disputes.

10. The Company's accumulated losses at the end of the financial year have exceeded 50% of its net worth. The Company has incurred cash losses in the current financial year and has not incurred cash losses in the preceding financial year.

11. In our opinion having regard to the explanations, that one installment of a term loan has been paid within a slight extended period, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debenture during the year.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.

14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

Annexure to the Auditor's Report

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

17. In our opinion and according to the information and explanation given to us and on an overall examination of the balance sheet of the company, *we report that short term funds aggregating to Rs.276.36 Crores have been used for long-term investment.*

18. The Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under Section 301 of the Companies Act, 1956.

19. According to the information and explanations given to us, the Company has not issued any debentures.

20. The Company has raised money by way of public issue (Rights Issue) during the previous year as defined under SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009. We have verified the end-use of such money as applicable during the period and disclosed in the notes to the financial statements.

21. Based on the report of the special committee appointed by the Board of Directors, which analyzed the inventory differences as referred to in paragraph 4 of our audit report and note 38 to the financial statements, and the accounting thereof and on the basis of information and explanations/confirmations given to us, no material fraud on or by the Company has been noticed or reported during the period.

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

S Sethuraman
Partner
Membership No: 203491

Chennai
November 23, 2012

Annexure to the Auditor's Report

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

Name of the statute	Nature of dues	Amount in Rs. Lakhs	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty	5.05	2009-2011	Commissioner of Central excise
Central Excise Act, 1944	Excise duty	6.09	2010-2012	Deputy Commissioner of Central Excise
Central Excise Act, 1944	Excise duty	42.60	2006-2011	Additional Commissioner of Central Excise
Central Excise Act, 1944	Excise duty	3.11	2010	Assistant Commissioner of Central Excise
Central Excise Act, 1944	Excise duty	45.26 #	1993 - 1998	Hon'ble High Court of Madras
Finance Act, 1994	Service tax	10.36	2008-2010	Commissioner of Central excise
Finance Act, 1994	Service tax	0.45	2010-2011	Superintendent of Central Excise
Finance Act, 1994	Service tax	554.90	2006-2010	CESTAT
CST Act, 1956	Sales tax	10.59 ##	2003-2004	Appellate Deputy Commissioner
CST Act, 1956	Sales tax	39.75 ###	2004-2005	Appellate Deputy Commissioner
Finance Act, 1994	Service tax	0.84	2009-2010	Deputy Commissioner of Central Excise
Finance Act, 1994	Service tax	0.31	2008	Assistant Commissioner of Central Excise
Finance Act, 1994	Service tax	0.82	2011	Assistant Commissioner of Central Excise
Finance Act, 1994	Service tax	385.07 @	2009-2010	CESTAT
Income tax Act, 1961	Income tax	940.52	2005-2009	Commissioner of Income tax

Excludes amount paid under protest of Rs. 61.13 Lakhs

Excludes amount paid under protest of Rs. 7.04 Lakhs

Excludes amount paid under protest of Rs. 24.52 Lakhs

@ Excludes amount paid under protest of Rs. 50 Lakhs

Balance Sheet as at September 30, 2012

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

Equity and liabilities	Note	September 30, 2012	March 31, 2011
Shareholders' Funds			
Share capital	3	12,539.74	5,039.74
Reserves and surplus	4	5,978.26	35,812.21
		18,518.00	40,851.95
Non-current Liabilities			
Long-term borrowings	5	21,985.46	22,953.00
Deferred tax liabilities, net	6	-	1,004.19
Long-term provisions	7	1,491.16	744.48
		23,476.62	24,701.67
Current Lliabilities			
Short-term borrowings	8	37,784.27	28,126.62
Trade payables	9	19,659.56	8,782.31
Other current liabilities	10	11,799.48	7,407.44
Short-term provisions	7	7.48	4.18
		69,250.79	44,320.55
Total		111,245.41	109,874.17
Assets			
Non-current Assets			
Fixed assets			
(i) Tangible assets	11	59,449.27	53,377.46
(ii) Intangible assets	12	345.04	416.83
(iii) Capital work-in-progress		10,111.19	10,283.16
Non-current investments	13	1,204.38	1,204.38
Long-term loans and advances	14	5,992.41	5,616.56
Other non-current assets	15	344.52	240.98
		77,446.81	71,139.37
Current Assets			
Inventories	16	11,764.11	14,418.40
Trade receivables	17	16,235.27	20,854.46
Cash and bank balances	18	2,061.89	14.83
Short-term loans and advances	19	2,361.85	2,739.11
Other current assets	20	1,375.48	708.00
		33,798.60	38,734.80
Total		111,245.41	109,874.17

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

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

S Sethuraman
Partner
Membership No : 203491

Place : Chennai
Date : November 23, 2012

For and on behalf of the Board of Directors

R Seshasayee
Chairman

B Swaminathan
Managing Director

Govind M Joshi
Company Secretary

P K Ranganathan
Chief Financial Officer

Statement of Profit and Loss for the year ended (eighteen months) September 30, 2012

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

	Note	September 30, 2012	March 31, 2011
Income			
Revenue from operations	21		
Sale of product (gross)		112,687.56	56,195.65
Less : Excise duty		(10,852.30)	(5,461.00)
Sale of product (net)		101,835.26	50,734.65
Sale of services		1,101.05	4,381.70
Other operating revenue		231.74	149.19
Total		103,168.05	55,265.54
Other income	22	510.53	518.41
Total Revenue		103,678.58	55,783.95
Expenses			
Cost of materials consumed	23	55,474.45	25,257.82
Change in inventories of finished goods and work-in-progress	24	2,379.25	(1,481.22)
Employee benefits expense	25	18,385.49	10,235.11
Finance costs	26	11,584.42	3,519.36
Depreciation and amortization expenses	27	5,166.02	2,417.42
Other expenses	28	38,789.51	14,990.62
Total Expenses		131,779.14	54,939.11
(Loss)/ Profit before exceptional items and tax		(28,100.56)	844.84
Exceptional items	29	(2,037.58)	-
(Loss) / Profit before Tax		(30,138.14)	844.84
Tax Expense			
Current tax		-	162.00
Less : Minimum alternative tax entitlement credit		-	(162.00)
Deferred tax expense / (credit)		(1,004.19)	97.19
(Loss) / profit for the period / year		(29,133.95)	747.65
Earnings per equity share [nominal value of share Rs.10 (previous year: Rs.10)]	30		
Basic - Rs.		(102.21)	2.09
Diluted - Rs.		(102.21)	2.09

