

**PASSION FOR PERFORMANCE**



**MRF**

Annual Report 2013-14

# TABLE OF CONTENTS

Chairman's Message	1	Directors' Report	13
Recognition and Accolades	2	Management Discussion and Analysis	19
New Product Launches	3	Corporate Governance	22
MRF - FASST	4	Auditors' Report	32
Speciality Coatings	5	Balance Sheet	36
Sixth APCR Title for Team MRF	6	Statement of Profit and Loss	37
MRF Formula Challenge 2014	7	Cash Flow Statement	38
Global Partner ICC Cricket World Cup 2015	8	Notes Forming Part of the Financial Statements	39
Racing Ahead	9 & 10	Statement pursuant to Sec.212 of the Companies Act, 1956 relating to subsidiaries	65
One of India's fastest growing Companies	11	Consolidated Financial Statements	66
Board of Directors	12		

## Chairman's Message

Dear Shareholder,



The year gone by was a challenging one for the automobile sector, which saw a rationalisation of production by automobile companies especially in the heavy commercial segment, to align themselves with the lower market demand. It is during this turbulent period that MRF has improved its turnover to Rs14641 crores for the financial year 2013-14. Our prime position in the Replacement market has been one of the major reasons for this, and the continued preference of our products coupled with our strong brand image has led us to have a dominant market share.

The year saw the Company winning the JD Power Award for the 11th time, a testimony of our product preference.

In our quest to improve our stature as a global brand, we have become a global partner for the ICC World Cup 2015 being held in Australia in February / March 2015.

Our Sri Lankan operations continue to be profitable and we expect to modernise the operations.

Looking ahead, we hope the new Government which has the people's mandate would usher in policy initiatives to kick-start the economy and put it back on a growth trajectory. It is with this hope that we continue to make investments to increase our production capacity.

While we expect the market to be volatile, the time-tested strategies that have been put in place along with our ability to be nimble-footed will help us increase our overall share.

A handwritten signature in black ink, appearing to read 'K M Mammen'. The signature is written in a cursive style and is underlined with a single horizontal line.

K M Mammen  
Chairman & Managing Director

## RECOGNITION AND ACCOLADES

MRF is known for its adherence to quality and customer satisfaction which has earned it an unattainable position in the market. So it's no surprise that awards and recognition have been consistently coming its way.

MRF has won the JD power award for customer satisfaction not once but 11 times in the last 14 years; a feat unrivalled in the tyre industry.

MRF won the prestigious CAPEXIL (Chemical And Allied Export Promotion Council of India, a non-profit making organization sponsored by Ministry of Commerce and Industry, Govt. of India) award for exports.

MRF has earned the distinguished Q1 certification from Ford Motors, an achievement that qualifies MRF to supply tyres to any of the Ford plants worldwide.

MRF has also won the Ford excellence award and is the only Indian company to win this award.

More recently, MRF was voted the "Most Trusted" tyre company in India by TNS 2006 global CSR study.



## NEW PRODUCT LAUNCHES

This year, MRF launched 3 new products, namely

### **NV SERIES:**

The NV range of premium tubeless tyres consists of tarmac, on and off-road tyres from the Zapper and Mogrip series

### **Z SPORT:**

The low profile design and unique pattern ensures receptive steering response and robust cornering power. The special tread design allows superior dry/wet braking.

### **AERO MUSCLE:**

MRF's Aero Muscle, the only Indian tyre approved by CEMILAC was chosen as the main wheels for the legendary fighter jet – Sukhoi 30 MKI.



**MRF - FASST**  
INDIA'S FIRST CUSTOMER CARE CENTRE FOR TYRES

MRF introduced FASST - Friendly After Sales Service Team. A new concept in tyre care for its passenger car and two wheeler tyre customers. We have opened these service centres in Pune, Indore, Nagpur, Jaipur and Delhi. There are plans to open more of these service centres in other major towns to provide unmatched tyre care services.



## SPECIALITY COATINGS

MRF Corp Limited has added 300 new clients during the year and established dealership in many un-represented areas. The Company has successfully launched Aquafresh for interior walls similar in application, for the price of a Premium Emulsion but with superior performance. The new Tinting System that has been developed can generate over 1100 exclusive shades.

MRF Vapocure franchisees have revitalized their businesses by offering services to both OEM and Decorative markets.



## SIXTH APRC TITLE FOR TEAM MRF

After winning titles in 2003, 2005, 2010, 2012 and 2013, Team MRF has yet again established its dominance in the world of rallying by winning the 2014 FIA Asia Pacific Rally Championship (APRC) with Jan Kopecky and co-driver, Pavel Dresler.

Team MRF ŠKODA is also the winner of the APRC Teams award. India's Gaurav Gill and co-driver Glenn Macneall finished 3rd in the 2014 season.





## MRF FORMULA CHALLENGE 2014

Professional drivers from across the world, including India, participated in the winter series, MRF Challenge Formula 2000 Championship. MRF has conducted races in Qatar & Bahrain and plans are in place to have races in other countries in the Middle East and Asia.

MRF's 2000cc car is currently one of the fastest in Asia.

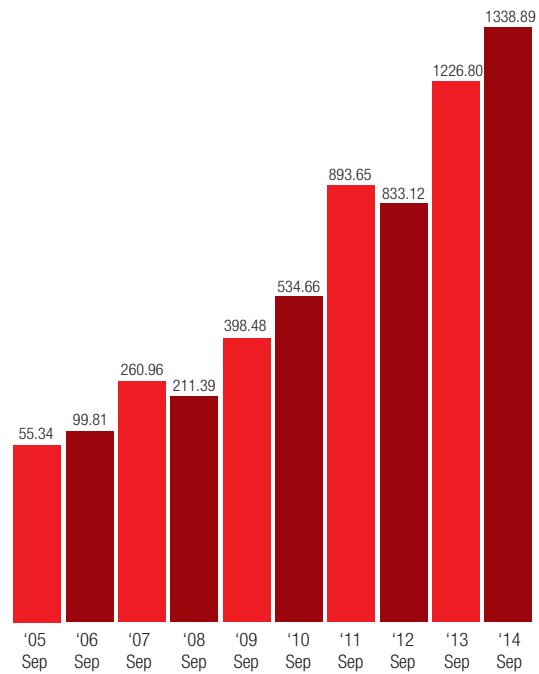
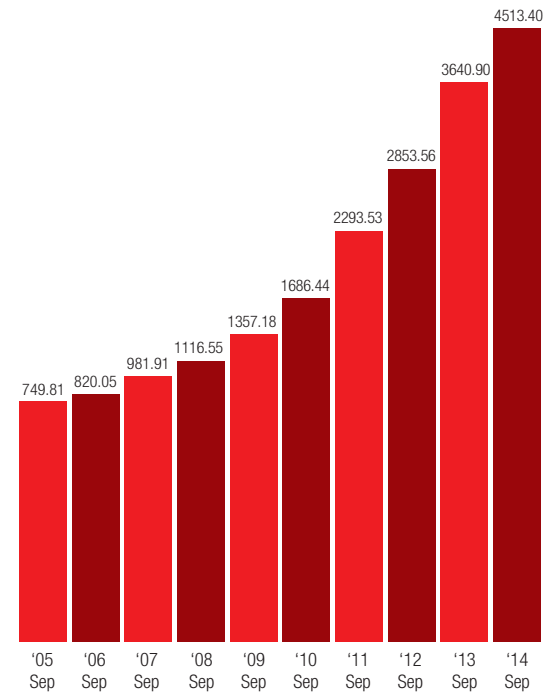


## GLOBAL PARTNER ICC CRICKET WORLD CUP 2015

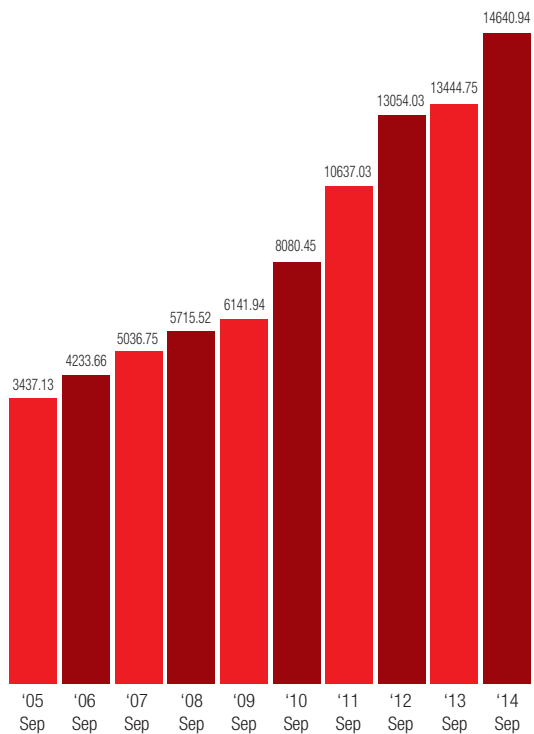
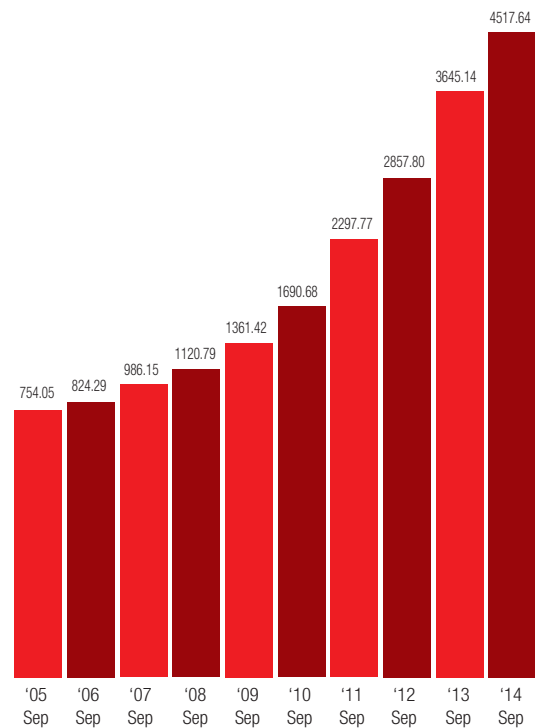
MRF is one of the lead sponsors of the ICC CRICKET WORLD CUP (CWC) 2015. With this association, MRF further reaffirms their passion and commitment for the game of cricket not only in India, but across the world. As a global partner, MRF will have access to multiple branding opportunities at all game venues during the Cricket World Cup and at other promotional events held by the ICC across the world. This opportunity also supplements MRF's vision to strengthen its global brand image.



## RACING AHEAD

Profit before taxation  
(₹ Crores)Reserves  
(₹ Crores)

## RACING AHEAD

Sales  
(₹ Crores)Net Worth  
(₹ Crores)

ONE OF INDIA'S FASTEST GROWING COMPANIES.  
RANKED AMONG THE TOP 15 TYRE COMPANIES IN THE WORLD.



MRF is the **first** Indian company to come in the **Top 15** global tyre companies ranked in the 2013 Global Tyre Company Rankings



## 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. KIRLOS KAR**

**N. KUMAR**

**RANJIT I. JESUDASEN**

**Dr. SALIM JOSEPH THOMAS**

**JACOB KURIAN**

**M. MEYYAPPAN**

Company Secretary

**RAVI MANNATH**

Auditors

**SASTRI & SHAH**, Chennai

**M.M. NISSIM & Co.**, Mumbai

Registered Office:

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



Ten Year Financial Summary (₹ Crore)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales	14640.94	13444.75	13054.03	10637.03	8080.45	6141.94	5715.52	5036.75	4233.66	3437.13
Other Income	73.47	37.40	39.73	33.14	29.13	34.40	40.83	24.17	27.07	44.96
Total Income	14714.41	13482.15	13093.76	10670.17	8109.58	6176.34	5756.35	5060.92	4260.73	3482.09
Profit before Taxation	1338.89	1226.80	833.12	893.65	534.66	398.48	211.39	260.96	99.81	55.34
Provision for Taxation	441.00	424.59	260.76	274.23	180.68	145.45	66.83	89.18	19.90	15.03
Profit after Taxation	897.89	802.21	572.36	619.42	353.98	253.03	144.56	171.78	79.91	40.31
Share Capital	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24
Reserves	4513.40	3640.90	2853.56	2293.53	1686.44	1357.18	1116.55	981.91	820.05	749.81
Net Worth	4517.64	3645.14	2857.80	2297.77	1690.68	1361.42	1120.79	986.15	824.29	754.05
Fixed Assets Gross	6954.43	5834.14	5477.16	4874.07	3865.62	3020.57	2866.24	2289.77	1955.99	1787.85

## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you the Fifty Fourth Annual Report and the Audited Financial Statements for the year ended 30th September, 2014.

### Working of the Company

#### Financial Results

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

	(₹ Crore)	
	2013-14	2012-13
Total Income	14714	13482
Profit before tax	1339	1227
Provision for taxation	441	425
Net Profit	898	802

During the year under review, your Company's total income increased by around 9.14% to ₹14,714 crore from ₹13,482 crore in the previous year.

There was an increase of 5% in total tyre production in all segments. The major factors affecting the performance of the Indian tyre industry are the sluggish growth of the economy, interest rates, fuel prices, natural rubber prices and import duty on rubber. In the year under review, prices of natural rubber and fuel prices have softened. However, this benefit got partly offset by increase in overheads like wages, freight etc. This

apart, your Company could achieve improved results, due to improved operating efficiencies and cost reduction measures which the Company has undertaken over a period of time.

Two interim dividends of ₹3 each per share (30% each) for the year ended 30th September, 2014 were declared by the Board of Directors on 23.07.2014 and on 30.10.2014. The Board of Directors is now pleased to recommend a final dividend of ₹44 per share (440%) 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 ₹50 per share (500%). The total amount of dividends aggregates to ₹21.20 crore.

The Directors recommend that after making provision for taxation, debenture redemption reserve and proposed dividend, an amount of ₹865.99 crore be transferred to general reserve. With this, the Company's Reserves and Surplus stands at ₹4,513.40 crore.

#### Industrial Relations

Overall, the industrial relations in all our manufacturing units had been harmonious as well as cordial, except in Thiruvottiyur unit wherein long-term wage settlement is pending. Efforts are being made to resolve it bilaterally. Both production & 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.

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## Exports

The Company's exports stood at ₹1,332 crore for the year ended 30th September, 2014 as against ₹1,293 crore for the previous year.

Overall business climate around the globe continued to show signs of a slowdown similar to the trends in 2012-13. The situation has in fact worsened with prices dropping further and the supply – demand equation clearly showing signs of a glut in the market. Mining across countries showed a sharp decline, erratic weather patterns affected agriculture and political stalemate/turmoil also took its toll on many of our key markets leading to lower business activity and demand.

Your Company has traditionally held on to its market share in heavy and light commercial bias segments and continued to do so this year against all odds. Softening of raw material prices has given us some head room to pass on support to our channel partners against very aggressive competition and still post a good growth in profit over the previous year. Revenues, however, grew only by a nominal 3% over 2012-13.

## Prospects for the Current Year

The automobile industry is going through a sluggish phase for the second consecutive year. It is hoped that combined with the expected resurgence in the Indian economy, the vehicle manufacturing sector will see a slow but sure turnaround which would in turn have a positive bearing on tyre demand. In the interim, the replacement market continues to prop up the tyre industry demand. The capacity additions in the tyre industry would further fuel competition and this could put pressure on margins especially in the truck radial segment.

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

## Directors' Responsibility Statement

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

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

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

## Subsidiaries

Your Company established a wholly owned subsidiary in Singapore named MRF Singapore Pte Limited in July, 2014.

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 date 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 and loss account etc., of the subsidiaries.

The Board of Directors at their meeting held on 23.07.2014 passed necessary resolution according consent for not attaching the financial statements in respect of all the subsidiary companies for the year ended 30th September, 2014. 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 financial statements 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. S S Vaidya, Director of the Company retired at the 53rd Annual General Meeting of the Company. The Board places on record its appreciation for the valuable services rendered by Mr. S S Vaidya during his tenure on the Board.

In compliance with Sections 149 and 152 and other applicable provisions, if any of the Companies Act, 2013 read with amended Clause 49 of the listing agreement effective 01.10.2014, Mr. Vijay R Kirloskar, Mr. V Sridhar, Mr. N Kumar, Mr Ranjit I Jesudasen, Mr. Ashok Jacob, Dr Salim Joseph Thomas, Mr. Jacob Kurian and Mr. M Meyyappan, Directors, were appointed as Independent Directors of the Company for a period of 5 (Five) years by the shareholders through postal ballot in September, 2014.

Mr. K M Mammen, Chairman and Managing Director, retires by rotation in compliance with Section 152 of the Companies Act, 2013, at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment. A brief profile of the Directors proposed to be re-appointed 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**

Three deposits aggregating ₹1.80 lakh remain unclaimed as at the close of the year ended 30th September, 2014.

