After reading your post, I clearly understood the concept of a composite entity. The diagram representation used by you has made me clear how exactly does the composite entity form. As per the business rule- the driver drives the car. Here both car and driver are entities. It can be said that one driver can drive many cars and one car can be driven by many drivers. They both make a 1: M relationship and composite of these entities come together to form a composite entity. I also got your point that the primary keys of the entities become composite entity key.