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

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

S Sethuraman
Partner
Membership No : 203491

Place : Chennai
Date : November 23, 2012

For and on behalf of the Board of Directors

R Seshasayee
Chairman

B Swaminathan
Managing Director

Govind M Joshi
Company Secretary

P K Ranganathan
Chief Financial Officer

Cash Flow Statement for year ended (eighteen months) September 30, 2012

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

	September 30, 2012	March 31, 2011
Cash flow from Operating Activities		
Net (loss) / Profit before Tax	(30,138.14)	844.84
Adjustments:		
Depreciation and amortization	5,166.02	2,417.42
Interest income	(510.53)	(98.46)
Provision for doubtful receivables, net	756.22	33.52
Unrealized exchange differences	(14.35)	77.74
Share issue expenses	153.29	-
Bad debts	1,518.74	-
Finance cost	11,584.42	3,519.36
Loss / (profit) on sale of fixed assets	31.27	(19.00)
Operating Cash Flow before Working Capital changes	(11,453.06)	6,775.42
Changes in		
(Increase) / decrease in trade and other receivables	3,345.35	(8,874.76)
(Increase) / decrease in inventories	2,654.29	(1,806.57)
Increase / (decrease) in trade payables and other liabilities	12,235.60	(1,450.76)
Cash generated from Operations	6,782.18	(5,356.67)
Income taxes (paid) / refund	271.15	(143.06)
Net cash from generated / (used in) Operating Activities	7,053.33	(5,499.73)
Cash flow from Investing Activities		
Purchase of fixed assets / advances paid	(11,698.18)	(5,702.81)
Purchase of investments	-	(1,201.88)
Proceeds from sale of fixed assets / advances received	1,438.85	23.67
Interest received	478.41	94.92
Net cash used in Investing Activities	(9,780.92)	(6,786.10)
Cash flow from Financing Activities		
Proceeds from issue of preference share capital	7,500.00	-
Proceeds from rights issue of equity shares	-	5,027.87
Share issue expense	(153.29)	(40.63)
Proceeds from short term borrowings, net	9,657.65	39,789.05
Repayment of long term borrowings, net	(683.93)	(27,266.72)
Finance costs paid	(11,545.77)	(5,227.75)
Net Cash generated from Financing Activities	4,774.66	12,281.82

Cash Flow Statement for year ended (eighteen months) September 30, 2012

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

	September 30, 2012	March 31, 2011
Net change in cash and cash equivalents	2,047.07	(4.01)
Cash and cash equivalents - opening balance	13.38	17.39
Cash and cash equivalents - closing balance	2,060.45	13.38
Notes to cash flow statement		
Components of cash and cash equivalents		
Cash and cash equivalents		
Cash on hand	3.13	3.15
Balance with banks		
On current accounts	246.29	10.20
On deposits (with original maturity of 3 months or less)	1,811.03	0.03
Total	2,060.45	13.38

As per our report of even date attached
For **B S R and Company**
Chartered Accountants
Firm Regn. No : 128900W

For and on behalf of the Board of Directors

S Sethuraman
Partner
Membership No : 203491

R Seshasayee
Chairman

B Swaminathan
Managing Director

Place : Chennai
Date : November 23, 2012

Govind M Joshi
Company Secretary

P K Ranganathan
Chief Financial Officer

1. Company Overview

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

2. Significant Accounting Polices

a. Basis of preparation of Financial Statements

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

This is the first year of application of the revised Schedule VI to the Companies Act, 1956 for the preparation of the financial statements of the company. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone a major reclassification to comply with the requirements of the revised Schedule VI.

The Company's performance during the year has been impacted due to incremental power cost incurred to mitigate power cut, incremental interest cost and price increase from customers not adequately compensating costs incurred and other adverse market conditions. As a result, the accumulated losses as at September 30, 2012 have significantly eroded the net worth of the Company. The shareholders of the Company approved the resolution to raise funds from the promoters of the company through issue of 9% redeemable non-convertible cumulative preference shares up to Rs. 300 Crores. Consequently , the Company has allotted 9% redeemable non-convertible cumulative preference shares of Rs. 75 Crores during the period and Rs. 75 Crores in the period subsequent to the balance sheet date. Further, the Company has initiated various steps to improve its operational performance / liquidity and remove bottlenecks relating to its projects. Based on the current business plans, independent impairment testing, availability of banking limits and commitment to subscribe for the preference share capital, the Company believes that it would be able to meet its financial requirements and no adjustments would be required in respect of the carrying value of assets/liabilities. Accordingly, the financial statements have been prepared on a going concern basis.

b. Use of Estimates

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

c. Fixed Assets and Depreciation

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

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

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

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

Plant and Machinery	10.34 - 33.33%

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

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

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

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

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

Intangibles

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

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

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

d. Inventory

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

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

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

e. Borrowing Costs

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

f. Employee Benefits

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

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

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

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

Actuarial gains/losses are immediately taken to Statement of profit and loss and are not deferred.

g. Revenue Recognition

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

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

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

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

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

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

h. Income Taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably / virtually certain that future taxable income will be available against which such deferred tax assets can be realized.

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

i. Foreign Currency Transactions

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

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

j. Earnings Per Share

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

k. Provisions

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

l. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

m. Expenditure on new projects and Substantial Expansion

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

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

n. Leases

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

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

o. Investments

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

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

p. Derivative Instruments and Hedge Accounting

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

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

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

Changes in fair value relating to the ineffective portion of the hedges and derivatives that do not qualify for hedge accounting are recognized in the statement of profit and loss.