### **Awards received during the year**

During the year, the Company won the J D Power Award for Customer Satisfaction for the 11th time in the last 14 years. The Company was also awarded the "Highest 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. As required under the provisions of Section 139 of the Companies Act, 2013, the Company has received a written consent from the auditors to their re-appointment and a certificate to the effect that their re-appointment, if made, would be in accordance with the Companies Act, 2013 and the rules framed thereunder and that they have satisfied the criteria provided in Section 141 of the Companies Act, 2013.

The Board recommends the re-appointment of Messrs Sastri & Shah and M. M. Nissim and Co., as the statutory auditors of the Company from the conclusion of this Annual General meeting till the conclusion of the next Annual General Meeting.

### **Cost Audit**

Mr. C Govindan Kutty, Cost Accountant, has carried out audit of the Company's cost records for the year ended 30th September, 2013. The due date for filing of the cost audit report with the Ministry of Corporate Affairs (MCA) for the year ended 30th September, 2013 was 31st March, 2014. The report was filed on 28.03.2014.

Mr. C Govindan Kutty, Cost Accountant, was appointed cost auditor for audit of the Company's cost records for the year ended 30th September, 2014. The due date for filing of the cost audit report with the Ministry of Corporate Affairs (MCA) for the year ended 30th September, 2014 is 31st March, 2015. The report will be filed within its due date.

The Board, on the recommendation of the Audit Committee, has approved the re-appointment of Mr C Govindan Kutty, Cost Accountant, as cost auditor of the Company for the financial year commencing from 01.10.2014 under Section 148 of the Companies Act, 2013 and his remuneration. The remuneration to be paid is placed for ratification by the shareholders at the ensuing Annual General Meeting.

### Appreciation

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

On behalf of the Board of Directors,

Chennai  
26th November, 2014

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 reducing number of hot standby boilers, improved condensate steam recovery, improved insulation for curing press and pipelines, periodical steam trap audits, energy efficient steam traps in steam headers and study on steam generation and consumption.
- b) Additional investments are being proposed for replacement of metal halide lights with induction lights, providing VFD for hot water pumps, cold water pumps, air compressors with pressure close loop, 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 fuel consumption/ ton of production and power consumption/ ton of production over the previous financial year.

#### Total Energy consumption and energy consumption per unit of production:

##### FORM "A"

#### I. POWER AND FUEL CONSUMPTION

##### 1. Electricity

	2013-14	2012-13
<b>(a) Purchased:</b>		
Units	534217640	505097825
Total Amount – (₹ Lacs)	31854.10	29794.60
Rate/Unit (₹)	5.96	5.90
<b>(b) Own Generation:</b>		
Through Diesel Generator - Units	19542431	12929677
Units/Ltr. of Diesel/Furnace Oil	3.34	3.12
Cost/Unit (₹)	18.61	17.99

##### 2. Furnace Oil (including coal)\*

Quantity (KL)	99921	93781
Total Amount (₹ Lacs)	32627.41	29376.75
Average Rate (₹ /Ltr.)	32.65	31.32
<b>*Coal</b>		
Quantity (MT)	109728	93869
Total Amount (₹ Lacs)	5360.37	4941.56
Average Rate (₹ /Kg)	4.89	5.26

#### II. CONSUMPTION PER UNIT OF PRODUCTION

	2013-14	2012-13
Production (MT)	585514	529169
Electricity (Unit/MT)	946	979
# Furnace Oil & Coal (on applicable production) (Ltrs./MT)	171	178
# Coal is converted to equivalent FO Ltrs.		



## B. TECHNOLOGY ABSORPTION:

### FORM "B "

#### RESEARCH & DEVELOPMENT (R & D)

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

- a) Development of new products to meet specific customer requirement.
- b) Development of new designs and patterns.
- c) Introduction of new formulations with new raw materials to achieve specific properties.
- d) Development of alternate sources for raw materials and machineries.
- e) Development of new process techniques for improving consistency & energy conservation.
- f) Modernization and automation of equipments to achieve greater accuracy and improve quality.

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

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

New products are developed to meet the global standards stipulated by the original equipment suppliers and product improvement is continuously done to meet the improved performance requirement of the replacement market.

New formulations are developed by introducing new raw materials in order to achieve specific properties to meet customer requirement. Alternate sources for various raw materials are developed for quality and cost considerations.

New process techniques are adopted to improve consistency, increase productivity and optimizing energy consumption.

Modern equipments are installed to achieve greater accuracy and increased productivity. Automation of process equipments are done to reduce manual intervention and thereby improve quality & consistency.

New products are developed for various applications such as: -

- a) Export market
- b) Domestic market
- c) Original Equipment Manufacturers
- d) High performance bias and radial truck tyres
- e) Aircraft tyres
- f) Defence sector
- g) Agriculture sector
- h) Off The Road segment
- i) Rallies and Races
- j) Inner tubes
- k) Retread market

##### 3. Future plan of action

R&D efforts are taken to develop passenger radial tyres for various new cars introduced by the multinational car companies for the Indian market. Efforts are also on to develop tyres for high end cars with stringent performance requirements such as lower rolling resistance, superior traction, higher speed capabilities, lower noise levels and puncture resistant.

To meet the increasing radialization in the truck radial market, tyres with higher mileage, superior durability and improved retreadability are being developed, bench marking our tyres with that of global competition.

In view of the development of more high-ways all over the country, the durability and high speed requirement of both bias and radial tyres have increased. Specialized compounds are being developed to improve these properties.

High performance radial tyres are developed for new generation motorcycles, introduced by the multinational two wheeler manufacturers in India.

Priority is being given to develop high performance tyres for fighter planes for defence application.

Tyres are also developed for specialized applications such as race & rally, off the road segment, etc. New products are developed for

emerging retread markets such as truck radial retreading and new export markets.

Joint projects are taken up with government research institutions to develop methods to predict tyre performance at the conceptual stage. This would help in cutting down evaluation time and cost.

<b>4. Expenditure on R&amp;D</b>	2013-14	2012-13
	(₹ Crore)	(₹ Crore)
R & D Expenses		
a) Capital	5.44	4.22
b) Recurring	28.64	27.40
<b>Total</b>	<u>34.08</u>	<u>31.62</u>
Total R & D Expenses as a % of turnover and other income	0.23%	0.23%

#### 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 in compounds and adopted in our formulations to achieve special properties in order to meet specific customer requirement.

###### b) New product development

New products are developed to meet stringent requirement of various customers by introducing new designs and compounds.

###### c) New process development

New process techniques are developed for optimizing fuel & energy consumption, productivity increase and to improve consistency in quality.

###### d) Development of equipment and machinery

Modernization of equipments are done to achieve greater accuracy and increased productivity. Automation of process equipments are done to reduce manual intervention and improve quality.

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

###### a) Product Improvement

Development of new formulations, new designs and process changes have improved the product performance.

###### b) Cost reduction

Usage of new raw materials and development of new sources helped in reducing the cost.

Improvements achieved in power & fuel consumption, higher machine utilization and reduction in waste loss, have yielded cost reduction.

###### c) Product development

Development of new designs and formulations have resulted in the development of new products to meet the specific customer requirement.

###### d) Import Substitution

Indigenous development of new sources for raw materials, and process equipments have helped in import substitution and resulted in substantial cost savings.

##### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(₹ Crore)
<b>Foreign Exchange Earnings:</b>	
(a) On account of export sales (FOB Value)	1,223.19
(b) Freight and insurance	10.05
(c) Others	1.57
	<u>1,234.81</u>
<b>Foreign Exchange Outgo:</b>	<u>3,946.31</u>

On behalf of the Board of Directors,

Chennai  
26th November, 2014

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 and Development

The Indian economy had a challenging year in fiscal 2013-14, ending with an annual growth rate of around 4.7%, fractionally higher than in the previous year. The growth was subdued because of poor performance of the mining, manufacturing, construction, trade, hotels, transport, storage and communication services sectors. According to CMIE, the growth in India's real GDP is expected to improve to 5.5% in 2014-15 with the Industrial sector projected to show an acceleration. Investment demand in India is likely to pick up gradually in 2014-15 as more projects are cleared and land acquisition process becomes easier post implementation of the new land acquisition act. Fast tracking of new projects is expected to boost construction activity, generate new employment and create fresh demand for cement, steel and machinery. Consequently, this is expected in turn, to boost demand for the automotive sector especially for commercial vehicles. Since the demand for tyres as a category is a function of the overall growth of the economy, particularly growth in the automotive and transportation sectors, this augurs well for the tyre industry in the new fiscal.

The turnover of the Indian tyre industry is estimated to be around ₹47,000 crore in 2013-14 and is dominated largely by the commercial vehicle segment consisting of heavy, light and small commercial vehicles. The next largest segment is passenger vehicles constituted by cars, SUV's, motorcycles and scooters. The Farm and Off The Road (OTR) segments consisting of the tractor front and rear tyres, tractor trailers and OTR tyres are the other important segments in the market.

Traditionally, tyres are classified as cross-ply (bias) and radial based on the technology deployed in their manufacture. In India, the commercial tyre segment continues to be dominated by cross-ply tyres due to road conditions, loading patterns and the high initial cost of radials. There is a steady growth in radialisation across segments with the highest in passenger cars (98%) followed by heavy commercial vehicles (25%) and light commercial vehicles (22%).

The tyre industry consists of three distinct markets namely replacement, institutional/OEM and exports. By value, replacement accounts for approximately 60% of the industry with Institutional/OEM and exports making up 22% and 18% respectively. While in the commercial and farm segments replacement sales forms a major chunk, both Institutional/OEM and replacement sales play an almost equal role in the passenger segment. Of the total tyres produced in India, the top ten tyre companies account for nearly 90% of the volume. The

tyre industry provides direct and indirect employment to more than a million people, comprising of dealers, retreaders and truck operators. The trucking business is controlled by nearly 2.6 million small operators.

The major factors affecting the performance of the Indian tyre industry are the sluggish growth of the economy, interest rates, fuel prices, natural rubber prices and import duty on rubber. The tyre industry is also directly affected by the performance of the vehicle manufacturing sector which in turn is dependent on the overall economic growth. During 2013-14, there has been a dip of 8% in the production of both light and heavy commercial vehicles while the drop was a sharp 37% in the newly emerging small commercial vehicle segment. Passenger car production also saw a decrease of 3%, whereas SUV's registered an increase of 9% over the previous year. In two wheelers, scooters witnessed a 33% increase whilst motorcycle production grew at 12%. The farm sector also recorded an 8% increase in production over 2012-13.

### Opportunities and Threats

The worldwide recession is giving way to growth and the global economic recovery has started, albeit very slowly. The hope of better performance in the coming years should bring some cheer to Indian companies as the present economic outlook in India, though yet somewhat uncertain, is optimistic about robust growth.

In recent years, several multinational tyre companies have entered the Indian market with significant investments and this development will intensify competition and could potentially cause a glut in the Indian market in the near future.

Despite several representations to the government, the inverted tax issue is yet to be resolved. It is imperative that duty concessions should be extended to the imports of raw materials by the tyre manufacturers as their performance is impacted by key raw material costs like those of natural rubber and petroleum derivatives. At present, rubber and crude oil prices are weak and this will ease the strain on the margins of tyre companies in the short run. However, a permanent reduction in rubber import duties is required to ensure long term health of the Indian tyre industry as price volatility of key raw materials could return and clearly, there are limits as to how much of such cost escalations can be passed on to the end customers, especially to OEMs/institutional buyers, who are extremely price sensitive.

### Segment wise and Product wise Performance

During the period 2013-14, MRF achieved a sales turnover of ₹14,641 crore. This is an increase of 8.9% over the previous year. Across the board, there was an overall increase in all segments adding up to a 5% increase in total tyre production. In the heavy commercial vehicle segment, the increase was 9% over the previous year while light commercial vehicle tyres increased by 4% in this period. In the motorcycle and scooter segments, the increase was 3% and 6% respectively. The passenger car group remained flat.

## Exports

Overall business climate around the globe continued to show signs of a slowdown similar to the trends in 2012-13. The situation has in fact worsened with prices dropping further and the supply – demand equation clearly showing signs of a glut in the market. Mining across countries showed a sharp decline, erratic weather patterns affected agriculture and political stalemate/turmoil also took its toll on many of our key markets leading to lower business activity and demand.

Your Company has traditionally held on to its market share in heavy and light commercial bias segments and continued to do so this year against all odds. Softening of raw material prices has given us some head room to pass on support to our channel partners against very aggressive competition and still post a good growth in profit over the previous year. Revenues however grew only by a nominal 3% over 2012-13.

MRF was awarded the “Highest Export Award [Auto Tyre Sector]” by the All India Rubber Industries Association yet another time during the period under review.

## Outlook

The automobile industry has seen a sluggish phase for the second consecutive year in 2013-14. It is hoped that in tandem with the expected resurgence in the Indian economy, the vehicle manufacturing sector will see a slow but sure turnaround in the new year which would in turn have a positive bearing on tyre demand. In the interim, the replacement market continues to prop up the tyre industry demand. As observed earlier, the capacity augmentation in the tyre industry would further fuel competition and this could put pressure on margins, especially in the truck radial segment.

## Performance of the Company

The sales turnover of the Company during the year increased by around 8.9% from ₹13445 crore in 2012-13 to ₹14641 crore in 2013-14. Earnings before depreciation and interest (EBIDTA) amounted to ₹1994 crore against ₹1796 crore in the previous year. After providing for depreciation and interest, the profit before tax for the year ended 30th September, 2014 was ₹1339 crore as compared to ₹1227 crore in the previous year. After making provision for income-tax, the net profit for the year stood at ₹898 crore as compared to ₹802 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 place 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 procedures have been put in place to safeguard 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 are 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)

	2013-14	2012-13
Sales	14641	13445
Other Income	73	37
Total Income	14714	13482
Profit before taxation	1339	1227
Provision for taxation	441	425
Profit after taxation	898	802

The price of natural rubber has softened during the second half of the year. However, this reduction is partly offset by increase in overheads like wages, freight etc. 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.

## Risks and Concerns

As per the Annual Report released by The Ministry of Finance, Government of India, GDP growth rate clocked in the Fiscal year 2013-14 was about 4.7% coupled with negative growth rate in manufacturing segment. The estimated GDP growth rate for the year 2014-15 (by March 2015) is in the range of 5.4% to 5.9%. This low economic growth and infrastructure growth rate has adversely impacted the Indian automotive industry and consequently, tyre industry is largely impacted by low demand from OEMs and replacement market.

In truck and bus segment, many global players have invested in India with large capacities. Due to low off take in this segment, there is a possibility of



an excess capacity build up which will impact the industry in general. This is further compounded by slow pace of radialisation in India.

The year witnessed softening of raw material prices especially natural rubber. However, the continuance of such lower prices cannot be predicted.

#### **Human Resources**

The Company has a dedicated team to cater to the growing talent requirements. We have a robust graduate engineer recruitment process which has helped us attract some bright youngsters from the professional campuses in the country. They were put through a well-designed training programme, consisting of both classroom sessions and on the job training in our manufacturing units before being placed in supervisory roles. Lateral hires are taken through an orientation programme to equip them to settle down in their roles quickly.

First line managers had undergone a leadership development programme covering technical, managerial and leadership skills. An advance supervisory development programme has been initiated to build capability among the first line supervisors and engineers in order to equip them to take up future responsibilities.

An intensive training programme on team building and collaboration using outward bound training methodology, to enhance the team cohesiveness and collaboration mind set among workmen was implemented during the year. Leadership training for union leaders and opinion makers continued through the year, thereby keeping with our commitment of shaping the future of our plants.

Keeping an eye on our ever growing needs, our section heads were taken through an executive development programme.

We have been able to keep our employees motivated and dedicated through our policies, HR initiatives and various welfare measures.

The total employee strength as on 30th September, 2014 was 15,457.

The industrial relations scenario remained cordial throughout the year in all our manufacturing units. Several HR and industrial relations initiatives implemented by the Company have significantly helped in improving the work culture, enhancing productivity and enriching the quality of life of the workforce. Our initiatives with our workforce across the plants have helped us build a strong common thread with them.

#### **Corporate Social Responsibility**

MRF continues to contribute to the development of our society through various social welfare initiatives.

##### **Education:**

The Company continues to extend support in the education of under privileged children in backward areas. We strongly believe education to be a means to bring positive change in the lives of people, especially in the rural areas.

We make our presence felt in the villages through our focus on educating the young and rendering assistance in developing the capabilities of children and inculcating in them, values which will help them become a responsible member of society.

The Company has conducted many talent enrichment programmes and organised functions for children to display their talent, thereby harnessing their skills. We have recognised those meritorious students, thereby encouraging other children to emulate their peers who have done well academically.

