



MRF

ANNUAL REPORT 2011-2012

Contents

Chairman's Message	1	Directors' Report	13
MRF Tops J.D. Power Study – For The Ninth Time	2	Management Discussion and Analysis	19
New Product Launches	3	Corporate Governance	23
MRF T & S - World Class Tyre Care Services	4	Auditors' Report	32
New Production Facility	5	Balance Sheet	36
Speciality Coatings	6	Statement of Profit and Loss	37
MRF Formula Championship 2012	7	Cash Flow Statement	38
Fourth APRC Title For Team MRF	8	Notes Forming Part of the Financial Statements	39
25 Years of The MRF Pace Foundation	9	Statement pursuant to Sec.212 of the Companies Act, 1956 relating to subsidiaries	64
Racing Ahead	10	Consolidated Financial Statements	65
Board of Directors	12		



Chairman's Message

Dear Shareholder,

The year 2010-11 was a historic one for MRF as we crossed the turnover of Rs 10,000 crores. We have continued to maintain the same growth momentum this year too and we have crossed the turnover of Rs 13,000 crores for the year 2011-12. It is indeed a creditable achievement against the backdrop of a difficult economic environment.

Our continued emphasis to cater to the changing customer needs with premium products has been one of the hallmarks of our success. As we enter the new financial year, the economic and business environment is grim. The global crisis continues and there is a distinct slow-down in the Indian economy. In addition, the competitive environment continues to be intense.

Meanwhile, our plant at Tiruchirapally has commenced production and is slated to be one of our biggest plants.

We have successfully turned around Sri Lanka operations through several initiatives and we are confident of increasing our revenue further.

We continue to be optimistic about the automobile industry in the long term and the investments in our various plants will help us to increase our market share as we move forward.



K. M. Mammen

Chairman & Managing Director



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

MRF was ranked highest in the *J.D. Power Asia Pacific 2012 India Original Equipment Tire Customer Satisfaction Index (TCSI) Study. MRF is the only Indian tyre manufacturer to have won this award for a record 9 times in 12 years and for the third consecutive year.

Receiving the highest ranking on four factors that drive satisfaction: appearance, durability, traction / handling and ride, MRF has come out on top. This award is a testimony to the quality of our tyres and our undisputed leadership in the market.



*MRF received the highest numerical score among the tire manufacturers in the proprietary J.D. Power Asia Pacific 2012 India Original Equipment Tire Customer Satisfaction (TCSI) Study. The study was based on 3868 new vehicle owners who purchased their vehicles between May 2009 and August 2010. Proprietary study results are based on experiences and perceptions of consumers/ business/ business users surveyed in May-August 2011. Your experience may vary. Visit www.jdpower.com/corporate

NEW PRODUCT LAUNCHES

SUV RADIAL:

MRF Wanderer-Sport is an asymmetric tread pattern SUV tyre for the new generation of soft-roaders with the emphasis on comfort. The tyre is original equipment on the best-selling Renault Duster.

TRUCK RADIAL:

MRF S3P4 is a premium mileage radial for drive axle fitment. It has a unique design that offers normal load operation on highways and the improved skid depth enhances mileage.



MRF T & S - WORLD CLASS TYRE CARE SERVICES

MRF T&S (Tyres & Service) outlets cater to the new generation cars cruising on Indian roads today. It allows customers to shop in air-conditioned comfort for MRF tyres and tubes. MRF trained service personnel provide other services like wheel alignment and balancing, automatic tyre changing, nitrogen filling and tubeless tyre repair.



NEW PRODUCTION FACILITY

MRF's new plant at Perambalur, near Tiruchirappalli in Tamil Nadu is operational from 2012 with an initial capacity of 3.5 lakh truck and car radials. This will be MRF's eighth independent plant in India.



SPECIALITY COATINGS

MRF Corp Limited, a 100% subsidiary of MRF manufactures speciality coatings for wide range of application. The latest introduction is AquaFresh, a single pack PUD for interior walls, which is similar in application and price to Premium Emulsions but with superior performance. Point of sale tinting machines offering over 1500 shades would be introduced by early 2013. With several new products to be launched in the coming months, increased market presence is assured.



MRF CHALLENGE 2012

The 2012 championship featured a brand new racing car – the MRF Formula 2000 designed by Dallara of Italy and powered by a Renault racing engine. The car was launched by Narain Karthikeyan, India's Formula 1 driver in Chennai. Spectators enjoyed the high-octane racing at Round 1 and Round 2 at the Buddh International Circuit, Delhi. Round 3 is scheduled at the MMRT, Chennai in February, 2013.



FOURTH APRC TITLE FOR TEAM MRF

After winning titles in 2003, 2005 and 2010, Team MRF has won the 2012 FIA Asia Pacific Rally Championship (APRC) with Chris Atkinson (Australia) winning the driver's title and Stephane Prevot (Belgium) winning the co-driver's title. Team MRF also scored an emphatic victory in the Teams Trophy and the Manufacturers Championship. Testimony to the technological superiority of MRF tyres.



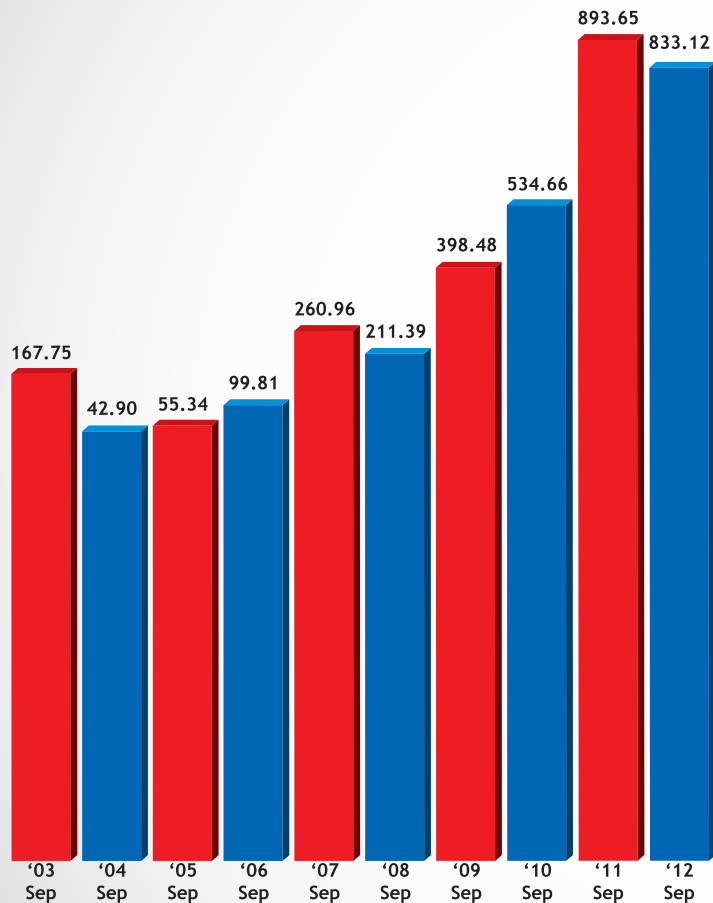
25 YEARS OF THE MRF PACE FOUNDATION

The MRF Pace Foundation is the only institution in the world which is dedicated exclusively to training pace bowlers. With an unrivalled record of 16 Indian players and over 2000 international wickets, the Pace Foundation is entering a new phase led by Glenn McGrath, who took over the mantle from the legendary Dennis Lillee as Director of the MRF Pace Foundation.

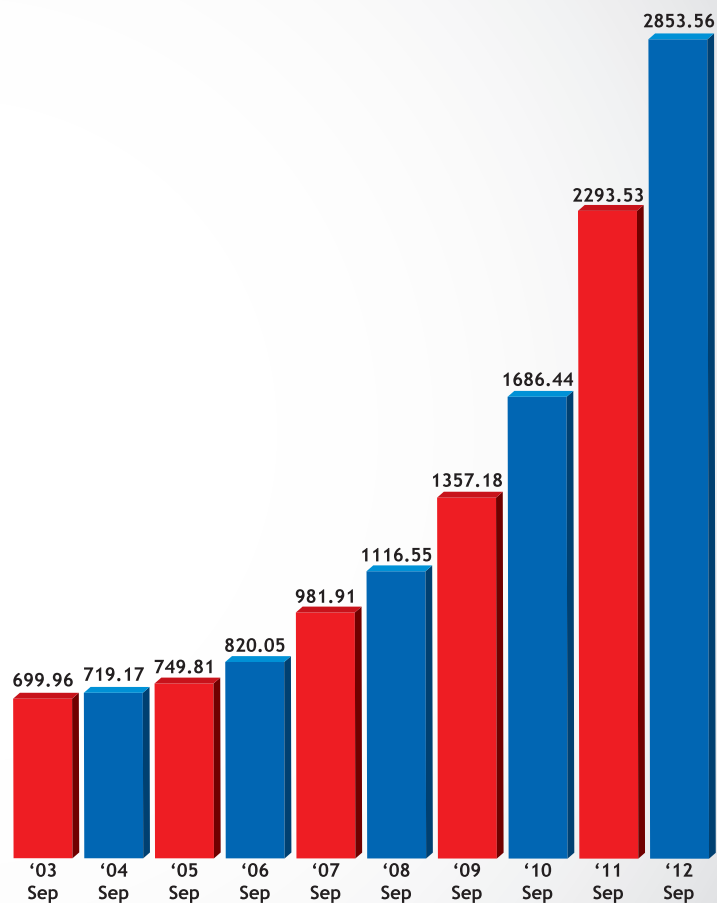


RACING AHEAD

Profit Before Taxation
(₹ Crores)

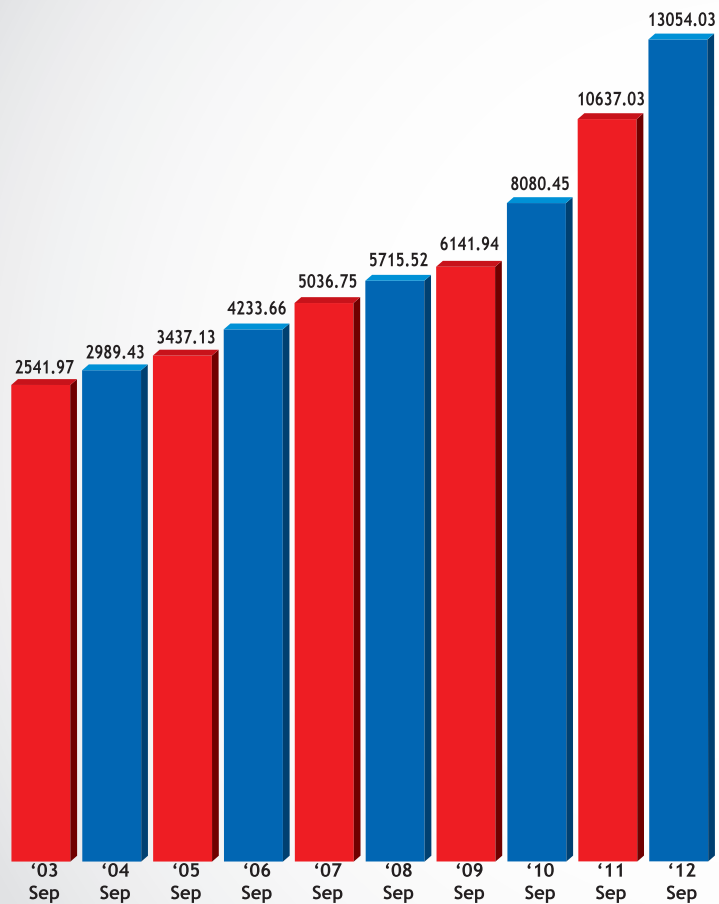


Reserves
(₹ Crores)

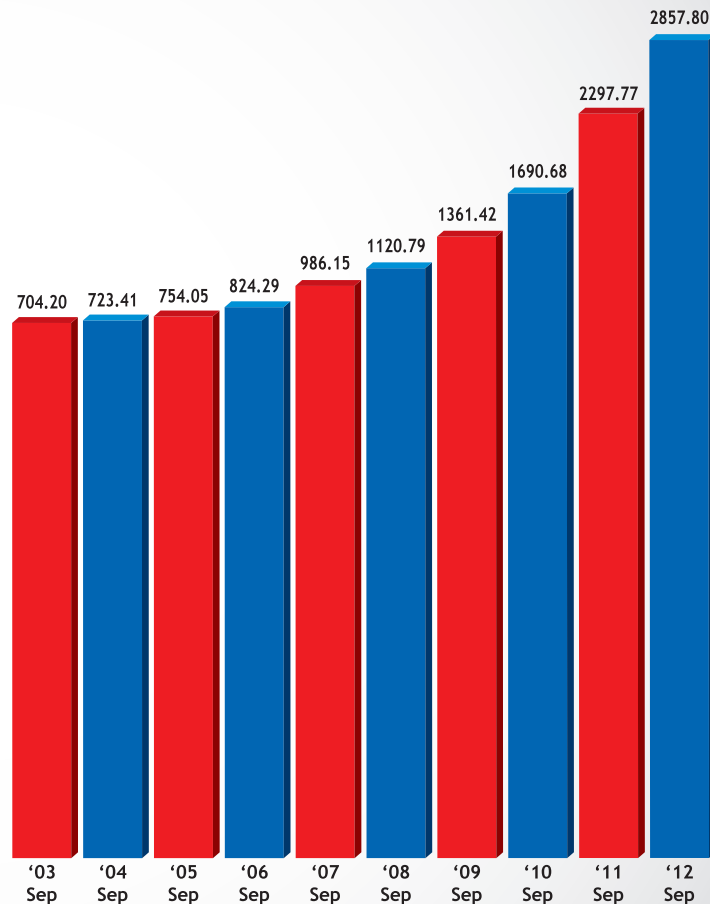


RACING AHEAD

Sales
(₹ Crores)



Net Worth
(₹ Crores)



BOARD OF DIRECTORS

K.M. MAMMEN

Chairman & Managing Director

ARUN MAMMEN

Managing Director

K.M. PHILIP

Whole-time Director

RAHUL MAMMEN MAPPILLAI

Whole-time Director

Dr. K.C. MAMMEN

ASHOK JACOB

V. SRIDHAR

VIJAY R. KIRLOSKAR

N. KUMAR

RANJIT I. JESUDASEN

S.S. VAIDYA

Dr. SALIM JOSEPH THOMAS

JACOB KURIAN

M. MEYYAPPAN

Company Secretary

RAVI MANNATH

Auditors

SASTRI & SHAH, Chennai

M.M. NISSIM and Co., Mumbai

Legal Advisors

KURIAN & KURIAN

Registered Office:

No. 114, Greams Road, Chennai - 600 006.



Ten Year Financial Summary (₹ Crore)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Sales	13054.03	10637.03	8080.45	6141.94	5715.52	5036.75	4233.66	3437.13	2989.43	2541.97
Other Income	39.73	33.14	29.13	34.40	40.83	24.17	27.07	44.96	58.54	65.71
Total Income	13093.76	10670.17	8109.58	6176.34	5756.35	5060.92	4260.73	3482.09	3047.97	2607.68
Profit before Taxation	833.12	893.65	534.66	398.48	211.39	260.96	99.81	55.34	42.90	167.75
Provision for Taxation	260.76	274.23	180.68	145.45	66.83	89.18	19.90	15.03	14.10	50.37
Profit after Taxation	572.36	619.42	353.98	253.03	144.56	171.78	79.91	40.31	28.80	117.38
Share Capital	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24
Reserves	2853.56	2293.53	1686.44	1357.18	1116.55	981.91	820.05	749.81	719.17	699.96
Net Worth	2857.80	2297.77	1690.68	1361.42	1120.79	986.15	824.29	754.05	723.41	704.20
Fixed Assets Gross	5477.16	4874.07	3865.62	3020.57	2866.24	2289.77	1955.99	1787.85	1534.47	1348.80

DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the Fifty Second Annual Report and the Audited Statement of Accounts for the year ended 30th September, 2012.

Working of the Company

Financial Results

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

	(₹ Crore)	
	2011-12	2010-11
Total Income	13093.76	10670.17
Profit before tax	833.12	893.65*
Provision for taxation	260.76	274.23
Net Profit	572.36	619.42

* Includes an exceptional item of ₹ 404.23 crore which represents reversal of excess depreciation of earlier years, due to change in method of depreciation from Written Down Value (WDV) to Straight Line Method (SLM).

During the year under review, your Company's turnover increased by around 23% to ₹ 13054.03 crore from ₹ 10,637.03 crore in the previous

year. Across the board, there were positive increases in all segments with an 8% increase in total tyre production. Fluctuations in the raw material prices, increase in power and fuel cost and depreciation of rupee, have impacted the financial performance of the Company. Despite the above, your Company could achieve improved results, considering the challenging circumstances, due to better operating efficiencies and cost cutting measures which the Company has undertaken over a period of time.