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

q. Cash Flow Statement

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

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

		September 30, 2012	March 31, 2011
3	**Share Capital**		
	Authorised		
	200,000,000 (March 31, 2011: 50,000,000) Equity shares of Rs.10 each	20,000.00	5,000.00
	35,000,000 (March 31, 2011: 4500,000) Preference shares of Rs.100 each	35,000.00	4,500.00
	Total	55,000.00	9,500.00
	Issued		
	28,843,118 (Previous year 28,843,118) Equity shares of Rs.10 each	2,884.31	2,884.31
	1,500,000 (Previous year 1,500,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each	1,500.00	1,500.00
	1,000,000 (Previous year 1,000,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each	1,000.00	1,000.00
	30,000,000 (Previous year Nil) 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each	30,000.00	-
	Total	35,384.31	5,384.31
	Subscribed and Paid up		
	28,730,711 (Previous year 28,730,711) Equity shares of Rs.10/- each fully paid-up	2,873.07	2,873.07
	1,500,000 (Previous year 1,500,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each fully paid	1,500.00	1,500.00
	1,000,000 (Previous year 1,000,000) 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each fully paid	666.67	666.67
	7,500,000 (Previous year Nil) 9% Redeemable non-convertible cumulative preference shares of Rs.100/- each fully paid	7,500.00	-
	Total	12,539.74	5,039.74

		September 30, 2012		March 31, 2011	
		Number	Amount	Number	Amount
a)	**Reconciliation of shares outstanding at the beginning and at the end of the reporting period**				
	Equity shares				
	At the commencement of the period / year	28,730,711	2,873.07	18,674,962	1,867.50
	Shares issued	-	-	10,055,749	1,005.57
	At the end of the period / year	28,730,711	2,873.07	28,730,711	2,873.07
	6% Redeemable non-convertible cumulative preference shares - 1999 Series				
	At the commencement of the period / year	1,500,000	1,500.00	1,500,000	1,500.00
	Shares issued	-	-	-	-
	At the end of the period / year	1,500,000	1,500.00	1,500,000	1,500.00
	6% Redeemable non-convertible cumulative preference shares - 2003 Series				
	At the commencement of the period / year	1,000,000	666.67	1,000,000	666.67
	Shares issued	-	-	-	-
	At the end of the period / year	1,000,000	666.67	1,000,000	666.67
	9% Redeemable non-convertible cumulative preference shares - 2012 Series				
	At the commencement of the period / year	-	-	-	-
	Shares issued	7,500,000	7,500.00	-	-
	At the end of the period / year	7,500,000	7,500.00	-	-

b) Rights, preferences and restriction attached to equity shares

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

c) Rights, preferences and restriction attached to preference shares

1,500,000 6% Redeemable non-convertible cumulative preference shares of Rs.100/- each issued to Ashok Leyland Limited on March 19, 1999 are redeemable at par during the period April 2011 to April 2013. Redemption due on April 2011 and April 2012 has been rescheduled to April 2013.

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

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

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

		September 30, 2012		March 31, 2011	
		Number	Amount	Number	Amount
d)	**Shares held by Holding Company and its Subsidiary**				
	Equity shares of Rs.10/- each fully paid held by				
i)	Holding Company				
	Hinduja Automotive Limited	14,814,609	1,481.46	14,814,609	1,481.46
ii)	Subsidiary of Holding Company				
	Ashok Leyland Limited	5,405,793	540.58	5,405,793	540.58
		20,220,402	2,022.04	20,220,402	2,022.04
	Subsidiary of Holding Company				
	Ashok Leyland Limited				
	6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid - 1999 Series	1,500,000	1,500.00	1,500,000	1,500.00
	6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid - 2003 Series	1,000,000	666.67	1,000,000	666.67
	9% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid - 2012 Series	7,500,000	7,500.00	-	-

		September 30, 2012		March 31, 2011	
		Number	% of total shares in class	Number	% of total shares in class
e)	**Shares held by Shareholders holding more than 5 per cent shares**				
	Equity shares of Rs.10/- each fully paid-up held by				
	Hinduja Automotive Limited	14,814,609	51.56%	14,814,609	51.56%
	Ashok Leyland Limited	5,405,793	18.82%	5,405,793	18.82%
	Credo India Thematic Fund Limited	1,822,679	6.34%	-	-
	Morgan Stanley Mauritius Company Limited	-	-	1,953,603	6.80%
		22,043,081	-	22,174,005	-

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

	September 30, 2012		March 31, 2011	
	Number	% of total shares in class	Number	% of total shares in class
6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Nos.) - 1999 Series				
Ashok Leyland Limited	1,500,000	100%	1,500,000	100%
6% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Nos.) - 2003 Series				
Ashok Leyland Limited	1,000,000	100%	1,000,000	100%
9% Redeemable Non-convertible cumulative preference shares of Rs.100/- each fully paid (Nos.) - 2012 Series				
Ashok Leyland Limited	7,500,000	100%	-	-

		September 30, 2012		March 31, 2011	
4	**Reserves and Surplus**				
	Capital Redemption Reserve		333.33		333.33
	Securities Premium Account				
	Balance as at the beginning of the period / year	14,911.89		10,930.22	
	Add: Premium of allotment of shares	-		4,022.30	
	Less: Utilisation towards rights issue expenses	-		(40.63)	
	Balance as at the end of the period / year		14,911.89		14,911.89
	Revaluation Reserve				
	Balance as at the beginning of the period / year	18,884.66		18,899.81	
	Less: Incremental depreciation for the year on revaluation	(21.40)		(15.15)	
	Balance as at the end of the period / year		18,863.26		18,884.66
	General Reserve		889.25		889.25
	Hedging Reserve				
	Balance as at the beginning of the period / year	-		-	
	Add: Originating during the year	(678.60)		-	
	Balance as at the end of the period / year		(678.60)		-
	(Deficit) / Surplus in the Statement of Profit and Loss				
	Balance as at the beginning of the period / year	793.08		45.43	
	Add: (Loss) / Profit during the period / year	(29,133.95)		747.65	
	Balance as at the end of the period / year		(28,340.87)		793.08
	Total		5,978.26		35,812.21

	Non-current portion		Current portion *	
	September 30, 2012	March 31, 2011	September 30, 2012	March 31, 2011
5 Long Term Borrowings				
Term loans				
Secured				
Indian rupee loan from banks	12,500.00	17,000.00	3,000.00	3,000.00
Foreign currency loan from banks	9,485.46	-	1,053.94	-
Unsecured				
Foreign currency loan from banks	-	5,953.00	3,513.14	2,977.00
Total	21,985.46	22,953.00	7,567.08	5,977.00

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

a) The aforesaid loans are under fixed / floating rate (bench marked to Libor) with different bankers. As at September 30, 2012, the rate of interest based on such arrangements ranged from 2.60% p.a. to 10.90% p.a.

