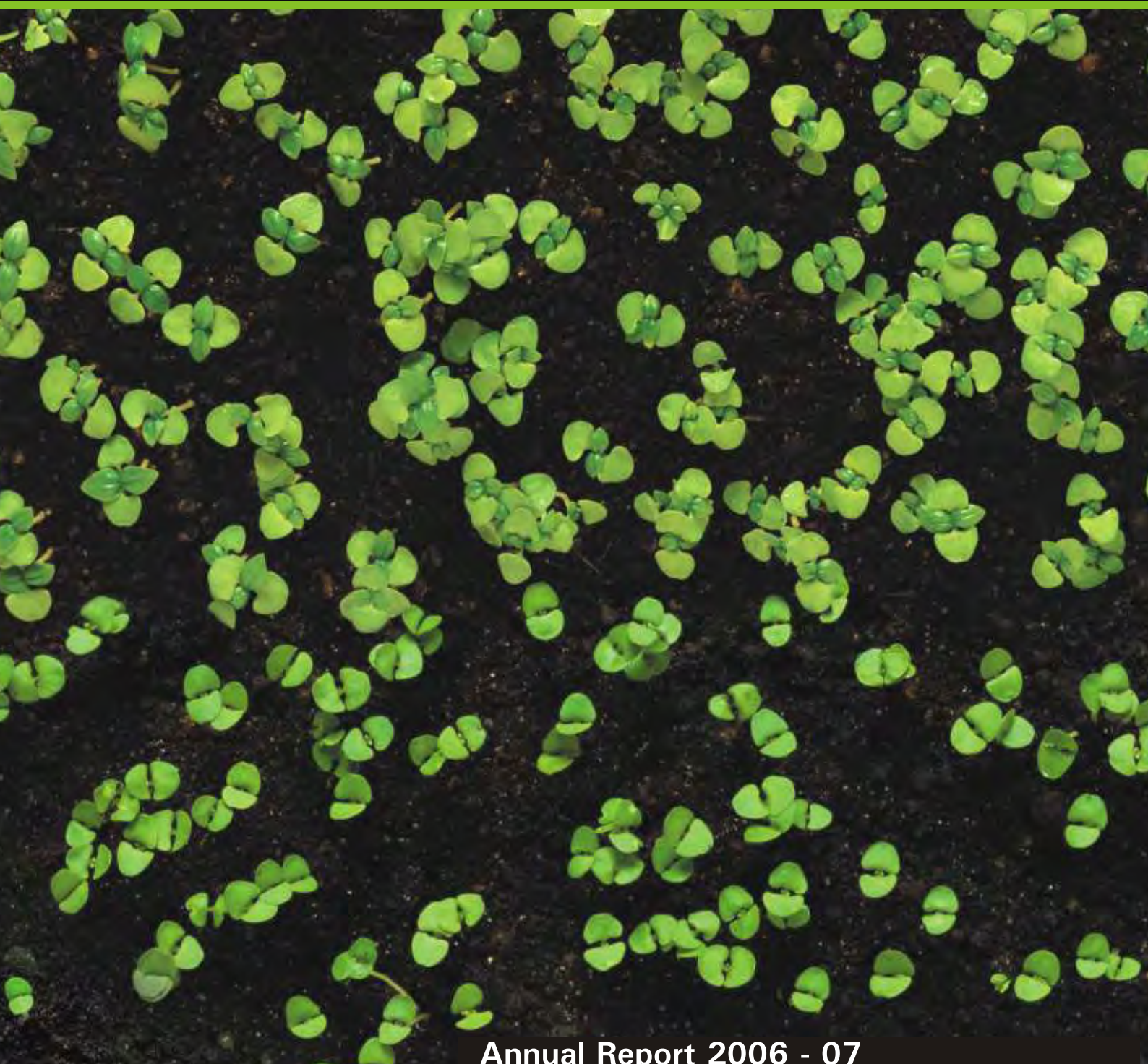




**KIRLOSKAR FERROUS INDUSTRIES LIMITED**

Enriching Lives



**Annual Report 2006 - 07**

**growth in harmony with the environment**

## Committed to the environment

While we meet our energy needs for today, we must not turn off the tap for tomorrow's generation. At Kirloskar we believe in responsible industry leadership, creating profitable growth in harmony with the environment.



At KFIL, we are committed to protect the environment through our manufacturing processes. Our foundry which produces critical castings like cylinder blocks and heads for the automobile and tractor industry, has been awarded the status of “Green Foundry” by Indian Institute of Foundry men in 2004. A culture of conscientious and responsible engineering has enabled us to not only cut down our energy needs through process improvements but also generate more electricity out of our waste heat.



**16<sup>th</sup> Annual Report for the  
financial year ended on 31<sup>st</sup> March, 2007**

**BOARD OF DIRECTORS**

Mr. Atul C. Kirloskar	Chairman
Mr. Sanjay C. Kirloskar	
Mr. R. V. Gumaste	Managing Director
Mr. A. R. Jamenis	
Mr. C. V. Tikekar	
Mr. S. N. Inamdar	
Mr. S. G. Chitnis	
Mr. A. N. Alawani	

**COMPANY SECRETARY**

Mr. C. S. Panicker

**AUDITORS**

M/s P. G. Bhagwat  
Chartered Accountants

**BANKERS**

State Bank of India  
Bank of Maharashtra  
UTI Bank Ltd.  
IDBI Bank Ltd.  
ING Vysya Bank Ltd.  
HDFC Bank Ltd.

**REGISTRAR & TRANSFER AGENT**

Intime Spectrum Registry Limited  
Block No. 202, 2nd Floor,  
Akshay Complex, Near Ganesh Temple,  
Off Dhole Patil Road, Pune 411 001

**REGISTERED OFFICE**

13, Laxmanrao Kirloskar Road, Khadki, Pune - 411 003

**FACTORY**

- 1) Bevinahalli Village  
P. O. Hitnal,  
Taluk & Dist. Koppal  
Karnataka - 583 234
- 2) Hotgi Road,  
Shivashahi, Solapur,  
Maharashtra - 413224

<b>Information for shareholders</b>		<b>Contents</b>	<b>Page No.</b>
16th Annual General Meeting		Board of Directors	1
Date	: Thursday, 26th July, 2007	Notice	3
Time	: 11.30 A.M.	Directors' Report	6
Venue	: Maharashtra Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002	Corporate Governance	15
		Auditors' Report	29
		Balance Sheet	32
		Profit & Loss Account	33
		Cash Flow Statement	34
Dates of Book Closure	: 19 <sup>th</sup> July, 2007 to 26 <sup>th</sup> July, 2007 (Both days inclusive)	Schedules 1 to 20	35-50
		Forming part of Abstract & Company's General Business Profile	51
		Decade at a glance	53







## NOTICE

Notice is hereby given that the 16<sup>th</sup> Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Thursday the 26<sup>th</sup> day of July, 2007 at 11.30 A.M. at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 to transact the following business:

### ORDINARY BUSINESS

#### Item No. 1 :

To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended on 31<sup>st</sup> March, 2007 and the Balance Sheet as at that date and also the reports of the Auditors and the Board of Directors thereon.

#### Item No. 2 :

To appoint a Director in place of Mr. Sanjay C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.

#### Item No. 3 :

To appoint a Director in place of Mr. Chintaman V. Tikekar, who retires by rotation and being eligible, offers himself for re-appointment.

#### Item No. 4 :

To appoint a Director in place of Mr. Sudhakar G. Chitnis, who retires by rotation and being eligible, offers himself for re-appointment.

#### Item No. 5 :

To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office :  
Laxmanrao Kirloskar Road,  
Khadki, Pune 411 003.