During the year under review, your Company commenced production at its new plant at Tiruchirappalli in Tamil Nadu. This new modern plant along with our existing factories will help further consolidate our market leadership.

Two interim dividends of ₹ 3 each per share (30% each) for the year ended 30th September, 2012 were declared by the Board of Directors on 25-07-2012 and on 25-10-2012. The Board of Directors is now pleased to recommend a final dividend of ₹ 19 per share (190%) on the paid-up equity share capital of the Company, for consideration and approval of the shareholders at the Annual General Meeting. With this, the total dividend for the entire year works out to ₹ 25 per share (250%). The total amount of dividends aggregates to ₹ 10.60 crore.

The Directors recommend that after making provision for taxation, debenture redemption reserve and proposed dividend, an amount of ₹ 531.23 crore be transferred to General Reserve. With this, the Company's Reserves and Surplus stands at ₹ 2853.56 crore.

Industrial Relations

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

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

Exports

The Company's exports stood at ₹ 1280.55 crore for the year ended 30th September, 2012 as against ₹ 823.30 crore for the previous year.

The Company had yet another successful year in the global market posting a 56% growth in Export revenues. The key factors which contributed to this were a healthy volume growth of 25% in the heavy commercial segment and 21% in the light commercial segment apart from a depreciating rupee.

Prospects for the Current Year

While the demand outlook for tyres appear favourable with an 8 to 10% annual growth forecast, the pressure on margins will continue unless the cost issues are addressed. Most tyre companies are planning capacity expansions especially in the truck radial segment and this development will fuel competition in this segment and the tyre industry in general. The growth of the tyre industry will also depend upon the expansions in the automobile industry and the efforts made by the government to improve the road infrastructure. Also, the government should study the inverted tax issue and take corrective action by providing a level playing field in the tyre industry.

Your Company hopes to record satisfactory results on account of MRF's high brand preference and trust reposed by customers in MRF products.

Directors' Responsibility Statement

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

- (ii) they have, in selection of the accounting policies, consulted the statutory auditors and applied them consistently, making judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

Subsidiaries

Pursuant to the provisions of Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs, Government of India, vide its General Circular No. 2 /2011 dated 08-02-2011, has granted a general exemption subject to certain conditions to holding companies from complying with the provisions of Section 212 of the Companies Act, 1956, which requires the attaching of the balance sheet, profit & loss account etc., of the subsidiaries.

The Board of Directors at their meeting held on 25th July, 2012 passed necessary resolution according consent for not attaching the financial statements in respect of all the subsidiary companies for the year ended 30th September, 2012. The statement pursuant to Section 212 of the Companies Act, 1956 containing details of Company's subsidiaries is attached.

In accordance with the Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial statements presented by your Company include the financial information of all its subsidiaries.

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

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

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



Board

Mr V Sridhar, Dr Salim Joseph Thomas and Dr K C Mammen retire by rotation at the Annual General Meeting and are eligible for re-appointment.

Mr Jacob Kurian and Mr M Meyyappan who were appointed additional Directors on 25-07-2012, hold office upto the date of the ensuing Annual General Meeting of the Company. The Company has received notice from members under Section 257 of the Companies Act, 1956, proposing their candidature for the office of Director of the Company, liable to retire by rotation.

A brief profile of all the above Directors have been given in the Notice convening the Annual General Meeting of the Company.

Corporate Governance

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

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

Particulars of Employees

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

Deposits

7 deposits aggregating ₹ 31.20 lakhs remain unclaimed as at the close of the year ended 30th September, 2012.

Awards received during the year

During the year, MRF was awarded the "Top Export Award [Auto Tyre Sector]" by the All India Rubber Industries Association (AIRIA) yet another time during the period under review.

Auditors

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

Cost Audit

Mr C Govindan Kutty, Cost Accountant was appointed cost auditor for conducting cost audit for the year ended 30th September, 2011. Your Company has carried out the audit of its cost records for the year ended 30th September, 2011. The due date for filing of the cost audit report with the Ministry of Corporate Affairs (MCA) for the year ended 30th September, 2011 was 31st March, 2012. The report was filed on 05th March, 2012.

The Board has re-appointed Mr C Govindan Kutty, Cost Accountant, as cost auditor of the Company for the year ended 30th September, 2012 under Section 233B of the Companies Act, 1956, and the necessary application for obtaining the requisite approval will be filed with the Central Government.

Appreciation

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

On behalf of the Board of Directors,

Chennai
29th November, 2012

K. M. MAMMEN
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

- a) The major energy conservation measures implemented during the year include installation of de-aerator for boiler to improve boiler efficiency, flash steam recovery from boiler blow down, conducting trap audit to replace defective steam traps, replacement of TD traps into ball float traps in process heating application

Usage of VFD for variable load application of the machines like dust collector fans, vacuum pump, cooling water pumps, etc., installing power factor improvement capacitors, optimizing the air compressors utilization by running in loop, auto operation of cooling tower fans to stop if the ambient temperature is low, auto temperature cut off for chiller operation, replacement of T8 light fittings into energy efficient T5 light fittings in production hall, transparent sheet provision in building roof for natural lighting and solar power utilization in canteen and administrative block.

- b) Additional investments are being proposed for the power factor improvement in all plants, installation of coal fired boilers, providing VFD for variable loads with required demands, regular energy audit by internal and external agency.
- c) The energy conservation measures as listed above have been undertaken and these have resulted in lower energy consumption/ton of production. However, due to production start-up activities in two of our new manufacturing facilities, the overall units/ton for power and litres/ton for furnace oil increased marginally.

Total Energy consumption and energy consumption per unit of production:

FORM "A"

I. POWER AND FUEL CONSUMPTION

1. Electricity

	2011-12	2010-11
(a) Purchased:		
Units	444881943	409804687
Total Amount – (₹ Lacs)	22642.86	17163.79
Rate/Unit (₹)	5.09	4.19
(b) Own Generation:		
Through Diesel Generator - Units	48941549	34089304
Units/Ltr. of Diesel/Furnace Oil	3.59	3.70
Cost/Unit (₹)	12.00	9.40

2. Furnace Oil (including coal)*

Quantity (KL)	92563	84334
Total Amount (₹ Lacs)	34187.23	24712.80
Average Rate (₹ /Ltr.)	36.93	29.30
*Coal		
Quantity (MT)	34893	24628
Total Amount (₹ Lacs)	1572.23	1018.90
Average Rate (₹ /Kg)	4.51	4.14

II. CONSUMPTION PER UNIT OF PRODUCTION

	2011-12	2010-11
Production (MT)	518090	471946
Electricity (Unit/MT)	953	941
# Furnace Oil & Coal (on applicable production) (Ltrs./MT)	180	180
# Coal is converted to equivalent FO Ltrs.		



B. TECHNOLOGY ABSORPTION:

FORM "B"

RESEARCH AND DEVELOPMENT (R & D)

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

- a) Development of new products for domestic and export market.
- b) Development of new raw materials for specific applications.
- c) Evaluation and approval of alternate sources for raw materials.
- d) Development of new formulation.
- e) Development of new techniques in making process improvements.
- f) Development of new equipment and modification of existing machinery.

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

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

New products are continuously developed to meet the increased requirement of original equipment suppliers and replacement market. New formulations are developed to meet specific property requirement.

New raw materials are identified, evaluated and incorporated in our products to achieve specific property requirements to improve product performance. Raw materials from alternate sources are evaluated and approved after extensive evaluation. This has resulted in identifying more sources for cost optimization and ensuring adequate supplies.

New processes are introduced to improve fuel and energy saving. Development of new machineries and modification of existing machineries are continuously done to improve quality, productivity and energy saving.

Continuous development and introduction of new products for various applications such as:

- a) Domestic market
- b) Export market
- c) Original Equipment Manufacturers
- d) Defence sector
- e) Farm service
- f) Off the Road
- g) High performance bias and radial tyres
- h) Aircraft tyres
- i) Specialized tyres for Rallies and Races
- j) Retread market
- k) Belting industry
- l) Inner tubes

3. Future plan of action

R & D efforts are taken to develop passenger car tyres offering lower rolling resistance, better wet grip, lower tyre noise and higher speed capabilities, as demanded by the OE customers. Efforts are also taken to meet the stringent requirements of the high end cars introduced by the multinational automobile companies in India.

Priority is given to develop high performance truck radial tyres to meet the increased radialisation in the truck segment. Efforts are also taken to develop radial tyres for motor cycle and farm segments as there are increased customer requirements in this category.

With the development of infrastructure for road transport, there is a need to improve durability and high speed performance of all segments of tyres particularly the truck segment. Priority is given to develop high performance bias truck tyre with higher mileage to meet this requirement.

Special attention is also given to develop tyres for specialised applications such as off the road segment, sports utility vehicle, race and rally tyres for different terrains and extreme climatic conditions.

R & D efforts are taken to develop aircraft tyres to meet defence requirement.

Priorities are also given in developing new designs of PCTR treads and conveyor belts in view of the potential export opportunities available for these products.

Efforts are made to use environment friendly raw materials in order to meet domestic and global pollution requirements.

Procurement of sophisticated equipment are planned to make tyres which can meet increasing quality requirements with narrower tolerance limits.

4. Expenditure on R & D	2011-12	2010-11
	(₹ Crore)	(₹ Crore)
R & D Expenses		
a) Capital	1.33	1.39
b) Recurring	24.31	20.51
Total	25.64	21.90
Total R & D Expenses as a % of turnover & other income	0.20%	0.21%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

a) Evaluation of new materials

New raw materials are evaluated under specific projects and introduced for achieving certain special properties.

b) New product development

To meet the stringent requirements of the automotive industry, new products are being continuously developed and evaluated.

c) New process development

To obtain improved uniformity, consistency and energy saving, new process techniques are being adopted continuously.

d) Development of equipment and machinery

Development and modification of equipment are regularly done to meet specific requirements in order to achieve improved productivity and product consistency.

2. Benefits derived as a result of the above efforts

a) Product Improvement

Introduction of new raw materials has resulted in improved product performance.

b) Cost Reduction

Development of raw materials from alternate sources helped in cost optimization.

Improvements in the process have resulted in energy savings and reduction in waste loss which has yielded cost optimization benefits.

c) Product Development

Efforts taken to develop new products have helped in developing various products as demanded by the automotive industry.

d) Import Substitution

Development of indigenous sources for raw materials and modification and adaption of equipment and accessories have helped in import substitution.

B. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ Crore)

Foreign Exchange Earnings:

(a) On account of Export Sales (FOB Value)	1280.55
(b) Others	1.28
	<u>1281.83</u>

Foreign Exchange Outgo:

3349.14

On behalf of the Board of Directors,

Chennai
29th November, 2012

K. M. MAMMEN
Chairman & Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Tyre Industry Structure & Development

The turnover of the Indian tyre industry is valued at ₹ 41,000 crore in the period 2011-2012. Exports accounted for ₹ 4,200 crore. 1254 lakh tyres were produced by the tyre companies. Seven top companies produce 80% of the total production.

Truck and bus tyres constitute 55% of the tyre industry turnover. Around 57% of the turnover is sold in the replacement market which is competitive but margins are better. The OE segment (30% of the turnover) cannot be ignored as volumes are high but margins are less as prices are dependent more on the manufacturers of vehicles. In the passenger car group, 47 % of tyres are sold to OEMs and 49% in the replacement segment.

The tyre industry is raw material intensive and predominantly cross-ply or bias-ply tyres are manufactured. The truck, bus and LCV segments continue to be cross-ply based due to poor road conditions, low OE fitment and high initial cost. Passenger tyres are currently 98% radial tyres. Radialisation in the light commercial vehicle group is 22% and in heavy vehicles (truck and bus) the level is 17%. Radialisation in commercial vehicles is expected to grow by 3% to 4% during 2012-13.

During 2011-12, in the vehicle manufacturing sector, there has been a decrease of 3% in the production of heavy commercial vehicles and a 30% increase in light commercial vehicles. There was an 8% increase in the small commercial vehicle segment. In the passenger car group, production has remained flat whereas in the utility group, there has been an increase of 39% over the last year. In two wheelers, scooters witnessed a 25% increase whilst in the motorcycle segment production increased by 5%. In the farm segment there was a 2% increase in production over 2010-11.

The tyre industry provides direct and indirect employment to one million people including dealers, retreaders and truck operators. The truck operations are controlled by 2.6 million small operators.

There are around 5000 tyre dealers spread throughout the country. Most of them sell multiple tyre brands.

Opportunities and Threats

The worldwide recession continues throughout the rest of the world mainly in USA and Europe. With strong financial fundamentals, the economic situation in India, though volatile, is far better and conducive to robust growth. With growth all around, foreign investors will prefer to invest in India, even in preference to China which relies heavily on exports to the advanced countries. Foreign tyre companies will enter the Indian market and invest more. This development will intensify competition and could also cause a glut in the Indian market.

Despite several representations to the Government, the inverted tax issue is yet to be resolved. The duty concession to importers has led to dumping of cheap and unsuited tyres. Duty concessions should be extended to the imports of raw materials by the tyre manufacturers. The performance of tyre manufacturers is affected by raw material costs like natural rubber and petroleum products.

The volatility in rubber prices will be a strain on the margins of tyre companies. A permanent reduction in rubber import duties would ease the pressures of the tyre industry. There is a limit to which cost escalations can be passed on to the consumers and also it is a challenge to increase the prices of tyres to OEMs.

The threat of imports, especially from China, would further increase and can put the domestic industry under pressure in view of the move to remove the anti-dumping duty.

Segment wise & Product wise Performance

During the period 2011-12, MRF achieved a turnover of ₹ 13,054.03 crore. This is an increase of around 23 % over the previous year. Across the board, there were positive increases in all segments with an 8% increase in total tyre production. In the heavy commercial vehicle group, the largest segment, the increase was 7% over the last year. In the motorcycle and scooter segments, the increases over the previous year were 9% and 26% respectively. The passenger car group registered an increase of 7%. In the farm group, production increased in the tractor front group by 6% and by 18% in the tractor rear categories.

Exports

Facing global recession and a challenging and competitive year, MRF posted a growth of 56% over the previous year 2010-11. In the year gone by, continued volatility in raw material prices and increased input costs definitely affected margins.

MRF's strong distributor network worldwide and brand presence in key markets contributed to a 23% growth in the heavy commercial vehicle segment.

Outlook

While the demand outlook for tyres appear favourable with an 8 to 10% annual growth forecast, the pressure on margins will continue unless the cost issues are addressed. Most tyre companies are planning capacity expansions especially in the truck radial segment and this development will fuel competition in this segment, and the tyre industry in general. The growth of the tyre industry will also depend upon the expansions in the automobile industry and the efforts made by the Government to improve the road infrastructure. Also, the Government should study the inverted tax issue and take corrective action by providing a level playing field for the tyre industry.

Performance of the Company

The sales turnover of the Company during the year increased by around 23% from ₹ 10637.03 crore in 2010-11 to ₹ 13054.03 crore in 2011-12. Earnings before depreciation and interest (EBIDTA) amounted to ₹ 1293.01 crore against ₹ 834.72 crore in the previous year. After providing for depreciation and interest, the profit before tax for the year ended 30th September 2012 was ₹ 833.12 crore as compared to ₹ 489.42 crore in the previous year. During the previous year 2010-11, there was an exceptional credit of ₹ 404.23 crore representing reversal of excess depreciation of earlier years, due to change in method of depreciation from Written Down Value (WDV) to Straight Line Method (SLM). After

making provision for income tax, the net profit for the year stood at ₹ 572.36 crore as compared to ₹ 619.42 crore in the previous year.

Internal Control Systems and their Adequacy

The Company has adequate internal control systems in place and also has reasonable assurance on authorizing, recording and reporting transactions of its operations in all material respects and in providing protection and safeguard against misuse or loss of assets of the Company. The Company has in place, well documented procedures covering financial and operational functions, commensurate with the size and complexities of the organization.

Some of the salient features of the internal control system in vogue are:-

- (i) Following the statutory and applicable Accounting Standards and Policies.
- (ii) A robust ERP system connecting all plants, sales offices and head office enabling seamless data and information flow. This is constantly reviewed to enhance the internal control check points.
- (iii) Preparation of annual budget for operation and service functions and monitoring the same with actual performance at regular intervals.
- (iv) All assets are properly recorded and safeguarded against any loss or unauthorized use or disposal.
- (v) Internal audit department carries out periodic audit at all locations and functions.
- (vi) The observations arising out of internal audit is periodically reviewed at the Audit Committee meetings along with follow up action.
- (vii) Periodic presentations are made to the Audit Committee on various operational and financial risks faced by the Company and action plan of the Company to mitigate the same.