Secured

b) Term loan of Rs.15,500 Lakhs (Previous year : Rs. 20,000 Lakhs) from ICICI Bank is secured by equitable mortgage and first charge over all the fixed assets of the Company including movable properties and immovable properties (both present and future) and second charge on the current assets of the Company. The said loan is repayable in 10 equal half yearly installments commencing from September 2011 to March 2016.

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

Unsecured

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

	September 30, 2012	March 31, 2011
6 Deferred Tax Liabilities, Net		
Deferred Tax Liabilities		
Difference in depreciation and other difference in block of fixed assets as per tax books and financial books	4,275.05	3,281.00
Gross deferred tax liabilities	4,275.05	3,281.00
Deferred Tax Assets		
Unabsorbed depreciation / carried forward losses *	(3,139.96)	(2,220.50)
Provision for doubtful debts	(300.09)	(56.00)
Others	(835.00)	(0.31)
Gross deferred tax assets	(4,275.05)	(2,276.81)
Deferred Tax Liabilities, Net	-	1,004.19

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

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

		Long Term		Short Term	
		September 30, 2012	March 31, 2011	September 30, 2012	March 31, 2011
7	**Provisions**				
	Provision for Employee Benefits				
	Gratuity	1,360.50	647.52	-	-
	Compensated absences	130.66	96.96	7.48	4.18
	Total	1,491.16	744.48	7.48	4.18

		September 30, 2012	March 31, 2011
8	**Short Term Borrowings**		
	Secured		
	Cash credit and overdraft facilities from banks	10,964.42	10,346.24
	Others secured	355.00	355.00
	Unsecured		
	Short-term loans from banks	26,300.00	16,834.00
	Buyer's credit	164.85	591.38
	Total	37,784.27	28,126.62

Cash credit and overdraft facilities from banks are secured by a first charge on current assets and a pari passu second charge on the fixed assets of the company. As at September 30, 2012, the interest on such facilities ranges from 13.50% p.a to 17.75% p.a.

Other loans repayable on demand from banks (secured) loans comprises of loans from Bank of America and Union Bank of India. Such loans are secured by a first charge on current assets and a pari passu second charge on the fixed assets of the Company. The interest rate on such loans ranges from 12.50% p.a to 17.50% p.a.

Unsecured short-term loans from banks comprises of loans from Bank of Baroda, Federal Bank and DBS Bank. The interest rate on such loan ranges from 13% p.a to 15% p.a.

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

9	**Trade Payables**		
	Trade payables	19,659.56	8,782.31
	Total	19,659.56	8,782.31
	For dues to Micro and Small Suppliers, refer to Note 36		
10	**Other Current Liabilities**		
	Current maturities of long-term debt*	7,567.08	5,977.00
	Interest accrued but not due on borrowings	321.79	189.03
	Amount liable to be deposited in Investor Education and Protection Fund but not yet due for deposit		
	Unclaimed matured fixed deposits	0.02	0.02
	Unclaimed interest on fixed deposits	0.52	0.12
	Unclaimed equity dividends	1.44	1.45
	Other payables		
	Statutory liabilities	204.66	216.39
	Deposit from customers	16.26	8.99
	Accrued salaries and benefits	866.27	980.88
	Derivative financial instrument liability	678.60	-
	Advance received from customer	722.17	-
	Advance against sale of property	1,400.00	-
	Others current liabilities	20.67	33.56
	Total	11,799.48	7,407.44

* Refer Note 5

Notes to financial statements for the year ended (eighteen months) September 30, 2012

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

11 Tangible assets

Particulars	Freehold land @ # $	Leasehold land	Buildings @&	Plant and Machinery @	Service installations @	Electrical installations @ ^	Patterns and dies	Fixtures	Office furniture	Office machinery	Motor vehicles	Total
Cost												
As at April 1, 2010	22,496.15	1,660.41	8,658.90	22,306.66	2,060.36	2,244.99	1,006.04	467.21	288.99	999.10	232.14	62,420.95
Additions**	-	-	357.06	1,980.71	4.08	3.68	4,223.30	17.96	19.52	145.44	21.58	6,773.33
Deductions	-	-	-	-	-	-	2.04	-	0.30	0.73	7.40	10.47
Reclassification to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2011	**22,496.15**	**1,660.41**	**9,015.96**	**24,287.37**	**2,064.44**	**2,248.67**	**5,227.30**	**485.17**	**308.21**	**1,143.81**	**246.32**	**69,183.81**
Additions**	-	-	1,094.79	9,612.35	129.59	154.30	498.04	345.45	13.24	67.92	65.20	11,980.88
Deductions	-	-	-	88.82	-	-	-	-	-	0.28	116.09	205.19
Reclassification to assets held for sale	581.30	-	182.79	-	-	-	-	-	-	-	-	764.09
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
As at September 30, 2012	**21,914.85**	**1,660.41**	**9,927.96**	**33,810.90**	**2,194.03**	**2,402.97**	**5,725.34**	**830.62**	**321.45**	**1,211.45**	**195.43**	**80,195.41**
Depreciation												
As at April 1, 2010	-	138.55	1,855.53	8,570.01	771.11	684.87	569.23	162.52	73.11	414.69	83.30	13,322.92
Charge for the year*	-	50.66	254.76	1,606.65	152.12	92.44	125.30	24.35	19.22	126.89	21.69	2,474.08
Transfer from revaluation reserve	-	-	14.21	-	-	0.94	-	-	-	-	-	15.15
Disposal	-	-	-	-	-	-	1.18	-	0.42	1.18	3.02	5.80
Reclassification to assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2011	**-**	**189.21**	**2,124.50**	**10,176.66**	**923.23**	**778.25**	**693.35**	**186.87**	**91.91**	**540.40**	**101.97**	**15,806.35**
Charge for the year*	-	83.43	429.96	2,986.90	206.42	151.33	904.34	53.18	28.57	199.04	23.62	5,066.79
Transfer from revaluation reserve	-	-	20.26	-	-	1.14	-	-	-	-	-	21.40
Disposal	-	-	-	80.82	-	-	-	-	-	0.28	53.97	135.07
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification to assets held for sale	-	-	13.33	-	-	-	-	-	-	-	-	13.33
As at September 30, 2012	-	272.64	2,561.39	13,082.74	1,129.65	930.72	1,597.69	240.05	120.48	739.16	71.62	20,746.14
Net Block												
As at March 31, 2011	**22,496.15**	**1,471.20**	**6,891.46**	**14,110.71**	**1,141.21**	**1,470.42**	**4,533.95**	**298.30**	**216.30**	**603.41**	**144.35**	**53,377.46**
As at September 30, 2012	**21,914.85**	**1,387.77**	**7,366.57**	**20,728.16**	**1,064.38**	**1,472.25**	**4,127.65**	**590.57**	**200.97**	**472.29**	**123.81**	**59,449.27**