Pune : 28th April, 2007

By order of the Board of Directors

C. S. Panicker  
Company Secretary

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## NOTES:

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from 19<sup>th</sup> July, 2007 to 26<sup>th</sup> July, 2007 (both days inclusive) in connection with the 16<sup>th</sup> Annual General Meeting.
- ii) A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies if any, in order to be effective, must be received at the Registered Office of the Company at Pune, not later than 48 hours before the time fixed for the meeting.

Proxies shall not have any right to speak at the meeting.

- iii) Members who hold shares in physical form are requested to advise the Company immediately of any change in their addresses.
- iv) Members who hold shares in dematerialised form are requested to intimate details regarding change of address, etc. to the Depository Participants where they have their D-mat accounts.
- v) Members may avail of the facility of dematerialisation by opening D-mat accounts with the Depository participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get equity share certificates held by them dematerialised.
- vi) Members, who hold shares in dematerialised form, are requested to bring their Client Id and DP Id for easy identification.
- vii) Since Company's shares are in compulsory Dematerialised trading, to ensure better investor service and elimination of risk of holding shares in Physical form, it is requested that the shareholders holding shares in Physical form to get their shares dematerialised at the earliest.
- viii) In case members wish to ask for any information about accounts or operations of the Company, they are requested to send their queries in writing at least 7 days before the date of the meeting so that the information can be made available at the time of the meeting.
- ix) Members / Proxies are requested to bring their attendance slip duly filed in.
- x) Members are requested to bring their copy of Annual Report for the meeting.
- xi) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.

**EXPLANATORY STATEMENT PURSUANT TO  
CLAUSE 49 OF THE LISTING AGREEMENT****ITEM NO. 2 OF THE NOTICE**

Mr. Sanjay C. Kirloskar retires by rotation, and being eligible, offers himself for re -appointment.

He holds 380 (0.0003%) equity shares in the Company.

**ITEM NO. 3 OF THE NOTICE**

Mr. C. V. Tikekar retires by rotation, and being eligible, offers himself for re-appointment.

He holds 6,000 (0.004%) equity shares in the Company.

**ITEM NO. 4 OF THE NOTICE**

Mr. S. G. Chitnis retires by rotation, and being eligible, offers himself for re-appointment.

He holds 1,900 (0.0014%) equity shares in the Company

Registered Office :  
13, Laxmanrao Kirloskar Road,  
Khadki, Pune 411 003.

Pune : 28th April, 2007

By order of the Board of Directors,

C. S. Panicker  
Company Secretary

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## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting this 16<sup>th</sup> Annual Report together with Audited Accounts for the year ended 31<sup>st</sup> March, 2007.

### 1. FINANCIAL PERFORMANCE :

	(Amount in Rupees)	
	2006-2007	2005-2006
Income	5,287,571,734	4,871,979,263
Profit before tax	665,595,413	397,597,651
Provision for:		
Deferred tax	183,261,411	131,762,836
Fringe Benefit Tax	1,341,036	1,509,804
Minimum Alternate Tax	39,620,000	3,400,000
Wealth tax	145,512	108,803
Adjustment of previous year (net)	(3,400,000)	—
Profit after tax	444,627,454	260,816,208
Appropriation:		
Dividend on Preference Shares :		
12% Redeemable Cumulative non convertible Preference shares	35,864,091	38,959,503
1% Redeemable Cumulative non convertible Preference shares	6,648,197	188,830,677
Tax on Dividend	5,962,348	31,947,573
Profit after appropriation	396,152,818	1,078,455
Balance of Profit / (Loss) brought forward from previous year	(379,117,455)	(380,195,910)
Balance carried to Balance Sheet	17,035,363	(379,117,455)

#### Dividend:

Your Company achieved profit for the fifth consecutive year and posted a profit after tax of Rs. 444.63 Million in 2006-07.

Your Company has paid dividend of Rs. 35.86 Million on 32,466,253 --12% Redeemable Cumulative non convertible Preference Shares and dividend of Rs.6.65 Million on 72,220,000 --1% Redeemable Cumulative non convertible Preference Shares which were redeemed on 3rd March 2007.

### 2. MANAGEMENT DISCUSSION AND ANALYSIS:

#### A. Economy and Industry Overview:

The World economy showed an impressive growth of 5.1% for the year 2006-07. This was contributed by Emerging and Developing markets which grew by 7%. The oil and metal prices have peaked new heights.

During the year 2006-07 the Indian economy witnessed a growth more than 8% .





The performance of Indian Auto Industry was impressive. The production / sale of light vehicle assembly touched 1.52 Million in 2006 and is expected to grow @ 12.5% CAGR to reach 2.75 Million by the year 2011. The Auto Mission Plan draft released by the Ministry of Heavy Industry aims at doubling the contribution from Auto Industry by 2016.

The Tractor Industry posted an impressive growth for the third consecutive year and export of tractors constituted 11% of the total production.

The good performance by the Auto and Tractor Industries enabled a favourable market demand for the sale of castings.

On Iron and Steel front, the crude steel production in India reached a level of 50 Million Tonnes in 2006-07 and is expected to grow to 110 Million Tonnes by 2020. In consequence thereof the demand for Metallurgical coal and coke are also expected to show an increasing trend.

There was a good demand for pig iron both in the domestic as well as in the international market, which helped the marketing of the entire pig iron in the market, in spite of the fact that many new players got added during the year.

The outlook on Indian economy looks good as India is set to become third largest economy after China and USA by the year 2020. The 11<sup>th</sup> plan projects a GDP growth of 9%. However the Inflation levels hovering around 6% has become a matter of concern.

The entire economic scenario has made the business more challenging in terms of precise planning, timely execution and driving down the manufacturing cost.

There has been a steep rise in the interest rates on borrowings during the year under review. This has set another challenge of properly managing the working capital by maximising the productivity of various resources.

The rupee has also been appreciating against the dollar giving some relief to the importers who depend on crude oil, metals and other raw materials for their operations.

With the growth in various sectors of the economy, the Indian Industry has now started feeling the crunch of talented and skilled manpower as they are facing the vagaries of high attrition rate.

## **B. Company Performance:**

During the year under review, your Company achieved sales of Rs.5251 Million (previous year Rs. 4827 million) resulting in marginal increase in sales by 9% over the previous year. The sales value increased as compared to previous year due to the increase in sales of pig iron and castings. There has been an increase in growth in volume of castings by 32% and improved realisation in pig iron.

The profit before tax for the year under review stood at Rs. 665.59 Million as compared to Rs. 397.60 Million of the previous year after providing for depreciation and amortization.

The increased profitability was due to effective manufacturing cost controls and coke purchase strategy and improved realisation in pig iron.

Having experienced some erratic peaks in the prices of imported coke in the past, your Company had adopted sourcing of indigenous coke by opting for coal to coke conversion. However during the year under review, your Company did not exercise this option as the imported coke price was favourable.

Your Company has entered into negotiations with the Workmen Union on their charter of demand. Efforts are on to arrive at a settlement.

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During the year under review your Company has been able to reduce the quantum of loans, wipe off accumulated losses and redeemed the preference shares thus ensuring a better financial position.

Company has purchased one mini blast furnace and turbo generators which were earlier taken on lease.

### **C. Operational Performance**

Pig iron prices were relatively stable as compared to the price variations experienced in the previous years.

The coke prices which were at a level of USD 156/MT at the beginning of the year increased steadily to reach a level of USD 215/MT towards the close of the year. The prices of iron ore continued to increase through out the year, on account of the continued additional demand from China as well as from the domestic industry.

The iron ore prices (ex-mines) during the year under review have risen by 20% over the previous year.