Discussion on Financial Performance with respect to Operational Performance

(₹ Crore)

	2011-12	2010-11
Sales	13054.03	10637.03
Other Income	39.73	33.14
Total Income	13093.76	10670.17
Profit before taxation	833.12	489.42
Exceptional item	-	404.23*
Profit before Taxation (including exceptional item)	833.12	893.65
Provision for taxation	260.76	274.23
Profit after taxation	572.36	619.42

*Exceptional item of ₹ 404.23 crore which represents reversal of excess depreciation of earlier years, due to change in method of depreciation from Written Down Value (WDV) to Straight Line Method (SLM).

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

During the year, fluctuations in the raw material prices, increase in power and fuel cost and depreciation of “Rupee”, have impacted the financial performance of the company.

Risks and Concerns

Natural rubber, the key raw material in the manufacture of tyre, has seen sporadic price volatility due to production & demand fluctuations. Other major raw materials i.e. synthetic rubber and carbon black, being derivatives of crude are also affected by the movements in crude prices. Competitive pressures may impair the ability of tyre companies to pass on such cost increases, thus affecting the margins.

In the last few quarters we find “Rupee” in depreciating trend. Since

about 30% of our raw materials are imported, the variation in exchange rate is a risk to be reckoned.

India's GDP growth rate in 2011-12 is about 6.9% as compared to 8.4% in 2010-11. The estimated GDP growth rate in 2012-13 is in the range of 5.5% to 5.8%. The negative growth rate could affect the automotive industry and already some segments in the industry have started feeling the pinch of slowdown. On the other hand, many of the global and local players are expanding their tyre manufacturing facilities in India to cater to the anticipated growing demand. There is a concern that this may result in increased supply capacity vis-à-vis lower demand, consequently exerting pressures on volumes and margins.

The Audit Committee and Board of Directors have been apprised about the major business risks identified by the Company, and the steps proposed to mitigate them.

Human Resources

Despite a difficult economic situation in which the world found it almost impossible to predict even the next set of quarterly growth figures, MRF celebrated the stupendous achievement of ₹ 13,000 crore turnover during the year and stood apart as a great place to work in. The Company, with great confidence got better resources for the expansion of a wide range of projects.

An assessment center for sales recruitment was introduced by MRF last year in order to select the right candidates. Apart from this, a revalidation of the assessment center for recruitment that was introduced in the previous year was also done. At the entry level, the induction procedure was made more stringent and meticulous than before. The new operatives underwent a comprehensive training at NTTf that helped them build a new culture and way of life. The practice of training first line managers from various plants of MRF, on technical, managerial and leadership skills that ran for more than a few months, continued. This proved to be a successful method.

MRF focused on leadership training for union leaders, opinion makers, and also for staff & managers this year. Intensive programs were conducted in many phases, covering many from our factories at Tiruvottiyur, Arkonam, and Puducherry. Experts were also invited to share their experience with specific targets group for building relationship. This year, MRF introduced

Senior Leadership Programmes (SLP) a comprehensive training for senior leaders in the organization. MRF also continued to focus on Management Development programme and Executive Development programme for preparing managers to take up the growing managerial needs due to expansion. Other training activities at corporate level were as usual focused on management and leadership development. Unit specific training Programmes were followed up with productivity linked projects. The programs were facilitated by external and internal faculty members. The ongoing technical training Programme on products, processes and technology for operators and technical staff continued during the year.

The industrial relations scenario across our plants during the year under review was smooth. It was possible to achieve this due to the pro-active IR interventions pursued to sustain our relationship with the employees. Puducherry and Medak plants have signed long term wage settlements with their respective recognized unions for the next 4 years.

TPM (Total Productive Maintenance) was taken up seriously by all at MRF. This continued to be a way of life across all the units of MRF. To promote the TPM culture, the employees were continuously encouraged and motivated to practice more 'Kaizens' which were duly rewarded and implemented at the work place.

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

The total employee strength as on 30th September, 2012 is 15,494.

Corporate Social Responsibility

Seven million children in India below 14 years do not have access to quality education. It is our belief that all children have the right to a healthy, happy and fulfilling life. To make a difference in the life of a child we must deliver change in the community and their social milieu.

This year too, we have focused on giving merit based academic scholarships to children of local village & Government schools. A talent

enhancement program covering local schools was conducted and prizes distributed. Headmasters of the participating schools were also given mementos. Prizes were sponsored for a zonal sports day meet where 22 schools participated, and books were donated to the library of a Government college.

To instill awareness in the minds of the students on the importance of a clean and green environment, street plays, drawings and oratory competitions were held in schools and colleges over a period of one month. 10,000 students from 11 schools and 2 colleges were covered in this activity. 1000 saplings were also planted by the students and teachers.

The MRF Institute of Driver Development (MIDD), a pioneering institute, has trained candidates sponsored by the various government welfare Projects such as "LIVE & SHOW PROJECTS" (Vazhndhukattuvom), "TAMIL NADU CORPORATION FOR DEVELOPMENT OF WOMEN" (Mahalirhittam), etc. The institute has turned out 388 drivers during the year 2011-12, which includes 183 HMV drivers who have done a refresher course. This will help the trainees to be well equipped with modern types of vehicles, which they will generally be driving after graduating from MIDD.

General health camps, specialty medical camps and health & nutrition awareness programmes have been conducted.

To improve everyday life in the villages, infrastructural requirement of street lights have been provided.

Cautionary Statement

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



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

Your Company has always adhered to good corporate practices and maintained the highest levels of fairness, transparency, ethics and values in all facets of its operations.

Pursuant to Clause 49 of the Listing Agreement, your Company has adopted a code of conduct for members of the Board and senior management. The code is displayed at the Company's website www.mrftyres.com.

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

2. Board of Directors

(a) Composition of the Board:

As at 30th September, 2012 in compliance with corporate governance norms, the Board comprises of 14 Directors. It includes a Chairman & Managing Director, a Managing Director, 2 Whole-time Directors, 2 Non-Executive Directors and 8 Non-Executive Independent Directors. None of the Directors on the Board is a member of more than 10 committees or act as Chairman of more than 5 committees across all Companies in which he is a director.

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

Name of Director	Category	No. of Directorships in other Public Ltd. Companies	No. of Committee Memberships in other Public Ltd. Companies	No. of Board Meetings attended during 2011-12	Attended last AGM on 09-02-2012
Mr K M Mammen Chairman & Managing Director	Promoter Executive Director	4	Nil	4	Yes
Mr Arun Mammen Managing Director	Promoter Executive Director	3	Nil	5	Yes

Name of Director	Category	No. of Directorships in other Public Ltd. Companies	No. of Committee Memberships in other Public Ltd. Companies	No. of Board Meetings attended during 2011-12	Attended last AGM on 09-02-2012
Mr K M Philip Whole-time Director	Promoter Executive Director	3	Nil	4	Yes
Mr Rahul Mammen Mappillai Whole-time Director	Promoter Executive Director	Nil	Nil	4	Yes
Dr K C Mammen	Non-Executive Director	3	Nil	5	Yes
Mr Ashok Jacob (NRI)	Non-Executive Director	3 (Incl. 2 Overseas Companies)	Nil	2	Yes
Mr V Sridhar	Non-Executive Independent Director	Nil	Nil	5	Yes
Mr Vijay R Kirloskar	Non-Executive Independent Director	8 (Incl. 4 Overseas Companies)	1-Member	3	No
Mr N Kumar	Non-Executive Independent Director	5	4-Chairman 1-Member	5	Yes
Mr Ranjit I Jesudasen	Non-Executive Independent Director	Nil	Nil	4	Yes
Mr S S Vaidya	Non-Executive Independent Director	10	4-Chairman 5-Member	5	Yes
Dr Salim Joseph Thomas	Non-Executive Independent Director	Nil	Nil	5	Yes
Mr Jacob Kurian *	Non-Executive Independent Director	Nil	Nil	1	N.A.
Mr M Meyyappan *	Non-Executive Independent Director	Nil	Nil	Nil	N.A.

* Mr Jacob Kurian and Mr M Meyyappan were appointed as Additional Directors of the Company on 25/07/2012.

Mr K M Mammen, Chairman & Managing Director and Mr Arun Mammen, Managing Director, are brothers and hence related to each other within the meaning of Section 6 of the Companies Act, 1956. Mr Rahul Mammen Mappillai, Whole-time Director is the son of

Mr K M Mammen, Chairman & Managing Director and hence related to each other within the meaning of the above Section.

(c) Dates of Board meetings:

During the year 2011-12, five Board Meetings were held on 20-10-2011, 29-11-2011, 09-02-2012, 26-04-2012 and 25-07-2012. The interval between any two successive meetings did not exceed four calendar months.

(d) Information placed before the Board

The Company held 5 Board Meetings during the year to review the financial results and other items that are required to be placed before the Board under the various statutes including the Companies Act, 1956 and the listing agreements entered into with the stock exchanges. All the departments in the Company provide well in advance, matters which require approval of the Board/Committees, to the Company Secretary to enable him to prepare the agenda for the Board/Committee meetings.

(e) Code of Conduct

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

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

3. Committees of the Board

A. Audit Committee:

(i) Composition:

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

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

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

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

(ii) Reference:

The powers, role and terms of reference of the Audit Committee covers the area as mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process, internal controls and disclosures of financial information, reviewing the adequacy of the internal audit team, reviewing with management the quarterly/ annual financial statements before submission to the Board, recommending the appointment of statutory auditors and fixation of their remuneration. Apart from the above, the Committee also reviews Management Discussion and Analysis, statement of related party transactions and the management letters issued by statutory auditors and the response thereto by the management.

(iii) Meetings and Attendance:

During the year 2011-12, the Audit Committee met on the following dates:

Dates of Meetings: 29-11-2011, 08-02-2012, 26-04-2012 and 25-07-2012

The members and attendance of Committee members are given below:

Name of the Member	Meetings Attended
Mr S S Vaidya	4
Mr V Sridhar	4
Mr Ranjit I Jesudasen	4



B. Remuneration Committee:

(i) Composition:

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

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

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

(ii) Reference:

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

(iii) Meetings and Attendance:

During the year 2011-12, the Remuneration Committee met once on 26-04-2012.

All the members of the Committee were present for the meeting.

The Remuneration policy of the Company is:

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

Details of Remuneration to all the Directors for the year 2011-12:

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

(a) Name (b) Designation (c) Salary and perquisites (₹) (d) Commission (₹) (e) Total (₹)

(a) Mr K M Mammen (b) Chairman & Managing Director (c) 21845309 (d) 6900000 (e) 28745309; (a) Mr Arun Mammen (b) Managing Director (c) 19523696 (d) 6300000 (e) 25823696; (a) Mr K M Philip (b) Whole-time Director (c) 21004379 (d) 6900000 (e) 27904379; (a) Mr Rahul Mammen Mappillai (b) Whole-time Director (c) 6262921 (d) 1950000 (e) 8212921.

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

The sitting fees paid for the year 2011-12 to Non-Executive Directors and their shareholdings are as follows:

(a) Name (b) Sitting fees (₹) (c) No. of shares held

(a) Dr K C Mammen (b) 50000 (c) 9043; (a) Mr Ashok Jacob (b) 20000 (c) 1856; (a) Mr V Sridhar (b) 105000 (c) Nil; (a) Mr Vijay R Kirloskar (b) 30000 (c) 355; (a) Mr N Kumar (b) 50000 (c) Nil; (a) Mr Ranjit I Jesudasen (b) 95000 (c) Nil; (a) Mr S S Vaidya (b) 95000 (c) Nil; (a) Dr Salim Joseph Thomas (b) 50000 (c) Nil; Mr Jacob Kurian (b) 10000 (c) 123; (a) Mr M Meyyappan (b) Nil (c) 10.

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

C. Shareholders/Investors Grievance Committee:

(i) Composition:

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

The members of the Committee comprise of:

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

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

(ii) Reference:

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

(iii) Meetings and Attendance:

During the year, the Shareholders/Investors Grievance Committee met twice on 29-11-2011 and 25-07-2012. The members of the Committee who were present for the meetings are as follows:

Name of the Member	Meetings Attended
Mr V Sridhar	2
Mr Ranjit I Jesudasan	2
Mr K M Mammen	1

3 investor complaints were received during the year

under review. All the complaints were redressed and no queries on the same were pending at the year end.

Number of Share Transfers/Transmissions/issue of Duplicate share certificates pending as on 30th September, 2012, was 5. As on date, out of these pending matters, 1 matter was placed before the Board for approval for issue of duplicate share certificates. The balance pending will be approved/dealt with by the Company after completion of their respective documentation.

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

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

CEO/CFO Certification:

Mr Arun Mammen, Managing Director and Mr P Sunny Joseph, Senior General Manager Finance, have certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO/CFO Certification for the year ended 30th September, 2012.

4. General Body Meetings

- (a) The Company held its last 3 Annual General Meetings as under:

AGM for the Year	Date	Time	Venue
2008-2009	11-03-2010	11.00 A.M.	TTK Auditorium 'The Music Academy' 168 TTK Road, Chennai 600 014
2009-2010	10-02-2011	11.00 A.M.	-do-
2010-2011	09-02-2012	11.00 A.M.	-do-



- (b) Details of Special Resolutions passed during the last 3 Annual General Meetings:

Date of AGM	Particulars of Special Resolution passed
11-03-2010	(i) Re-appointment of Mr K M Philip as whole-time Director for a period of 5 years w.e.f. 01-04-2010 and fixing his remuneration. (ii) Payment of revised remuneration to Mrs Meera Mammen a relative of some of the Directors of the Company, for a period of 5 years w.e.f. 01-04-2010 under Section 314(1B) of the Companies Act, 1956.
10-02-2011	(i) Appointment and payment of remuneration to Mr Samir Thariyan Mappillai, a relative of some of the Directors of the Company, w.e.f. 01-08-2010 under Section 314(1B) of the Companies Act, 1956. (ii) Payment of revised remuneration to Mr Samir Thariyan Mappillai, a relative of some of the Directors of the Company, w.e.f. 01-04-2011 under Section 314(1B) of the Companies Act, 1956
09-02-2012	No Special Resolution was passed.

5. Disclosures

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

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

In terms of sub-clause IV C of Clause 49 of the Listing Agreement, the

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

6. Means of Communication

Quarterly results are published in prominent daily newspapers viz., Business Standard (all over India) and Makkalkural (Vernacular). As per the requirement of Clause 52 of the Listing Agreement, the Annual Report, quarterly / Half yearly results are displayed on the Company's website www.mrfityres.com. The Company has a designated e-mail id viz., mrfshare@mrfmail.com exclusively for investor servicing.

The Ministry of Corporate Affairs (MCA) vide its circulars dated 21/04/2011 & 29/04/2011 has taken a "Green Initiative" in Corporate Governance by allowing paperless compliances by the Companies through Electronic mode. A recent amendment to the Listing Agreement with the Stock Exchanges permits companies to send soft copies of the annual report to all those shareholders who have registered their e-mail addresses with the Company/Depository Participant. Pursuant to the above, the Company vide its Circulars dated 19th August, 2011 and 19th November, 2012 has requested the shareholders holding shares both in Physical/Demat form to Register/update their e-mail addresses to the Company/Depository Participants. Accordingly, the annual report for 2011-12, notice for AGM etc, are being sent in electronic mode to shareholders who have registered their e-mail addresses with the Company/ Depository Participants. For those shareholders who have not opted for the above, the same are being sent in physical form.