##### **Driver Development:**

MRF Institute of Driver Development continues to provide training to develop drivers in light and heavy commercial vehicles. The training curriculum is modified at regular intervals to keep pace with the technological advancement in the automobile industry. The drivers trained at the Institute are able to handle the latest vehicle models. The training also covers driving in different situations/conditions, vehicle maintenance, break down fault identification, first aid, lessons in hindi language, tips in fuel saving, the adverse effects of alcoholism/drug addiction etc.

The objective of the institute is to give job opportunities to under privileged youngsters and in the process, provide society with large numbers of competent drivers who are needed to ensure that the economy keeps moving. The Institute turned out 370 drivers during the year including 198 drivers who underwent a refresher course.

Placement assistance is provided to the drivers to get them engaged by leading transporters.

##### **Health & Rural Infrastructure:**

The Company conducted numerous medical camps and health awareness programmes in the rural areas. We have also extended assistance to the government when they conducted community/health programmes in the villages. This is in line with our belief that a healthy workforce drives economic growth. Furthermore, we have also rendered a helping hand in maintaining public lawns and providing solar street lights.

##### **Cautionary Statement**

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or forecast 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 governance practices and maintained the highest levels of fairness, transparency, accountability, 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](http://www.mrftyres.com). The Company has also adopted a code for prevention of insider trading as per SEBI (Prohibition of insider trading) Regulations, 1992. All the Directors and employees at senior management level have affirmed their compliance to the code.

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, 2014 in compliance with corporate governance norms, the Board comprises of 13 Directors. It includes a Chairman & Managing Director, a Managing Director, 2 Whole-time Directors, a Non-Executive Director 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 2013-14	Attended last AGM on 06-02-2014
Mr. K M Mammen Chairman & Managing Director	Promoter Executive Director	4	Nil	5	Yes
Mr. Arun Mammen Managing Director	Promoter Executive Director	3	Nil	5	Yes
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	5	Yes
Dr. K C Mammen	Non-Executive Director	3	Nil	4	No
Mr. Ashok Jacob (NRI)	Non-Executive Independent Director	3 (Incl. 2 Overseas Companies)	Nil	1	Yes
Mr. V Sridhar	Non-Executive Independent Director	Nil	Nil	5	Yes
Mr. Vijay R Kirloskar	Non-Executive Independent Director	6 (Incl. 2 Overseas Companies)	2-Member	2	No
Mr. N Kumar	Non-Executive Independent Director	5	4-Chairman 3-Member	5	Yes
Mr. Ranjit I Jesudasan	Non-Executive Independent Director	Nil	Nil	5	Yes
Mr. S S Vaidya *	Non-Executive Independent Director	NA	NA	2	No
Dr. Salim Joseph Thomas	Non-Executive Independent Director	Nil	Nil	5	Yes
Mr. Jacob Kurian	Non-Executive Independent Director	Nil	Nil	5	Yes
Mr M Meyyappan	Non-Executive Independent Director	Nil	Nil	4	No

\* Retired at the Annual General Meeting held on 06.02.2014.





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 the Companies Act, 2013. Mr. Rahul Mammen Mappillai, Whole-time Director is the son of Mr. K M Mammen, Chairman & Managing Director and hence related to each other.

**(c) Dates of Board meetings**

During the year 2013-14, five Board meetings were held on 24.10.2013, 28.11.2013, 06.02.2014, 22.04.2014 and 23.07.2014. 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 and the listing agreements entered into with the stock exchanges. All the departments in the Company provide data on matters which require approval of the Board/Committees, to the Company Secretary well in advance 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](http://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**

(As required under clause 49 of the Listing Agreement)

**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. Jacob Kurian	Chairman
Mr. S S Vaidya *	Member
Mr. V Sridhar	Member
Mr. Ranjit I Jesudasen	Member

\* Ceased to be a member of the committee w.e.f. 06.02.2014

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. In accordance with section 177 of the Companies Act, 2013 and as per the requirements of revised Clause 49 of the listing agreement, the Board of Directors of the Company at its meeting held on 22nd April, 2014, have approved the new terms of reference of the audit committee. The powers, role and terms of reference of the audit committee include inter alia oversight of Company's financial reporting process, internal controls and disclosures of financial information, overseeing the internal audit process, approval of related party transactions, reviewing with management the quarterly/ annual financial statements before submission to the Board, recommending the appointment of statutory auditors and fixation of their remuneration etc. Apart from the above, the committee also reviews the management discussion and analysis and statement of related party transactions.

**(iii) Meetings and Attendance:**

During the year 2013-14, the audit committee met on the following dates:

Dates of Meetings: 28.11.2013, 05.02.2014, 22.04.2014 and 23.07.2014

The members and attendance of committee members are given below:

Name of the Member	Meetings Attended
Mr. S S Vaidya *	1
Mr. Jacob Kurian	4
Mr. V Sridhar	4
Mr. Ranjit I Jesudasen	4

\* Ceased to be a member w.e.f. 06.02.2014

**B. Nomination and Remuneration Committee:**

The Board of Directors at its meeting held on 22nd April, 2014 has changed the nomenclature of the committee to nomination and remuneration committee, in accordance with section 178 of the Companies Act, 2013 and revised clause 49 of the listing agreement entered into with stock exchanges.

**(i) Composition:**

The committee comprises of 3 non-executive independent directors and an Executive Director. The Chairman is a non-executive independent Director. The Committee comprises of:

Mr. S S Vaidya*	Chairman (upto 06.02.2014)
Mr. Ranjit I Jesudasen	Chairman (from 22.04.2014)
Mr. V Sridhar	Member
Mr. Jacob Kurian	Member
Mr. K M Mammen	Member

\* Ceased to be a member w.e.f. 06.02.2014

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

**(ii) Reference:**

The nomination and remuneration committee was constituted to recommend/review the remuneration package of the Managing and Whole-time Directors. The Board of Directors at its meeting held on 22nd April, 2014 revised the terms of reference of the Committee in accordance with Section 178 of the Companies Act, 2013 and the revised Clause 49 of the listing agreement, to include the following: determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees; formulation of criteria for evaluation of Directors' performance; devising a policy on Board diversity; identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal; to recommend/review remuneration of the Managing Director(s) and Whole-time Director(s).

**(iii) Meetings and Attendance:**

During the year 2013-14, the nomination and remuneration committee met on the following dates :

Dates of Meetings: 22.04.2014 and 23.07.2014

All the members of the committee were present for the meetings.

The remuneration policy of the Company is:

- (a) For Managing and Whole-time Directors, the total remuneration consists of salary, perquisites & commission within the limits approved by the shareholders. No sitting fee is payable.
- (b) Non-Executive Directors do not draw any remuneration from the Company except the sitting fees as permitted under the Companies Act, 1956 and Companies Act, 2013 for attending the meetings of the Board/ Committees thereof.



Details of Remuneration to all the Directors for the year 2013-14:

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) 63208785 (d) 45000000 (e) 108208785 (a) Mr. Arun Mammen (b) Managing Director (c) 47883005 (d) 43920000 (e) 91803005 (a) Mr. K M Philip (b) Whole-time Director (c) 29932997 (d) 24300000 (e) 54232997 (a) Mr. Rahul Mammen Mappillai (b) Whole-time Director (c) 38013436 (d) 34920000 (e) 72933436.

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 2013-14 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) 80000 (c) 9043; (a) Mr. Ashok Jacob (b) 20000 (c) 1856; (a) Mr. V Sridhar (b) 220000 (c) Nil; (a) Mr. Vijay R Kirloskar (b) 40000 (c) 355; (a) Mr. N Kumar (b) 100000 (c)928; (a) Mr. Ranjit I Jesudasan (b) 220000 (c) Nil; (a) Mr S S Vaidya (b) 60000(c)Nil; (a) Dr. Salim Joseph Thomas (b)100000 (c) Nil; (a) Mr. Jacob Kurian (b) 190000 (c)123; (a) Mr. M Meyyappan (b) 80000 (c) 20.

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

### C. Stakeholders' Relationship Committee

The Board of Directors at its meeting held on 22nd April, 2014 has changed the nomenclature of the committee to stakeholders' relationship committee, in accordance with Section 178 of the Companies Act, 2013 and revised clause 49 of the listing agreement entered into with stock exchanges.

#### (i) Composition:

The committee comprises of 3 Directors. The Chairman of the committee is a non-executive independent Director.

The members of the Committee are:

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 stakeholders' relationship committee met twice on 28.11.2013 and 23.07.2014.

All the members of the committee were present for the meetings.

7 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, 2014, was 13. As on date, out of these pending matters, all the 6 cases of transmissions and 2 cases of issue of duplicate share certificates have been completed. 2 matters were 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.

As required by the SEBI (Insider Trading) Regulations, 1992, the Company has adopted a Code of Conduct for prevention of insider trading. All the Directors and the designated employees have affirmed their compliance with the code.

#### CEO/CFO Certification:

Mr. Arun Mammen, Managing Director and Mr. Madhu P Nainan, Vice President Finance, have certified to the Board in accordance with Clause 49 (V) of the listing agreement pertaining to CEO/CFO Certification for the year ended 30th September, 2014.

#### 4. General Body Meetings

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

AGM for the Year	Date	Time	Venue
2010-2011	09.02.2012	11.00 A.M.	TTK Auditorium 'The Music Academy' 168 TTK Road, Chennai 600 014
2011-2012	07.02.2013	11.00 A.M.	- do -
2012-2013	06.02.2014	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
09.02.2012	No Special Resolution was passed.
07.02.2013	No Special Resolution was passed.
06.02.2014	(i) Payment of revised remuneration to Mrs. Meera Mammen, a relative of some of the Directors of the Company, w.e.f. 01-04-2014 under Section 314(1B) of the Companies Act, 1956 and Section 188(1) of the Companies Act, 2013.  (ii) Appointment and payment of revised remuneration to Mr. Samir Thariyan Mappillai, a relative of some of the Directors of the Company, w.e.f. 01-04-2014 under Section 314(1B) of the Companies Act, 1956 and Section 188(1) of the Companies Act, 2013.

(c) Postal Ballot:

During the year, the Board sought the consent of the shareholders of the Company for passing the following special resolutions through postal ballot as per the notice to the shareholders dated 22.04.2014:

1. Special resolution under Section 180(1)(c) of the Companies Act, 2013 for approving the limits on borrowings
2. Special resolution under Section 180(1)(a) of the Companies Act, 2013 for providing security in connection with the borrowings of the Company
3. Special resolution for Acceptance of Deposits from members and / or public under Section 73 and 76 of the Companies Act, 2013.

The above special resolutions were passed with requisite majority.



Mr. N C Sarabeswaran, Chartered Accountant, was appointed as the scrutinizer for overseeing the postal ballot process.

The procedures prescribed under Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 were duly followed for conducting the postal ballot process during the year for approving the resolutions mentioned above.

## 5. Disclosures

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. Details of related party transactions are furnished in the notes to the financial statements.

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 respect of the same.

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 54 of the listing agreement, the annual report, quarterly/half yearly results are displayed on the Company's website [www.mrfityres.com](http://www.mrfityres.com). The Company has a designated e-mail address viz., [mrfshare@mrfmail.com](mailto:mrfshare@mrfmail.com) exclusively for investor servicing. The dates of the board meeting for approving the unaudited financial results and also the Annual General Meeting will be published in the newspapers.

The Ministry of Corporate Affairs (MCA) vide its circulars dated 21.04.2011, 29.04.2011 and the Companies Act, 2013, has taken

a "Green Initiative" in corporate governance by allowing paperless compliances by the Companies through electronic mode. The listing agreement with the stock exchanges and the Companies Act, 2013 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. 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 2013-14, 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 and 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	:	12.02.2015, 11.00 A.M
Venue	:	TTK Auditorium 'The Music Academy' No. 168 TTK Road, Chennai - 600 014

### b) Financial Calendar :

(tentative and subject to change)

Quarterly Unaudited Results	:	Within 45 days of the end of the quarter.
Audited Annual Results	:	Within 60 days from the end of the financial year.
Annual General Meeting	:	Within 6 months from the end of the financial year.

### c) Date of Book Closure : 06.02.2015 to 12.02.2015

**d) Dividend payment date**

Interim Dividend : 18.08.2014  
₹3 per share (30%)  
II Interim Dividend : 24.11.2014  
₹3 per share (30%)  
Final Dividend : 20.02.2015 - ₹44 per share (440%)  
(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, 2015 have been paid to all the above mentioned Stock Exchanges.

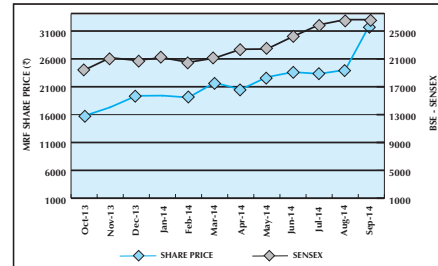
**g) Stock Code:**

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, 2013	15957.90	13297.50	75,655	15950.00	13290.00	2,82,509
November, 2013	18025.00	15685.30	61,827	18025.00	15640.70	2,21,144
December, 2013	20235.00	17121.05	94,838	20225.00	17118.00	4,10,127
January, 2014	20150.00	18600.00	42,733	20155.00	18645.00	1,97,028
February, 2014	20095.00	18700.00	33,162	20125.00	18686.40	1,64,642
March, 2014	22592.45	19002.00	47,949	22588.95	19000.20	2,59,717
April, 2014	24500.00	19826.55	58,958	25925.05	19816.10	3,50,465
May, 2014	23600.00	20514.40	26,230	23390.00	20502.50	1,40,135
June, 2014	24666.00	22448.35	18,228	24635.00	22448.95	1,10,210
July, 2014	24749.00	21000.05	30,655	24768.65	21001.00	1,83,844
August, 2014	24450.00	23000.00	15,208	24444.00	22999.95	77,629
September, 2014	32837.45	24169.80	1,00,853	32880.00	24080.00	5,14,378

**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, Greams 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 investor satisfaction and confidence. Members are therefore requested to communicate pertaining to both physical and electronic connectivity to Secretarial Department, MRF Limited, No. 114, Greams 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.

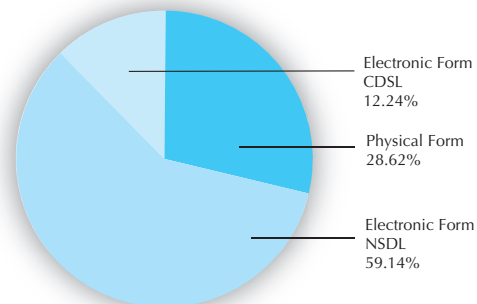
**l) Distribution of shareholding: (as at the year end)**

Shareholding	No. of Shareholders	%	No. of Shares	%
Upto 500	26961	98.37	709194	16.72
501 - 1000	175	0.64	127473	3.01
1001 - 2000	41	0.15	283745	6.69
2001 - 3000	26	0.09	115947	2.73
3001 - 4000	13	0.05	47478	1.12
4001 - 5000	42	0.15	102960	2.43
5001 - 10000	96	0.35	144339	3.40
10001 and above	55	0.20	2710007	63.90
<b>TOTAL</b>	<b>27409</b>	<b>100.00</b>	<b>4241143</b>	<b>100.00</b>

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

71.38% of total equity capital is held in dematerialized form with NSDL and CDSL upto 30th September, 2014. 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) Reconciliation of share capital Audit:**

A qualified practicing Company Secretary carried out reconciliation of share capital 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 — Icchiputhur, Arkonam, Tamilnadu
5. Medak — Sadasivapet, Medak, Telangana
6. Puducherry — Eripakkam Village, Nettapakkam Commune, Puducherry

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7. Ankanpally — Sadasivapet, Medak, Telangana
8. Perambalur — Naranamangalam Village & Post, Kunnam Taluk, Perambalur District,(Near Trichy) Tamilnadu.
- p) **Address for Correspondence:** MRF Limited  
No. 114, Greams Road,  
Chennai – 600 006.  
Tel : (044) 28292777  
Fax : (044) 28295087  
E-mail : mrfshare@mrfmail.com
- q) **Adoption, compliance and Non-Adoption of Non-Mandatory requirements under Clause 49 of the Listing Agreement:**
- 1. Maintaining Non-Executive Chairman's Office:**  
Not Applicable as the Chairman is an executive director.
  - 2. Nomination and Remuneration Committee:**  
The information pertaining to nomination and 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](http://www.mrftyres.com)) and website ([www.corpfiling.co.in](http://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 2013-14.
  - 5. Others:**  
Adoption of the other non-mandatory requirements is being reviewed by the Company from time to time.
- r) **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. Since good response was received from the shareholders staking their claim for the unclaimed shares, it was decided to send further reminder(s) and take other appropriate measures as may be required before the Company proceeds to transfer the unclaimed shares to a suspense account. Shareholders who are in receipt of the reminder letters are requested to write to the Company immediately 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.