Capital work-in-progress #	
As at March 31, 2011	10,283.16
As at September 30, 2012	10,111.19

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

@ includes upward revaluation made on March 31, 1992.

Consequent to realignment in the rupee value on foreign exchange, there has been increase of Rs.672 lakhs (Previous year decrease of Rs. Nil) in the Company's liability for repayment commercial Borrowings. Capital Work-in-progress includes the aforesaid exchange differences.

& Buildings include cost : Rs. 145.37 lakhs (previous year Rs. 145.37 lakhs) and written down value Rs. 92.52 lakhs (previous year Rs. 116.72 lakhs) in respect of expenditure incurred on capital assets, the ownership of which does not vest in the Company.

^ Electrical installations include Cost : Rs. 98.17 lakhs (previous year Rs. 98.17 lakhs) and Written Down Value Rs. 31.99 lakhs (previous year Rs. 46.76 lakhs) in respect of expenditure incurred on capital assets, the ownership of which does not vest in the Company.

* Depreciation on assets capitalized relating to TCU / SPU project, amounting to Rs. Nil /Rs.32.29 lakhs (previous year Rs. Nil / 56.66 lakhs) is debited to capital work in progress

** Consequent to realignment in the rupee value on foreign exchange, there has been a increase of Rs.1239 lakhs (Previous year decrease of Rs. 98 lakhs) in the Company's liability for repayment of External Commercial Borrowings. Additions to fixed assets includes the aforesaid exchange differences and the exchange differences arising on account of repayment of External Commercial Borrowings.

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

12 Intangible Assets

Particulars	Technical - Know How	Goodwill and Others	Software	Total
Cost				
As at April 1, 2010	618.96	147.57	-	766.53
Additions	416.83	-	-	416.83
Deductions	-	-	-	-
As at March 31, 2011	1,035.79	147.57	-	1,183.36
Additions	-	-	59.73	59.73
Deductions	-	-	-	-
As at September 30, 2012	**1,035.79**	**147.57**	**59.73**	**1,243.09**
Depreciation				
As at April 1, 2010	618.96	147.57	-	766.53
Charge for the year	-	-	-	-
Disposal	-	-	-	-
As at March 31, 2011	618.96	147.57	-	766.53
Charge for the year	125.05	-	6.47	131.52
Disposal	-	-	-	-
As at September 30, 2012	744.01	147.57	6.47	898.05
Net Block				
As at March 31, 2011	**416.83**	**-**	**-**	**416.83**
As at September 30, 2012	**291.78**	**-**	**53.26**	**345.04**

13 Non-current Investments

(Valued at cost unless stated otherwise)	September 30, 2012	March 31, 2011
Trade Investments : Unquoted		
Investment in Associates		
12,018,750 shares (March 31, 2011: 12,018,750) of Rs.10/- each fully paid-up	**1,201.88**	1,201.88
AL Wind Energy Ltd.		
Others		
25,000 shares (March 31, 2011: 25,000) of Rs.10/- each fully paid-up	**2.50**	2.50
OPG Energy (P) Ltd		
Total	**1,204.38**	1,204.38

		Non-current portion		Current portion*	
		September 30, 2012	March 31, 2011	September 30, 2012	March 31, 2011
14	**Long-term Loans and Advances**				
	(Unsecured and considered good)				
	Capital advances	1,639.68	471.38	-	-
	Security deposits	2,039.89	1,263.92	-	-
	Other loans and advances				
	Balances with Government and statutory authorities	197.83	147.83	571.55	810.88
	Minimum alternate tax credit entitlement	470.45	470.45	-	-
	Advance taxes	222.05	493.20	-	-
	Loans / advances to employee	45.33	46.09	243.60	102.28
	Others $ Long term loans and advances	1,377.18	2,723.69	1,330.23	-
	Total	5,992.41	5,616.56	2,145.38	913.16

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

$ includes claim for refund of electricity tax on maximum demand charges amounting to Rs.370.18 lakhs (March 31, 2011: Rs.407.18 lakhs) represents electricity tax paid for the period September 1991 to November 2009 recoverable from Tamil Nadu Electricity Board (TNEB). The amount has been accounted based on a Supreme Court decision delivered in May 2007 and legal opinions obtained by the Company.