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

7. Shareholder Information

a) Annual General Meeting:

Date and Time	: 07-02-2013, 11.00 A.M.
Venue	: 'TTK Auditorium' The Music Academy No. 168 TTK Road, Chennai 600014

- b) Financial Calendar** : (tentative and subject to change)
- Unaudited Results for 1st Quarter ending 31-12-2012 : Middle of February, 2013
- Unaudited Results for 2nd Quarter ending 31-03-2013 : End of April, 2013
- Unaudited Results for 3rd Quarter ending 30-06-2013 : End of July, 2013
- Financial Results for the Year ending 30-09-2013 : End of November, 2013
- Annual General Meeting for the year ending 30-09-2013 : Middle of February, 2014
- c) Dates of Book Closure** : 01-02-2013 to 07-02-2013
- d) Dividend Payment Date:**
- Interim Dividend : 17-08-2012
₹ 3 per share (30%)
- II Interim Dividend : 19-11-2012
₹ 3 per share (30%)
- Final Dividend : 15-02-2013
₹ 19 per share (190%) (Subject to approval of Shareholders)
- e) Registered Office** : No. 114, Greams Road, Chennai – 600 006.
Tel : (044) 28292777
Fax : (044) 28295087
E-mail : mrfshare@mrfmail.com

f) Listing on Stock Exchanges at:

1. Madras Stock Exchange Ltd., (MSE)
'Exchange Building' P B No.183, 11 Second Line Beach, Chennai – 600 001
2. National Stock Exchange of India Ltd., (NSE)
Exchange Plaza, 5th Floor, Plot No.C/1, 5 G Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051.
3. Bombay Stock Exchange Ltd., (BSE)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
Equity ISIN : INE 883A01011

Listing Fees upto the year ending 31st March, 2013 have been paid to all the above mentioned Stock Exchanges.

g) Stock Code:

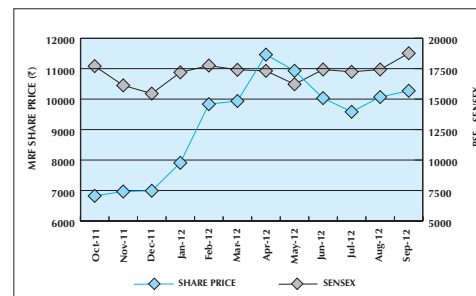
Bombay Stock Exchange	Code	500290
National Stock Exchange	Symbol	MRF
Madras Stock Exchange	Code	MRF

h) Market Price Data:

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (₹)	Low (₹)	No. of Shares	High (₹)	Low (₹)	No. of Shares
October, 2011	6955.00	6390.00	27,002	6950.00	6390.00	94,086
November, 2011	7140.00	6330.00	49,620	7145.00	6325.00	1,32,183
December, 2011	7730.00	6545.00	91,448	7734.95	6530.00	1,97,296
January, 2012	7950.00	6471.60	75,763	7940.00	6871.10	2,05,086
February, 2012	10160.70	7805.00	2,48,203	10155.00	7880.00	4,99,224
March, 2012	10944.00	9453.00	1,36,998	10932.00	9460.00	3,58,944
April, 2012	11570.00	9875.05	1,84,535	11578.80	9900.00	4,56,838
May, 2012	11548.95	9834.30	1,05,596	11550.00	9872.20	2,67,673
June, 2012	10900.00	9825.00	54,383	10908.35	9826.65	1,83,392
July, 2012	10704.00	9555.65	86,741	10710.00	9553.80	2,20,893
August, 2012	11298.00	9571.00	1,13,811	11214.00	9521.30	3,42,947
September, 2012	10589.95	10003.25	50,056	10675.00	10000.00	1,76,982

i) Stock Performance: (Monthly Closing Price)

Performance in comparison to BSE Sensex





- j) **Registrars and Transfer Agents:** In-house Share Transfer
MRF Limited
No. 114, Greaves Road,
Chennai 600 006.

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

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

- Dematerialization and Rematerialization of shares
- Share Transfers/Transmissions
- Disbursement of dividend
- Issue of duplicate share certificates
- Dissemination of information
- Fixed Deposit related activities

The department is well equipped with state of the art hardware and licensed software packages for its operations to ensure high investor satisfaction and confidence. Members are therefore requested to communicate pertaining to both physical and electronic connectivity to Secretarial Department, MRF Limited, No. 114, Greaves Road, Chennai 600 006.

k) **Share Transfer System:**

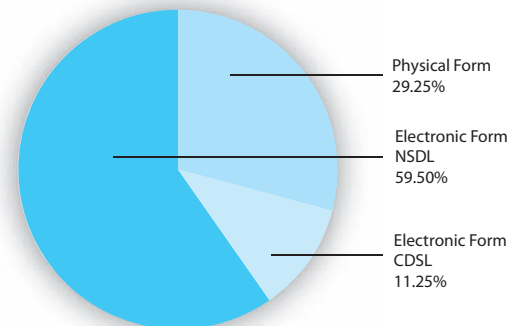
The average time taken for processing and registration of share transfer requests received is less than 12 days. All dematerialization requests are processed within 10 days.

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

Shareholding	No. of Shareholders	%	No. of Shares	%
Upto 500	29927	98.66	790365	18.64
501 - 1000	152	0.50	112099	2.64
1001 - 2000	95	0.31	138101	3.26
2001 - 3000	33	0.11	80210	1.89
3001 - 4000	10	0.03	35018	0.83
4001 - 5000	27	0.09	121918	2.87
5001 - 10000	36	0.12	243797	5.75
10001 and above	53	0.18	2719635	64.12
TOTAL	30333	100.00	4241143	100.00

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

70.75% of total Equity Capital is held in dematerialized form with NSDL and CDSL upto 30th September, 2012. All requests for dematerialization of shares were carried out within the stipulated time period and no share certificates were pending for dematerialization.



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

n) Secretarial Audit

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

o) Plant Locations:

- | | | |
|-----------------|---|--|
| 1. Tiruvottiyur | — | Tiruvottiyur, Chennai, Tamilnadu |
| 2. Kottayam | — | Vadavathoor, Kottayam, Kerala |
| 3. Goa | — | Usgao, Ponda, Goa |
| 4. Arkonam | — | Ichchiputhur, Arkonam, Tamilnadu |
| 5. Medak | — | Sadasivapet, Medak, Andhra Pradesh |
| 6. Puducherry | — | Eripakkam Village, Nettapakkam Commune, Puducherry |
| 7. Ankanpally | — | Sadasivapet, Medak, Andhra Pradesh |
| 8. Perambalur | — | Naranamangalam Village & Post, Kunnam Taluk, Perambalur District, (Near Trichy) Tamilnadu. |

- p) Address for Correspondence:** MRF Limited
No. 114,
Greems Road,
Chennai – 600 006.
Tel : (044) 28292777
Fax : (044) 28295087
E-mail : mrfshare@mrfmail.com

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

1. Maintaining Non-Executive Chairman's Office:

Not Applicable as the Chairman is an Executive Director.

2. Remuneration Committee:

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

3. Shareholder Rights:

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

4. Audit Qualification:

There are no qualifications in the Auditors' Report on the accounts for the year 2011-12.

5. Unclaimed Share Certificates:

In terms of the provisions of Clause 5A of the Listing Agreement, shares issued pursuant to the public issues or any other issue which remain unclaimed shall be credited to a demat suspense account with one of the Depository Participants opened by the Company for this purpose. As per the said clause, the Company has sent reminder letters to the shareholders, whose share certificates were lying with the Company due to non-submission of allotment letters. Shareholders who are in receipt of the reminder letters are requested to write to the Company with requisite supporting documents to enable the Company to issue share certificates. If no response is received, the Company will proceed to credit the shares to Unclaimed suspense account. As and when the shareholder approaches the Company with required documents, the Company shall credit the shares lying in the suspense account to the demat account of the shareholder.

6. Others:

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



AUDITORS' CERTIFICATE

To the Members of

MRF Limited
No. 114, Greaves Road,
Chennai - 600 006

We have examined the compliance of conditions of Corporate Governance by MRF Limited, for the year ended on 30th September, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

For and on behalf of

For Sastri & Shah
Chartered Accountants
Firm Regn. No. 003643S

C. Sri Ram
Partner
Mem. No. 005897

Chennai, Dated 29th November, 2012

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

N. Kashinath
Partner
Mem. No. 36490

AUDITORS' REPORT

To the Shareholders of MRF Limited, on the Accounts for the year ended 30th September, 2012.

- 1) We have audited the attached Balance Sheet of MRF Limited as at 30th September, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of Companies Act, 1956 and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in Paragraph (3) above, we report that:
 - i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit;
 - ii) in our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those Books;

- iii) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
- iv) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) on the basis of the written representations received from the directors as on 30th September, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India;
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2012;
 - b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date, and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Sastri & Shah
Chartered Accountants
Firm Regn. No. 003643S

C. Sri Ram
Partner
Mem. No. 005897

Chennai, Dated 29th November, 2012

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

N. Kashinath
Partner
Mem. No. 36490



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 3 of our Report of even date to the members of MRF Limited as at and for the year ended 30th September, 2012)

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

and maintained. However, we have not carried out a detailed examination of the accounts and records.

- ix) a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 30th September, 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 details of disputed sales-tax, customs duty, excise duty and income-tax which have not been deposited as at 30th September, 2012 on account of any dispute, are as under:

Statute and nature of dues	Financial year to which the matter pertains	Forum where the dispute is pending	₹ crore
Central Sales Tax Act, 1956 & VAT Laws			
Sales tax / VAT and penalty	2002-03, 2003-04, 2005-06, 2007-08 & 2010-11	Appellate Commissioner	0.83
	1992-93, 1994-95, 1995-96, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2009-10 & 2010-11	Appellate Tribunal	3.32
	1996-97	High Court	0.04
	1996-97, 2000-01 & 2001-02	Supreme Court	0.59

Customs Act, 1962			
Customs Duty and penalty	2003-04	Appellate Tribunal	0.16
	1992-93 to 1994-95	High Court	74.89
Central Excise Act, 1944			
Excise duty and penalty	1997-98, 1998-99 & 2006-07	Appellate Commissioner	0.09
	1993-94, 1999-2000 to 2004-05	Appellate Tribunal	0.63
	2001-02	Supreme Court	0.06
Income Tax, 1961			
Income Tax	2002-03 & 2004-05	High Court	4.50
Andhra Pradesh Electricity Regulatory Commission			
Cess on own power	2003-04 to 2011-12	High Court	5.13

- x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of its dues to banks and debenture holders.
- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
- xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly, requirements of Clause 4(xiv) of the said Order are not applicable to the Company.



- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi) On the basis of the records examined by us, and relying on the information compiled by the Company for correlating the funds raised to the end use of term loans, the Company has, prima-facie, applied the term loans for the purposes for which they were obtained.
- xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has created security in respect of the debentures issued.

- xx) The Company has not raised any money by way of public issues during the year. Hence the requirements of clause 4(xx) of the said Order are not applicable to the Company.
- xxi) On the basis of our examination and according to the information and explanations given to us, considering the size of the Company and nature of its business, no fraud, on or by the Company, has been noticed or reported during the year.

For Sastri & Shah
Chartered Accountants
Firm Regn. No. 003643S

C. Sri Ram
Partner
Mem. No. 005897

Chennai, Dated 29th November, 2012

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

N. Kashinath
Partner
Mem. No. 36490

MRF LIMITED, CHENNAI
BALANCE SHEET AS AT 30TH SEPTEMBER, 2012

	Note	₹ Crore	As at 30.09.2011 ₹ Crore
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	4.24	4.24
Reserves & Surplus	3	2853.56	2293.53
		2857.80	2297.77
Non-Current Liabilities			
Long-Term Borrowings	4	1102.71	961.49
Deferred Tax Liabilities (Net)	5	186.72	141.80
Other Long-Term Liabilities	6	908.03	775.75
Long-Term Provisions	7	87.29	49.63
		2284.75	1928.67
Current Liabilities			
Short-Term Borrowings	8	528.72	410.07
Trade Payables	9	939.43	1015.83
Other Current Liabilities	10	454.33	526.79
Short-Term Provisions	7	147.24	156.77
		2069.72	2109.46
TOTAL		7212.27	6335.90
ASSETS			
Non-Current Assets			
Fixed Assets	11		
Tangible Assets		2907.81	1967.57
Intangible Assets		5.99	3.81
Capital Work-In-Progress		414.65	1042.25
		3328.45	3013.63
Non-Current Investments	12	71.54	72.69
Long-Term Loans & Advances	13	57.23	146.43
Other Non-Current Assets	14	30.46	23.74
		3487.68	3256.49
Current Assets			
Current Investments	15	353.17	-
Inventories	16	1645.59	1526.02
Trade Receivables	17	1454.09	1308.86
Cash & Bank Balances	18	61.10	55.98
Short-Term Loans & Advances	13	203.42	182.03
Other Current Assets	14	7.22	6.52
		3724.59	3079.41
TOTAL		7212.27	6335.90

Significant Accounting Policies

1

The Notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012



MRF LIMITED, CHENNAI

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

			Year ended 30.09.2011
	Note	₹ Crore	₹ Crore
INCOME			
Revenue from operations (Gross)	19	13061.75	10644.86
Less: Excise Duty		1191.57	901.69
Revenue from operations (Net)		11870.18	9743.17
Other income	20	32.01	25.31
Total Revenue		11902.19	9768.48
EXPENSES			
Cost of materials consumed	21	8344.27	7379.16
Purchase of Stock-in-Trade (Note 27 (a) ii)		26.48	33.02
Changes in Inventories of Finished Goods, Stock-in-process & Stock-in-Trade	22	(17.83)	(305.11)
Employee benefits expense	23	513.69	446.75
Finance costs	24	158.78	97.67
Depreciation & Amortisation expense	25	301.11	247.63
Other expenses	26	1742.57	1379.94
Total Expenses		11069.07	9279.06
PROFIT BEFORE EXCEPTIONAL ITEM		833.12	489.42
Add: Exceptional Item:			
Excess Depreciation reversal in respect of earlier years		-	404.23
PROFIT BEFORE TAX		833.12	893.65
Tax expense:			
Current tax		235.50	154.00
MAT Credit entitlement		(19.56)	(35.90)
Deferred tax		44.92	156.80
(Excess)/Short Provision of Earlier years		(0.10)	(0.67)
		260.76	274.23
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		572.36	619.42
Basic & diluted - Earnings per equity share	27 (c)	1349.52	1460.50
Significant Accounting Policies	1		

The Notes are an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012

MRF LIMITED, CHENNAI
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

			Year ended 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEM		833.12		489.42
Adjustment for :				
Depreciation	301.11		247.63	
Unrealised Exchange (Gain)/Loss	(5.39)		6.56	
Provision for Investment diminution	-		-	
Provision for Doubtful debts	-		-	
Interest - Net	151.74		91.85	
Dividend Income	(0.05)		(0.19)	
Loss/(Gain) on Sale/Disposal of fixed assets sold	(0.37)		(10.84)	
Loss/(Gain) on Sale of Investments	(0.01)		(0.37)	
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		447.03		334.64
Trade and other receivables	(81.81)	1280.15	(559.96)	824.06
Inventories	(119.57)		(415.34)	
Long Term Liabilities	132.28		359.37	
Trade Payable & Provisions	50.33	(18.77)	574.30	(41.63)
CASH GENERATED FROM OPERATIONS		1261.38		782.43
Direct Taxes paid		(238.61)		(148.74)
NET CASH FROM OPERATING ACTIVITIES		1022.77		633.69
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(616.19)		(1126.04)	
Proceeds from sale of Fixed Assets	0.63		13.48	
Purchase/Proceeds from Investments (Net)	(352.01)		0.37	
Interest & Dividend income	1.33		1.39	
NET CASH USED IN INVESTING ACTIVITIES		(966.24)		(1110.80)
C. CASH FLOW FROM FINANCING ACTIVITIES				
(Repayments)/proceeds from Working Capital Facilities (Net)	118.65		127.75	
Proceeds from Term Loans	2.75		(249.03)	
Proceeds from Issue of Debentures	-		700.00	
(Repayments)/proceeds from Fixed Deposits (Net)	(2.13)		0.09	
Sales Tax Deferral	(3.91)		(3.67)	
Deferred payment Credit	(6.42)		(5.95)	
Interest paid	(148.07)		(58.31)	
Dividend and Corporate Dividend Tax	(12.32)		(24.41)	
NET CASH FROM FINANCING ACTIVITIES		(51.45)		486.47
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5.08		9.36
CASH AND CASH EQUIVALENTS AS AT 30th September, 2011		54.54		45.18
CASH AND CASH EQUIVALENTS AS AT 30th September, 2012		59.62		54.54

This is the Cash Flow Statement referred to in our report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012



NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING:

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

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956.

B. USE OF ESTIMATES:

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

C. FIXED ASSETS AND DEPRECIATION:

- a. Fixed Assets are stated at cost net of credits under Cenvat/VAT Schemes. All costs relating to the acquisition including freight and installation of Fixed Assets are capitalised and also include interest on borrowings upto the date of capitalisation.
- b. Depreciation:
 - (i) Depreciation on Buildings, Plant and Machinery, Moulds and a part of Other Assets has been provided on straight line method at the rates and on the basis as specified in Schedule XIV to the Companies Act, 1956, and in respect of vehicles and a part of Other Assets where, based on management's estimate of the useful life of the assets, higher depreciation has been provided on straight line method at the rate of 20%.

- (ii) Assets acquired/purchased costing less than Rupees Five Thousand have been depreciated at the rate of 100%.
- (iii) Depreciation on Renewable Energy Saving Devices, viz., Windmills, is being charged on Reducing Balancing Method, as Continuous Process Plant at the rates and on the basis as specified in Schedule XIV to the Companies Act, 1956.
- (iv) Leasehold Land is amortised over the period of the lease.
- (v) Intangible Assets are amortised over 5 years commencing from the year in which the expenditure is incurred.

D. IMPAIRMENT OF ASSETS:

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

E. INVESTMENTS:

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost or fair value. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

F. INVENTORIES:

Inventories consisting of stores and spares, raw materials, stock-in-process, stock-in-Trade and finished goods are valued at lower of cost and net realisable value.

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

Stock in process and Finished Goods inventories include materials, labour cost and other related overheads.

G. REVENUE RECOGNITION:

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

H. EXCISE DUTY:

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

I. RESEARCH AND DEVELOPMENT:

Revenue expenditure on Research and Development is charged to the Statement of Profit and Loss of the year in which it is incurred. Capital expenditure on Research and Development is included as additions to Fixed Assets.