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## AUDITORS' CERTIFICATE

To the Members of

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

We have examined the compliance of conditions of Corporate Governance by MRF Limited, for the year ended on 30th September, 2014, 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

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

Dhiren Mehta  
Partner  
Mem. No. 109883

Chennai, Dated 26th November, 2014

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MRF LIMITED, ON THE ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014.**

### **Report on the Financial Statements**

We have audited the accompanying Financial Statements of MRF LIMITED ('the Company') which comprise the Balance Sheet as at 30th September, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and the explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 in the manner so required and 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, 2014;
- b) in the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Companies Act 1956, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;



- c) 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;
- d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) On the basis of written representations received from the Directors as on 30th September, 2014 and taken on record by the Board of Directors and on the basis of examination of the records of the company, we report and certify that none of the Directors is disqualified as on 30th September, 2014 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

(C. Sri Ram)  
Partner  
Mem. No. 005897

Chennai, Dated 26th November, 2014

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

(Dhiren Mehta)  
Partner  
Mem. No. 109883

#### ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in our report of even date to the members of MRF LIMITED as at and for the year ended 30th September, 2014).

- 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 off 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) & (g) of the Order are not applicable.

- iv) In our opinion and according to the information and explanations 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 Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed 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, 2014 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, cess and income tax which have not been deposited as at 30th September 2014 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	2000-01, 2002-03 , 2003-04, 2005-06 to 2011-12	Appellate Commissioner	7.67
	1993-94 to 1995-96, 1997-98 to 2007-08, 2009-10 & 2010-11	Appellate Tribunal	11.81
	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



Statute and nature of dues	Financial year to which the matter pertains	Forum where the dispute is pending	₹ Crore
CENTRAL EXCISE ACT, 1944			
Excise duty and penalty	1997-98, 1998-99 & 2005-06,	Appellate Commissioner	0.09
	1993-94, 1999-2000 to 2004-05 & 2008-09	Appellate Tribunal	0.74
	2001-02	Supreme Court	0.06
INCOME TAX, 1961			
Income Tax	2000-01 to 2003-04, 2009-10 & 2010-11	High Court	9.33
ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION			
Cess on own power	2010-11 to 2013-14	High Court	5.19

- 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 and the representation made by the management the Company has given guarantees for loan taken by its subsidiary companies from banks. In our opinion, the terms and conditions of the said guarantees are not prima facie prejudicial to the interest of the company.
- 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 explanations 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 by the Company and no significant fraud on 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

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

(Dhiren Mehta)  
Partner  
Mem. No. 109883

Chennai, Dated 26th November, 2014

**MRF LIMITED, CHENNAI**

**BALANCE SHEET AS AT 30TH SEPTEMBER, 2014**

	Note	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	4.24	4.24
Reserves & Surplus	3	4513.40	3640.90
		4517.64	3645.14
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	1198.75	952.46
Deferred Tax Liabilities (Net)	5	235.31	222.31
Other Long Term Liabilities	6	1144.84	1043.23
Long-Term Provisions	7	91.85	75.24
		2670.75	2293.24
<b>Current Liabilities</b>			
Short-Term Borrowings	8	616.25	476.23
Trade Payables	9	1139.72	1021.43
Other Current Liabilities	10	539.29	552.23
Short-Term Provisions	7	313.31	269.07
		2608.57	2318.96
<b>TOTAL</b>		<b>9796.96</b>	<b>8257.34</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	11		
Tangible Assets		3421.65	2964.15
Intangible Assets		7.04	5.39
Capital Work-In-Progress		626.67	359.12
		4055.36	3328.66
Non-Current Investments	12	151.76	84.68
Long-Term Loans & Advances	13	224.27	138.12
Other Non-Current Assets	14	42.11	34.89
		4473.50	3586.35
<b>Current Assets</b>			
Current Investments	15	936.15	821.48
Inventories	16	1799.70	1795.29
Trade Receivables	17	1708.47	1556.14
Cash & Bank Balances	18	707.67	330.81
Short-Term Loans & Advances	13	136.75	145.14
Other Current Assets	14	34.72	22.13
		5323.46	4670.99
<b>TOTAL</b>		<b>9796.96</b>	<b>8257.34</b>
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 & CO.  
Chartered Accountants  
Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director  
Hyderabad, Dated 26th November, 2014



**MRF LIMITED, CHENNAI**

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014**

	Note	Year ended 30.09.2014 ₹ Crore	Year ended 30.09.2013 ₹ Crore
<b>INCOME</b>			
Revenue from operations (Gross)	19	14648.79	13453.12
Less:- Excise Duty		1451.21	1321.96
Revenue from operations (Net)		13197.58	12131.16
Other income	20	65.62	29.03
<b>Total Revenue</b>		<b>13263.20</b>	<b>12160.19</b>
<b>EXPENSES</b>			
Cost of materials consumed	21	8298.90	7800.83
Purchase of Stock-in-Trade [Note 27(a)(ii)]		61.22	125.13
Changes in Inventories of Finished Goods, Stock-in-process & Stock-in-Trade	22	19.18	(26.73)
Employee benefits expense	23	732.69	603.49
Finance costs	24	231.58	195.94
Depreciation & Amortisation expense	25	423.09	372.93
Other expenses	26	2157.65	1861.80
<b>Total Expenses</b>		<b>11924.31</b>	<b>10933.39</b>
<b>PROFIT BEFORE TAX</b>		<b>1338.89</b>	<b>1226.80</b>
Tax expense:			
Current tax		428.00	389.00
Deferred tax		13.00	35.59
		441.00	424.59
<b>PROFIT FOR THE YEAR</b>		<b>897.89</b>	<b>802.21</b>
Basic & diluted - Earnings per equity share: (₹)	27 (c)	2117.09	1891.49
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 & CO.  
Chartered Accountants  
Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director

Chennai, Dated 26th November, 2014

Hyderabad, Dated 26th November, 2014

**MRF LIMITED, CHENNAI****CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2014**

	Year ended 30.09.2014		Year ended 30.09.2013	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
<b>NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEM</b>		1,338.89		1226.80
<b>Adjustment for :</b>				
Depreciation	423.09		372.93	
Unrealised Exchange (Gain) / Loss	0.82		4.60	
Reversal of Provision for Diminution in value of Investment	-		(4.98)	
Provision for Doubtful debts (written back)/Provided	0.15		(0.53)	
Interest - Net	190.02		181.88	
Dividend Income	(0.16)		(0.15)	
Loss / (Gain) on Sale / Disposal of fixed assets sold	2.52		0.09	
Loss / (Gain) on Sale of Investments	(13.45)	602.99	(0.31)	553.53
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>		1941.88		1780.33
Trade and other receivables	(157.67)		(107.34)	
Inventories	(4.41)		(149.70)	
Long-Term Liabilities	101.61		135.20	
Trade Payable & Provisions	211.79	151.32	121.19	(0.65)
<b>CASH GENERATED FROM OPERATIONS</b>		2093.20		1779.68
Direct Taxes paid		(407.95)		(303.33)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		1685.25		1476.35
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(1242.26)		(429.40)	
Proceeds from sale of Fixed Assets	0.26		2.11	
(Purchase) / Proceeds from Investments Net	(162.22)		(472.16)	
Investment in Subsidiary Companies	(6.08)		-	
Fixed Deposits with Banks	(407.45)		(43.50)	
Interest & Dividend income	33.04		5.88	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(1784.71)		(937.07)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
(Repayments) / proceeds from Working Capital Facilities (Net)	140.02		(52.49)	
Proceeds from Term Loans	330.13		(31.93)	
Repayments of Term Loans	(83.38)		-	
Repayment of Debentures	(65.00)		-	
(Repayments) / proceeds from Fixed Deposits (Net)	(1.79)		(11.70)	
Sales Tax Deferral	(8.66)		(6.51)	
Deferred payment Credit	(7.54)		(6.96)	
Interest paid	(220.11)		(191.19)	
Dividend and Corporate Dividend Tax	(14.89)		(12.35)	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		68.78		(313.13)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(30.68)		226.15
<b>CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER, 2013</b>		285.77		59.62
<b>CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER, 2014</b>		255.09		285.77

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

For SASTRI & SHAH

For M. M. NISSIM & CO.

Chartered Accountants

Chartered Accountants

C. Sri Ram

Dhiren Mehta

Partner

Partner

RAVI MANNATH

Company Secretary

JACOB KURIAN

V SRIDHAR

Directors

K M MAMMEN

Chairman & Managing Director

Chennai, Dated 26th November, 2014

Hyderabad, Dated 26th November, 2014





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## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014

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### 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 borrowing cost 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 and 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.

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**F. INVENTORIES:**

Inventories consisting of stores & 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 customer 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. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against

which such deferred tax assets can be realised. If the company has carry forward unabsorbed depreciation and tax losses, deferred Tax assets are recognised only to the extent there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

**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 contributes to Regional Provident Fund Commissioner on behalf of its employees and such contributions are charged to the Statement of Profit and Loss. In respect of some of its employees, the Company contributes the Provident fund to a trust established for this purpose based on fixed percentage of the eligible employees' salary and is charged to the Statement of Profit and Loss. The Company is liable for annual contributions and any shortfall in the fund assets and interest 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 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 date of the transaction or that approximates the actual rate as at the date of transaction.

Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the contracted rate is recognised as exchange difference. Premium paid on forward contracts is recognised over the life of the contract. Non monetary items are carried in terms of historical cost denominated in foreign currency and is recorded using the exchange rate prevailing at the date of the transaction or that approximates the actual rate as at the date of transaction.

In respect of branches, which are integral foreign operations, all transactions are translated at rates prevailing at the date 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014

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### NOTE 2: SHARE CAPITAL

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Authorised</b>		
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
	<b>10.00</b>	<b>10.00</b>
<b>Issued</b>		
42,41,143 Equity shares of ₹ 10 each (Excludes 71 bonus shares not issued and not allotted on non-payment of call monies)	4.24	4.24
<b>Subscribed and Fully Paid-up</b>		
42,41,143 Equity Shares of ₹ 10 each	4.24	4.24
	<b>4.24</b>	<b>4.24</b>

(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 30.09.2014 No. of Shares held	As at 30.09.2013 No. of Shares held
1) Comprehensive Investment and Finance Company Private Limited	437243	433239
2) MOWI (P) Limited	507984	507984
3) Enam Shares and Securities Private Ltd.	267626	267626

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### NOTE 3: RESERVES AND SURPLUS

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Securities Premium Account</b>		
As per last Account	9.42	9.42
<b>General Reserve</b>		
As per last Account	3556.22	2797.40
Add: Transfer from Surplus in the Statement of Profit & Loss	865.99	758.82
	4422.21	3556.22
<b>Debenture Redemption Reserve</b>		
As per last Account	75.26	46.74
Add: Transfer from Surplus in the Statement of Profit & Loss	6.51	28.52
	81.77	75.26
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last financial statements	-	-
Profit for the year	897.89	802.21
<b>Less:- Appropriations</b>		
Dividends		
Interim (₹ 6 per share)	2.54	2.54
Final - Proposed (₹ 44 per share)	18.66	10.18
Corporate Tax on Dividend	4.19	2.15
Transfer to Debenture Redemption Reserve	6.51	28.52
Transfer to General Reserve	865.99	758.82
Balance in the Statement of Profit & Loss	-	-
	4513.40	3640.90

**NOTE 4: LONG-TERM BORROWINGS**

	Non-current		Current maturities	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Secured</b>				
Term Loans from Banks:				
External Commercial Borrowings(ECB)	204.62	204.62	-	-
Debentures:				
1350 (Previous year 2000) 9.07% Secured Redeemable Non-Convertible Debentures of ₹ 10,00,000 each, privately placed	70.00	135.00	65.00	65.00
5000 10.09% Secured Redeemable Non-Convertible Debentures of ₹ 10,00,000 each, privately placed	500.00	500.00	-	-
<b>Unsecured</b>				
Term Loan from a Bank:				
External Commercial Borrowings(ECB)	184.93	-	-	-
Buyers Line of Credit	145.20	-	-	83.38
Fixed Deposits	27.53	31.49	7.89	5.72
Sales Tax Deferral Scheme	55.12	61.84	6.72	8.66
<b>Others</b>				
Deferred Payment Credit	11.35	19.51	8.16	7.54
Amounts disclosed under the head 'Other Current Liabilities' (Note 10)			(87.77)	(170.30)
	1198.75	952.46	-	-

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

**NOTE 5 : DEFERRED TAX LIABILITIES (Net)**

	As at 30.09.2014	As at 30.09.2013
		₹ Crore
Deferred Tax Liability:		
Arising on account of timing difference in:		
- Depreciation	260.95	248.00
Deferred Tax Asset:		
- Accrued Expenses allowable on Actual Payments	(25.64)	(25.69)
Deferred Tax Liabilities (Net)	235.31	222.31

**NOTE 6 : OTHER LONG-TERM LIABILITIES**

Dealers' Security Deposit	1128.90	1039.13
Others	15.94	4.10
	1144.84	1043.23



## NOTE 7 : PROVISIONS

	Long-Term		Short-Term	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
Provision for employee benefits				
Leave benefits	16.48	16.06	2.02	0.48
Gratuity	-	-	36.84	36.39
Other Benefits	4.65	5.46	1.20	1.31
Tax (Net of advance Tax paid)	-	-	127.26	107.21
Dividend				
Interim	-	-	1.27	1.27
Final - Proposed	-	-	18.66	10.18
Corporate Tax on Dividend	-	-	3.95	1.93
Other Provisions [Note 27(g)]	70.72	53.72	122.11	110.30
	91.85	75.24	313.31	269.07

## NOTE 8 : SHORT-TERM BORROWINGS

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
Secured		
Working Capital Facilities from Banks	520.95	420.30
Buyer's Line of Credit	95.30	-
Unsecured		
Buyer's Line of Credit	-	55.93
	616.25	476.23

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

## NOTE 9 : TRADE PAYABLES

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
Trade Payables (Note 27(k))	799.66 *	701.42*
Acceptances	340.06	320.01
	1139.72	1021.43

\*Includes due to a Subsidiary company ₹ 0.10 Crore (Previous year ₹ 0.21 Crore)

**NOTE 10 : OTHER CURRENT LIABILITIES**

	As at 30.09.2014	As at 30.09.2013
Current maturities of long-term borrowings (Note 4)	87.77	170.30
Interest accrued but not due on borrowings	46.18	42.20
Advances from Customers	36.58	28.23
Statutory dues :		
Central Excise/Service Tax	43.30	47.45
Value Added Tax/Central Sales Tax	125.06	117.20
Withholding Taxes	8.03	6.74
Others	6.08	6.38
Other payables:		
Employee benefits	46.92	29.61
Liabilities for expenses	137.72	102.57
Unclaimed Dividends	1.63	1.54
Matured Fixed Deposits and Interest	0.02	0.01
	539.29	552.23

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

**NOTE 11 : FIXED ASSETS**

Nature of Fixed Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01/10/2013	Additions	Deductions/ Adjustments	Cost as at 30/09/2014	Upto 30/09/2013	Provided during the year	Deductions/ Adjustments	Upto 30/09/2014	As at 30/09/2014	As at 30/09/2013
<b>Tangible Assets</b>										
Land	97.62	252.28	*	349.90	1.54	0.10	-	1.64	348.26	96.08
Buildings	898.01	79.56	1.42	976.15	133.38	27.71	0.35	160.74	815.41	764.63
Plant & Machinery	3846.33	445.25	21.79	4269.79	1977.36	330.04	20.58	2286.82	1982.97	1868.97
Moulds	379.78	50.87	4.60	426.05	254.63	36.21	4.53	286.31	139.74	125.15
Furniture & Fixtures	18.48	3.65	0.65	21.48	13.10	2.55	0.57	15.08	6.40	5.38
Computer	36.46	8.13	0.85	43.74	28.15	3.31	0.84	30.62	13.12	8.31
Office Equipment	26.69	3.42	0.95	29.16	18.15	3.04	0.94	20.25	8.91	8.54
Other Assets	126.86	30.00	1.09	155.77	49.01	14.52	0.81	62.72	93.05	77.85
Vehicles	23.76	7.85	0.93	30.68	14.52	3.25	0.88	16.89	13.79	9.24
<b>Total Tangible Assets</b>	5453.99	881.01	32.28	6302.72	2489.84	420.73	29.50	2881.07	3421.65	2964.15
Previous year	5043.04	429.31	18.36	5453.99	2135.23	370.77	16.16	2489.84	2964.15	2907.81
<b>Intangible Assets</b>										
Computer Software	21.03	4.01	-	25.04	15.64	2.36	-	18.00	7.04	5.39
<b>Total Intangible Assets</b>	21.03	4.01	-	25.04	15.64	2.36	-	18.00	7.04	5.39
Previous year	19.47	1.56	-	21.03	13.48	2.16	-	15.64	5.39	5.99
<b>Capital Work-in-Progress</b>									626.67	359.12
<b>Grand Total</b>									4055.36	3328.66

**Note:**

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

\* Represents land sold during the year amounting to ₹ 18,206.