		September 30, 2012	March 31, 2011
15	**Other Non-current Assets**		
	Bank deposits	67.41	50.90
	(due to mature after 12 months from the reporting date) (refer note 18)		
	Unamortized ancillary borrowing costs	277.11	190.08
	Total	344.52	240.98
16	**Inventories**		
	Raw material and other direct materials	1,170.30	2,076.25
	Material in transit	842.45	297.88
	Work-in-progress	8,195.52	10,462.83
	Finished goods	-	111.94
	Stores and spares	1,555.84	1,469.50
	Total	11,764.11	14,418.40

Also, refer Note 38

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

		September 30, 2012	March 31, 2011
17	**Trade Receivables**		
	Receivables outstanding for a period exceeding six months from the date they become due for payment		
	- Unsecured, considered good	5,640.26	3,132.30
	- Doubtful	924.92	168.70
	Less: Provision for doubtful receivables	(924.92)	(168.70)
		5,640.26	3,132.30
	Others		
	- Unsecured, considered good	10,595.01	17,722.16
		10,595.01	17,722.16
	Total	16,235.27	20,854.46
18	**Cash and Bank Balances**		
	Cash and cash equivalents		
	Cash on hand	3.13	3.15
	Balance with banks		
	On current accounts	246.29	10.20
	On deposits (with original maturity of 3 months or less)	1,811.03	0.03
		2,060.45	13.38
	Other Bank Balances		
	in unpaid dividend	1.44	1.45
		1.44	1.45
	Total	2,061.89	14.83
	Details of Bank Balances/Deposits		
	Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	1,811.03	0.03
	Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	1.44	1.45
	Bank deposits due to mature after 12 months of the reporting date included under 'Other non current assets' (refer Note 15)	67.41	50.90
19	**Short-term Loans and Advances (Unsecured and considered good)**		
	Current portion of long-term loans and advances (refer Note 14)	2,145.38	913.16
	Other loans and advances		
	Prepaid expenses	108.34	205.66
	Others	108.13	1,620.29
	Total	2,361.85	2,739.11

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

		September 30, 2012	March 31, 2011
20	**Other Current Assets**		
	Interest accrued and due on deposits	71.46	39.34
	Insurance claims receivable	391.02	524.17
	Unamortised ancillary borrowing costs	150.55	143.47
	Fixed assets reclassified as held for sale (refer note 11)	750.76	-
	Others	11.69	1.02
	Total	1,375.48	708.00
21	**Revenue from Operations**		
	Sale of products (gross)	112,687.56	56,195.65
	Less : Excise duty	(10,852.30)	(5,461.00)
	Sale of products (net)	101,835.26	50,734.65
	Sale of Services	1,101.05	4,381.70
	Other Operating Revenues		
	Scrap sales	222.34	138.46
	Provision no longer required written back	0.48	7.66
	Others	8.92	3.07
		231.74	149.19
	Total	103,168.05	55,265.54
	Breakup of revenue		
	Ferrous castings	100,126.62	49,829.71
	Non-Ferrous castings	1,708.64	904.94
		101,835.26	50,734.65
22	**Other Income**		
	Interest on		
	- fixed deposits	375.59	35.16
	- electricity deposits	106.05	63.30
	- income tax refund	28.89	-
	Insurance claims	-	400.95
	Profit on sale of fixed assets	-	19.00
	Total	510.53	518.41

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

		September 30, 2012	March 31, 2011
23	**Cost of Material Consumed**		
	Raw Material (including other direct materials)		
	Inventory at the beginning of the period / year	2,076.25	2,001.68
	Add: Purchases	54,568.50	25,332.39
		56,644.75	27,334.07
	Less: Inventory at the end of the period / year	(1,170.30)	(2,076.25)
	Total	55,474.45	25,257.82
	Also, refer note 38		
24	**Changes in Inventories of Finished Goods and Work in - Progress**		
	Opening work-in-progress	10,462.83	8,811.02
	Opening finished goods	111.94	282.53
		10,574.77	9,093.55
	Closing work-in-progress	8,195.52	10,462.83
	Closing finished goods	-	111.94
		8,195.52	10,574.77
	Total	2,379.25	(1,481.22)
	Also, refer Note 38		
25	**Employee Benefit Expense**		
	Salaries, wages and bonus	13,677.58	7,779.76
	Contribution to provident and other funds	2,118.32	1,074.35
	Staff welfare expenses	2,589.59	1,381.00
	Total	18,385.49	10,235.11
26	**Finance Cost**		
	Interest expense*	12,484.17	4,549.01
	Amortization of ancillary borrowing cost	267.83	105.48
		12,752.00	4,654.49
	Less : Expenditure capitalized	(1,167.58)	(1,135.13)
	Total	11,584.42	3,519.36
	* Includes borrowing cost capitalized, relating to earlier years	-	307.62
27	**Depreciation and Amortization Expenses**		
	Depreciation of tangible fixed assets	5,088.19	2,489.23
	Less : Depreciation on revaluation increase transferred from revaluation reserve	(21.40)	(15.15)
	Amortization of intangible fixed assets	131.52	-
		5,198.31	2,474.08
	Less : Expenditure capitalized	(32.29)	(56.66)
	Total	5,166.02	2,417.42

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

		September 30, 2012	March 31, 2011
28	**Other Expenses**		
	Stores and spares consumed	5,472.83	2,376.48
	Power and fuel	17,724.76	8,332.48
	Rent	63.40	38.88
	Rates and taxes	338.97	142.00
	Repairs to buildings	165.24	87.60
	Repairs to machinery	2,683.43	1,052.04
	Insurance	66.75	39.07
	Loss on sale of fixed assets	31.27	-
	Net loss on foreign currency transactions	387.79	18.94
	Directors sitting fees	22.80	17.80
	Bank charges	389.18	100.75
	Audit fees	33.69	20.19
	Increase / decrease in excise duty on inventory	(6.44)	(11.70)
	Provision for doubtful debts (Net of write back)	756.22	33.52
	Bad debts written off	1,518.74	-
	Fettling/machining charges	4,112.06	2,149.08
	Labour charges	2,133.63	901.45
	Other expenses	3,048.87	1,426.72
		38,943.19	16,725.30
	Less: Expenditure capitalized	(153.68)	(1,734.68)
	Total	38,789.51	14,990.62
	Payment to Statutory Auditors		
	- Statutory audit fees	15.00	9.00
	- Limited review as per clause 41 of the listing agreement	5.00	3.00
	- Tax audit	4.00	2.00
	- Other services	6.50	5.03
	- Out of pocket expenses	3.19	1.16
		33.69	20.19
29	**Exceptional Items**		
	Voluntary retirement compensation	1,495.72	-
	Settlement arrears	541.86	-
	Total	2,037.58	-