J. TAXATION:

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

Deferred Tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been enacted or substantially enacted on the Balance Sheet date. The Deferred Tax Asset is recognised and carried forward only to the extent that there is a reasonable certainty except for carry

forward losses and unabsorbed depreciation which is recognised on virtual certainty that the assets will be adjusted in future.

K. LEASES:

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

L. EMPLOYEE BENEFITS:

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

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

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

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

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

Actuarial gain/loss are charged to the Statement of Profit and Loss and not deferred.



M. FOREIGN CURRENCY TRANSACTIONS:

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

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

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

N. DERIVATIVE TRANSACTIONS:

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

keeping in view the principle of prudence as enunciated in AS-1 "Disclosure on Accounting Policies".

O. BORROWING COSTS:

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

P. WARRANTY:

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

Q. PROVISIONS AND CONTINGENT LIABILITIES:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

NOTE 2: SHARE CAPITAL

	As at 30.09.2011	
	₹ Crore	₹ Crore
Authorised		
90,00,000 Equity Shares of ₹ 10 each	9.00	9.00
1,00,000 Taxable, Redeemable Cumulative Preference Shares of ₹ 100 each	1.00	1.00
	10.00	10.00
Issued		
42,41,214 Equity shares of ₹ 10 each (Includes 71 bonus shares not issued and not allotted on non-payment of call monies)	4.24	4.24
Subscribed and Fully Paid up		
42,41,143 Equity Shares of ₹ 10 each	4.24	4.24
	4.24	4.24

- (a) Rights, preferences and restrictions attached to shares:

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

- (b) Shareholders holding more than 5 percent of the equity shares:

	As at 30.09.2011	
Name of Shareholder	No. of Shares held	No. of Shares held
1) Comprehensive Investment and Finance Company Private Limited	422,069	408,472
2) MOWI (P) Limited	507,984	507,984
3) Enam Shares and Securities Private Ltd.	266,713	218,374



NOTE 3: RESERVES AND SURPLUS

	As at 30.09.2011	
	₹ Crore	₹ Crore
Securities Premium Account		
As per last Account	9.42	9.42
General Reserve		
As per last Account	2266.17	1677.02
Add: Transfer from Surplus in the Statement of Profit and Loss	531.23	589.15
	2797.40	2266.17
Debenture Redemption Reserve		
As per last Account	17.94	-
Add: Transfer from Surplus in the Statement of Profit and Loss	28.80	17.94
	46.74	17.94
Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	-	-
Profit for the year	572.36	619.42
Less: Appropriations		
Dividends		
Interim (₹ 6 per share)	2.54	2.54
Final - Proposed (₹ 19 per share)	8.06	8.06
Corporate Tax on Dividend	1.73	1.73
Transfer to Debenture Redemption Reserve	28.80	17.94
Transfer to General Reserve	531.23	589.15
Balance in the Statement of Profit and Loss	-	-
	2853.56	2293.53

NOTE 4: LONG-TERM BORROWINGS

	Non-current As at 30.09.2011		Current maturities As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Secured				
Term Loans from Banks:				
External Commercial Borrowings (ECB)	204.62	29.40	31.29	29.40
Debentures:				
2000 9.07% Secured Redeemable Non-Convertible				
Debentures of ₹ 10,00,000 each, privately placed	200.00	200.00	-	-
5000 10.09% Secured Redeemable Non-Convertible				
Debentures of ₹ 10,00,000 each, privately placed	500.00	500.00	-	-
Unsecured				
Term Loan from a Bank:				
Buyers Line of Credit	83.38	83.38	-	-
Others	-	-	-	175.00
Fixed Deposits	17.15	37.71	31.76	13.33
Sales Tax Deferral Scheme	70.51	77.00	6.50	3.92
Others				
Deferred Payment Credit	27.05	34.00	6.96	6.43
Amounts disclosed under the head 'Other Current Liabilities' (Note 10)			(76.51)	(228.08)
	1102.71	961.49	-	-

Security and Terms of Repayment in respect of above borrowings are detailed in Note 27(o)

NOTE 5 : DEFERRED TAX LIABILITIES (Net)

	As at 30.09.2011	
	₹ Crore	₹ Crore
Deferred Tax Liability:		
Arising on account of timing difference in:		
- Depreciation	203.88	154.55
Deferred Tax Asset:		
- Accrued Expenses allowable on Actual Payments	(17.16)	(12.75)
Deferred Tax Liabilities (Net)	186.72	141.80

NOTE 6 : OTHER LONG-TERM LIABILITIES

	As at 30.09.2011	
	₹ Crore	₹ Crore
Dealers' Security Deposit	902.64	769.72
Others	5.39	6.03
	908.03	775.75



NOTE 7 : PROVISIONS

	Long-Term As at 30.09.2011		Short-Term As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Provision for employee benefits				
Leave benefits	11.33	8.40	1.59	2.26
Gratuity	-	-	17.94	20.27
Other Benefits	5.15	5.32	1.29	0.84
Tax (Net of advance Tax paid)	-	-	45.45	63.11
Dividend				
Interim	-	-	1.27	1.27
Final - Proposed	-	-	8.06	8.06
Corporate Tax on Dividend	-	-	1.52	1.52
Other Provisions (Note 27(g))	70.81	35.91	70.12	59.44
	87.29	49.63	147.24	156.77

NOTE 8 : SHORT-TERM BORROWINGS

	As at 30.09.2011	
	₹ Crore	₹ Crore
Secured		
Working Capital Facilities from Banks	528.72	410.07
	528.72	410.07

Nature of security:

Secured by hypothecation of stock-in-trade, stores and spare parts and book debts

NOTE 9 : TRADE PAYABLES

Trade Payables (Note 27(k))	614.53 *	581.82
Acceptances	324.90	434.01
	939.43	1015.83

* Includes due to a Subsidiary company ₹ 0.12 crore

NOTE 10 : OTHER CURRENT LIABILITIES

As at 30.09.2011

	₹ Crore	₹ Crore
Current maturities of long-term borrowings (Note 4)	76.51	228.08
Interest accrued but not due on borrowings	43.35	38.11
Advances from Customers	25.96	15.41
Statutory dues :		
Central Excise/Service Tax	46.94	32.38
Value Added Tax/Central Sales Tax	111.53	96.32
Withholding Taxes	6.13	5.27
Others	3.97	3.32
Other payables:		
Employee benefits	24.06	21.21
Liabilities for expenses	114.08	85.01
Unclaimed Dividends	1.49	1.44
Matured Fixed Deposits and Interest	0.31	0.24
	454.33	526.79

There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

NOTE 11 : FIXED ASSETS

₹ Crore

Nature of Fixed Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01-10-2011	Additions	Deductions/ Adjustments	Cost as at 30-09-2012	Upto 30-09-2011	Provided during the year	Deductions/ Adjustments	Upto 30-09-2012	As at 30-09-2012	As at 30-09-2011
Tangible Assets										
Land	96.04	0.02	-	96.06	1.36	0.09	-	1.45	94.61	94.68
Buildings	511.26	295.74	-	807.00	88.75	19.49	-	108.24	698.76	422.51
Plant & Machinery	2753.74	867.11	3.36	3617.49	1455.62	235.74	3.35	1688.01	1929.48	1298.12
Moulds	292.44	40.14	4.74	327.84	208.36	25.32	4.73	228.95	98.89	84.08
Furniture & Fixtures	14.97	1.50	0.47	16.00	10.84	1.70	0.39	12.15	3.85	4.12
Computer	30.65	2.98	0.41	33.22	22.59	3.81	0.41	25.99	7.23	8.06
Office Equipment	22.69	2.29	0.49	24.49	16.27	2.26	0.48	18.05	6.44	6.41
Other Assets	76.72	25.15	1.76	100.11	34.03	7.61	1.69	39.95	60.16	42.71
Vehicles	18.37	4.33	1.87	20.83	11.49	2.74	1.79	12.44	8.39	6.88
Total Tangible Assets	3816.88	1239.26	13.10	5043.04	1849.31	298.76	12.84	2135.23	2907.81	1967.57
Previous year	3354.58	486.89	24.59	3816.88	2030.78	244.71	426.18	1849.31	1967.57	
Intangible Assets										
Computer Software	14.94	4.53	-	19.47	11.13	2.35	-	13.48	5.99	3.81
Total Intangible Assets	14.94	4.53	-	19.47	11.13	2.35	-	13.48	5.99	3.81
Previous year	13.32	1.62	-	14.94	8.21	2.92	-	11.13	3.81	5.11
Capital Work-In-Progress									414.65	1042.25
Grand Total									3328.45	3013.63

Note:

Land includes Agriculture Land - ₹ 0.12 crore and Leasehold Land ₹ 4.33 crore.



NOTE 12 : NON-CURRENT INVESTMENTS

	Face Value		As at 30.09.2011
	₹	₹ Crore	₹ Crore
Non-Trade - Fully Paid up			
Quoted			
23,333 Equity Shares in ICICI Bank Ltd.	10	0.09	0.09
2,000 Equity Shares in EIH Associated Hotels Ltd.	10	*	*
4,000 Equity Shares in Housing Development Finance Corporation Ltd.	2	*	*
33 Equity Shares in JK Tyres & Industries Ltd.	10	*	*
2 Equity Shares in Bengal & Assam Company Limited	10	*	*
400 Equity Shares in HDFC Bank Ltd.	10	*	*
Aggregate Book Value of Quoted Investments		0.09	0.09
Unquoted			
In Mutual Fund Units:			
Income Plan:			
82,485 Templeton India Short Term Income Plan Institutional	1000	12.00	12.00
27,20,037 HDFC - High Interest Fund - Short Term	10	5.00	5.00
59,46,232 HDFC Short Term Plan - Growth	10	10.00	10.00
1,69,91,456 Birla Sun Life Dynamic Bond Fund - Retail	10	25.00	25.00
60,95,089 Reliance Short Term Fund - Retail Plan	10	10.00	10.00
27,17,258 ICICI Prudential Institutional Short-Term Plan - Cumulative Option	10	5.00	5.00
- (26,198) UTI Money Market Mutual Fund - IGP (Redeemed during the year)	1000	-	3.00
21,27,358 (-) UTI Fixed Income Interval Fund Annual Interval Plan III - IGP (Purchased during the year)	10	3.00	-
Subsidiary Companies:			
50,100 Equity Shares in MRF Corp Ltd.	10	*	*
5,32,470 Equity Shares in MRF International Ltd.	10	0.53	0.53
1,12,50,000 Equity Shares in MRF Lanka Pvt. Ltd.	Sri Lankan Rupee 10	4.98	4.98
Others:			
1,48,500 Equity Shares in Funschool (India) Ltd.	10	0.15	0.15
- (17,50,000) Equity Shares in Arkay Energy (Rameswaram) Ltd. (Sold during the year)	10	-	1.75
65,000 Equity Shares in Mammen Mappillai Investments Pvt. Ltd.	10	0.07	0.07
1,00,000 Equity Shares in M M Research Company Pvt. Ltd.	10	0.10	0.10
1,600 Ordinary Shares in MRF Employees Co-operative Society Ltd.	25	*	*
50 Ordinary Shares in The Ranipet Leather Finishing Servicing Industrial Co-operative Society Ltd.	100	*	*
10 Ordinary Shares in Co-operative Housing Societies	50	*	*
5 Equity Shares in Chennai Willingdon Corporate Foundation	10	*	*

	Face Value	As at 30.09.2011	
	₹	₹ Crore	₹ Crore
59,780 Equity Shares in PPS Enviro Private Ltd.	10	0.22	-
3,75,000 Equity Shares in Sai Regency Power Corporation Pvt. Ltd.	10	0.38	-
		76.43	77.58
Less: Provision for diminution in value of Investments		4.98	4.98
Aggregate Book Value of Unquoted Investments		71.45	72.60
		71.54	72.69
Aggregate Market Value of Quoted Investments		2.83	2.35

Figures in brackets are in respect of previous year.

Figures below ₹ 50000 are denoted by an *

NOTE 13 : LOANS & ADVANCES

	Long-Term As at 30.09.2011		Short-Term As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Unsecured, Considered Good				
Capital Advances	18.60	92.99	-	-
Loan & Advances to Employees	3.30	3.87	9.71	11.54
Loan to Subsidiaries	19.62	19.37	-	-
Advances Recoverable in cash or in kind	1.79	1.83	103.74 *	67.85 *
Balances with Excise Authorities	-	-	34.51	66.74
Advance payment of Income Tax/Tax Deducted at Source (after adjusting provision)	13.92	28.37	-	-
MAT credit entitlement	-	-	55.46	35.90
	57.23	146.43	203.42	182.03

* Includes due from a subsidiary company ₹ 0.01 crore (Previous Year - ₹ 0.43 crore)

NOTE 14 : OTHER ASSETS

	Non-current As at 30.09.2011		Current As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Unsecured, Considered Good				
Interest Accrued on Loans, Deposits etc.	-	-	0.75 *	0.46 *
Dividend Accrued	-	-	-	0.15
Prepaid Expenses	-	-	6.47	5.91
Deposits	27.80	21.15	-	-
Non-current Bank Balances (Note 18)	1.26	1.26	-	-
Others	1.40	1.33	-	-
	30.46	23.74	7.22	6.52

* Includes due from a subsidiary company ₹ 0.09 crore (Previous Year - ₹ 0.21 crore)



NOTE 15 : CURRENT INVESTMENTS

		Face Value	As at 30.09.2011	
		₹	₹ Crore	₹ Crore
Non-Trade - Fully Paid up				
Unquoted	In Mutual Fund Units:			
	Income Plan - Growth:			
1,13,780	UTI Liquid Cash Plan Institutional	1000	20.00	-
2,69,076	UTI Treasury Advantage Fund - Institutional Plan	1000	40.00	-
31,70,000	UTI Fixed Term Income Fund Series XI-IX (368 days)	10	3.17	-
12,15,844	ICICI Prudential Floating Rate	100	20.00	-
1,15,318	Reliance Liquid Fund-Cash Plan-Growth Option	1000	20.00	-
66,722	Reliance Money Manager Fund	1000	10.00	-
1,66,07,563	HDFC Cash Management Fund - Treasury Advantage - Wholesale	10	40.00	-
93,19,795	HDFC Liquid Fund - Premium Plan	10	20.00	-
52,41,969	HDFC Floating Rate Income Fund - Wholesale Option	10	10.00	-
14,06,187	Birla Sun Life Floating Rate Fund - Short Term - IP	100	20.00	-
18,91,226	Birla Sun Life Cash Manager - Institutional Plan	100	35.00	-
45,53,52,512	Templeton India Ultra Short Bond Fund Super Institutional Plan	10	30.00	-
1,84,70,651	Kotak Flexi Debt Scheme Plan A	10	25.00	-
1,14,04,589	Kotak Floater Short Term	10	20.00	-
55,90,840	Kotak Floater Long Term	10	10.00	-
2,07,399	SBI SHF - Ultra Short-Term Fund - Institutional Plan	1000	30.00	-
			353.17	-

NOTE 16 : INVENTORIES

		As at 30.09.2011	
		₹ Crore	₹ Crore
At lower of cost and net realisable value			
	Raw materials	718.93	657.49
	Stock-in-process	213.87	223.86
	Finished goods	603.72	559.36
	Stock-in-Trade	11.46	8.50
	Stores and spares	97.61	76.81
		1645.59	1526.02

NOTE 17 : TRADE RECEIVABLES

		As at 30.09.2011	
		₹ Crore	₹ Crore
Overdue for a period exceeding six months			
Unsecured	- Considered Good	7.32	2.26
	- Considered Doubtful	2.64	2.64
Less:	Provision for Doubtful Debts	(2.64)	(2.64)
		7.32	2.26
Others			
	Secured	849.95	706.21
	Unsecured	596.82 *	600.39 *
		1454.09	1308.86

* Includes due from a subsidiary company - ₹ 6.92 crore (Previous Year - ₹ 8.89 crore).