## NOTE 12 : NON-CURRENT INVESTMENTS

	Face Value ₹	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>INVESTMENTS (At Cost, Fully Paid-up)</b>			
<b>Non-Trade</b>			
<b>Quoted</b>			
23,333 Equity Shares in ICICI Bank Ltd.	10	0.09	0.09
2,000 Equity Shares in EIH Associated Hotels Ltd. - ₹ 44,000 (Previous year - ₹ 44,000)	10	-	-
4,000 Equity Shares in Housing Development Finance Corporation Ltd. - ₹ 4,000 (Previous year - ₹ 4,000)	2	-	-
33 Equity Shares in JK Tyres & Industries Ltd. - ₹ 1,872 (Previous year - ₹ 1,872)	10	-	-
2 Equity Shares in Bengal & Assam Company Limited - ₹ 487 (Previous year - ₹ 487)	10	-	-
2,000 Equity Shares in HDFC Bank Ltd. - ₹ 4,000 (Previous year - ₹ 4,000)	2	-	-
Aggregate Book Value of Quoted Investments		0.09	0.09
<b>Unquoted In Mutual Fund Units:</b>			
Income Plan: Growth Option			
82,485 Franklin India Short-Term Income Plan Institutional - Growth	1000	12.00	12.00
27,20,037 HDFC - High Interest Fund - Short Term Plan - Growth	10	5.00	5.00
59,46,232 HDFC Short Term Plan - Growth	10	10.00	10.00
1,00,00,000 (-) HDFC FMP 1128D September 2014(1) Series 32 - Regular - Growth	10	10.00	-
1,60,00,000 (-) HDFC FMP 1134D September 2014(1) Series 32 - Regular - Growth	10	16.00	-
50,00,000 (-) HDFC FMP 370D October 2013 (5) Series 28 - Regular - Growth	10	5.00	-
50,00,000 (-) HDFC FMP 371D November 2013 (1) Series 28 - Regular - Growth	10	5.00	-
1,69,91,455 Birla Sun Life Dynamic Bond Fund - Retail - Regular Plan	10	25.00	25.00
50,00,000 (-) Birla Sun Life Fixed Term Plan - Series IW (368 days) - Gr. Regular	10	5.00	-
30,00,000 (-) Birla Sun Life Fixed Term Plan-Series LX (1099) Days - Growth Regular	10	3.00	-
60,95,089 Reliance Short Term Fund - Growth Plan - Growth Option - STGP	10	10.00	10.00
27,17,258 ICICI Prudential Institutional Short Term Plan - Cumulative Option	10	5.00	5.00
1,00,00,000 (-) ICICI Prudential FMP Series 75 - 1100 Days Plan J Regular Plan Cumulative	10	10.00	-
50,00,000 (-) Sundaram Fixed Term Plan GK 1120 days Regular Growth	10	5.00	-
50,00,000 (-) L&T FMP Series 9 - Plan D - Growth	10	5.00	-
- (21,27,358) UTI Fixed Income Interval Fund Annual Interval Plan III - Institutional Growth Plan	10	-	3.00

**NOTE 12 : NON-CURRENT INVESTMENTS (Contd.)**

	Face Value ₹	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Subsidiary Companies:</b>			
50,100 Equity Shares in MRF Corp Ltd. - ₹ 1,500 (Previous year - ₹ 1,500)	10	-	-
5,32,470 Equity Shares in MRF International Ltd.	10	0.53	0.53
3,41,60,324 (2,11,91,238) Equity Shares in MRF Lanka Pvt. Ltd.	Sri Lankan Rupee 10	15.01	8.98
<b>Others:</b>			
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. - ₹ 40,000 (Previous year - ₹ 40,000)	25	-	-
50 Ordinary Shares in The Ranipet Leather Finishing Servicing Industrial Co-operative Society Ltd. ₹ 5000 (Previous year ₹ 5,000)	100	-	-
10 Ordinary Shares in Co-operative Housing Societies - ₹ 500 (Previous year - ₹ 500)	50	-	-
5 Equity Shares in Chennai Willingdon Corporate Foundation - ₹ 50 (Previous year ₹ 50)	10	-	-
<b>Trade</b>			
<b>Unquoted Subsidiary Companies:</b>			
10,000 (-) Ordinary Shares in MRF SG Pte Ltd. - Refer Note 27 (q)	Singapore Dollar 1	0.05	-
<b>Others:</b>			
1,48,500 Equity Shares in Funskool (India) Ltd.	10	0.15	0.15
59,780 Equity Shares in PPS Enviro Private Ltd.	10	0.22	0.22
3,75,000 Equity Shares in Sai Regency Power Corporation Pvt. Ltd.	10	0.38	0.38
2,60,000 Equity Shares in Connect Wind India Pvt Ltd.	10	4.16	4.16
Aggregate Book Value of Unquoted Investments		151.67	84.59
Aggregate Market Value of Quoted Investments		151.76	84.68

Figures in brackets are in respect of previous year.



### NOTE 13 : LOANS & ADVANCES

	Long-Term		Short-Term	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Unsecured, Considered Good</b>				
Capital Advances	162.35	72.66	-	-
Loan & Advances to Employees	2.81	3.08	14.48	13.38
Loan to Subsidiaries	12.43	15.43	3.00	-
Advances Recoverable in cash or in kind	1.21	1.48	91.89 *	97.72*
Balances with Excise Authorities	-	-	27.38	34.04
Advance payment of Income Tax / Tax Deducted at Source (after adjusting provision)	45.47	45.47	-	-
	224.27	138.12	136.75	145.14

\*Includes due from a subsidiary company ₹ 0.27 Crore (Previous Year - ₹ 0.19 Crore)

### NOTE 14 : OTHER ASSETS

	Non-current		Current	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Unsecured, Considered Good</b>				
Interest Accrued on Loans, Deposits etc.	-	-	4.37	3.18
Prepaid Expenses	-	-	17.19	18.95
Deposits	39.23	32.08	-	-
Non-current Bank Balances (Note 18)	1.31	1.31	-	-
Share/Mutual Fund Application Monies - Refer Note 27 (q)	-	-	13.06	-
Others	1.57	1.50	0.10 *	-
	42.11	34.89	34.72	22.13

\* Represents due from a subsidiary company ₹ 0.10 Crore (Previous Year - ₹ Nil)

**NOTE 15 : CURRENT INVESTMENTS**

	Face Value ₹	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Non-Trade - Fully Paid-up</b>			
<b>Unquoted</b>			
In Mutual Fund Units:			
Income Plan - Growth:			
1,49,355 UTI Liquid Cash Plan Institutional - Growth	1,000	27.00	27.00
5,05,454 UTI Treasury Advantage Fund - Institutional Plan - Growth	1,000	77.00	77.00
- (34,78,187) UTI Fixed Term Income Fund Series XV - II (367 days) - Growth Plan	10	-	3.48
21,27,358 (-) UTI Fixed Income Interval Fund Annual Interval Plan III - Institutional Growth Plan	10	3.00	-
12,15,844 ICICI Prudential Savings Fund - Regular Plan - Growth	100	20.00	20.00
17,81,587 ICICI Prudential Flexible Income - Regular plan - Growth	100	39.00	39.00
3,94,396 ICICI Prudential Liquid - Regular plan - Growth	100	7.00	7.00
50,00,000 (-) ICICI Prudential FMP Series 72-440 Days Plan L - Regular Plan Cumulative	10	5.00	-
60,00,000 (-) ICICI Prudential FMP Series 74-370 Days Plan Q - Regular Plan Cumulative	10	6.00	-
60,00,000 (-) ICICI Prudential FMP Series 74-368 Days Plan R - Regular Plan Cumulative	10	6.00	-
50,00,000 (-) ICICI Prudential FMP Series 74-368 Days Plan Y - Regular Plan Cumulative	10	5.00	-
54,00,000 (-) ICICI Prudential FMP Series 74-367 Days Plan Z - Regular Plan Cumulative	10	5.40	-
1,15,318 Reliance Liquid Fund-Cash Plan - Growth Option - Growth Plan - CPGP	1,000	20.00	20.00
1,68,599 Reliance Money Manager Fund - Growth Plan - Growth Option - LPIG	1,000	26.00	26.00
52,66,727 (94,30,236) Reliance Medium Term Fund - Growth Plan - Growth Option - IPGP	10	13.00	23.00
13,684 Reliance Liquid Fund-Treasury Plan - Growth Plan - Growth Option - LFIG	1,000	4.00	4.00
60,00,000 (-) Reliance Fixed Horizon Fund - XXVI - Series 33 - Growth Plan - X7GP	10	6.00	-
50,00,000 (-) Reliance Fixed Horizon Fund - XXV - Series 6 - Growth Plan - WAGP	10	5.00	-
50,00,000 (-) Reliance Fixed Horizon Fund - XXV - Series 19 - Growth Plan - WOGP	10	5.00	-
1,66,07,563 HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth	10	40.00	40.00
93,19,795 HDFC Liquid Fund - Premium Plan - Growth	10	20.00	20.00
3,91,31,624 HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Growth	10	77.00	77.00
29,57,967 HDFC Liquid Fund Growth	10	7.00	7.00
60,00,000 (-) HDFC FMP 366D May 2014 (2) Series 31 - Regular - Growth	10	6.00	-
60,00,000 (-) HDFC FMP 370D June 2014 (1) Series 31 - Regular - Growth	10	6.00	-
50,00,000 (-) HDFC FMP 371D December 2013 (1) Series 28 - Regular - Growth	10	5.00	-
70,00,000 (-) HDFC FMP 371D June 2014 (1) Series 31 - Regular - Growth	10	7.00	-
50,00,000 (-) HDFC FMP 453D February 2014 (1) Series 29 - Regular - Growth	10	5.00	-
50,00,000 (-) HDFC FMP 540D December 2013 (1) Series 28 - Regular - Growth	10	5.00	-
14,06,187 Birla Sun Life Floating Rate Fund - Short Term Plan - Growth - Regular Plan	100	20.00	20.00


**NOTE 15 : CURRENT INVESTMENTS (Contd.)**

	Face Value ₹	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
18,91,226 Birla Sun Life Cash Manager - Institutional Plan - Growth	100	35.00	35.00
7,27,224 Birla Sun Life Floating Rate Fund - Long Term Growth - Regular Plan	100	10.00	10.00
3,64,072 Birla Sun Life Cash Plus - Growth - Regular Plan	100	7.00	7.00
14,11,779 Birla Sun Life Treasury Optimizer Plan - Growth - Regular Plan	100	20.00	20.00
50,00,000 (-) Birla Sun Life Fixed Term Plan - Series JE (368 days) - Gr. Regular	10	5.00	-
50,00,000 (-) Birla Sun Life Fixed Term Plan - Series JY (367 days) - Gr. Regular	10	5.00	-
50,00,000 (-) Birla Sun Life Fixed Term Plan - Series LO (369 days) - Gr. Regular	10	5.00	-
60,00,000 (-) Birla Sun Life Fixed Term Plan - Series LQ (368 days) - Gr. Regular	10	6.00	-
5,92,18,499 Franklin India Ultra Short Bond Fund Super Institutional Plan - Growth	10	88.00	88.00
39,170 Franklin India Treasury Management Account Super Institutional Plan - Growth	1,000	7.00	7.00
3,14,53,743 Kotak Flexi Debt Scheme Plan A - Growth	10	44.00	44.00
1,14,046 Kotak Floater Short Term - Growth	1,000	20.00	20.00
- (1,70,21,236) Kotak Floater Long Term - Growth	10	-	31.00
28,752 Kotak Liquid Scheme Plan A - Growth	1,000	7.00	7.00
2,07,399 SBI SHF - Ultra Short Term Fund - Institutional Plan - Growth	1,000	30.00	30.00
3,69,333 SBI - Ultra Short Term Debt Fund - Regular Plan - Growth	1,000	55.00	55.00
37,116 SBI - Premier Liquid Fund - Regular Plan - Growth	1,000	7.00	7.00
50,00,000 (-) SBI - Debt Fund Series - A 28-367 Days - Regular - Growth	10	5.00	-
50,00,000 (-) SBI - Debt Fund Series - A 2 15 Months - Regular - Growth	10	5.00	-
2,20,32,401 IDFC Ultra Short-Term Fund - Growth - (Regular Plan)	10	36.00	36.00
47,988 IDFC Cash Fund-Growth-(Regular Plan)	1,000	7.00	7.00
50,00,000 (-) IDFC Fixed Term Plan Series 50 Regular Plan - Growth	10	5.00	-
50,00,000 (-) IDFC Fixed Term Plan Series 51 Regular Plan - Growth	10	5.00	-
70,00,000 (-) IDFC Fixed Term Plan Series 97 Regular Plan - Growth (366 Days)	10	7.00	-
57,50,000 (-) IDFC Fixed Term Plan Series 99 Regular Plan - Growth (368 Days)	10	5.75	-
31,599 TATA Liquid Fund Plan A - Growth	1,000	7.00	7.00
50,00,000 (-) TATA Fixed Maturity Plan Series 47 Scheme N - Plan A - Growth	10	5.00	-
50,00,000 (-) L&T FMP Series 9 - Plan J - Growth	10	5.00	-
50,00,000 (-) L&T FMP Series 10 - Plan H - Growth	10	5.00	-
50,00,000 (-) DWS Fixed Maturity Plan Series 43 - Regular Plan - Growth	10	5.00	-
50,00,000 (-) DWS Fixed Maturity Plan Series 45 - Regular Plan - Growth	10	5.00	-
		936.15	821.48

Figures in brackets are in respect of previous year.

**NOTE 16 : INVENTORIES**

	As at 30.09.2014	₹ Crore As at 30.09.2013
<b>At lower of cost and net realisable value</b>		
Raw materials	761.42	791.68
Stock-in-process	179.41	223.59
Finished goods	651.11	593.25
Stock-in-Trade	14.85	37.98
Stores and spares	192.91	148.79
	<u>1799.70</u>	<u>1795.29</u>

**NOTE 17 : TRADE RECEIVABLES**

	As at 30.09.2014	₹ Crore As at 30.09.2013
<b>Overdue for a period exceeding six months</b>		
Unsecured - Considered Good	1.29	5.17
- Considered Doubtful	2.26	2.11
Less: Provision for Doubtful Debts	<u>(2.26)</u>	<u>(2.11)</u>
	1.29	5.17
<b>Others</b>		
Secured	1043.82	953.35
Unsecured	663.36*	597.62*
	<u>1708.47</u>	<u>1556.14</u>

\* Includes due from a subsidiary company - ₹ 0.05 crore (Previous Year - ₹ 5.74 crore).