Increased diesel cost had its impact on the logistic cost of raw materials.

The productivity in the pig iron plant has steadily improved by 11.76 %.

There has been a reduction in liquid metal production by 2% on account of the stoppage of mini blast furnace for 55 days for completing the relining work and other repair works.

Your Company sold 206,365 MT of pig iron valued at Rs. 3017 Million as compared to 221,218MT valued at of Rs. 3067 Million in the previous year.

With the increased demand for castings from both the auto and the tractor industry, your Company was able to sell castings aggregating to Rs.1657 Million as compared to Rs.1185 Million in the previous year.

There has also been an improvement in the production of net good castings.

### **D. Cost Control:**

Your Company has adopted following measures to reduce the cost :

1. Introduction of alternate low cost materials as substitute for part of the present materials without compromising on quality of the product.
2. Improvement in the flooring in the raw material yard has contributed to the reduction in the wastage.
3. Improvements in casting handling system have resulted in reduction in the damages of castings at shake out stage and in the casting storage area of the foundry.
4. Streamlining of core trolley movement and handling have resulted in reduction in the damage / rejection of cores.

### **E. Concerns and Threats:**

Entry of new players into the pig iron market may affect the pig iron realisation due to competition.

Continuous increase in iron ore price will result in increase in input costs and thereby putting pressure on realisation.

Coke is an important material required for the manufacture of pig iron. Any rise in the price or change in duty structure or change in the policy of the Chinese Government may adversely affect the availability / cost of the coke.



The foundry at Solapur acquired by the Company during the year under review, requires upgradation and restructure. High pressure moulding line has been planned to be installed and also the total infrastructure at Solapur foundry will be revamped.

High turnover of the experienced managers is an area of concern. Company is making all efforts to retain the talent through proper rewarding and career planning system.

Wage negotiation with Workmen Union is yet to be completed. Presently the settlement of Charter of Demand has been referred to the Industrial Tribunal by the Government of Karnataka, for hearing and final disposal. However efforts are also made to arrive at an amicable settlement.

#### **F. Prospects for the Current Year:**

The world growth in 2007 is projected to be driven more from Asia Pacific Region and China and India in particular. It is expected that India's GDP will grow at around 8% for the financial year 2008. This will support increase in steel consumption in the country, there by sustaining the demand for the pig iron. The auto industry as well as tractor industry is expected to register growth for the coming year as well. Export of tractors to developed countries is also on an increasing mode.

The Government's continued thrust on irrigation and agricultural credit will continue to support the tractor demand. Therefore, your Company expects to have good demand for its castings.

In order to become cost competitive, the Company has identified the following projects for cost saving:

1. Installation of stoves to reduce coke consumption and increase productivity in the blast furnace plants.
2. Construction of Railway siding within the factory premises to reduce the logistics cost. Your Company is completing the process of acquisition of land required for the installation of Railway siding.
3. Installation of casting handling device and effective cooling system at casting evacuation section in foundry to improve the handling system and thereby reduce the casting damages.

Price of iron ore is rising owing to the increased demand in the domestic as well as in international market. There is some progress to get iron ore mines on lease from Government of Karnataka. This will reduce the dependency of iron ore supplies from private iron ore suppliers.

Your Company is also planning to enhance the machining capacity at Solapur by installation of additional machines to increase the value addition.

#### **Cautionary Statement:**

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

#### **G. Internal Control Systems and their adequacy:**

The Company has a proper and adequate system of controls in order to ensure that all assets are safeguarded against loss from unauthorized use or disposal. All transactions are properly checked, verified, recorded and reported correctly.

Regular Internal Audit checks are carried out to ensure that the responsibilities are executed effectively and that proper and adequate systems are in place.

---

Your Company implemented Integrated Information System on Informix RDBMS from April 1994. The Company has commenced working on Web based applications and is moving towards paperless office concept.

Your Company is also in the process of migrating from the present Informix RDBMS to Oracle based system and is expected to complete the same during the financial year 2007-08.

#### **H. Safety, Health and Environment :**

Your Company is giving utmost importance to safety, health and environment related issues. The employees are educated and trained to improve their awareness and skills.

All safety statutory requirements like licenses, mock drills under emergency conditions and testing of lifting tackles and pressure vessels, etc. are being complied with. As a proactive approach, periodical safety audit is conducted to identify and eliminate possible potential causes of accidents.

Requirements of environmental acts and regulations are also complied with. Monitoring and analysis of waste water, stack emissions and Ambient Air Quality are undertaken periodically to verify whether the level of environmental parameters are well within the specified limits. Immediate, corrective and preventive measures are undertaken in case of deviations from the specified norms. ISO-14001:2004 for Environment systems has been re-certified for the Company by the M/s IRQS, Chennai in December 2005.

Effluent treatment of waste products and suppression of fugitive emissions through sprinklers is also carried out effectively. Massive tree plantation has been undertaken to improve the greenery all around the plant.

Medical check up for the employees is being conducted at the pre-employment stage and thereafter periodical check up is undertaken during the continuance of the employment period. Based on the medical reports of the employees, necessary measures are taken to improve the health condition of the employees. Your Company has appointed a full time Doctor and qualified nurses for the Occupational Health Centre, which cater to the medical needs of the employees.

#### **I. Social responsibility:**

As a part of its corporate responsibility to the society, your Company has been supporting and providing assistance to nearby villages by supply of good quality drinking water and educational assistance for the village people. Also basic facilities such as roads, drainages, school building and medical centre have been provided through the Trust set up by your Company. Biweekly medical check ups by the specialist doctors with medicine is provided in the neighbouring village. Seed money has also been provided to rural women for self employment scheme. Financial assistance to needy farmers and supply of water for irrigation during summer are some measures taken by the Company.

#### **J. Human Resources:**

Your Company considers human resource to be an important valuable asset for the organisation and therefore constantly strives to attract and recruit best talent for the current and future needs. The Company has taken necessary steps to upgrade the skills of present employees by conducting various in-house training programs and courses. Further measures for the safety of the employees are also adopted through training programs on safety and mock drills. As on 31<sup>st</sup> March, 2007 the total number of salaried employees stood at 798. The Employer Employee Relations have been generally cordial throughout the year. The last Wage agreement with the Company's workman union expired on January 31, 2005. The worker Union has submitted its Charter of Demand. Unfortunately, the settlement could not be reached on mutually agreeable terms. Presently the settlement on the Charter of Demand has been referred to the Industrial Tribunal by the Government of Karnataka, for hearing and final disposal. However efforts are also made to arrive at an amicable settlement.



### 3. ISSUE OF EQUITY SHARES ON RIGHTS BASIS ALONG WITH THE DETACHABLE WARRANTS:

Your Company made an issue of 65,000,160 fully paid equity shares of Rs.5/- each at a premium of Rs. 30/- aggregating to Rs. 2275.00 Million on rights basis. The issue opened on 19<sup>th</sup> January, 2007 and closed on 17<sup>th</sup> February, 2007.

The allotment of 64,782,765 equity shares of Rs.5/- each at premium of Rs. 30/- aggregating to Rs. 2,267.39 Million along with 64,782,765 detachable warrants was completed on 13<sup>th</sup> March, 2007 as per the basis approved by the Bombay Stock Exchange Limited.

### 4. REDEMPTION OF PREFERENCE SHARES:

As mentioned earlier, your Company redeemed the following Preference Shares out of the proceeds of Rights issue on 3<sup>rd</sup> March, 2007.