NOTE 18 : CASH & BANK BALANCES

		Non-current		Current	
		As at 30.09.2011		As at 30.09.2011	
		₹ Crore	₹ Crore	₹ Crore	₹ Crore
Cash & Cash equivalents:					
Balances with banks:					
	In Current Accounts	-	-	15.00	8.54
	In Foreign Bank Accounts	-	-	0.14	0.07
	Cash & Cheques on hand	-	-	44.48	45.93
		-	-	59.62	54.54
Other Bank Balances:					
	In Deposit Accounts	1.26	1.26	-	-
	In Unpaid Dividend Account	-	-	1.48	1.44
		1.26	1.26	1.48	1.44
Amounts disclosed under 'Non-Current Assets' (Note 14)		(1.26)	(1.26)	-	-
		-	-	61.10	55.98



NOTE 19 : REVENUE FROM OPERATIONS

	Year ended 30.09.2011	
	₹ Crore	₹ Crore
Sales:		
Finished Goods	13054.03	10637.03
Other Operating Revenues - Export Incentives	7.72	7.83
	13061.75	10644.86

Details of sales under broad heads:

Class of Goods :		
Automobile Tyres	11486.88	9153.62
Automobile Tubes	1047.73	927.29

NOTE 20 : OTHER INCOME

Dividend on Investment (other than Trade)	0.05	0.19
Interest:		
On Deposits, etc.	1.19	0.80
From a Subsidiary	0.38	0.37
	1.57	1.17
Profit on Sale of Investments(Net)	0.01	0.37
Profit on fixed assets sold/discarded (Net)	0.37	10.84
Insurance Claims (Note 27 (q))	17.07	-
Miscellaneous Receipts	12.94	12.74
	32.01	25.31

NOTE 21 : COST OF MATERIALS CONSUMED

	Year ended 30.09.2011	
	₹ Crore	₹ Crore
Cost of materials consumed		
Opening Stock	657.49	594.70
Add: Purchases	8405.71	7441.95
	9063.20	8036.65
Less: Closing Stock	718.93	657.49
	8344.27	7379.16
Details of Raw Materials consumed under broad heads:		
Rubber	5265.04	4851.70
Carbon Black	1041.53	777.93
Fabric	1096.54	957.08
Chemicals	694.22	573.86

NOTE 22 : CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-PROCESS & STOCK-IN-TRADE

Closing Stock:		
Finished Goods	603.72	559.36
Stock-in-Trade	11.46	8.50
Stock-in-Process	213.87	223.86
	829.05	791.72
Less: Opening Stock:		
Finished Goods	559.36	304.98
Stock-in-Trade	8.50	7.84
Stock-in-Process	223.86	147.16
	791.72	459.98
Differential Excise Duty on Opening and Closing stock of Finished Goods	19.50	26.63
	(17.83)	(305.11)


Details of Inventory under broad heads:

₹ Crore

Class of Goods	Finished Goods		Stock-in-Trade		Stock-in-process	
	Opening Stock	Closing Stock	Opening Stock	Closing Stock	Opening Stock	Closing Stock
Automobile Tyres	453.21	474.71	-	-	145.81	137.92
Automobile Tubes	53.47	67.74	-	-	6.16	6.44
T & S Equipments	-	-	2.17	4.37	-	-

NOTE 23 : EMPLOYEE BENEFITS EXPENSE

 Year ended
30.09.2011

₹ Crore ₹ Crore

Salaries, Wages, Bonus and Allowances	411.75	353.37
Company's Contribution to Provident, Gratuity and Other Funds	43.62	41.80
Welfare Expenses	58.32	51.58
	513.69	446.75

NOTE 24 : FINANCE COSTS

Interest on Loans	150.29	89.47
Interest on Deferred Payment Credit	3.02	3.55
Bank Charges	5.47	4.65
	158.78	97.67

NOTE 25 : DEPRECIATION & AMORTISATION EXPENSE

Depreciation on tangible assets	298.76	244.71
Amortisation on intangible assets	2.35	2.92
	301.11	247.63

NOTE 26 : OTHER EXPENSES

		Year ended 30.09.2011
	₹ Crore	₹ Crore
Stores and Spares Consumed	219.84	203.02
Power and Fuel	618.51	436.91
Processing Expenses	94.31	88.92
Rent	26.39	20.72
Rates and Taxes	8.30	7.37
Insurance	7.38	4.78
Printing and Stationery	3.34	3.41
Repairs and Renewals:		
Buildings	13.43	12.57
Plant and Machinery	50.47	44.74
Other Assets	16.21	14.20
Travelling & Conveyance	28.27	26.94
Communication Expenses	5.04	5.61
Vehicle Expenses	3.59	3.17
Auditors' Remuneration:		
As Auditors:		
Audit fee (Including ₹ 0.06 crore for previous year)	0.30	0.18
Tax Audit fee	0.05	0.05
Other Services	0.03	0.05
Reimbursement of Expenses etc.	0.15	0.17
	0.53	0.45
Cost Auditors' Remuneration:		
Audit fee	0.05	0.02
	0.05	0.02
Directors' fees	0.05	0.03
Directors' Travelling Expenses	2.64	1.82
Advertisement	115.26	101.95
Warranty	4.61	0.51
Sales tax absorbed by the Company	3.32	0.20
Bad debts written off	-	0.09
Commission and Discount	186.16	144.54
Freight and Forwarding (Net)	265.91	218.10
Net Loss on Foreign Currency Transactions	32.96	8.98
Miscellaneous Expenses	36.00	30.89
	1742.57	1379.94



NOTE 27 : ADDITIONAL DISCLOSURES:

		Year ended 30.09.2011	
		% of total Consumption	Value ₹ Crore
a.	(i) Value of imported/indigenous raw material/stores & spares consumed :		
	Raw Materials		
	Imported at landed cost	40.18	3352.72
	Indigenous	59.82	4991.55
		100.00	8344.27
	Stores and Spares		
	Imported at landed cost	7.19	15.80
	Indigenous	92.81	204.04
		100.00	219.84
(ii)	Details of Purchase of Traded Goods under broad heads:		
		Year ended 30.09.2011	
		₹ Crore	₹ Crore
	T & S Equipments	21.51	27.87
(iii)	CIF Value of Imports:		
	a. Raw Materials	3117.57	2307.66
	b. Components and Spare Parts	41.24	38.17
	c. Capital Goods	144.82	339.01
iv)	Earnings in Foreign Exchange:		
	FOB Value of Exports	1280.55	823.30
	Others	1.28	0.38
(v)	Expenditure in Foreign Currency paid or payable by the Company:		
	a. Interest and Finance Charges	13.04	5.88
	b. Professional and Consultation fees	3.12	3.01
	c. Commission and Discount	0.09	0.12
	d. Travelling	2.54	2.13
	e. Advertisements	17.32	12.28
	f. Others	9.40	9.43
b.	The amount due and paid during the year to “Investor Education and Protection Fund” is ₹ 0.13 crore (Previous Year - ₹ 0.11 crore)		

c. Earnings Per Share				Year ended 30.09.2011
Profit after taxation	₹ Crore	572.36		619.42
Number of equity shares (Face Value ₹ 10)	Nos.	4241143		4241143
Earnings per share	₹	1349.52		1460.50

- d. The Company enters into Forward Exchange Contracts, Currency Swaps and Interest Rate Swaps being derivative instruments, which are not intended for trading or speculative purposes, but for hedging purposes, to establish the amount of reporting currency required or available at the date of settlement of certain payables and receivables.

The outstanding position and exposures are as under :

- (i) Derivative instruments as on 30th September, 2012:

Particulars	Currency	Amount	₹ in Crore	Nature	Cross Currency
Currency Swap	Japanese yen (JPY)	704.26 Million	31.29	ECB Loan	USD
Currency/Interest Rate Swap	USD	40.00 Million	204.62	ECB Loan	INR
Currency/Interest Rate Swap	USD	18.47 Million	83.38	Buyer's Line of Credit	INR

- (ii) Forward Contract Outstanding as on 30th September, 2012:

Particulars	Currency	Amount	₹ in Crore	Nature
Forward Contract	USD	6.00 Million	31.29	ECB Loan
Forward Contract	USD	49.90 Million	273.96	Buyer's Line of Credit
Forward Contract	USD	53.32 Million	295.23	Import purchase

(The amount of premium carried forward to be accounted in the subsequent year - ₹ 3.73 crore (Previous Year - ₹ 6.12 crore).

- (iii) Un-hedged foreign currency exposure is ₹ 106.30 crore, net payable (Previous Year - ₹ 103.45 crore).

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

Subsidiary Companies	Balance as at	Maximum Balance during the year
	30.09.2011	30.09.2011
MRF Lanka Pvt. Ltd.	4.00	4.00
MRF Corp Limited	15.62	15.62

Note: Loans to employees have been considered to be outside the purview of disclosure requirements.

- f. The Company's leasing arrangements are in respect of operating leases for premises (residential, office, godowns, etc). The leasing arrangements, which are not non-cancellable, range between eleven months and three years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.



g. Movement in provisions as required by Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Asset".

	As at 01.10.2011	Provided during the year	Paid during the year	Reversed during the year	(₹ Crore) As at 30.09.2012
(i) Warranty	34.12 (33.64)	4.61 (0.48)	- -	- -	38.73 (34.12)
(ii) Litigation and related disputes	30.42 (30.61)	34.91 (9.16)	- -	2.27 (9.35)	63.06 (30.42)

Notes :

- (i) Cash outflow towards warranty provision would generally occur during the next two years. Such claims are netted off from sales.
 - (ii) Litigation and related disputes represents estimates mainly for probable claims arising out of litigation/disputes pending with authorities under various statutes (i.e. Service Tax, Excise & Customs Duty, Power Charges, Cess, etc.). The probability and the timing of the outflow with regard to these matters will depend on the consequent decision/conclusion by the Management.
- h. (i) Provision for Taxation has been made in respect of the income presently determined for the period 1st April, 2012 to 30th September, 2012 which is subject to appropriate revision/adjustment on final determination of income for the year to end on 31st March, 2013, relevant to assessment year 2013-14. Further, provision for the assessment year 2012-13 has been determined and adjusted considering the provision already made in the accounts for the year ended 30th September, 2011.
- (ii) Subject to final determination of income for the year to end on 31st March, 2013, relevant to assessment year 2013-14, no effect has been given in the accounts for the amount of Minimum Alternative Tax set-off to be availed by the Company.
- i. Related party disclosures:
- (a) Names of related parties and nature of relationship where control exists are as under:
 - Subsidiary Companies:
 - i) MRF Corp Ltd.
 - ii) MRF International Ltd.
 - iii) MRF Lanka (Private) Ltd.
 - (b) Names of other related parties and nature of relationship:
 - Key Management Personnel:
 - i) Mr. K.M. Mammen, Chairman & Managing Director
 - ii) Mr. K.M. Philip, Whole-time Director
 - iii) Mr. Arun Mammen, Managing Director
 - iv) Mr. Rahul Mammen Mappillai, Whole-time Director
 - Relatives of Key Management Personnel:
 - Mr. Samir Thariyan Mappillai (Son of Chairman & Managing Director)

(c) Transactions with related parties:

Nature of Transactions

	₹ Crore			
i) Subsidiary Companies:	MRF Lanka (Private) Ltd.		MRF Corp Limited	
	30.09.2011		30.09.2011	
Sale of Materials	1.44	6.07	0.58	1.72
Purchase of Materials	-	-	2.47	1.60
Sale of Finished Goods	1.19	0.13	-	-
Sale of Machinery	-	-	-	0.38
Interest received	0.39	0.37	-	-
Interest Paid	-	-	0.01	0.01
Outstanding:				
Loan Receivable	4.00	4.00	15.62	15.37
Trade Receivable	6.92	7.25	-	1.64
Other Receivables	0.09	0.21	0.01	0.43
Deposit Payable	-	-	0.14	0.14
Trade Payable	-	-	0.12	-
ii) Key Management Personnel:	Remuneration		Interest Paid	
	30.09.2011		30.09.2011	
Mr. K.M. Mammen	2.87	3.49	0.12	0.14
Mr. K.M. Philip	2.79	2.60	-	-
Mr. Arun Mammen	2.58	2.33	0.15	0.16
Mr. Rahul Mammen Mappillai	0.82	0.59	0.02	0.02
	Deposit Outstanding		Commission Payable	
	30.09.2011		30.09.2011	
Mr. K.M. Mammen	1.08	1.58	0.69	0.63
Mr. K.M. Philip	-	-	0.69	0.63
Mr. Arun Mammen	1.72	1.72	0.63	0.57
Mr. Rahul Mammen Mappillai	0.17	0.17	0.20	0.14
iii) Relatives of Key Management Personnel:				
Mr. Rahul Mammen Mappillai	-	0.05	-	-
Mr. Samir Thariyan Mappillai	0.17	0.09	0.09	0.10

Note - No amounts have been written off/written back during the year.



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

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

The information given below and that given in Note 9 'Trade Payables' regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

	30.09.2011	
	₹ Crore	₹ Crore
(i) Principal amounts due to suppliers under MSMED	8.59	6.93
(ii) Interest accrued and due to suppliers under MSMED on above amount, unpaid	0.02	0.02
(iii) Payments made to suppliers (other than interest) beyond the appointed date during the year	14.99	3.81
(iv) Interest paid to suppliers under the MSMED	-	-
(v) Interest due and payable towards suppliers under MSMED Act towards payments already made	0.12	0.01
(vi) Amount of cumulative interest accrued and unpaid as at the year end	0.30	0.03

l. The total borrowing cost capitalised during the year is ₹ 49.94 crore (Previous Year - ₹ 18.87 crore).

m. a) In terms of the guidance on implementing the revised AS 15 issued by the Accounting Standard Board of the Institute of Chartered Accountants of India, the Provident Fund Trust set up by the Company is treated as Defined Benefit Plan since the Company has to meet the shortfall in the fund assets, if any. However, as at the year end, no shortfall remains unprovided for. Further, having regard to the assets of the Fund and the Return on the Investments, the Company does not expect any deficiency in the foreseeable future. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as at 31st March, 2012.

The assumptions used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

Projection is restricted to five years or earlier, if retirement occurs.

Expected guaranteed interest rate - 8.25%

Discount rate - 8.00%

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

	30.09.2011	
	₹ Crore	₹ Crore
i) Employer's contribution to Provident Fund & Family Pension Fund*	20.61	17.53
ii) Employer's contribution to Superannuation Fund *	4.74	4.10

* Included in "contribution to Provident and other Funds" (Note 23).

iii) Defined benefit obligation:		30.09.2011
a) Gratuity - Funded	₹ Crore	₹ Crore
Service Cost	7.96	5.92
Interest Cost	8.06	6.93
Actual return on plan assets	(7.79)	(6.19)
Actuarial (Gain)/Loss	5.44	7.53
Net Cost	13.67	14.19
b) Leave Encashment - Unfunded	5.00	3.72
c) Post Retirement Medical Benefit - Unfunded	0.23	0.62
	Gratuity - Funded	
	₹ Crore	₹ Crore
d) Reconciliation of benefit obligation and plan assets for the year:		
Present value of defined benefit obligation	115.43	100.80
Fair value of plan assets	97.49	80.53
Net Asset/(Liability) as at 30th September, 2012 recognised in the Balance Sheet	(17.94)	(20.27)
e) Change in defined benefit obligation:		
Present value of obligation as at 1st October, 2011	100.80	86.71
Service Cost	7.96	5.92
Interest Cost	8.06	6.93
Actuarial (Gain)/Loss	5.44	7.53
Benefits paid	(6.83)	(6.29)
Present value of obligation as at 30th September, 2012	115.43	100.80
f) Change in fair value of plan assets:		
Fair value of plan assets as at 1st October, 2011	80.53	74.14
Actual return on plan assets	7.79	6.19
Contribution by employer	16.00	6.49
Actuarial Gain/(Loss)	-	-
Benefits paid	(6.83)	(6.29)
Fair value of plan assets as at 30th September, 2012	97.49	80.53



g) The principal actuarial assumptions:		30.09.2011
Discount rate	8.00%	8.00%
Salary escalation rate	5.50%	5.50%
Expected rate of return on plan assets	8.00%	8.00%

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

				(₹ Crore)
h) Amounts for the current and previous periods are as under;		30.09.2011	30.09.2010	30.09.2009
Defined Benefit Obligation	115.43	100.80	86.71	73.45
Plan Assets	97.49	80.53	74.14	62.87
Deficit/(Surplus)	17.94	20.27	12.57	10.58

Experience adjustments on plan assets Not Available *

Experience adjustments on plan liabilities Not Available *

* The management has relied on the overall actuarial valuation conducted by the Actuary. However, experience adjustments on plan assets and liabilities are not readily available and hence not disclosed.

i) Investment of plan assets as at 30th September, 2012:		
Investments with Life Insurance Corporation of India	100%	100%
		30.09-2011
iv) Other Long-Term Employee Benefits:	₹ Crore	₹ Crore
Present value of obligation as at 30th September, 2012		
Leave Encashment	12.93	10.66
Post Retirement Medical Benefits	5.55	5.46

n. (i) Revenue expenditure on Research and Development activities during the year 2011-12:

		Year ended 30.09.2011
	₹ Crore	₹ Crore
1) Salaries, Wages and Other Benefits	12.56	10.50
2) Repairs and Maintenance	1.00	1.11
3) Power	1.35	1.03
4) Travelling and Vehicle Running	2.97	2.75
5) Cost of Materials/Tyres used for Rallies/Test Purpose	3.23	2.72
6) Other R & D Expenses	3.14	2.40
	<u>24.25</u>	<u>20.51</u>

(ii) Capital Expenditure on research and development during the year, as certified by the management is ₹ 7.50 crore (Previous Year - ₹ 1.39 crore).