**NOTE 18 : CASH & BANK BALANCES**

	Non-current		Current	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Cash &amp; Cash equivalents:</b>				
Balances with banks:				
Current Accounts	-	-	9.10	15.32
Fixed Deposits with Original maturity less than three months	-	-	200.43	229.00
Cash & Cheques on hand	-	-	45.56	41.45
	-	-	<u>255.09</u>	<u>285.77</u>
Other Bank Balances:				
Fixed Deposits	1.31	1.31	450.95	43.50
Unpaid Dividend Account	-	-	1.63	1.54
	<u>1.31</u>	<u>1.31</u>	<u>452.58</u>	<u>45.04</u>
Amounts disclosed under 'Non Current Assets' (Note 14)	<u>(1.31)</u>	<u>(1.31)</u>	-	-
	-	-	<u>707.67</u>	<u>330.81</u>



## NOTE 19 : REVENUE FROM OPERATIONS

	Year ended 30.09.2014 ₹ Crore	Year ended 30.09.2013 ₹ Crore
<b>Sales:</b>		
Finished Goods	14640.94	13444.75
Other Operating Revenues - Export Incentives	7.85	8.37
	<u>14648.79</u>	<u>13453.12</u>

### Details of sales under broad heads:

Class of Goods		
Automobile Tyres	12970.52	11900.19
Automobile Tubes	1107.79	994.90

## NOTE 20 : OTHER INCOME

Dividend on Investment from:		
Subsidiary Company	0.10	0.10
Others	0.06	0.05
	<u>0.16</u>	<u>0.15</u>
Interest:		
On Deposits, etc.	34.07	8.15
From a Subsidiary Company	-	0.01
	<u>34.07</u>	<u>8.16</u>
Profit on Sale of Investments (Net)	13.45	0.31
Reversal of Provision for Diminution in value of Investment	-	4.98
Provision for Doubtful Debts Written Back	-	0.53
Miscellaneous Receipts	17.94	14.90
	<u>65.62</u>	<u>29.03</u>

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**NOTE 21 : COST OF MATERIALS CONSUMED**

	Year ended 30.09.2014 ₹ Crore	Year ended 30.09.2013 ₹ Crore
<b>Cost of materials consumed</b>		
Opening Stock	791.68	718.93
Add: Purchases	8268.64	7873.58
	9060.32	8592.51
Less: Closing Stock	761.42	791.68
	8298.90	7800.83
Details of Raw Materials consumed under broad heads:		
Rubber	4465.63	4584.89
Fabric	1318.44	1227.90
Carbon Black	1276.50	1089.09
Chemicals	918.54	729.02

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

Closing Stock:		
Finished Goods	651.11	593.25
Stock-in-Trade	14.85	37.98
Stock-in-Process	179.41	223.59
	845.37	854.82
Less: Opening Stock:		
Finished Goods	593.25	603.72
Stock-in-Trade	37.98	11.46
Stock-in-Process	223.59	213.87
	854.82	829.05
Differential Excise Duty on Opening and Closing stock of Finished Goods	9.73	(0.96)
	19.18	(26.73)

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**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	486.47	523.01	-	-	201.81	151.40
Automobile Tubes	64.03	79.57	29.38	0.77	9.40	4.13
T & S Equipments	-	-	6.75	11.67	-	-

**NOTE 23 : EMPLOYEE BENEFITS EXPENSE**

	Year ended 30.09.2014 ₹ Crore	Year ended 30.09.2013 ₹ Crore
Salaries, Wages, Bonus and Allowances	582.87	470.49
Company's Contribution to Provident, Gratuity and Other Funds	71.62	64.91
Welfare Expenses	78.20	68.09
	732.69	603.49

**NOTE 24 : FINANCE COSTS**

Interest on Loans & Deposits	157.90	121.39
Interest on Debentures	64.37	66.20
Interest on Deferred Payment Credit	1.82	2.45
Bank Charges	7.49	5.90
	231.58	195.94

**NOTE 25 : DEPRECIATION & AMORTISATION EXPENSE**

Depreciation on tangible assets	420.73	370.77
Amortisation on intangible assets	2.36	2.16
	423.09	372.93

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**NOTE 26 : OTHER EXPENSES**

	Year ended 30.09.2014	Year ended 30.09.2013
	₹ Crore	₹ Crore
Stores and Spares Consumed	274.94	211.80
Power and Fuel	664.67	600.11
Processing Expenses	134.38	133.11
Rent	36.47	32.38
Rates and Taxes	9.18	6.28
Insurance	10.85	10.10
Printing and Stationery	4.81	3.68
Repairs and Renewals:		
Buildings	16.29	14.31
Plant and Machinery	67.94	55.41
Other Assets	25.58	20.21
Travelling & Conveyance	39.06	31.48
Communication Expenses	7.04	5.90
Vehicle Expenses	4.59	4.14
Auditors' Remuneration:		
As Auditors:		
Audit fee (Current year includes arrears of ₹ 0.04 Crore for previous year)	0.34	0.24
Tax Audit fee	0.06	0.05
Other Services	0.13	0.05
Reimbursement of Expenses etc.	0.11	0.19
	<hr/> 0.64	<hr/> 0.53
Cost Auditor's Remuneration:		
Audit fee	0.05	0.04
Directors' Fees	0.11	0.11
Directors' Travelling Expenses	3.02	3.07
Advertisement	148.85	138.24
Warranty	29.41	10.32
Sales tax absorbed by the Company	0.85	0.22
Bad debts written off (Net)	0.20	-
Commission and Discount	237.13	205.76
Freight and Forwarding (Net)	351.42	294.94
Loss on Sale of Fixed Asset	2.52	0.09
Net Loss on Foreign Currency Transactions	46.79	45.86
Provision for Doubtful Debts	0.15	-
Miscellaneous Expenses	40.71	33.71
	<hr/> 2157.65	<hr/> 1861.80



**NOTE 27: ADDITIONAL / EXPLANATORY INFORMATION FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014**

	Year ended 30.09.2014		Year ended 30.09.2013	
	% of total Consumption	Value ₹ Crore	% of total Consumption	Value ₹ Crore
a. (i) Value of imported/indigenous raw material/stores & spares consumed :				
Raw Materials				
Imported at landed cost	45.90	3808.93	42.95	3350.61
Indigenous	54.10	4489.97	57.05	4450.22
	<u>100.00</u>	<u>8298.90</u>	<u>100.00</u>	<u>7800.83</u>
Stores and Spares				
Imported at landed cost	7.17	19.71	5.22	11.06
Indigenous	92.83	255.23	94.78	200.74
	<u>100.00</u>	<u>274.94</u>	<u>100.00</u>	<u>211.80</u>
(ii) Details of Purchase of Traded Goods under broad heads:			Year ended 30.09.2014	Year ended 30.09.2013
Tubes			₹ Crore	₹ Crore
T & S Equipments			33.06	106.03
(iii) CIF Value of Imports:			22.79	15.45
a) Raw Materials			3409.70	3037.70
b) Components and Spare Parts			59.97	41.79
c) Capital Goods			415.85	86.88
(iv) Earnings in Foreign Exchange:				
FOB Value of Exports			1223.19	1223.77
Freight & Insurance			10.05	8.14
Interest			-	0.01
Others			1.57	1.02
Note: FOB Value of Exports excludes export sales in Indian Rupee				
(v) Expenditure in Foreign Currency paid or payable by the Company:				
a) Interest and Finance Charges			2.23	8.52
b) Professional and Consultation Fees			3.21	3.77
c) Commission and Discount			0.21	0.02
d) Travelling			3.98	3.15
e) Advertisements			13.11	15.65
f) Traded goods			33.19	93.12
g) Others			4.86	5.59

b. The amount due and paid during the year to “Investor Education and Protection Fund” is ₹ 0.14 crore (Previous Year - ₹ 0.14 crore)

c. Earnings Per Share

		Year ended 30.09.2014	Year ended 30.09.2013
Profit after taxation	₹ Crore	897.89	802.21
Number of equity shares (Face Value ₹ 10)	Nos.	4241143	4241143
Earnings per share	₹	2117.09	1891.49

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, 2014:-

Particulars	Currency	Amount	₹ Crore	Nature	Cross Currency
Currency/Interest Rate Swap	USD	70.00 Million (40.00) Million	389.55 (204.62)	ECB Loan	INR
Currency/Interest Rate Swap	USD	24.09 Million (18.47) Million	145.20 (83.38)	Buyer's Line of Credit	INR

(ii) Forward Contract Outstanding as on 30th September, 2014:-

Particulars	Currency	Amount	₹ Crore	Nature
Forward Contract	USD	15.69 Million (9.75) Million	95.30 (55.93)	Buyer's Line of Credit
Forward Contract	USD	92.27 Million (100.34) Million	567.13 (646.64)	Import purchase

(The amount of premium carried forward to be accounted in the subsequent year - ₹ 7.71 Crore (Previous Year - ₹ 9.15 Crore).

(iii) Un-hedged foreign currency exposure is ₹ 26.57 Crore, net receivable (Previous Year - ₹ 46.80 Crore, net receivable).

Figures in brackets are in respect of Previous Year

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

₹ Crore

Subsidiary Companies	Balance as at		Maximum Balance during the year	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
MRF Lanka Pvt. Ltd.	-	-	-	4.00
MRF Corp Limited	15.43	15.43	15.43	15.43

Note: 1. Loans to employees have been considered to be outside the purview of disclosure requirements.

2. Investment by Loanee in the shares of the Parent company - Nil (Previous year Nil)



- 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 01.10.2013	Provided during the year	Paid during the year	Reversed during the year	As at 30.09.2014
(i) Warranty	49.06 (38.73)	29.41 (10.33)	- -	- -	78.47 (49.06)
(ii) Litigation and related disputes	62.61 (63.06)	6.85 (10.72)	12.67 (10.21)	1.26 (0.96)	55.53 (62.61)

**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, Electricity/Fuel Surcharge, 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.
- (iii) Figures in brackets are in respect of Previous year.
- h. Provision for Taxation has been made in respect of the income presently determined for the period 1st April, 2014 to 30th September, 2014 which is subject to appropriate revision/adjustment on final determination of income for the year to end on 31st March, 2015, relevant to assessment year 2015-16. Further, provision for the assessment year 2014-15 has been determined and adjusted considering the provision already made in the accounts for the year ended 30th September, 2013.

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.
- iv) MRF SG Pte Ltd. ( w.e.f. 23rd July, 2014) - Ref Note q

- (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
- v) Mr. Ravi Mannath, Company Secretary (w.e.f. 1st April, 2014)
- vi) Mr. Madhu P Nainan, Vice President Finance (w.e.f. 1st April, 2014)

Relatives of Key Management Personnel:

Mr. Samir Thariyan Mappillai (Son of Chairman & Managing Director)

(c) Transactions with related parties:

Nature of Transactions

i) Subsidiary Companies:

	₹ Crore					
	MRF Lanka (Private) Ltd.		MRF Corp Limited		MRF SG Pte Ltd.	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Investment in Equity Capital	6.03	-	-	-	0.05	-
Share Application Money Paid	-	-	-	-	6.06	-
Sale of Materials	0.20	0.18	-	-	-	-
Purchase of Materials	-	-	1.38	1.84	-	-
Sale of Finished Goods	1.93	1.25	-	-	-	-
Dividend Received	-	-	0.10	0.10	-	-
Interest received	-	0.01	-	-	-	-
Lease Rent received	-	-	0.11	0.05	-	-
Expenditure reimbursed	-	-	0.45	0.34	-	-
<u>Outstanding:</u>						
Loan Receivable	-	-	15.43	15.43	-	-
Trade Receivable	0.05	5.74	-	-	-	-
Other Receivables	-	-	0.37	0.19	-	-
Deposit Payable	-	-	-	0.01	-	-
Trade Payable	-	-	0.10	0.21	-	-
Corporate Guarantee	1.85	1.88	-	-	309.00	-

	₹ Crore							
	Remuneration		Interest Paid		Deposit Outstanding		Commission Payable	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013	30.09.2014	30.09.2013
ii) Key Management Personnel:								
Mr. K M Mammen	10.82	5.21	-	0.11	-	-	4.50	1.56
Mr. K M Philip	5.43	3.49	-	-	-	-	2.43	1.01
Mr. Arun Mammen	9.18	4.71	0.03	0.07	-	0.52	4.39	1.49
Mr. Rahul Mammen Mappillai	7.29	2.88	-	-	-	-	3.49	0.97
Mr. Ravi Mannath (Apr14 to Sep14)	0.60	-	-	-	-	-	-	-
Mr. Madhu P Nainan (Apr14 to Sep14)	0.46	-	-	-	-	-	-	-
iii) Relatives of Key Management Personnel:								
Mr. Samir Thariyan Mappillai	0.33	0.20	0.02	0.04	0.24	0.24	-	-



- 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.

	30.09.2014	30.09.2013
	₹ Crore	₹ Crore
(i) Principal amounts due to suppliers under MSMED	1.11	11.42
(ii) Interest accrued and due to suppliers under MSMED on above amount, unpaid	0.19	0.02
(iii) Payments made to suppliers (other than interest) beyond the appointed date during the year	14.75	5.78
(iv) Interest paid to suppliers under the MSMED	-	-
(v) Interest due and payable towards suppliers under MSMED Act towards payments already made	0.03	0.06
(vi) Amount of cumulative interest accrued and unpaid as at the year end	0.60	0.38

- l. The total borrowing cost capitalised during the year is ₹ 18.18 crore (Previous year - ₹ 5.29 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, and interest based on the Government specified minimum rate of return, 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, 2014.  
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 - 8.75%

Discount rate - 8.00%

	30.09.2014	30.09.2013
	₹ Crore	₹ Crore
b) During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:		
i) Employer's contribution to Provident Fund & Family Pension Fund*	31.49	24.54
ii) Employer's contribution to Superannuation Fund*	6.73	5.17
* Included in "Company's contribution to Provident, Gratuity and other Funds" (Note 23).		
iii) Defined benefit obligation:		
a) Gratuity - Funded		
Service Cost	9.79	9.05
Interest Cost	11.86	9.24
Expected return on plan assets	(10.42)	(9.21)
Actuarial (Gain)/Loss	16.52	21.00
Recovery from Subsidiary Company	(0.24)	(0.18)
Net Cost	<u>27.51</u>	<u>29.90</u>
b) Leave Encashment - Unfunded	6.31	6.98
c) Post Retirement Medical Benefit - Unfunded	0.82	0.58

		Gratuity Funded				
		30.09.2014	30.09.2013			
		₹ Crore	₹ Crore			
d)	Reconciliation of benefit obligation and plan assets for the year:					
	Present value of defined benefit obligation	176.59	148.18			
	Fair value of plan assets	139.75	111.79			
	Net Asset/(Liability) as at 30th September, 2014 recognised in the Balance Sheet	<u>(36.84)</u>	<u>(36.39)</u>			
e)	Change in defined benefit obligation:					
	Present value of obligation as at 1st October, 2013	148.18	115.43			
	Service Cost	9.79	9.05			
	Interest Cost	11.86	9.24			
	Actuarial (Gain)/Loss	16.52	21.00			
	Benefits paid	<u>(9.76)</u>	<u>(6.54)</u>			
	Present value of obligation as at 30th September, 2014	<u>176.59</u>	<u>148.18</u>			
f)	Change in fair value of plan assets:					
	Fair value of plan assets as at 1st October, 2013	111.79	97.49			
	Expected return on plan assets	10.42	9.21			
	Contribution by employer	27.30	11.63			
	Benefits paid	<u>(9.76)</u>	<u>(6.54)</u>			
	Fair value of plan assets as at 30th September, 2014	<u>139.75</u>	<u>111.79</u>			
g)	The principal actuarial assumptions:					
	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.					
h)	Amounts for the current and previous periods are as under:					₹ Crore
	Defined Benefit Obligation	<u>30.09.2014</u>	<u>30.09.2013</u>	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2010</u>
		176.59	148.18	115.43	100.80	86.71
	Plan Assets	<u>139.75</u>	<u>111.79</u>	<u>97.49</u>	<u>80.53</u>	<u>74.14</u>
	Deficit/(Surplus)	<u>36.84</u>	<u>36.39</u>	<u>17.94</u>	<u>20.27</u>	<u>12.57</u>
	Experience adjustments on plan assets				Not Available*	Not Available*
	Experience adjustments on plan liabilities				Not Available*	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, 2014:			30.09.2014	30.09.2013	
	Investments with Life Insurance Corporation of India			100%	100%	
	In the absence of detailed information regarding Plan assets which is funded with Insurance Company, the composition of each major category of Plan assets, the percentage or amount for each category to the fair value of Plan assets has not been disclosed.					
j)	The group gratuity Policy with LIC includes employees of Speciality Coating division divested effective 1st April, 2011.					





	iv) Other Long-Term Employee Benefits:	30.09.2014	30.09.2013
	Present value of obligation as at 30th September, 2014	₹ Crore	₹ Crore
	Leave Encashment	18.51	16.54
	Post Retirement Medical Benefits	5.00	5.97
n. (i)	Revenue expenditure on Research and Development activities during the year 2013-14:		
1)	Salaries, Wages and Other Benefits	14.02	13.38
2)	Repairs and Maintenance	1.72	1.63
3)	Power	1.88	1.44
4)	Travelling and Vehicle Running	3.18	3.59
5)	Cost of Materials/ Tyres used for Rallies/ Test Purpose	4.06	3.20
6)	Other R & D Expenses	3.78	4.16
		28.64	27.40
(ii)	Capital Expenditure on research and development during the year, as certified by the management is ₹ 5.44 crore (Previous Year - ₹ 4.22 crore). This information complies with the terms of the R&D recognition granted upto 31st March, 2018 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/118/2014 dated 6th June, 2014.		
o.	Terms of Repayment and Security Description of Long Term Borrowings:		
i)	ECB from The Bank of Tokyo - Mitsubishi UFJ, Ltd. availed in December 2011-USD40 Million is secured by a first charge on Plant and Machinery situated at Puduchery Unit. Interest is payable at a rate equal to the 6 months BBA LIBOR plus margin of 1.55% payable half-yearly. The said loan is fully hedged and is repayable in three equal annual instalments at the end of the fourth, fifth and sixth year beginning October, 2015.		
ii)	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 NCDs are to be redeemed at par in three instalments as stated below:		
		9.07% NCD's	10.09% NCD's
	<u>Debenture Series</u>	<u>₹ crore</u>	<u>Dates of Redemption</u>
	Series I	-	160.00 27/05/2019
	Series II	65.00	18/01/2015 160.00 27/05/2020
	Series III	70.00	18/01/2016 180.00 27/05/2021
		135.00	500.00
iii)	ECB(Unsecured) from the Bank of Tokyo - Mitsubishi UFJ, Ltd. availed in October, 2013 amounting to USD 15 Million is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 1.50% payable half yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning October, 2017.		