Description	Amount (Rs.)
26,406,253-12% redeemable Cumulative Non-convertible preference shares of Rs. 10/- each.	264,062,530
6,060,000-12% redeemable Cumulative Non-convertible preference shares of Rs. 10/- each.	60,600,000
45,000,000-1% redeemable Cumulative Non-convertible preference shares of Rs. 10/- each.	450,000,000
23,420,000-1% redeemable Cumulative Non-convertible preference shares of Rs. 10/- each	234,200,000
3,800,000-1% redeemable Cumulative Non-convertible preference shares of Rs. 10/- each.	38,000,000
Total	1,046,862,530

The Company has also paid dividend of Rs. 42,512,288/- for the period from 1<sup>st</sup> April, 2006 till the date of redemption.

### 5. ACQUISITION OF FOUNDRY AT SHIVASHAHI, SOLAPUR:

The Company entered into an agreement on 22<sup>nd</sup> December, 2006 with Kirloskar Oil Engines Limited for the acquisition of the castings division at Shivashahi, Solapur w.e.f. 1<sup>st</sup> January, 2007 for a consideration of Rs. 21 Crores. The said amount has been paid from the proceeds of the Rights Issue.

This foundry consists of two units i.e. grey & SG iron foundry and Investment casting foundry. The iron foundry manufactures castings such as cylinder blocks, cylinder heads, housings and castings for automobile brakes and transmission and caters to automobile, tractor and diesel engine manufacturers.

The investment casting foundry primarily caters to various defence, medical implant companies and general engineering and automobile company.

The acquisition will help the Company to increase the total production capacity and thereby meet the unfulfilled customer demands in the present market conditions. It is expected that there will be an optimum utilisation of facilities like machining center to enhance the production capability and reduce the cost.

### 6. DIRECTORS:

Mr. Sanjay C. Kirloskar, Mr. C. V. Tikekar and Mr. S. G. Chitnis retire by rotation and being eligible, offer themselves for re-appointment.

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## 7. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the Accounts for the financial year ended 31<sup>st</sup> March, 2007, the applicable accounting standards have been followed;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2007 and of the profit of the Company for the year ended 31<sup>st</sup> March 2007;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the year ended 31<sup>st</sup> March, 2007 on a "going concern" basis.

## 8. AUDITORS:

M/s. P.G. Bhagwat, Chartered Accountants, retire as auditors of your Company at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Audit committee has recommended their appointment. The Company has received a certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limit specified in section 224(1B) of the Companies Act, 1956.

## 9. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure-A and forms part of this report.

## 10. PARTICULARS OF EMPLOYEES:

The information required under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure-B and forms part of this report.

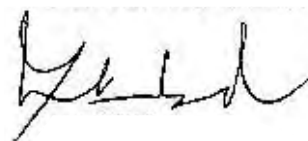
## 11. CORPORATE GOVERNANCE:

Your Company conforms to the norms of Corporate Governance as envisaged in the Companies Act, 1956 and the Listing Agreement with the Bombay Stock Exchange Limited. A report of the Corporate Governance, along with the certificate of compliance from the Auditors, forms part of this report.

## 12. APPRECIATION :

The Board records its appreciation of the contribution of all the employees of the Company and its gratitude to the Company's valued customers, bankers, Financial Institutions, vendors and members for their continued support and confidence in the Company.

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR  
Chairman

Pune : 28th April, 2007





**ANNEXURE - A  
TO THE  
DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED  
31<sup>st</sup> MARCH, 2007 AND FORMING PART THEREOF**

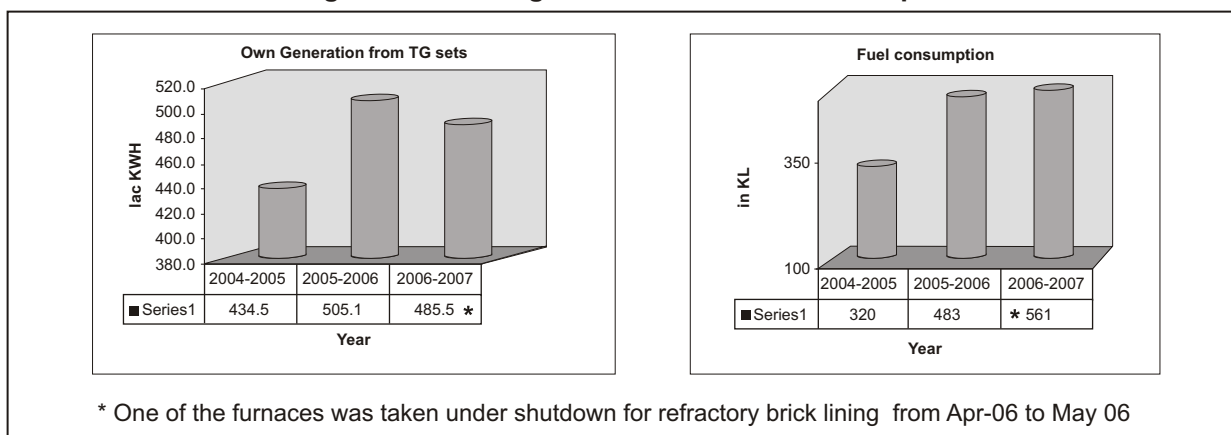
Additional Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming a part of the aforesaid Directors' Report :

**A. CONSERVATION OF ENERGY:**

**a) Energy conservation measures taken during the year 2006-07 are as follows;**

- I Audit of Energy, Pumps, Compressors and Thermal was taken up and the Company is in the process of implementing the Audit recommendations for Energy conservation.
- II For lifting the water from Tungabhadra reservoir, diesel driven pump set has been replaced by Electrical driven pump to bring down HSD consumption.
- III Installed Wind driven Turbine ventilation system in place of Exhaust fans in foundry.
- IV Installed blower changeover panel to utilise Turbo Generator power during Mini Blast Furnace shutdowns.
- V Applied Corrocoat for Gas Cleaning Pumps at Mini Blast Furnace.
- VI Installation of auto power factor controller to improve the power factor.
- VII Transparent roof sheets installed to utilize sun light for shop floor illumination at Foundry.
- VIII Installation of solar heater, pumps and Compact Florescent lamps.
- IX Furnace oil usage at core drying system in place of HSD.

**Figures of Power generation and Fuel consumption:**



**b) Additional Proposals for the year 2007-08:**

- I Installation of shaftless stoves for one of the furnace was taken up in FY 2006-07 and expected to be completed in the year 2007-08.
- II Coating of pump's internal surfaces with a special material to improve surface finish. This will reduce friction losses.
- III Installation of variable frequency drive for fans and conveyors.
- IV Replacement of pumps with suitable capacity as per report of energy audit.
- V Up-gradation of compressors.
- VI Installation of Bio-gas plant and Solar steam generation plant for canteen.
- VII Installation of solar street lights.
- VIII Installation of 5 MW Power plant to utilise Blast Furnace Gas.
- IX On-line energy monitoring system at plant level.

**c) Impact of the above measures:**

- I Reduction in consumption of coke by 30 kg/THM.
- II Reduction in energy consumption.
- III Conservation of non-renewable energy resources.
- IV Excess power generation and hence minimized dependance on State Electricity Board for Power.
- V Improvement in operational efficiency and widening the scope for energy conservation.

**B. TECHNOLOGY ABSORPTION:**

**a) Research & Development (R&D)**

The Company has not formally established Research & Development wing.

**b) Technology Absorption, Adaption and Innovation**

Company is installing stoves of Kalugin design. Kalugin design is latest design in stoves for achieving higher blast temperature. As a part of the Contract, Kalugin engineers will work with Company engineers for absorption and adaption of technology involved.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

	(Rs. In Million)
Earnings	107.36
Outgo	1764.62

**ANNEXURE B**

**DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED  
31<sup>st</sup> MARCH 2007 AND FORMING A PART THEREOF**

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming a part of the aforesaid Directors' Report :

Name of the employee	Age (Years)	Qualification	Experience (Years)	Designation / Nature of duties	Date of Joining	Remuneration Rs.	Particulars of last employment
Mr.R.V.Gumaste	49	B.Tech (Met.)	26	Managing Director	8/11/2001	8,210,653/-	Chief Executive Works Indian Seamless Metal Tubes Ltd.