This information complies with the terms of the R&D recognition granted up to 31st March, 2014 for the Company's in-house Research and Development activities by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, vide their Letter No.TU/IV-RD/118/2010 dated 30th April, 2010.

o. Security Description and Terms of repayment of Long-Term Borrowings:

- i) ECB from The Bank of Tokyo - Mitsubishi UFJ, Ltd. is secured by a first charge on plant and machinery situated at its Puducherry Unit. Interest is payable at a rate equal to the 6 month BTMU LIBOR plus margin of 1.55% payable half-yearly. The said loan is fully hedged and is repayable in 3 equal annual instalments at the end of the 4th, 5th and 6th year beginning October 2015.
- ii) ECB from Credit Agricole is secured by a first charge on specific items of plant and machinery situated at its Units at Kottayam, Goa and Arkonam. Interest is payable at a rate equal to the 6 month LIBOR for JPY plus a margin of 0.58% payable half-yearly. The said loan is fully hedged and is repayable in 2 instalments in February and August 2013.
- iii) The principal amount of debentures, interest, remuneration to Debenture Trustees and all other costs, charges and expenses payable by the Company in respect of debentures are secured by way of a legal mortgage of Company's land at Gujarat and hypothecation of plant and machinery at the Company's plants at Ankenpally, Andhra Pradesh and at Perambalur, near Trichy, Tamil Nadu, equivalent to the outstanding amount.

The NCD's are to be redeemed at par in three instalments as stated below;

Debenture Series	9.07% NCD's		10.09% NCD's	
	₹ Crore	Dates of Redemption	₹ Crore	Dates of Redemption
Series I	65.00	18th January, 2014	160.00	27th May, 2019
Series II	65.00	18th January, 2015	160.00	27th May, 2020
Series III	70.00	18th January, 2016	180.00	27th May, 2021
	<u>200.00</u>		<u>500.00</u>	



- iv) Buyers' Line of Credit availed from a bank for capital expenditure is repayable after a moratorium of 3 years beginning in February 2014 at varied interest rates as applicable on different drawdown dates.
- v) Interest free unsecured loan availed under Sales tax Deferral Scheme is repayable yearly and to end on 1st April, 2019.
- vi) Deferred payment credit is repayable along with interest in 240 consecutive monthly instalments ending in March 2026.
- p. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - ₹ 220.28 crore (Previous year ₹ 346.36 crore).
- q. The Company has filed claims with the Insurance Company for stocks/fixed assets destroyed by fire/cyclone at its godown and Puducherry factory. During the year, a sum of ₹ 0.50 crore was received as interim payment against the said claim.
- r. Contingent Liabilities not provided for:
- (i) Guarantees given by the Banks - ₹ 27.13 crore (Previous Year - ₹ 20.73 crore).
- (ii) Letters of Credit issued by the Banks - ₹ 183.14 crore (Previous Year - ₹ 226.02 crore).
- (iii) Customs Duty on import of equipments and spare parts under EPCG Scheme - ₹ 94.62 crore (Previous Year - ₹ 83.66 crore).
- (iv) Bills discounted with a bank - ₹ 5.89 crore (Previous Year - ₹ Nil).
- (v) Claims not acknowledged as debts:
- (a) Disputed Sales Tax demands pending before the Appellate Authorities - ₹ 1.73 crore (Previous Year - ₹ 3.07 crore).
- (b) Disputed Excise/Customs Duty demands pending before the Appellate Authorities/High Court - ₹ 78.65 crore (Previous Year - ₹ 80.43 crore).
- (c) Disputed Income Tax Demands - ₹ 48.87 crore (Previous Year - ₹ 37.52 crore). Against the said demand the Company has deposited an amount of ₹ 45.93 crore.
- (d) Contested ESI Demands pending before High Court - ₹ Nil (Previous Year - ₹ 0.06 crore).
- s. The Central Government vide notification SO. 447 (E) dated 28th February, 2011, has revised the Schedule VI under the Companies Act, 1956 and the same has become applicable for the Financial Statements to be prepared for the financial year commencing on or after 1st April, 2011. Accordingly, the Company has reclassified the previous year's figures to conform to this year's classification. The adoption of the revised Schedule VI does not impact the recognition and measurement principles followed for the presentation of the Financial Statements.
- t. Figures are rounded off to nearest lakh. Figures below ₹ 50000 are denoted by an *.

Vide our Report of even date

For SASTRI & SHAH

For M. M. NISSIM AND CO.

Chartered Accountants

Chartered Accountants

C. Sri Ram

N. Kashinath

RAVI MANNATH

S. S. VAIDYA

K. M. MAMMEN

Partner

Partner

Company Secretary

V. SRIDHAR

Chairman & Managing Director

Directors

Chennai, Dated 29th November, 2012

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

	MRF CORP LIMITED	MRF INTERNATIONAL LIMITED	MRF LANKA (P) LIMITED
[A] The Financial Year of the Subsidiary Companies	31st March, 2012	30th September, 2012	30th September, 2012
[B] Shares of the Subsidiary held by MRF Limited on the above dates:			
(a) Number and face value	50,100 Equity Shares of ₹ 10 each fully paid-up	5,32,470 Equity Shares of ₹ 10 each fully paid-up	1,12,50,000 Equity Shares of SLR. 10 each fully paid-up
(b) Extent of holding	100% Subsidiary under Sec. 4(1)(b)	95% Subsidiary under Sec. 4(1)(b)	100% Subsidiary under Sec. 4(1)(b)
[C] The net aggregate of Profits/Losses of the Subsidiary Companies so far as it concerns the members of MRF Limited			
(a) not dealt with in the accounts of MRF Limited for the year ended 30th September, 2012 amounted to			
(i) for the subsidiaries financial year ended as in (A) above	Profit ₹ 5,94,23,031	Profit ₹ 10,64,698	Profit ₹ 1,00,96,253
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	Profit ₹ 11,08,117	Profit ₹ 42,88,160	Loss ₹ 8,75,60,063
(b) dealt with in the accounts of MRF Limited for the year ended 30th September, 2012 amounted to			
(i) for the subsidiaries financial year ended as in (A) above	None	None	None
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	None	None	None
[D] Changes in the interest of MRF Limited between the end of the financial year of the Subsidiary Companies and 30th September, 2012	None	None	None
[E] Material changes between the end of the financial year of the Subsidiary Companies and 30th September, 2012	*		
(i) Fixed Assets	None	None	None
(ii) Investments	None	None	None
(iii) Moneys lent by the Subsidiary Companies	None	None	None
(iv) Moneys borrowed by the Subsidiary Companies for any purpose other than meeting current liabilities	None	None	None
* The Company has preferred an insurance claim for stock destroyed by fire on 26th May, 2012 for an amount of ₹ 75 lakhs.			
Chennai	RAVI MANNATH	S. S. VAIDYA	K. M. MAMMEN
Dated: 29th November, 2011	Company Secretary	V. SRIDHAR Directors	Chairman and Managing Director



CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MRF LIMITED, ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th SEPTEMBER, 2012 OF MRF LIMITED AND ITS SUBSIDIARIES

We have audited the attached Consolidated Balance Sheet of MRF Limited ('the Company'), and its subsidiaries (the Company and its subsidiaries constitute the 'Group') as at September 30, 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting

principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements reflect total assets of ₹ 8.63 crore as at 30th September, 2012 and total revenue of ₹ 19.27 crore, and net cash inflows amounting to ₹ 1.06 crore for the year then ended of MRF Lanka Pvt. Limited, a subsidiary. These financial statements have been audited by their auditors whose reports have been furnished to us and our opinion is based solely on the report of their auditors.

The financial statements also reflect total assets of ₹ 32.60 crore as at 31st March 2012 and total revenue of ₹ 83.72 crore, and net cash inflows amounting to ₹ 1.12 crore for the year then ended of MRF Corp Limited, a subsidiary. These financial statements have been audited by their auditors whose reports have been furnished to us and our opinion is based solely on the report of their auditors.

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

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information



of the components, and to the best of our information and according to the explanations given to us, the consolidated financial statements read with notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 30th September, 2012;
- (b) In the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

- (c) In the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

FOR SASTRI & SHAH
Chartered Accountants
Firm Regn. No. 003643S

C. Sri Ram
Partner
Mem. No. 005897

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

N. Kashinath
Partner
Mem. No. 36490

Chennai, Dated 29th November, 2012

MRF LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2012

	Note	₹ Crore	As at 30.09.2011 ₹ Crore
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	4.24	4.24
Reserves & Surplus	3	2856.84	2289.90
		2861.08	2294.14
Minority Interest		0.09	0.08
Non-Current Liabilities			
Long-Term Borrowings	4	1102.57	961.35
Deferred Tax Liabilities (Net)	5	186.79	141.80
Other Long-Term Liabilities	6	908.03	775.75
Long-Term Provisions	7	88.29	49.67
		2285.68	1928.57
Current Liabilities			
Short-Term Borrowings	8	528.72	410.07
Trade Payables	9	945.16	1015.99
Other Current Liabilities	10	459.21	526.92
Short-Term Provisions	7	147.84	156.79
		2080.93	2109.77
TOTAL		7227.78	6332.56
ASSETS			
Non-Current Assets			
Fixed Assets	11		
Tangible Assets		2912.76	1968.69
Intangible Assets		6.07	3.81
Capital Work-In-Progress		414.65	1042.25
		3333.48	3014.75
Non-Current Investments	12	71.52	72.87
Long-Term Loans & Advances	13	38.14	142.58
Other Non-Current Assets	14	30.85	23.83
		3473.99	3254.03
Current Assets			
Current Investments	15	357.77	-
Inventories	16	1664.75	1528.98
Trade Receivables	17	1454.11	1302.44
Cash & Bank Balances	18	64.80	57.21
Short-Term Loans & Advances	13	203.90	181.82
Other Current Assets	14	8.46	8.08
		3753.79	3078.53
TOTAL		7227.78	6332.56
Significant Accounting Policies	1		-

The Notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012



MRF LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

	Note	₹ Crore	Year ended 30.09.2011 ₹ Crore
INCOME			
Revenue from operations (Gross)	19	13167.47	10653.50
Less: Excise Duty		1200.15	901.69
Revenue from operations (Net)		11967.32	9751.81
Other income	20	31.90	24.99
Total Revenue		11999.22	9776.80
EXPENSES			
Cost of materials consumed	21	8411.51	7385.60
Purchase of Stock-in-Trade (Note 33)		26.70	33.09
Changes in Inventories of Finished Goods, Stock-in-process & Stock-in-Trade	22	(28.01)	(305.71)
Employee benefits expense	23	521.43	447.15
Finance costs	24	158.84	97.73
Depreciation & Amortisation expense	25	301.81	248.24
Other expenses	26	1763.69	1381.82
Total Expenses		11155.97	9287.92
PROFIT BEFORE EXCEPTIONAL ITEM		843.25	488.88
Add: Exceptional Item:			
Excess Depreciation reversal in respect of earlier years		-	404.23
PROFIT BEFORE TAX		843.25	893.11
Tax expense:			
Current tax		238.51	154.01
MAT Credit entitlement		(19.56)	(35.90)
Deferred tax		44.99	156.89
(Excess)/Short Provision of earlier years		(0.10)	(0.67)
		263.84	274.33
		579.41	618.78
Transfer to Minority Interest		0.01	0.01
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		579.40	618.77
Basic & diluted - Earnings per equity share:	30	1366.14	1458.97
Significant Accounting Policies	1		

The Notes are an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012

MRF LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2012**

	₹ Crore	₹ Crore	Year ended 30.09.2011	
			₹ Crore	₹ Crore
A. CASH FLOW FROM OPERATING ACTIVITIES :				
NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEM		843.25		488.88
Adjustment for:				
Depreciation	301.81		248.24	
Unrealised Exchange (Gain)/Loss	(5.52)		5.83	
Interest - Net	152.00		92.24	
Dividend Income	(0.16)		(0.19)	
Loss/(Gain) on Sale/Disposal of fixed assets sold	(0.37)		(10.84)	
Loss/(Gain) on Sale of Investments	(0.01)	447.75	(0.37)	334.91
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES		1291.00		823.79
Trade and other receivables	(74.26)		(558.05)	
Inventories	(135.78)		(416.57)	
Long-Term Liabilities	132.28		359.37	
Trade Payable & Provisions	61.62	(16.14)	574.28	(40.97)
CASH GENERATED FROM OPERATIONS		1274.86		782.82
Direct Taxes paid		(241.02)		(148.76)
NET CASH FROM OPERATING ACTIVITIES		1033.84		634.06
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(620.80)		(1126.04)	
Proceeds from Sale of Fixed Assets	0.63		13.48	
Purchase/Proceeds from Investments (Net)	(356.41)		0.37	
Interest & Dividend income	1.16		1.07	
NET CASH USED IN INVESTING ACTIVITIES		(975.42)		(1111.12)
C. CASH FLOW FROM FINANCING ACTIVITIES				
(Repayments)/Proceeds from Working Capital Facilities (Net)	118.65		127.75	
Proceeds from Term Loans	2.75		(249.03)	
Proceeds from issue of Debentures	-		700.00	
(Repayments)/Proceeds from Fixed Deposits (Net)	(2.13)		0.07	
Sales Tax Deferral	(3.91)		(3.67)	
Deferred Payment Credit	(6.42)		(5.95)	
Interest paid	(148.06)		(58.38)	
Dividend and Corporate Dividend Tax	(12.32)		(24.41)	
NET CASH FROM FINANCING ACTIVITIES		(51.44)		486.38
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6.98		9.32
CASH AND CASH EQUIVALENTS AS AT 30th September, 2011		55.77		46.45
CASH AND CASH EQUIVALENTS AS AT 30th September, 2012		62.75		55.77

This is the Cash Flow Statement referred to in our report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012



BASIS OF CONSOLIDATION, SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30TH SEPTEMBER, 2012.

1. BASIS OF CONSOLIDATION:

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

a. Basis of Accounting:

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

b. Principles of consolidation:

- a) The consolidated financial statements have been prepared in accordance with the Accounting Standards-21 on Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.

The consolidated financial statements comprise of the financial statements of the Company and the following subsidiaries as on 30th September, 2012:

Name	Country of incorporation	Proportion of ownership interest	Financial Statement as on
MRF Corp Ltd.	India	100%	31st March, 2012
MRF International Ltd.	India	94.66%	30th September, 2012
MRF Lanka Pvt. Ltd.	Sri Lanka	100%	30th September, 2012

There are no significant transactions or other material events that have occurred between the balance sheet date of MRF Corp Ltd. and the parent company, except as referred to in Note 32 (b).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

NOTE 2 : SHARE CAPITAL

	As at 30.09.2011	
	₹ Crore	₹ Crore
Authorised		
90,00,000 Equity Shares of ₹ 10 each	9.00	9.00
1,00,000 Taxable, Redeemable Cumulative Preference Shares of ₹ 100 each	1.00	1.00
	10.00	10.00
Issued		
42,41,214 Equity shares of ₹ 10 each	4.24	4.24
(Includes 71 bonus shares not issued and not allotted on non-payment of call monies)		
Subscribed and Fully Paid-up		
42,41,143 Equity Shares of ₹ 10 each	4.24	4.24
	4.24	4.24

- (a) Rights, preferences and restrictions attached to shares:

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

- (b) Shareholders holding more than 5 percent of the equity shares:

Name of Shareholder	As at 30.09.2011	
	No. of Shares held	No. of Shares held
1) Comprehensive Investment and Finance Company Private Limited	422,069	408,472
2) MOWI (P) Limited	507,984	507,984
3) Enam Shares and Securities Private Ltd.	266,713	218,374



NOTE 3 : RESERVES AND SURPLUS

	As at 30.09.2011	
	₹ Crore	₹ Crore
Securities Premium Account		
As per last Account	9.42	9.42
Capital Reserve		
As per last Account	0.05	0.05
General Reserve		
As per last Account	2263.74	1675.24
Add: Transfer from Surplus in the Statement of Profit and Loss	538.27	588.50
	<u>2802.01</u>	<u>2263.74</u>
Debenture Redemption Reserve		
As per last Account	17.94	-
Add: Transfer from Surplus in the Statement of Profit and Loss	28.80	17.94
	<u>46.74</u>	<u>17.94</u>
Capital Redemption Reserve		
As per last Account	0.42	0.42
Foreign Currency Translation Reserve		
As per last Account	(1.67)	(0.94)
Add: (Less) Adjustments during the year	(0.13)	(0.73)
	<u>(1.80)</u>	<u>(1.67)</u>
Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	-	-
Profit for the year	579.40	618.77
Less: Appropriations		
Dividends		
Interim (₹ 6 per share)	2.54	2.54
Final - Proposed (₹ 19 per share)	8.06	8.06
Corporate Tax on Dividend	1.73	1.73
Transfer to Debenture Redemption Reserve	28.80	17.94
Transfer to General Reserve	538.27	588.50
Balance in the Statement of Profit and Loss	<u>-</u>	<u>-</u>
	<u>2856.84</u>	<u>2289.90</u>