- iv) ECB(Unsecured) from the Mizuho Bank, Ltd. availed in January, 2014, amounting to USD 15 Million is availed for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.50% payable half yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning January, 2018.
- v) Buyers Line of Credit (Unsecured) of USD 24.09 Million availed from a Bank for Capital Expenditure is repayable after 2 years and 364 days beginning in March, 2017 at varied interest rates as applicable on different drawdown dates. The said Loan is fully hedged.
- vi) Interest free Unsecured Loan availed under Sales tax Deferral Scheme is repayable yearly and to end on 1st April, 2019.
- vii) Deferred payment credit is repayable along with interest (at varying rates) in 240 consecutive monthly instalments ending in March, 2026.
- viii) Fixed Deposits are Unsecured and are repayable as per the terms with interest rates ranging from 8.5% to 9.5%
- p. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - ₹ 1,460.46 crore (Previous year ₹ 1,031.68 crore)
- q. The Company has during the year incorporated a wholly owned subsidiary in Singapore under the name MRF SG Pte Ltd and has subscribed to 10,000 ordinary shares of Singapore Dollar 1 each for ₹ 0.05 crore. An amount of ₹ 6.06 crore was paid as share application money for subscribing to 12,63,200 ordinary shares of Singapore Dollar 1 each which has been issued on the 1st of October, 2014.
- r. Contingent Liabilities not provided for:
- (i) Guarantees given by the Banks - ₹ 35.18 crore (Previous year - ₹ 39.53 crore)
- (ii) Corporate Guarantees given to Banks for and on behalf of wholly owned Subsidiaries - ₹ 310.85 crore (Previous year - ₹ 1.88 crore)
- (iii) Letters of Credit issued by the Banks - ₹ 466.05 crore (Previous year - ₹ 317.38 crore)
- (iv) Customs Duty on import of equipments and spare parts under EPCG Scheme - ₹ 161.36 crore (Previous year - ₹ 97.25 crore)
- (v) Bills discounted with a bank - ₹ 22.14 crore (Previous year - ₹ 3.23 crore).
- (vi) Claims not acknowledged as debts:
- (a) Disputed Sales Tax demands pending before the Appellate Authorities - ₹ 18.18 crore (Previous year - ₹ 17.38 crore)
- (b) Disputed Excise/Customs Duty demands pending before the Appellate Authorities/High Court - ₹ 80.31 crore (Previous year - ₹ 79.66 crore)
- (c) Disputed Income Tax Demands - ₹ 63.34 crore (Previous year - ₹ 58.13 crore). Against the said demand, the Company has deposited an amount of ₹ 55.02 crore.
- (d) Contested EPF Demands pending before Appellate Tribunal - ₹ 1.10 crore (Previous year - ₹ NIL).
- s. Figures are rounded off to nearest lakh.

Vide our Report of even date

For SASTRI & SHAH  
Chartered Accountants

For M. M. NISSIM & CO.  
Chartered Accountants

C. Sri Ram  
Partner

Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director

Chennai, Dated 26th November, 2014

Hyderabad, Dated 26th November, 2014



## 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	March 31, 2014	September 30, 2014	September 30, 2014
[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	3,41,60,324 Equity Shares of SLR. 10 each fully paid-up
(b) Extent of holding	100% Subsidiary under Sec. 4(1)(b)	95% Subsidiary under Sec. 4(1)(b)	100% Subsidiary under Sec. 4(1)(b)
[C] The net aggregate of Profits/Losses of the Subsidiary Companies so far as it concerns the members of MRF Limited			
(a) not dealt with in the accounts of MRF Limited for the year ended September 30, 2014 amounted to			
(i) for the subsidiaries financial year ended as in (A) above	Profit ₹ 6,42,44,775	Profit 10,94,999	Profit ₹ 4,21,35,356
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	Profit 12,67,04,742	Profit 75,49,292	Loss ₹ 3,58,21,495
(b) dealt with in the accounts of MRF Limited for the year ended September 30, 2014 amounted to			
(i) for the subsidiaries financial year ended as in (A) above	10,02,000	None	None
(ii) for the previous financial years of the Subsidiaries since they became the Holding Company's subsidiaries	None	None	None
[D] Changes in the interest of MRF Limited between the end of the financial year of the Subsidiary Companies and September 30, 2014	None	None	None
[E] Material changes between the end of the financial year of the Subsidiary Companies and September 30, 2014			
(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

**Note:**

The Company has during the year incorporated a wholly owned subsidiary in Singapore under the name MRF SG Pte Ltd. The subsidiary was incorporated on July 23, 2014 and its financial year shall end as on March 31, 2015. Accordingly, no disclosures are considered necessary as the financial year of the subsidiary has not ended.

Hyderabad	RAVI MANNATH	JACOB KURIAN	K. M. MAMMEN
Dated: 26th November, 2014	Company Secretary	V. SRIDHAR Directors	Chairman and Managing Director

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## CONSOLIDATED FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MRF LIMITED

### Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of MRF LIMITED ('the company') and its subsidiaries (the Company and its subsidiaries constitute the 'Group') which comprise the Consolidated Balance Sheet as at 30th September, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the

other auditors on the financial statements of the subsidiaries and based on the consideration of unaudited financial statements of a subsidiary as noted below in other matters paragraph, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- In the case of the Consolidated Balance Sheet, of the State of Affairs of the group as at 30th September, 2014;
- In the case of the Consolidated statement of Profit and Loss, of the Profit of the group for the year ended on that date; and
- In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the group for the year ended on that date.

### Other Matters

- In respect of the financial statements of certain subsidiaries, we did not carry out the audit. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of subsidiaries, is based solely on the reports of the other auditors. The details of assets, revenues and net cash flows in respect of these subsidiaries to the extent to which they are reflected in the consolidated financial statements are given below:

		(₹ Crore)		
	Year/period ended	Total Assets (Net)	Total Revenues	Net Cash inflows / (Outflows)
A. Indian Subsidiary	31.03.2014	49.15	115.02	0.98
B. Foreign Subsidiary	30.09.2014	17.46	21.53	6.05

- The Consolidated financial statement include the unaudited financial statements of a foreign subsidiary, whose financial statements for the period ended 30th September, 2014 reflect total assets (net) ₹ 6.03 crore, total revenue ₹ Nil and net cash flow ₹ 5.88 crore for the period ended on that date, as considered in the consolidated financial statements. Our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on such unaudited financial statements.

Our opinion is not qualified in respect of these matters.

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

(C. Sri Ram)  
Partner  
Mem. No. 005897

Chennai, Dated 26th November, 2014

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

(Dhiren Mehta)  
Partner  
Mem. No. 109883

**MRF LIMITED, CHENNAI**  
**CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2014**

	Note	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	4.24	4.24
Reserves & Surplus	3	4535.31	3651.20
		4539.55	3655.44
Minority Interest		0.11	0.10
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	1198.75	952.43
Deferred Tax Liabilities (Net)	5	235.47	222.37
Other Long-Term Liabilities	6	1144.84	1043.23
Long-Term Provisions	7	92.00	75.35
		2671.06	2293.38
<b>Current Liabilities</b>			
Short-Term Borrowings	8	616.25	476.23
Trade Payables	9	1150.30	1028.75
Other Current Liabilities	10	542.68	554.66
Short-Term Provisions	7	314.04	270.42
		2623.27	2330.06
<b>TOTAL</b>		<b>9833.99</b>	<b>8278.98</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	11		
Tangible Assets		3428.77	2968.63
Intangible Assets		7.09	5.45
Capital Work-in-Progress		627.54	359.12
		4063.40	3333.20
Non-Current Investments	12	136.18	75.93
Deferred Tax Asset (Net)	13	0.94	1.24
Long-Term Loans & Advances	14	212.29	123.46
Other Non-Current Assets	15	42.33	34.99
		4455.14	3568.82
<b>Current Assets</b>			
Current Investments	16	945.01	827.85
Inventories	17	1826.25	1816.92
Trade Receivables	18	1715.36	1558.85
Cash & Bank Balances	19	727.61	336.97
Short-Term Loans & Advances	14	135.02	145.96
Other Current Assets	15	29.60	23.61
		5378.85	4710.16
<b>TOTAL</b>		<b>9833.99</b>	<b>8278.98</b>
<b>Basis of Consolidation, Significant Accounting Policies and Principles of Consolidation</b>	1	-	-

The Notes are an integral part of these financial statements  
This is the consolidated Balance Sheet referred to in our report of even date

For SASTRI & SHAH  
Chartered Accountants  
C. Sri Ram  
Partner

For M. M. NISSIM & CO.  
Chartered Accountants  
Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director  
Hyderabad, Dated 26th November, 2014

Chennai, Dated 26th November, 2014



**MRF LIMITED, CHENNAI**

**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014**

	Note	Year ended 30.09.2014 ₹ Crore	Year ended 30.09.2013 ₹ Crore
<b>INCOME</b>			
Revenue from operations (Gross)	20	14796.82	13582.97
Less: Excise Duty		1467.53	1334.75
Revenue from operations (Net)		13329.29	12248.22
Other income	21	66.90	25.07
<b>Total Revenue</b>		<b>13396.19</b>	<b>12273.29</b>
<b>EXPENSES</b>			
Cost of materials consumed	22	8380.03	7870.08
Purchase of Stock-in-Trade (Note 35)		62.06	125.13
Changes in Inventories of Finished Goods, Stock-in-process & Stock-in-Trade	23	14.41	(27.58)
Employee benefits expense	24	742.39	611.74
Finance costs	25	231.70	196.07
Depreciation & Amortisation expense	26	423.88	373.70
Other expenses	27	2188.63	1888.74
<b>Total Expenses</b>		<b>12043.10</b>	<b>11037.88</b>
<b>PROFIT BEFORE TAX</b>		<b>1353.09</b>	<b>1235.41</b>
Tax expense:			
Current tax		431.52	392.47
MAT Credit entitlement		-	(0.02)
Deferred tax		13.24	34.35
		444.76	426.80
		908.33	808.61
Minority Share in Profit		(0.01)	(0.01)
<b>PROFIT FOR THE YEAR</b>		<b>908.32</b>	<b>808.60</b>
Basic & diluted - Earnings per equity share: (₹)	33	2141.69	1906.58
Basis of Consolidation, Significant Accounting Policies and Principles of Consolidation	1		

The Notes are an integral part of these financial statements

This is the consolidated statement of Profit & Loss referred to in our report of even date

For SASTRI & SHAH  
Chartered Accountants  
C. Sri Ram  
Partner

For M. M. NISSIM & CO.  
Chartered Accountants  
Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director  
Hyderabad, Dated 26th November, 2014

Chennai, Dated 26th November, 2014

**MRF LIMITED, CHENNAI****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2014**

	Year ended 30.09.2014		Year ended 30.09.2013	
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEM		1353.09		1235.41
Adjustment for:				
Depreciation	423.88		373.70	
Unrealised Exchange (Gain)/Loss	2.01		5.90	
Provision for Doubtful debts written back/provided	0.15		(0.53)	
Interest - Net	189.74		181.76	
Dividend Income	(0.55)		(0.45)	
Loss/(Gain) on Sale/Disposal of fixed assets sold	2.52		0.09	
Loss/(Gain) on Sale of Investments	(13.53)	604.22	(0.48)	559.99
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>		<b>1957.31</b>		<b>1795.40</b>
Trade and other receivables	(155.82)		(92.37)	
Inventories	(9.33)		(152.17)	
Long-Term Liabilities	101.61		135.20	
Trade Payable & Provisions	215.91	152.37	119.97	10.63
<b>CASH GENERATED FROM OPERATIONS</b>		<b>2109.68</b>		<b>1806.03</b>
Direct Taxes paid		(411.83)		(306.62)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1697.85</b>		<b>1499.41</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(1246.17)		(448.69)	
Proceeds from sale of Fixed Assets	0.26		2.11	
(Purchase)/Proceeds from Investments Net	(163.88)		(474.01)	
Fixed Deposit with Banks	(414.55)		(44.35)	
Interest & Dividend income	33.70		6.31	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1790.64)</b>		<b>(958.63)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
(Repayments)/proceeds from Working Capital Facilities (Net)	140.02		(52.49)	
Proceeds from Term Loans	330.13		(31.93)	
Repayment of Term Loans	(83.38)		-	
Repayment of Debentures	(65.00)		-	
(Repayments)/proceeds from Fixed Deposits (Net)	(1.76)		(11.59)	
Sales Tax Deferral	(8.66)		(6.51)	
Deferred payment Credit	(7.54)		(6.96)	
Interest paid	(220.11)		(191.19)	
Dividend and Corporate Dividend Tax	(14.91)		(12.35)	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>68.79</b>		<b>(313.02)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(24.00)</b>		<b>227.76</b>
<b>CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER, 2013</b>		<b>289.56</b>		<b>61.80</b>
<b>CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER, 2014</b>		<b>265.56</b>		<b>289.56</b>

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

For SASTRI & SHAH  
Chartered Accountants  
C. Sri Ram  
Partner

For M. M. NISSIM & CO.  
Chartered Accountants  
Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director  
Hyderabad, Dated 26th November, 2014





## 1. BASIS OF CONSOLIDATION, SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th SEPTEMBER, 2014.

### a) 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.

### b) Significant Accounting Policies:

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.

The significant accounting policies of the Company and its subsidiaries are largely similar and are set out in the separate financial statements of the company. Appropriate disclosures, as applicable, is made of significant deviations from Company's accounting policies, which have not been adjusted. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

### c) Principles of consolidation:

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

The consolidated financial statements comprise of the financial statements of the Company and the following subsidiaries as on 30th September, 2014:

<u>Name</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Financial Statement as on</u>
MRF Corp Ltd.	India	100%	March 31, 2014
MRF International Ltd.	India	94.66%	September 30, 2014
MRF Lanka Pvt. Ltd.	Sri Lanka	100%	September 30, 2014
MRF SG Pte Ltd.	Singapore	100%	Refer note (a) below

- (a) MRF SG Pte Ltd., a wholly owned subsidiary, was incorporated on 23rd July, 2014 and its first financial year ending is 31st March, 2015. Interim Accounts drawn upto 30th September, 2014 has been incorporated in the Consolidated Financial Statements.

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

- ii. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses are fully eliminated.
  - iii. The difference between the cost of investment in the subsidiaries and the share of net assets at the time of acquisition of shares in the subsidiaries is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
  - iv. Foreign Subsidiaries – 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 operations 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 operations are accumulated in the Foreign Currency Translation Reserve.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2014**

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**NOTE 2: SHARE CAPITAL**

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Authorised</b>		
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
	<b>10.00</b>	<b>10.00</b>
<b>Issued</b>		
42,41,143 Equity shares of ₹ 10 each (Excludes 71 bonus shares not issued and not allotted on non-payment of call monies)	4.24	4.24
<b>Subscribed and Fully Paid-up</b>		
42,41,143 Equity Shares of ₹ 10 each	4.24	4.24
	<b>4.24</b>	<b>4.24</b>

(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

<b>Name of Shareholder</b>	As at 30.09.2014 No. of Shares held	As at 30.09.2013 No. of Shares held
1) Comprehensive Investment and Finance Company Private Limited	437243	433239
2) MOWI (P) Limited	507984	507984
3) Enam Shares and Securities Private Ltd.	267626	267626



### NOTE 3: RESERVES AND SURPLUS

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Securities Premium Account</b>		
As per last Account	9.42	9.42
<b>Capital Reserve</b>		
As per last Account	0.05	0.05
<b>General Reserve</b>		
As per last Account	3567.21	2802.01
Add: Transfer from Surplus in the Statement of Profit & Loss	876.41	765.20
	<u>4443.62</u>	<u>3567.21</u>
<b>Debenture Redemption Reserve</b>		
As per last Account	75.26	46.74
Add: Transfer from Surplus in the Statement of Profit & Loss	6.51	28.52
	<u>81.77</u>	<u>75.26</u>
<b>Capital Redemption Reserve</b>		
As per last Account	0.42	0.42
<b>Foreign Currency Translation Reserve</b>		
As per last Account	(1.16)	(1.80)
Add/(Less) Adjustments during the year	1.19	0.64
	<u>0.03</u>	<u>(1.16)</u>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last financial statements	-	-
Profit for the year	908.32	808.60
<b>Less: Appropriations</b>		
Dividends		
Interim (₹ 6 per share)	2.54	2.54
Final - Proposed (₹ 44 Per share)	18.66	10.18
Corporate Tax on Dividend	4.20	2.16
Transfer to Debenture Redemption Reserve	6.51	28.52
Transfer to General Reserve	876.41	765.20
Balance in the Statement of Profit & Loss	<u>-</u>	<u>-</u>
	<u>4535.31</u>	<u>3651.20</u>

**NOTE 4: LONG-TERM BORROWINGS**

	Non-current		Current maturities	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Secured</b>				
Term Loans from Banks:				
External Commercial Borrowings (ECB)	204.62	204.62	-	-
Debentures:				
1350 (Previous year 2000) 9.07% Secured Redeemable Non-Convertible				
Debentures of ₹ 10,00,000 each, privately placed	70.00	135.00	65.00	65.00
5000 10.09% Secured Redeemable Non-Convertible				
Debentures of ₹ 10,00,000 each, privately placed	500.00	500.00	-	-
<b>Unsecured</b>				
Term Loan from a Bank:				
External Commercial Borrowings(ECB)	184.93	-	-	-
Buyers Line of Credit	145.20	-	-	83.38
Fixed Deposits	27.53	31.46	7.89	5.72
Sales Tax Deferral Scheme	55.12	61.84	6.72	8.66
<b>Others</b>				
Deferred Payment Credit	11.35	19.51	8.16	7.54
Amounts disclosed under the head 'Other Current Liabilities' (Note 10)	-	-	(87.77)	(170.30)
	1198.75	952.43	-	-