**NOTES :**

- 1) Designation of the employee indicates the nature of duties.
- 2) The nature of above employment is contractual.
- 3) Remuneration includes salary, special allowance, house rent allowance, reimbursement of medical expenses, mediclaim and personal accident insurance, leave travel allowance, value of perquisites as per Income Tax Act, 1961 and the Rules thereunder and the Company's contribution to provident fund and superannuation fund, leave encashment, gratuity and terminal benefits.
- 4) The employee listed above is not a relative of any Director of the Company.



## CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

### Company's philosophy on Code of Governance:

Corporate Governance contains a set of principles, process and systems to be followed by Directors, management and all employees of the Company for increasing the shareholders' value keeping in view interest of other stakeholders. While adhering to the above, the Company is committed to integrity, accountability, transparency and compliance with laws in all dealings with the Government, customers, suppliers, employees and other stakeholders.

### I. Board of Directors

The Board of Directors comprises of eight Directors. Out of these, one is an Executive Director and seven are Non Executive Directors. The Non Executive Directors constituted more than half of the total number of Directors.

Five out of eight Directors were Independent Directors, which duly complied with the requirement of Code.

The information on composition of the Board, category of Directors, attendance at Board Meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and Committees of other public companies of which the Director is a member/Chairman and the share holding of Directors in the Company are as follows.

Name of Directors	Category	Financial Year 2006-07		Attendance at the Last AGM	* Number of Directorships in other Public Limited Companies incorporated in India	** Committee positions held in Other Public Companies		Number of shares held by Directors
		Board Meetings Held	Board Meetings Attended			Member	Chairman	
Mr. Atul C. Kirloskar	Chairman Non-Independent Non Executive	7	6	Yes	4	Nil	2	3,040
Mr. Sanjay C. Kirloskar	Non-Independent Non Executive	7	2	Yes	5	2	1	380
Mr. R.V.Gumaste	Executive	7	7	Yes	Nil	Nil	Nil	9,500
Mr. A.R. Jamenis	Independent Non Executive	7	7	Yes	Nil	Nil	Nil	2,000
Mr. S.N. Inamdar	Independent Non Executive	7	6	Yes	9	1	3	6,100
Mr. C.V. Tikekar	Independent Non Executive	7	7	Yes	Nil	Nil	Nil	6,000
Mr. S.G. Chitnis	Independent Non Executive	7	5	Yes	Nil	Nil	Nil	1,900
Mr. A.N. Alawani	Independent Non Executive	7	7	Yes	4	1	Nil	35,000

\* Excluding Directorship in foreign companies and companies under Section 25 of the Companies Act, 1956.

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\*\* Only two Committees, viz. the Audit Committee and the Shareholders'/Investors' Grievance Committees are considered.

During the year, the Board of Directors met 7 times on the following dates;

25<sup>th</sup> April, 2006, 24<sup>th</sup> May, 2006, 28<sup>th</sup> July, 2006, 28<sup>th</sup> September, 2006, 26<sup>th</sup> October, 2006, 22<sup>nd</sup> January, 2007 and 27<sup>th</sup> February, 2007

**Information supplied to the Board :**

Among others, this includes:

- review of Annual operating plans of business, capital budgets, updates;
- quarterly results of the Company;
- minutes of meetings of audit committee and other committees;
- the information on recruitment and remuneration to senior officers just below the Board level;
- materially important show cause, demand, prosecution and penalty notices;
- fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- any material relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- any issue, which involves possible public or product liability claims of substantial nature;
- details of any joint venture or collaboration agreement;
- transactions that involve substantial payment towards goodwill, brand equity, or intellectual rights;
- significant labour problems and their proposed solutions;
- significant development in human resources and industrial relation fronts;
- sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement; and
- non-compliance of any regulatory, statutory provision or listing requirements as well as shareholders service such as non-payment of dividend and delay in share transfer.

**Code of Conduct:**

The Board of Directors have laid down a Code of Conduct applicable to all Board members and Senior Management of the Company. All Board Members and Senior Management have confirmed compliance of the Code of Conduct.

The Code is also posted on the website of the Company at [www.kirloskar.com](http://www.kirloskar.com)

The Managing Director has given the Certificate as given below as per the requirement of Clause 49 of the Listing Agreement:

I, Ravindranath V. Gumaste, Managing Director hereby confirm that;

The Company has obtained from all the Members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management of M/s. Kirloskar Ferrous Industries Limited, in respect of the Financial year 2006-2007.

sd/-  
Ravindranath V. Gumaste  
Managing Director



## II. Audit Committee :

Your Company has an Audit Committee at the Board level, which acts as a link between the management, the statutory & internal auditors and the Board of Directors. During the year, the Audit Committee met 4 times on 25<sup>th</sup> April, 2006, 28<sup>th</sup> July, 2006, 26<sup>th</sup> October, 2006 and 22<sup>nd</sup> January, 2007 to deliberate on various matters and the details of attendance by the Committee Members are as follows:

Name of the Directors	Category	Number of Meetings Held	Number of Meetings Attended
Mr. S. N. Inamdar (Chairman)	Independent Non Executive	4	4
Mr. C. V. Tikekar	Independent Non Executive	4	4
Mr. A. R. Jamenis	Independent Non Executive	4	4
Mr. S. G. Chitnis	Independent Non Executive	4	3

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on July 28, 2006.

The representatives of the Statutory Auditors, Internal Auditors and Senior General Manager Finance are also invited to the Audit Committee meetings. The Company Secretary acted as the Secretary of the Committee.

The Audit Committee is endowed with the following powers:

1. To investigate any activity in terms of its reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice;
4. To secure the attendance of outsiders with relevant expertise, if it considers necessary.

The terms of reference of the Audit Committee include the matters specified under clause 49 of the Listing Agreement entered into with the stock exchange as well as those in Section 292A of the Companies Act, 1956 and inter-alia includes the following:

1. Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with Management the annual financial statements before submission to the Board, for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2AA of section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - d) Significant adjustments arising out of audit findings.

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- e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualification in Draft Audit Report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the board for approval.
  6. Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.
  7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  8. Discussion with internal auditors any significant findings and follow up thereon.
  9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  10. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
  13. To mandatorily review the following information:
    - a) Management discussion and analysis of financial condition and results of operations;
    - b) Statement of significant related party transactions submitted by the management;
    - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
    - d) Internal audit reports relating to internal control weaknesses; and
    - e) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
  14. Carrying out any other function as is mentioned in the terms of reference of Audit Committee as amended from time to time by the Listing Agreement and the Companies Act, 1956.

### **III. Subsidiary Companies :**

Your Company does not have any subsidiary Company.

### **IV. Disclosures :**

#### **A. Related Party Transactions :**

Your Company places all the details of Related Party Transactions before the Audit Committee at regular intervals.

Transactions with the related parties are disclosed in Note No 23 of Schedule 20 of the notes forming part of the Accounts in the Annual Report.



**B. Disclosure of Accounting treatment :**

Your Company has followed all relevant accounting standards, while preparing the Financial Statements.

**C. Risk Management:**

Your Company has a risk management policy and the same is reviewed periodically by the Board of Directors.

**D. Application of funds collected under Rights Issue:**

Your Company does place the detailed Statement of the uses / the applications of Funds before the Audit Committee. The Statement has been duly certified by the Statutory Auditors of the Company.