NOTE 4 : LONG-TERM BORROWINGS

	Non-current As at 30.09.2011		Current maturities As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Secured				
Term Loans from Banks:				
External Commercial Borrowings (ECB)	204.62	29.40	31.29	29.40
Debentures:				
2,000 9.07% Secured Redeemable Non-Convertible				
Debentures of ₹ 10,00,000 each, privately placed	200.00	200.00	-	-
5,000 10.09% Secured Redeemable Non-Convertible				
Debentures of ₹ 10,00,000 each, privately placed	500.00	500.00	-	-
Unsecured				
Term Loan from a Bank:				
Buyer's Line of Credit	83.38	83.38	-	-
Others	-	-	-	175.00
Fixed Deposits	17.01	37.57	31.76	13.33
Sales Tax Deferral Scheme	70.51	77.00	6.50	3.92
Others				
Deferred Payment Credit	27.05	34.00	6.96	6.43
Amounts disclosed under the head 'Other Current Liabilities' (Note 10)	-	-	(76.51)	(228.08)
	1102.57	961.35	-	-

NOTE 5 : DEFERRED TAX LIABILITIES (Net)

	As at 30.09.2011	
	₹ Crore	₹ Crore
Deferred Tax Liability:		
Arising on account of timing difference in:		
- Depreciation	204.07	154.55
Deferred Tax Asset:		
- Accrued Expenses allowable on Actual Payments	(17.28)	(12.75)
Deferred Tax Liabilities (Net)	186.79	141.80



NOTE 6 : OTHER LONG-TERM LIABILITIES

	As at 30.09.2011	
	₹ Crore	₹ Crore
Dealers' Security Deposit	902.64	769.72
Others	5.39	6.03
	908.03	775.75

NOTE 7 : PROVISIONS

	Long-Term As at 30.09.2011		Short-Term As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Provision for employee benefits				
Leave benefits	11.64	8.40	1.59	2.26
Gratuity	0.69	0.04	17.94	20.27
Other Benefits	5.15	5.32	1.29	0.84
Tax (Net of advance Tax paid)	-	-	46.05	63.13
Dividend				
Interim	-	-	1.27	1.27
Final - Proposed	-	-	8.06	8.06
Corporate Tax on Dividend	-	-	1.52	1.52
Other Provisions	70.81	35.91	70.12	59.44
	88.29	49.67	147.84	156.79

NOTE 8 : SHORT-TERM BORROWINGS

	As at 30.09.2011	
	₹ Crore	₹ Crore
Secured		
Working Capital Facilities from Banks	528.72	410.07
	528.72	410.07

Nature of security:

Secured by hypothecation of stock-in-trade, stores and spare parts and book debts

NOTE 9 : TRADE PAYABLES

Trade Payables	619.59	581.98
Acceptances	325.57	434.01
	945.16	1015.99

NOTE 10 : OTHER CURRENT LIABILITIES

	As at 30.09.2011	
	₹ Crore	₹ Crore
Current maturities of long-term borrowings (Note 4)	76.51	228.08
Interest accrued but not due on borrowings	43.35	38.11
Advances from Customers	26.54	15.41
Statutory dues:		
Central Excise/Service Tax	46.94	32.38
Value Added Tax/Central Sales Tax	112.83	96.32
Withholding Taxes	6.20	5.27
Others	4.00	3.32
Other payables:		
Employee benefits	24.32	21.21
Liabilities for expenses	116.72	85.14
Unclaimed Dividends	1.49	1.44
Matured Fixed Deposits and Interest	0.31	0.24
	459.21	526.92

There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

NOTE 11 : FIXED ASSETS

₹ Crore

Nature of Fixed Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01-10-2011	Additions	Deductions/ Adjustments	Cost as at 30-09-2012	Upto 30-09-2011	Provided during year	Deductions/ Adjustments	Upto 30-09-2012	As at 30-09-2012	As at 30-09-2011
Tangible Assets										
Land	96.04	0.02	-	96.06	1.36	0.09	-	1.45	94.61	94.68
Buildings	512.01	295.94	-	807.95	89.10	19.55	-	108.65	699.30	422.91
Plant & Machinery	2756.63	869.57	3.36	3,622.84	1457.99	236.08	3.35	1690.72	1932.12	1298.64
Moulds	293.53	40.19	4.74	328.98	209.30	25.40	4.73	229.97	99.01	84.23
Furniture & Fixtures	14.99	2.16	0.47	16.68	10.86	1.83	0.39	12.30	4.38	4.12
Computer	30.67	3.05	0.41	33.31	22.61	3.82	0.41	26.02	7.29	8.06
Office Equipment	22.70	2.35	0.49	24.56	16.28	2.31	0.48	18.11	6.45	6.41
Other Assets	76.82	26.05	1.76	101.11	34.08	7.63	1.69	40.02	61.09	42.76
Vehicles	18.37	4.46	1.87	20.96	11.49	2.75	1.79	12.45	8.51	6.88
Total Tangible Assets	3821.76	1243.79	13.10	5052.45	1853.07	299.46	12.84	2139.69	2912.76	1968.69
Previous year	3359.48	486.89	24.61	3821.76	2033.95	245.32	426.20	1853.07	1968.69	
Intangible Assets										
Computer Software	14.94	4.61	-	19.55	11.13	2.35	-	13.48	6.07	3.81
Total Intangible Assets	14.94	4.61	-	19.55	11.13	2.35	-	13.48	6.07	3.81
Previous year	13.32	1.62	-	14.94	8.21	2.92	-	11.13	3.81	5.11
Capital Work-In-Progress									414.65	1042.25
Grand Total									3333.48	3014.75

Note:

Land includes Agriculture Land - ₹ 0.12 crore and Leasehold Land ₹ 4.33 crore.



NOTE 12 : NON-CURRENT INVESTMENTS

	As at 30.09.2011	
	₹ Crore	₹ Crore
Non-Trade - Fully Paid up		
Quoted		
Equity Shares	0.09	0.09
Unquoted		
In Mutual Fund Units	70.50	70.70
Ordinary/Equity Shares	0.93	2.08
	71.43	72.78
	71.52	72.87
Aggregate Market Value of Quoted Investments	2.83	2.35

NOTE 13 : LOANS & ADVANCES

	Long-Term As at 30.09.2011		Short-Term As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Unsecured, Considered Good				
Capital Advances	18.81	92.99	-	-
Loan and Advances to Employees	3.30	3.87	9.91	11.54
Loan to Subsidiaries	0.19	15.37	-	-
Advances Recoverable in cash or in kind	1.79	1.83	103.90	67.64
Balances with Excise Authorities	-	-	34.63	66.74
Advance payment of Income Tax/Tax Deducted at Source (after adjusting provision)	14.04	28.50	-	-
MAT credit entitlement	0.01	0.02	55.46	35.90
	38.14	142.58	203.90	181.82

NOTE 14 : OTHER ASSETS

	Non-current As at 30.09.2011		Current As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Unsecured, Considered Good				
Interest Accrued on Loans, Deposits etc.	-	-	0.77	0.47
Dividend Accrued	-	-	-	0.15
Prepaid Expenses	0.29	-	6.55	5.91
Deposits	27.90	21.24	-	-
Non-current Bank Balances (Note 18)	1.26	1.26	-	-
Others	1.40	1.33	1.14	1.55
	30.85	23.83	8.46	8.08

NOTE 15 : CURRENT INVESTMENTS

As at 30.09.2011
₹ Crore ₹ Crore

Non-Trade - Fully Paid up		
Unquoted		
In Mutual Fund Units	357.77	-
	357.77	-

NOTE 16 : INVENTORIES**At lower of cost and net realisable value**

Raw materials	725.96	658.62
Stock-in-process	214.65	224.36
Finished goods	614.46	560.30
Stock-in-Trade	11.64	8.58
Stores and spares	98.04	77.12
	1664.75	1528.98

NOTE 17 : TRADE RECEIVABLES**Overdue for a period exceeding six months**

Unsecured Considered Good	7.89	2.26
Considered Doubtful	2.64	2.64
Less: Provision for Doubtful Debts	(2.64)	(2.64)
	7.89	2.26

Others

Secured	844.38	699.79
Unsecured	601.84	600.39
	1454.11	1302.44



NOTE 18 : CASH & BANK BALANCES

	Non-current As at 30.09.2011		Current maturities As at 30.09.2011	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
Cash & Cash equivalents:				
Balances with banks:				
In Current Accounts	-	-	16.44	9.74
In Foreign Bank Accounts	-	-	0.87	0.07
Cash & Cheques on hand	-	-	45.44	45.96
Other Bank Balances:				
In Deposit Accounts	1.26	1.26	0.57	-
In Unpaid Dividend Account	-	-	1.48	1.44
Amounts disclosed under 'Non-Current Assets' (Note 14)	(1.26)	(1.26)	-	-
	-	-	64.80	57.21

NOTE 19 : REVENUE FROM OPERATIONS

	Year ended 30.09.2011	
	₹ Crore	₹ Crore
Sales:		
Finished Goods	13159.75	10645.67
Other Operating Revenues - Export Incentives	7.72	7.83
	13167.47	10653.50
Details of sales under broad heads:		
Class of Goods:		
Automobile Tyres	11500.77	9153.62
Automobile Tubes	1047.73	927.29

NOTE 20 : OTHER INCOME

		Year ended 30.09.2011
	₹ Crore	₹ Crore
Dividend on Investment (other than Trade)	0.16	0.19
Interest:		
On Deposits, etc.	1.31	0.85
Profit on Sale of Investments(Net)	0.01	0.37
Profit on fixed assets sold / discarded (Net)	0.37	10.84
Insurance Claims (Note 32 (a))	17.07	-
Miscellaneous Receipts	12.98	12.74
	31.90	24.99

NOTE 21 : COST OF MATERIALS CONSUMED**Cost of materials consumed**

Opening Stock	658.62	595.26
Add: Purchases	8478.85	7448.96
	9137.47	8044.22
Less: Closing Stock	725.96	658.62
	8411.51	7385.60

Details of Raw Materials consumed under broad heads:

Rubber	5265.04	4851.70
Carbon Black	1041.53	777.93
Fabric	1096.54	957.08
Chemicals	694.22	573.86



NOTE 22 : CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-PROCESS & STOCK-IN-TRADE

		Year ended 30.09.2011
	₹ Crore	₹ Crore
Closing Stock:		
Finished Goods	613.74	559.86
Stock-in-Trade	12.36	9.44
Stock-in-Process	214.65	223.94
	840.75	793.24
Less: Opening Stock:		
Finished Goods	559.86	304.98
Stock-in-Trade	9.44	8.63
Stock-in-Process	223.94	147.29
	793.24	460.90
Differential Excise Duty on Opening and Closing stock of Finished Goods	19.50	26.63
	(28.01)	(305.71)

Details of Inventory under broad heads:

	₹ Crore					
Class of Goods	Finished Goods		Stock-in-Trade		Stock-in-process	
	Opening Stock	Closing Stock	Opening Stock	Closing Stock	Opening Stock	Closing Stock
Automobile Tyres	453.21	474.71	-	-	145.81	137.92
Automobile Tubes	53.47	67.74	-	-	6.16	6.44
T & S Equipments	-	-	2.17	4.37	-	-

NOTE 23 : EMPLOYEE BENEFITS EXPENSE

	Year ended 30.09.2011
	₹ Crore
Salaries, Wages, Bonus, and Allowances	418.93
Company's Contribution to Provident, Gratuity and Other Funds	43.89
Welfare Expenses	58.61
	521.43
	447.15

NOTE 24 : FINANCE COSTS

Interest on Loans	150.28	89.46
Interest on Deferred Payment Credit	3.02	3.55
Bank Charges	5.54	4.72
	158.84	97.73

NOTE 25 : DEPRECIATION & AMORTISATION EXPENSEYear ended
30.09.2011

	₹ Crore	₹ Crore
Depreciation on tangible assets	299.46	245.32
Amortisation on intangible assets	2.35	2.92
	301.81	248.24

NOTE 26 : OTHER EXPENSES

Stores and Spares Consumed	220.66	203.12
Power and Fuel	619.24	437.38
Processing Expenses	97.25	89.93
Rent	27.16	20.73
Rates and Taxes	8.31	7.37
Insurance	7.41	4.80
Printing and Stationery	3.35	3.42
Repairs and Renewals:		
Buildings	13.49	12.57
Plant and Machinery	50.53	44.79
Other Assets	16.23	14.20
Travelling & Conveyance	28.28	26.95
Communication Expenses	5.06	5.63
Vehicle Expenses	3.67	3.24
Auditors' Remuneration:		
As Auditors:		
Audit fee (Including ₹ 0.06 Crore for previous year)	0.32	0.19
Tax Audit fee	0.05	0.05
Other Services	0.03	0.05
Reimbursement of Expenses etc.	0.16	0.17
	0.56	0.46
Cost Auditors' Remuneration:		
Audit fee	0.05	0.02
Reimbursement of Expenses etc.	-	-
	0.05	0.02
Directors' Fees	0.05	0.03
Directors' Travelling Expenses	2.64	1.82
Advertisement	118.96	101.95
Warranty	4.61	0.51
Sales tax absorbed by the Company	3.49	0.20
Bad debts written off	-	0.09
Commission and Discount	190.49	144.57
Freight and Forwarding (Net)	270.97	218.24
Net Loss on Foreign Currency Transactions	32.97	8.82
Miscellaneous Expenses	38.26	30.98
	1763.69	1381.82



27. The Notes to these consolidated financial statements are disclosed to the extent necessary for presenting a true and fair view of the consolidated financial statements.
28. Consolidated Related Party transactions, movement in provisions as required by Accounting Standard 29, capital commitments and contingent liabilities are same as disclosed in the standalone financial statements of the Company.
29. Consolidated employee benefit disclosures are not materially different from the employee benefit disclosures of the standalone financial statements of the Company.

Earnings Per Share:		Year ended 30.09.2011	
Profit after Taxation	₹ Crore	579.40	618.77
Number of equity shares (Face Value ₹ 10/- each)	Nos.	4241143	4241143
Earnings per share - Basic:	Rs.	1366.14	1458.97

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

32. a) The Company has filed claims with the Insurance Company for stocks/fixed assets destroyed by fire/Cyclone at its godown and Puducherry factory. During the year, a sum of ₹ 0.50 Crore was received as interim payment against the said claim.
- b) MRF Corp Ltd. has preferred an insurance claim for stocks destroyed by fire on the 26th May, 2012 for an amount of ₹ 0.75 Crore.

33. Details of Purchase of Traded Goods under broad heads: 30.09.2011
- | | | | |
|------------------|---------|-------|-------|
| T & S Equipments | ₹ Crore | 21.51 | 27.87 |
|------------------|---------|-------|-------|

34. Figures are rounded off to nearest lakh.

35. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Group's financial statement.

36. The Central Government vide notification SO. 447 (E) dated 28th February, 2011, has revised the Schedule VI under the Companies Act, 1956 and the same has become applicable for the Financial Statements to be prepared for the financial year commencing on or after 1st April, 2011. Accordingly, the Company has reclassified the previous year's figures to conform to this year's classification. The adoption of the revised Schedule VI does not impact the recognition and measurement principles followed for the presentation of the Financial Statements.

Vide our Report of even date

For SASTRI & SHAH
Chartered Accountants
C. Sri Ram
Partner

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

RAVI MANNATH
Company Secretary

S. S. VAIDYA
V. SRIDHAR
Directors

K. M. MAMMEN
Chairman & Managing Director

Chennai, Dated 29th November, 2012

Disclosure of Information Relating to Subsidiaries

(Vide General Circular No.2/2011 dt. 08.02.2011 of the Ministry of Corporate Affairs, Government of India)

(₹)

		MRF Corp Ltd. *		MRF International Ltd.		MRF Lanka (P) Ltd.	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
1	Share Capital	501000	501000	5625000	5625000	49813823	50141265
2	Reserves & Surplus	60531148	1108117	10009588	8888853	(87560063)	(87574283)
3	Total Liabilities @	264999587	107757	13483	244041	124070103	116360426
4	Total Assets (including Investments)+	326031735	1716874	15648071	14757894	86323863	78927408
5	Investments	47533921	1488829	5000000	6958410	-	-
6	Turnover	837204301	134428	1255347	543569	192764978	147228705
7	Profit before Tax	88128677	123054	1231285	513363	12104118	(6094544)
8	Provision for Taxation						
	- Current	28000000	34379	142481	153834	2007865	-
	- Deferred	705646	-	(31931)	-	-	(846370)
9	Profit/(Loss) after Tax	59423031	88675	1120735	359529	10096253	(6940914)
10	Proposed dividend (including dividend tax)	NIL	NIL	NIL	NIL	NIL	NIL

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

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

* April / March





M R F Limited,

No. 114, Greams Road, Chennai - 600 006.

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