Security & Terms of repayment in respect of above borrowings are detailed in Note 27(o) of Standalone Financial Statements

**NOTE 5: DEFERRED TAX LIABILITIES (Net)**

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
Deferred Tax Liability:		
Arising on account of timing difference in:		
- Depreciation	261.13	248.06
Deferred Tax Asset:		
- Accrued Expenses allowable on Actual Payments	(25.66)	(25.69)
Deferred Tax Liabilities (Net)	235.47	222.37



#### NOTE 6: OTHER LONG-TERM LIABILITIES

	₹ Crore	
	As at 30.09.2014	As at 30.09.2013
Dealers' Security Deposit	1128.90	1039.13
Others	15.94	4.10
	1144.84	1043.23

#### NOTE 7: PROVISIONS

	Long-Term		Short-Term	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
Provision for employee benefits				
Leave benefits	16.48	16.06	2.41	0.81
Gratuity	0.15	0.11	36.84	36.58
Other Benefits	4.65	5.46	1.20	1.31
Tax (Net of advance Tax paid)	-	-	127.58	108.02
Dividend				
Interim	-	-	1.27	1.27
Final - Proposed	-	-	18.66	10.18
Corporate Tax on Dividend	-	-	3.97	1.95
Other Provisions	70.72	53.72	122.11	110.30
	92.00	75.35	314.04	270.42

#### NOTE 8: SHORT-TERM BORROWINGS

	₹ Crore	
	As at 30.09.2014	As at 30.09.2013
Secured		
Working Capital Facilities from Banks	520.95	420.30
Buyer's Line of Credit	95.30	-
Unsecured		
Buyer's Line of Credit	-	55.93
	616.25	476.23

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

#### NOTE 9: TRADE PAYABLES

Trade Payables	810.24	708.74
Acceptances	340.06	320.01
	1150.30	1028.75

**NOTE 10: OTHER CURRENT LIABILITIES**

	₹ Crore	
	As at 30.09.2014	As at 30.09.2013
Current maturities of long-term borrowings (Note 4)	87.77	170.30
Interest accrued but not due on borrowings	46.18	42.20
Advances from Customers	37.35	28.80
Statutory dues :		
Central Excise/Service Tax	43.30	47.45
Value Added Tax / Central Sales Tax	126.54	118.39
Withholding Taxes	8.16	6.83
Others	6.10	6.39
Other payables:		
Employee benefits	46.94	29.61
Liabilities for expenses	138.69	103.14
Unclaimed Dividends	1.63	1.54
Matured Fixed Deposits and Interest	0.02	0.01
	542.68	554.66

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

**NOTE 11: FIXED ASSETS**

Nature of Fixed Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.10.2013	Additions	Deductions/ Adjustments	Cost as at 30.09.2014	Upto 30.09.2013	Provided during the year	Deductions/ Adjustments	Upto 30.09.2014	As at 30.09.2014	As at 30.09.2013
<b>Tangible Assets</b>										
Land	97.62	252.28	*	349.90	1.54	0.10	-	1.64	348.26	96.08
Buildings	898.98	79.80	1.42	977.36	133.85	27.78	0.35	161.28	816.08	765.13
Plant & Machinery	3851.74	446.98	21.79	4276.93	1980.42	330.35	20.58	2290.19	1986.74	1871.32
Moulds	380.95	50.93	4.60	427.28	255.73	36.26	4.53	287.46	139.82	125.22
Furniture & Fixtures	19.23	3.87	0.65	22.45	13.39	2.73	0.57	15.55	6.90	5.84
Computer	36.61	8.18	0.85	43.94	28.20	3.34	0.84	30.70	13.24	8.41
Office Equipment	26.77	3.51	0.95	29.33	18.23	3.02	0.94	20.31	9.02	8.54
Other Assets	127.89	30.94	1.09	157.74	49.14	14.63	0.81	62.96	94.78	78.75
Vehicles	23.89	7.94	0.93	30.90	14.55	3.30	0.88	16.97	13.93	9.34
<b>Total Tangible Assets</b>	5463.68	884.43	32.28	6315.83	2495.05	421.51	29.50	2887.06	3428.77	2968.63
Previous year	5052.45	429.59	18.36	5463.68	2139.69	371.52	16.16	2495.05	2968.63	2912.76
<b>Intangible Assets</b>										
Computer Software	21.11	4.01	-	25.12	15.66	2.37	-	18.03	7.09	5.45
<b>Total Intangible Assets</b>	21.11	4.01	-	25.12	15.66	2.37	-	18.03	7.09	5.45
Previous year	19.55	1.56	-	21.11	13.48	2.18	-	15.66	5.45	6.07
<b>Capital Work-in-Progress</b>									627.54	359.12
<b>Grand Total</b>									4063.40	3333.20

**Note:**

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

\* Represents land sold during the year amounting to ₹ 18,206



## NOTE 12: NON-CURRENT INVESTMENTS

	₹ Crore	
	As at 30.09.2014	As at 30.09.2013
<b>Non-Trade - Fully Paid up</b>		
Quoted		
Equity Shares	0.10	0.10
Unquoted		
In Mutual Fund Units:	131.00	70.75
Equity Shares	0.17	0.17
<b>Trade-Fully Paid up</b>		
Unquoted		
Equity Shares	4.91	4.91
Aggregate Book Value of unquoted Investments	136.08	75.83
	136.18	75.93
Aggregate Market Value of Quoted Investments	3.99	2.51

## NOTE 13: DEFERRED TAX ASSET

Deferred Tax Liability:		
Arising on account of timing difference in:		
- Depreciation	(0.09)	(0.08)
Deferred Tax Asset:		
- Accrued Expenses allowable on Actual Payments	0.03	0.02
- Carried Forward Business Losses	1.00	1.30
Deferred Tax Asset (Net)	0.94	1.24

## NOTE 14: LOANS & ADVANCES

	Long-Term		Short-Term	
	As at 30.09.2014	As at 30.09.2013	As at 30.09.2014	As at 30.09.2013
	₹ Crore	₹ Crore	₹ Crore	₹ Crore
<b>Unsecured, Considered Good</b>				
Capital Advances	162.38	73.07	-	-
Loan & Advances to Employees	3.13	3.21	14.55	13.41
Advances Recoverable in cash or in kind	1.28	1.55	92.92	98.45
Balances with Excise Authorities	-	-	27.55	34.10
Advance payment of Income Tax/Tax Deducted at Source (after adjusting provision)	45.47	45.59	-	-
MAT credit entitlement	0.03	0.04	-	-
	212.29	123.46	135.02	145.96

**NOTE 15: OTHER ASSETS**

	Non-current		Current	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Unsecured, Considered Good</b>				
Interest Accrued on Loans, Deposits etc	-	-	4.39	3.19
Prepaid Expenses	-	-	17.28	19.03
Deposits	39.45	32.18	-	-
Non-current Bank Balances (Note 19)	1.31	1.31	-	-
Mutual Fund Application Monies	-	-	7.00	-
Others	1.57	1.50	0.93	1.39
	42.33	34.99	29.60	23.61

**NOTE 16: CURRENT INVESTMENTS**

	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
Non-Trade - Fully Paid-up Unquoted In Mutual Fund Units	945.01	827.85
	945.01	827.85

**NOTE 17: INVENTORIES**

<b>At lower of cost and net realisable value</b>			
Raw materials		770.22	800.19
Stock-in-process		179.96	224.13
Finished goods		667.26	605.19
Stock-in-Trade		15.47	38.05
Stores and spares		193.34	149.36
		1826.25	1816.92

**NOTE 18: TRADE RECEIVABLES**

<b>Overdue for a period exceeding six months</b>			
Unsecured	Considered Good	2.24	5.91
	Considered Doubtful	2.26	2.11
Less:	Provision for Doubtful Debts	(2.26)	(2.11)
		2.24	5.91
<b>Others</b>			
Secured		1044.16	948.99
Unsecured		668.96	603.95
		1715.36	1558.85





## NOTE 19: CASH & BANK BALANCES

	Non-current		Current maturities	
	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore	As at 30.09.2014 ₹ Crore	As at 30.09.2013 ₹ Crore
<b>Cash &amp; Cash equivalents:</b>				
Balances with banks:				
Current Accounts	-	-	19.51	19.02
Fixed Deposits with Original maturity less than three months	-	-	200.43	229.00
Cash & Cheques on hand	-	-	45.62	41.54
	-	-	265.56	289.56
Other Bank Balances:				
Fixed Deposits	1.31	1.31	460.42	45.87
Unpaid Dividend Account	-	-	1.63	1.54
	1.31	1.31	462.05	47.41
Amounts disclosed under 'Non-Current Assets' (Note 15)	(1.31)	(1.31)	-	-
	-	-	727.61	336.97

## NOTE 20: REVENUE FROM OPERATIONS

	₹ Crore	
	Year ended 30.09.2014	Year ended 30.09.2013
<b>Sales:</b>		
Finished Goods	14788.97	13574.60
Other Operating Revenues - Export Incentives	7.85	8.37
	14796.82	13582.97
<b>Details of sales under broad heads:</b>		
Class of Goods:		
Automobile Tyres	12970.52	11900.19
Automobile Tubes	1107.79	994.90

## NOTE 21: OTHER INCOME

Dividend on Investment (Other than Trade)	0.55	0.45
Interest:		
on Deposits, etc.	34.35	8.28
Profit on Sale of Investments (Net)	13.53	0.48
Insurance Claims	0.56	-
Provision for Doubtful Debts Written Back	-	0.98
Miscellaneous Receipts	17.91	14.88
	66.90	25.07

**NOTE 22: COST OF MATERIALS CONSUMED**

₹ Crore

	Year ended 30.09.2014	Year ended 30.09.2013
Opening Stock	800.19	725.96
Add: Purchases	8350.06	7944.31
	9150.25	8670.27
Less: Closing Stock	770.22	800.19
	8380.03	7870.08
<b>Details of Raw Materials consumed under broad heads:</b>		
Rubber	4470.88	4593.24
Carbon Black	1278.49	1091.22
Fabric	1318.44	1227.90
Chemicals	946.26	729.65

**NOTE 23: CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-PROCESS & STOCK-IN-TRADE****Closing Stock:**

Finished Goods	667.26	605.19
Stock-in-Trade	15.47	38.05
Stock-in-Process	179.96	224.13
	862.69	867.37
<b>Less: Opening Stock:</b>		
Finished Goods	605.19	614.46
Stock-in-Trade	38.05	11.64
Stock-in-Process	224.13	214.65
	867.37	840.75
Differential Excise Duty on Opening and Closing stock of Finished Goods	9.73	(0.96)
	14.41	(27.58)

**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	486.47	523.01	-	-	201.81	151.40
Automobile Tubes	64.03	79.57	29.38	0.77	9.40	4.13
T & S Equipments	-	-	6.75	11.67	-	-



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**NOTE 24 : EMPLOYEE BENEFITS EXPENSE**

	Year ended 30.09.2014	Year ended 30.09.2013
	₹ Crore	₹ Crore
Salaries, Wages, Bonus and Allowances	591.25	477.60
Company's Contribution to Provident, Gratuity and Other Funds	72.20	65.42
Welfare Expenses	78.94	68.72
	<hr/> 742.39	<hr/> 611.74

**NOTE 25: FINANCE COSTS**

Interest on Loans & Deposits	157.90	121.39
Interest on Debentures	64.37	66.20
Interest on Deferred Payment Credit	1.82	2.45
Bank Charges	7.61	6.03
	<hr/> 231.70	<hr/> 196.07

**NOTE 26: DEPRECIATION & AMORTISATION EXPENSE**

Depreciation on tangible assets	421.51	371.52
Amortisation on intangible assets	2.37	2.18
	<hr/> 423.88	<hr/> 373.70

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**NOTE 27 : OTHER EXPENSES**

	Year ended 30.09.2014	Year ended 30.09.2013
	₹ Crore	₹ Crore
Stores and Spares Consumed	276.11	212.59
Power and Fuel	665.57	601.01
Processing Expenses	138.06	136.63
Rent	37.78	33.27
Rates and Taxes	9.49	6.51
Insurance	10.99	10.22
Printing and Stationery	5.01	3.84
Repairs and Renewals:		
Buildings	16.41	14.39
Plant and Machinery	68.15	55.53
Other Assets	25.98	20.54
Travelling & Conveyance	40.08	32.32
Communication Expenses	7.38	6.19
Vehicle Expenses	4.84	4.36
Auditors' Remuneration:		
As Auditors:		
Audit fee (Current year includes arrears of ₹ 0.04 Crore for previous year)	0.36	0.26
Tax Audit fee	0.06	0.05
Other Services	0.13	0.05
Reimbursement of Expenses etc.	0.12	0.20
	<u>0.67</u>	<u>0.56</u>
Cost Auditor's Remuneration:		
Audit fee	0.05	0.04
Directors' Fees	0.11	0.11
Directors' Travelling Expenses	3.02	3.07
Advertisement	153.27	141.63
Warranty	29.41	10.32
Sales tax absorbed by the Company	1.09	0.44
Bad debts written off	0.20	0.53
Commission and Discount	244.43	212.55
Freight and Forwarding (Net)	357.50	299.92
Loss on Sale of Fixed Assets(Net)	2.52	0.09
Net Loss on Foreign Currency Transactions	46.73	46.62
Provision for Doubtful Debts	0.15	-
Miscellaneous Expenses	43.63	35.46
	<u>2188.63</u>	<u>1888.74</u>



28. 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, as clarified vide Circular No. 39/2014 dated 14th October, 2014.
29. Consolidated Related Party transactions after elimination of transactions with Subsidiary Companies are the same as disclosed in the standalone financial statements of the Company.
30. Movement in provisions as required by Accounting Standard 29 and contingent liabilities are the same as disclosed in the standalone financial statements of the Company.
31. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - ₹ 1,460.48 Crore (Previous year- ₹1,032.28 Crore).
32. Consolidated Employee benefit disclosures are not materially different from the employee benefit disclosures of the standalone financial statements of the Company.
33. Earnings Per Share:
- |   | Year ended<br>30.09.2014 | Year ended<br>30.09.2013 |
|---|--------------------------|--------------------------|
| Profit after Taxation                         | ₹ Crore 908.32           | 808.60                   |
| Number of equity shares (Face Value ₹10 each) | Nos. 4241143             | 4241143                  |
| Earnings per share - Basic                    | ₹ 2141.69                | 1906.58                  |
34. The Group, except for MRF Corp Ltd., 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. MRF Corp Ltd. is engaged in the manufacture of Speciality Coatings and its revenues, results and assets do not meet the criteria specified for reportable segment prescribed in the Accounting Standard. The group'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.
35. Figures are rounded off to nearest lakh.
36. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Group's financial statement.

Vide our Report of even date

For SASTRI & SHAH  
Chartered Accountants  
C. Sri Ram  
Partner

For M. M. NISSIM & CO.  
Chartered Accountants  
Dhiren Mehta  
Partner

RAVI MANNATH  
Company Secretary

JACOB KURIAN  
V SRIDHAR  
Directors

K M MAMMEN  
Chairman & Managing Director  
Hyderabad, Dated 26th November, 2014

Chennai, Dated 26th November, 2014

**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.	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
1	Share Capital	501000	501000	5625000	5625000	150073583	89833583
2	Reserves & Surplus	189777227	126704742	13474255	12321624	16993284	(35821495)
3	Total Liabilities@	301240426	261978527	83101	111455	7578773	65668752
4	Total Assets (including Investments)+	491518653	389184269	19182356	18058079	174645640	119680840
5	Investments	88645262	64066761	-	7500000	-	-
6	Turnover	1150242049	986018650	1704118	2644381	215341131	229330935
7	Profit before Tax	92710770	97386725	1668062	2608105	50710164	36947134
8	Provision for Taxation						
	- Current	27500000	30100000	515431	264138	7199934	4073635
	- Deferred	965995	(59159)	-	31931	1374874	(12374527)
9	Profit/(Loss) after Tax	64244775	67345884	1152631	2312036	42135356	45248026
10	Proposed dividend (including dividend tax)	1172290	1172290	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-Previous year's figures regrouped wherever necessary

**Note:**

The Company has during the year incorporated a wholly owned subsidiary in Singapore under the name MRF SG Pte Ltd. The subsidiary was incorporated on July 23, 2014 and its financial year shall end as on March 31, 2015. Accordingly, no disclosures are considered necessary as the financial year of the subsidiary has not ended.





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