Pursuant to clause 49 IV (D) of the Listing Agreement, the projected and actual utilisation of the funds as on 31<sup>st</sup> March, 2007 are as given below:

(Rupees in Million)

Particulars	Projection as given in the Letter of Offer	Actual expenditure incurred till 31.03.2007
Redemption of preference shares	1,046.87	1,046.87
Acquisition of Foundry	210.00	210.00
Installation of Moulding line	739.82	—
Installation of Hot Blast Stoves for MBF - I	191.33	*100.64
Installation of Turbo Blower for MBF-I	165.39	—
Total	2,353.41	1,357.51

\* The expenditure of Rs. 100.64 Million incurred towards the installation of the Hot Blast Stoves for MBF-I as on 31<sup>st</sup> March, 2007, has been financed as follows:

- 1) Rs. 67.95 Million from internal generation and
- 2) Balance Rs. 32.69 Million met from the proceeds of the rights issue.

The Rights issue proceeds of Rs. 2,267.40 Million has been utilised as follows:

- 1) Towards Issue expenses : Rs. 14.19 Million
- 2) Towards Rights Issue objects : Rs. 1289.56 Million
- 3) Balance amount of Rs.963.65 Million has been invested in fixed deposits with banks pending utilisation.

The Company has not utilised funds collected under rights issue for purposes other than those stated in the Letter of Offer.

**E. Remuneration to Directors :**

The Board has constituted a Remuneration Committee comprising of 4 Directors, viz. Mr. Sanjay C. Kirloskar, Mr. A. R. Jamenis, Mr. S.N. Inamdar and Mr. A. N. Alawani. During the year, one Remuneration Committee Meeting was held on Wednesday, May 24, 2006 to consider the revision in the remuneration payable to the Managing Director. An abstract of the remuneration details was already sent to the shareholders.

No significant material transactions have been made with the Non Executive Directors vis a vis the Company.

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A Sitting Fee of Rs. 5,000/- is paid to each Non Executive Director for each meeting of Board or any Committee thereof attended by him.

The details of the Sitting Fees paid to the Non Executive Directors during Financial year 2006-07 are as given below:

Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	50,000
Mr. Sanjay C. Kirloskar	20,000
Mr. A. R. Jamenis	1,10,000
Mr. S.N. Inamdar	55,000
Mr. C.V. Tikekar	1,00,000
Mr. S. G. Chitnis	65,000
Mr. A. N. Alawani	70,000
Total	4,70,000

Details of remuneration by payment and provision in respect of Mr. Ravindranath V. Gumaste, Managing Director of the Company for the year from 1<sup>st</sup> April, 2006 to 31<sup>st</sup> March, 2007 are as given below.

Particulars	Amount (Rs.)
Salary	4,080,000
Contribution to Provident Fund	424,800
Contribution to Superannuation Fund	531,000
Perquisites	28,164
Leave Travel Assistance	180,000
Commission	2,385,000
Gratuity	57,692
Leave Encashment	523,997
Total	8,210,653

Salary includes Basic Salary, Special allowance and House Rent Allowance.

Perquisites include reimbursement of medical expenses, Leave travel assistance, personal accident insurance and mediclaim insurance premium.

The Company had entered into an agreement with the Managing Director for a period of 5 years with w.e.f. 1<sup>st</sup> July, 2003. No notice period and severance fees have been prescribed in the agreement.

The Board of Directors has fixed the remuneration of the Managing Director on the recommendation of the Remuneration Committee in accordance with the provisions of the Companies Act, 1956 and Schedule XIII of the said Act. The increase in remuneration to the Managing Director was approved by the shareholders at the 15th Annual General Meeting held on Friday, July 28, 2006.

Your Company has not paid any remuneration to the Non Executive Directors.

The Company does not have a scheme for grant of stock options.

**F. Management :**

The Management Discussion and Analysis report forms part of the Annual Report and is in accordance with the requirements laid out in Clause 49 of the Listing Agreement.

No material transaction has been entered into by the Company with the Promoters, the Directors, or the Management, their subsidiaries or relatives etc., that may have a potential conflict with the interests of the Company. The Company has a policy of obtaining declarations from all Senior Management and the same are placed before the Board Meeting.

**G. Shareholders :**

There were no presentations made to the institutional investors or analysts during the year.

**Share Transfer cum Shareholders' / Investors' Grievance committee:**

Share Transfer cum Shareholders' / Investors' Grievance committee comprises of Mr. Atul C. Kirloskar, Mr. A. R. Jamenis, Mr. A. N. Alawani & Mr. C. V. Tikekar. The Committee is chaired by Mr. Atul C. Kirloskar.

The Committee has been constituted to look into the complaints like transfer of shares, non receipt of balancesheet, non receipt of declared dividends, etc. During the year under review, the committee met two times to deliberate on the aforesaid matters.

In case of any complaints, the share holders may send the mail at the following E-mail address - [investor@kfil.com](mailto:investor@kfil.com)

Mr. C. S. Panicker - Company Secretary & Compliance Officer has also been authorised by the Board to expedite the process of share transfers. The details of share transfers or transmissions are placed before the Board on a regular basis.

The Compliance Officer can be contacted at:

Kirloskar Ferrous Industries Limited  
Laxmanrao Kirloskar Road,  
Khadki, Pune 411 003.  
Tel. (D): 020 - 66084664  
Fax: (020) 25813208, 25810209  
E-mail: [csp@koel.co.in](mailto:csp@koel.co.in)

During the year, 167 complaints were received from the shareholders, all of which have been resolved and there was no complaint pending as on 31<sup>st</sup> March, 2007.

H. During the last three Financial years, there were no strictures or penalties imposed by either SEBI or the stock exchange or any statutory authority for non-compliance of any matter related to the capital markets.

**I. Adoption of non-mandatory requirements' under the listing agreement. :**

The Company has adopted the non-mandatory requirements as regards provisions relating to Remuneration Committee. The quarterly results are published in newspapers, posted on the Kirloskar Group's web site and sent to the shareholders on request.

**V. CEO/CFO Certification:**

The CEO, i.e. the Managing Director and the CFO i.e. the Senior General Manager -Finance heading the finance function have certified to the Board that;

- a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :

- 
- i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct;
  - c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or proposed to take to rectify these deficiencies;
  - d) They have indicated to the Auditors and the Audit Committee :
    - i. significant changes, if any, in internal control over financial reporting during the year;
    - ii. significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
    - iii. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

The above certificate was placed before the Board at its Meeting held on 28<sup>th</sup> April, 2007.

## VI. Report on Corporate Governance :

A separate section on Corporate Governance forms part of the Annual Report. A certificate from the Statutory Auditors confirming compliance with all conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement forms part of this report.

## VII. General Body Meetings :

### Details of Annual General Meetings

Location and time of last three Annual General Meetings:

AGM for the Financial Year	Date	Time	Venue
2003-2004	27 <sup>th</sup> August, 2004	11.00 a.m.	Registered Office of the Company Laxmanrao Kirloskar Road, Khadki, Pune 411 003
2004-2005	5 <sup>th</sup> August, 2005*	11.00 a.m.	
2005-2006	28 <sup>th</sup> July 2006 **	11.30 a.m.	The Pudmjee Hall, Mahratta Chamber of Commerce, Industries And Agriculture, Tilak Road,Near Nehru Stadium, Swargate Corner, Pune 411 002.

\*One Special Resolution passed for Reduction of Equity Share Capital from Rs.10 each to Rs.5 each.

\*\*One Special Resolution passed for increase in remuneration to Mr. R.V.Gumaste, Managing Director.