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

	September 30, 2012	March 31, 2011
30 Earning Per Share (EPS)		
Earnings		
(Loss) / profit after tax	**(29,133.95)**	747.65
Less: Dividend attributable to preference shares and tax thereon	**(231.24)**	(151.59)
Net profit attributable to equity shareholders for calculation of basic EPS	**(29,365.19)**	596.06
Weighted average number of equity shares outstanding as at the end of the year	**28,730,711**	28,502,926
Basic earnings per share / diluted earnings per share (Rs)	**(102.21)**	2.09

31 Employee Benefits

Defined Benefit Plans

Gratuity

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

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

Statement of Profit and Loss

Net employee benefit expense (Recognized in Employee Cost)

Particulars	September 30, 2012	March 31, 2011
Current service cost	**812.10**	199.22
Interest cost on benefit obligation	**279.72**	176.97
Expected return on plan assets	**(197.16)**	(146.88)
Net actuarial(gain) / loss recognized in the year	**(131.66)**	51.15
Net benefit expense	**763.00**	280.47
Actual return on plan assets	**234.75**	171.88

Balance Sheet

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

Particulars	September 30, 2012	March 31, 2011
Fair value of plan assets at the end of the year	**1395.74**	1,931.77
Present value of funded obligation at the end of the year	**(2,756.26)**	(2,579.29)
Asset/(Liability) recognized in the balance sheet	**(1,360.52)**	(647.52)

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

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

Particulars	September 30, 2012	March 31, 2011
Present value of obligations as at the beginning of year	2579.29	2,288.24
Interest cost	279.72	176.97
Current Service cost	812.1	199.22
Benefits paid	(820.79)	(161.29)
Actuarial (Gain) / Loss on obligation	(94.07)	76.15
Present value of obligations as at the end of year	2756.26	2,579.29

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

Particulars	September 30, 2012	March 31, 2011
Fair value of plan assets at beginning of year	1931.77	1,912.04
Expected return on plan assets	197.16	146.88
Contributions	50.00	9.15
Benefits paid	(820.79)	(161.29)
Actuarial gain on plan assets	37.59	25.00
Fair value of plan assets as at end of year	1395.74	1,931.77

Particulars	September 30, 2012	March 31, 2011
Plan liabilities loss / (gain)	(94.07)	76.15
Plan assets (loss) / gain	37.59	25.00

Experience adjustments in :

Particulars	September 30, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Fair value of plan assets at the end of the year	1,395.74	1,932.00	1,912.00	1,626.00	1,597.00
Present value of funded obligation at the end of the year	2,756.26	(2,579.00)	(2,288.00)	(2,030.00)	(1,732.00)
Asset/(Liability) recognized in the balance sheet	(1,360.52)	(647.00)	(376.00)	(404.00)	(135.00)
Plan liabilities - loss / (gain)	(94.07)	76.15	(119.00)	231.00	(166.00)
Plan assets - (loss) / gain	37.59	25.00	15.00	(7.00)	(31.00)

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

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

Particulars	September 30, 2012	March 31, 2011
	%	%
Discount rate	8.50	8.00
Expected rate of return on assets	8.50	8.00
Salary escalation	3.00	3.00

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

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

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

Particulars	September 30, 2012	March 31, 2011
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	1,324.54	643.00
Export obligations	18,673.32	15,155.89
Contingent liabilities		
Surcharge on self generation of power	-	44.46
Dividend on Redeemable preference shares	622.90	391.66
Sales tax, income tax and excise related matters	2,031.28	1,324.82

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

33 Related Party Disclosure

List of parties where control exists

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

Transactions/balance with related parties

Particulars	Relationship	September 30, 2012	March 31, 2011
Sale of goods/services	Fellow subsidiary	(30,229.27)	(25,890.52)
Sale of goods/services	Entity under common control	(1,567.26)	(173.94)
Purchases of materials	Fellow subsidiary	1,388.50	1,285.00
Purchase of power	Associate	2,839.04	1,407.67
Advances received	Fellow subsidiary	(45,765.83)	(296.04)
Advance settled	Fellow subsidiary	41,482.92	2,500.00
Interest paid on advance	Fellow subsidiary	808.52	85.74
Managerial remuneration	Key managerial personnel	238.46	112.70
Balances outstanding			
Amount payable	Fellow Subsidiary	4,852.93	196.91
Amount payable	Associate	445.32	161.52
Amount receivable	Fellow Subsidiary	6,312.70	8,941.86
Amount receivable	Entity under common control	388.04	173.33
Advances to directors *	Key Managerial Personnel	–	18.21

* Being the excess managerial remuneration paid to Managing Director as disclosed in Note 34

34 Information Regarding Managerial Remuneration

Managing Director's Remuneration

Particulars	September 30, 2012	March 31, 2011
Salary	169.80	82.80
Contribution to provident and other funds	11.30	4.10
Perquisites or benefits	57.36	25.80

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

The remuneration paid for the previous year was higher than the maximum remuneration allowable by Rs 16.48 lakhs

The Company had filed an application with the Central Government requesting for approval of the excess amount of Rs. 1.73 lakhs and Rs. 16.48 lakhs relating to the years 2009-10 and 2010-11 respectively. Pending such approval, the aggregate amount of Rs 18.21 lakhs was shown as recoverable under short term loans and advances. During the current year, the Company has received the approval and the aforesaid advance has been charged to statement of profit and loss.