None of the Special Resolution proposed at the last Annual General Meeting were required to be passed by postal ballot.



## VIII. Particulars of Re-appointment of Non Executive Directors:

### 1. Mr. Sanjay C. Kirloskar

Mr. Sanjay Chandrakant Kirloskar aged 50 years, graduated with a Degree in mechanical engineering from Illinois Institute of Technology, Chicago, U.S.A. He was appointed to the post of Vice President Operations at Kirloskarvadi Factory and the Executive Vice President of Kirloskar Brothers Limited.

Mr. Sanjay Kirloskar is presently the Chairman and Managing Director of Kirloskar Brothers Limited. Under his leadership, the Kirloskar Brothers Limited strengthened its position in the domestic market and also made successful foray into new export markets. Mr. Sanjay Kirloskar was actively involved in developing the joint venture company, Kirloskar Ebara Pumps Limited, with Ebara Corporation, Japan.

Mr. Sanjay Kirloskar is the Director of the Company since 19<sup>th</sup> March, 1993.

He is also a Director of Kirloskar Brothers Limited, Kirloskar Oil Engines Limited, Kirloskar Ebara Pumps Limited, Kirloskar Pneumatic Company Limited, Kirloskar Silk Industries Limited, Pooja Credits Private Limited, Prakar Investments Private Limited, Aban Constructions Private Limited, Kirloskar Kenya Limited, Kirloskar Services Kenya Limited, Kirloskar Drilling Company Limited-Kenya and SPP Pumps Limited, England.

He is a Member / Chairman in the following Committees:

Audit Committee :  
Kirloskar Oil Engines Limited

Share holders' / Investors Grievance Committee :  
Kirloskar Oil Engines Limited  
Kirloskar Brothers Limited

### 2. Mr. Chintaman V. Tikekar

Mr. Chintaman Vishwanath Tikekar aged 74 years, graduated from the College of Engineering, Pune with a degree in metallurgical engineering with distinction. He then worked at the heat treatment shop of Premier Automobiles for over a year. Thereafter he joined Tata Engineering Company Limited (TELCO) and during the course of service he was sent by them to visit the plant of Daimler Benz at Germany for specialized on the job training in heat treatment of automobile components, material testing and in process technologies.

He worked in TELCO for thirty eight years in various capacities such as Chief Metallurgist, in charge of Foundries and as Senior Deputy General Manager. He is a life member of Indian Institute of Metals, Society of Materials, Institute of Indian Foundrymen. He was assigned the job of improving quality of vendor supplying steel, forgings, castings and other items used in automobile manufacture. In TELCO, he was the Chairman of Material Rationalisation Committee responsible for selection of all raw materials so that varieties are reduced, material costs are brought down and yet quality of the vehicles is improved.

After retiring from service with TELCO, he worked with Kirloskar Group of Companies. With his vast experience, he played a pivotal role in the conceiving, planning, installing and commissioning of the Plant of the Company at Bevinahalli (Karnataka). He is the Director of the Company since March, 1993 and has played an active role in conceptualising, erection and commissioning of the Plant. He is also a member of the Audit Committee.

He is also a Director of Ekartha India Private Limited.

He is neither Member nor Chairman of any Committee in other Public Limited Companies.

### 3. Mr. Sudhakar G. Chitnis

Mr. Sudhakar Ganesh Chitnis aged 66 years holds a Bachelor's Degree in Mechanical Engineering and has wide experience of over 38 years in manufacturing, research & development, marketing etc. He recently retired at the age of 63 years from the post of Vice Chairman of Kirloskar Pneumatic Company Limited after successfully turning it around in the record time of two years.

At present he works as an advisor to the Kirloskar Group on techno commercial issues and on world class manufacturing practices. He is the Director of the Company since 27th January, 2005.

He is also a Director of Kirloskar Chillers Private Limited and an Alternate Director of SPP Pumps Limited, England.

He is neither Member nor Chairman of any Committee in other Public Limited Companies.

## IX. Means of Communication:

The Quarterly and Half Yearly results are published in widely circulating national and local dailies such as Business Standard and Economic Times/ Maharashtra Herald (English Newspapers) and Kesari (Marathi Newspaper). The results are not sent individually to the shareholders.

The Company's results and official news releases are displayed on the Kirloskar Group's website namely, [www.kirloskar.com](http://www.kirloskar.com)

The Company's results are also displayed on SEBI website namely [www.sebidifar.nic.in](http://www.sebidifar.nic.in)

## X. General Shareholder Information:

Annual General Meeting	
Date and Time	26 <sup>th</sup> July, 2007 at 11:30 A.M.
Venue	Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002
Financial Year	1 <sup>st</sup> April, 2006 to 31 <sup>st</sup> March, 2007 During the year under review, the results were announced as under :-  First Quarter      28 <sup>th</sup> July, 2006 Second Quarter    26 <sup>th</sup> October, 2006 Third Quarter      22 <sup>nd</sup> January, 2007 Annual              28 <sup>th</sup> April, 2007
Date of Book Closure	19 <sup>th</sup> July, 2007 to 26 <sup>th</sup> July 2007 (both days inclusive )
Dividend Payment date	No dividend is being recommended on Equity shares
Listing on stock exchange and Stock Code	Bombay Stock Exchange Limited    500245

Dividend on Preference Shares aggregating Rs. 4,25,12,288/- has been paid on 12% and 1% Redeemable Cumulative Non Convertible Preference Shares (which were not listed on any Stock Exchange) for the period from 1<sup>st</sup> April, 2006 till the date of redemption i.e. 3<sup>rd</sup> March, 2007.

The ISIN Number (or Demat Number) of Kirloskar Ferrous Industries Limited on both NSDL and CDSL is INE 884B01025 for equity share of Rs. 5/- each fully paid up.

The Company has paid Listing Fees to the Bombay Stock Exchange Limited for the Financial year 2006-2007.

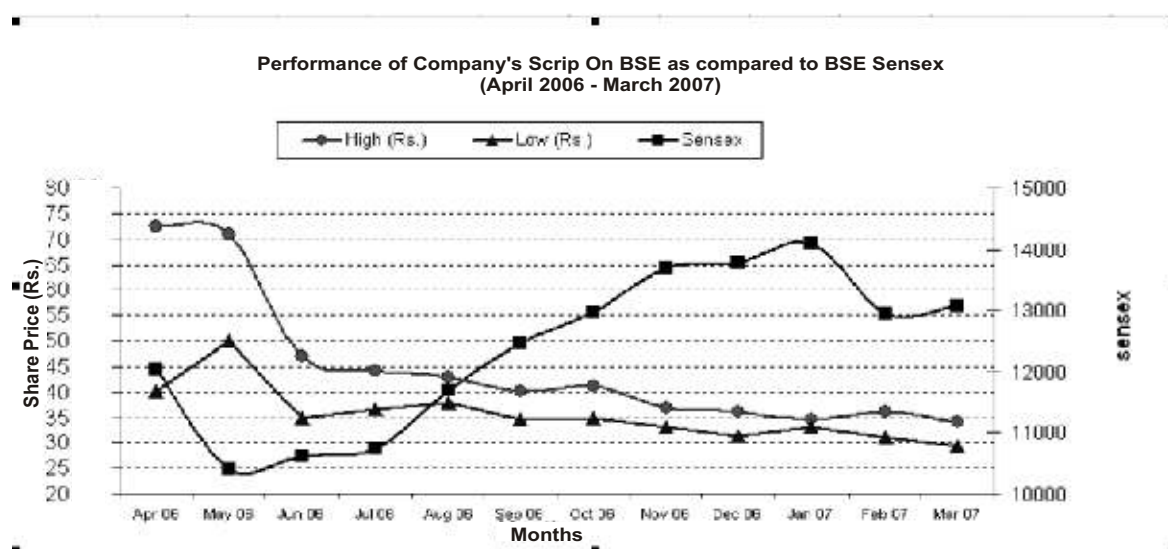



**Market Price Data :**

Monthly High / Low during the year 2006-07 on the Bombay Stock Exchange Limited :