35 Segment Reporting

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

36 Dues to Micro and Small Suppliers

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at September 30, 2012 has been made in the financial statements based on information received and available with the Company and relied upon by auditors. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

Particulars	September 30, 2012	March 31, 2011
Principal amount due	Nil	Nil
Interest due on the above	Nil	Nil
Amount of interest due and payable where principal has already been paid but the interest has not been paid	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the period	Nil	Nil
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	Nil	Nil

37 Raw Materials Consumed

Particulars	September 30, 2012	March 31, 2011
Pig iron	1,757.96	896.92
Steel scrap	27,333.65	11,471.17
Iron scrap	6,718.02	3,307.09
Carboriser	1,450.96	647.86
Ferro Alloys	3,778.48	1,900.34
Aluminium Alloy	559.96	439.05
Others	13,875.42	6,595.39
Total	55,474.45	25,257.82

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

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

i) Raw materials

	September 30, 2012		March 31, 2011	
	% of total Consumption	Amount	% of total Consumption	Amount
Imported	2.01	1,114.99	1.44	364.29
Indigenous	97.99	54,359.46	98.56	24,893.53
Total	100.00	55,474.45	100.00	25,257.82

ii) Stores and spares

	September 30, 2012		March 31, 2011	
	% of total Consumption	Amount	% of total Consumption	Amount
Imported	4.85	265.48	0.00	-
Indigenous	95.15	5,207.35	100.00	2,376.48
Total	100.00	5,472.83	100.00	2,376.48

40 Value of Imports on CIF Basis

Particulars	September 30, 2012	March 31, 2011
Raw materials	**1,659.56**	417.09
Spares	**265.48**	-
Capital goods	**4,205.07**	675.11
Total	**6,130.11**	1,092.20

41 Expenditure in Foreign Currencies (on accrual basis)

Particulars	September 30, 2012	March 31, 2011
Travelling	**23.60**	18.44
Consultants fees *	**258.04**	17.90
Interest on external commercial borrowings	**578.72**	257.13
Total	**860.36**	293.47

* Includes Rs. 233 Lakhs for capital goods (March 31, 2011 : Nil)

42 Earnings in Foreign Currency (on accrual basis)

Particulars	September 30, 2012	March 31, 2011
Export on F.O.B basis	**3,647.92**	123.61
Total	**3,647.92**	123.61

43 Derivative Instruments

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

i Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge interest rate risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion is immediately recorded in the statement of profit and loss. In respect of the aforesaid hedges of highly probable forecasted transactions, the Company has recorded, in reserves and surplus, a net loss of Rs. 678.60 lakhs for the period ended September 30, 2012. The net carrying amount of the Company's "hedging reserve" was a loss of Rs. 678.60 lakhs as at September 30, 2012.

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

Particulars	September 30, 2012		March 31, 2011	
	Amount (in original currency)	Amount (INR in Lakhs)	Amount (in original currency)	Amount (INR in Lakhs)
Loan payable				
USD	26,782,280	14,113.46	20,838,917	9,304.58
EUR	152,499	103.93	342,834	216.81
Trade payable				
EUR	286,756	195.42	3,575	2.07
USD	70,082	36.93	12,00,00,000	648.24
Trade receivable				
EUR	100,020	68.16	-	-

44 Utilisation of the Proceeds of Rights Issue

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

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

Rs. in Lakhs

Particulars	Envisaged in letter of offer	Amount utilised till September 30, 2012	Amount remaining to be utilised*
Proposed capital expenditure to be incurred at our facilities	2,576.75	1,867.72	709.03
Repayment of loans	2,401.12	2,401.12	-

* Pending utilisation, the Company has utilized the funds to reduce the bank overdraft in accordance with the letter of offer.

45 The Company had acquired a land from a State Government and the registration of the land in favour of the Company would be completed upon the Company commencing commercial production before March 31, 2012. The company has applied for grant of extension for another 2 years. While granting in principle approval, the Government had suggested the Company to consider swap for a land at another industrial area. Subsequently, the Company has indicated its acceptance to the Government's suggestion. Pending confirmation/acceptance related formalities regarding such swap of the land including valuation, infrastructure arrangements etc, the associated project costs incurred to date aggregating to Rs.1,658 lakhs have been carried at cost as at September 30, 2012.

46 Prior year comparatives

Previous year figures have been regrouped /reclassified, wherever necessary, to conform to current period's classification. The financial statements for the current period have been drawn for the period April 1, 2011 to September 30, 2012 (18 months) after the receipt of letter of approval from the Registrar of Companies vide its letter dated April 03, 2012. Accordingly, current period's figures are not comparable with that of the previous year which is for a period of 12 months.

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

S Sethuraman
Partner
Membership No : 203491

Place : Chennai
Date : November 23, 2012

For and on behalf of the Board of Directors

R Seshasayee
Chairman

B Swaminathan
Managing Director

Govind M Joshi
Company Secretary

P K Ranganathan
Chief Financial Officer

Notes

PRODUCTS OF HINDUJA FOUNDRIES LIMITED

Renault – K9K Block – 42 kg

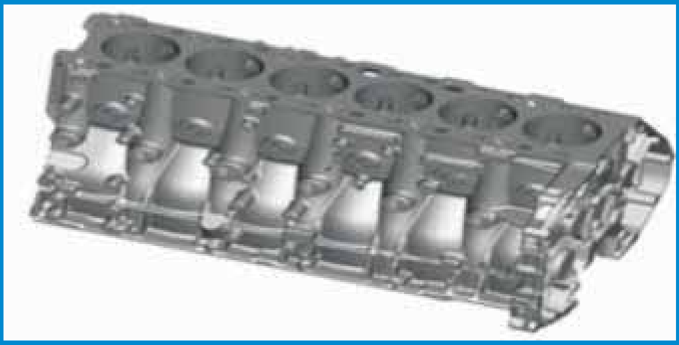
Hyundai - Car Block – 28 Kgs

Tata Car Block – 46 Kgs

GM XSDE Block – 35 Kgs

GM AVTEC MUV Block – 65 Kgs

Ashok Leyland CV Block – 148 Kgs



ALL-Neptune – 6 Cyl. Block – 228 kg

GM AVTEC MUV Head – 35 Kgs

Ashok Leyland LCV Head – 40 Kgs

Ashok Leyland HCV Head – 60 Kgs

Caterpillar Const Equip
Swing Frame – 145 Kgs

Tata Motors Carrier
Housing – 65 Kgs

Ashok Leyland Rear
Hub – 55 Kgs

HINDUJA FOUNDRIES LIMITED
Registered Office : Kathivakkam High Road, Ennore, Chennai 600 057
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