Year	Month	High (Rs.)	Low (Rs.)
2006	April	72.45	40.20
	May	70.95	49.90
	June	46.85	35.00
	July	44.30	36.70
	August	43.00	37.85
	September	40.20	34.55
	October	41.20	34.95
	November	36.95	33.10
	December CR	36.10	31.30
	December XR	33.80	32.80
2007	January	34.65	33.10
	February	36.05	31.00
	March	34.15	29.35

Performance of the Company's Scrip on the BSE as compared to the BSE Sensex:


**Registrar & Transfer Agent :**

The Company entrusted the entire work relating to processing of transfer of shares to Intime Spectrum Registry Limited being a SEBI Registered R &amp; T Agent whose address is as given below :

Intime Spectrum Registry Limited,  
 Akshay Complex, Block No 202, 2<sup>nd</sup> Floor,  
 Off. Dhule Patil Road, Near Ganesh Temple,  
 Pune 411 001  
 Tel No. (020) 6520 3395  
 Fax No. (020) 2605 3503  
 Email : [pune@intimespectrum.com](mailto:pune@intimespectrum.com)

**Share Transfer System:**

The applications for transfer of shares received by the company's Registrar and Share Transfer Agents in physical form are processed and registered within 30 days of receipt of the documents which are valid in all respects.

Shares under objection are returned within a week's time. The transfer applications are approved periodically.

Distribution of Shareholding as on 31<sup>st</sup> March, 2007 :

Range of Shares		Share Holders		Shares	
From	To	Number	% to Total	Number	% to Total
1	5,000	69,949	95.32	13,401,695	9.78
5,001	10,000	1,458	1.99	2,335,683	1.70
10,001	20,000	849	1.16	2,479,993	1.81
20,001	30,000	390	0.53	1,976,340	1.44
30,001	40,000	133	0.18	952,734	0.70
40,001	50,000	154	0.21	1,473,097	1.08
50,001	100,000	220	0.30	3,194,424	2.33
100,001 and above		229	0.31	111,191,199	81.16
Total		73,382	100.00	137,005,165	100.00

Shareholding Pattern as on 31<sup>st</sup> March, 2007

Category	No. of Shares	% of Share Holding
Promoter Companies	80,467,620	58.73
Financial Institutions	3,969,000	2.89
Nationalised Banks	600	—
Non Nationalised Banks	300	—
Non Resident Indians	1,418,828	1.04
Mutual Funds	135,280	0.10
FII	1,872,260	1.37
Domestic Companies	12,128,089	8.85
General Public	37,013,188	27.02
Total	137,005,165	100.00

#### Dematerialisation of shares :

As on 31<sup>st</sup> March, 2007, 90.67% of the paid up equity share capital of the Company was held in dematerialised form.

Pursuant to Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and subsequent amendments thereto, 'Group' consists of Better Value Holdings Private Limited, Kirloskar Brothers Limited, Kirloskar Oil Engines Limited, Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, PIH Finvest Company Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, Cees Investments & Consultants Private Limited, Kirloskar Kisan Equipments Limited, Kothrud Power Equipment Limited, Kirloskar Silk Industries Limited, Kirloskar Proprietary Limited, G G Dandekar Machine Works Limited, Mahila Udyog Limited, Kirloskar Corrocoat Private Limited, Aban Constructions Private Limited, Kirloskar Chillers Private Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpina Kirloskar, Alika Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Mansi Kirloskar, Roopa Gupta and Chandrashekhar H. Naniwadekar.

**Outstanding GDR /ADR /Warrants or any convertible instruments, conversion date and impact on equity.**

The Company through rights issue, allotted 64,782,765 Equity shares of Rs.5 each at premium of Rs. 30 per share on 13<sup>th</sup> March, 2007. Under the rights issue, the Company also allotted 64,782,765 detachable warrants to the allottees on the basis of one warrant for every one equity share. Each warrant is convertible into one equity share at the price of Rs.35 on the terms and conditions detailed in the Letter of Offer dated January 02, 2007.

Assuming that all the warrants are converted into equity shares, the paid up equity capital will increase from Rs. 685,025,825 (137,005,165 equity shares of Rs.5 each) to Rs.1,008,939,650 (201,787,930 equity shares of Rs. 5 each).

The tradable warrants are listed on Bombay Stock Exchange Limited with Script Code 961664. The ISIN Number (or demat number) for Tradable Warrants on both NSDL and CDSL is INE 884B13012.

**Warrants can be exercised as follows as per the Letter of Offer dated January 02, 2007 :****Warrant Exercise Period :**

Warrant Exercise Period shall be the period commencing after 12 months from the date of allotment and upto 36 months from the date of allotment. Warrantholders can exercise their right to apply for the Equity Shares at the Warrant Exercise Price any time during the Warrant Exercise Period. No record date would be fixed by the Company for this purpose. Further the warrants not exercised during the warrant exercise period shall lapse.

**Call Option :**

The Company will have a one-time call option of compulsory conversion of the warrants at any time within the warrant exercise period by giving a public notice in the newspaper. Call option date will be 30th day or such date from the aforesaid notice as specified ("Call Option Date"). This Call would be made uniformly in respect of all the warrants outstanding. In case the Company exercise the Call Option, it will seek compulsory conversion of Warrants into Equity Shares of the Company at the Warrant Exercise Price with reference to the Call Option Date, after which the warrants remaining unexercised, if any, will lapse. The Company shall give at least 30 days prior notice before making a call for compulsory conversion of the warrants. Warrants shall lapse on the call option date or the end of warrant exercise period, whichever is earlier.

**Plant Locations:**

- |   |   |
|---|---|
| 1) Bevinahalli Village<br>P.O. Hitnal, Taluk & Dist. Koppal,<br>Karnataka - 583 234 | 2) Hotgi Road,<br>Shivashahi, Solapur,<br>Maharashtra - 413 224 |
|---|---|

**Address for Correspondence:****In respect of shares and tradeable warrants:**

Intime Spectrum Registry Limited  
Akshay Complex,  
Block No 202, 2<sup>nd</sup> Floor,  
Off. Dhole Patil Road,  
Near Ganesh Temple,  
Pune 411 001.  
Tel No. (020) 6520 3395  
Fax No. (020) 2605 3503  
Email : [pune@intimespectrum.com](mailto:pune@intimespectrum.com)

Kirloskar Ferrous Industries Limited  
13, Laxmanrao Kirloskar Road,  
Khadki, Pune 411 003  
Tel No. (020) 66084645, 66084845  
Fax No.: (020) 25813208, 25810209  
Email : [investor@kfil.com](mailto:investor@kfil.com)

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#### **AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE:**

We have examined the compliance of the conditions of Corporate Governance by Kirloskar Ferrous Industries Limited for the year ended 31<sup>st</sup> March, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, 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 M/s P.G.Bhagwat  
Chartered Accountants

S.B. Pagad  
Partner  
Membership No.206124

Pune : 28th April, 2007



## AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** as at 31st March, 2007, the Profit and Loss account and also the Cash Flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
  - (iii) The Balance Sheet, the Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
  - (i) In our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, 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 31<sup>st</sup> March, 2007;
    - (b) In the case of the Profit and Loss account, of the profit for the year ended on that date;
    - (c) In the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

For M/s P. G. BHAGWAT  
Chartered Accountants

S.B.Pagad  
Partner

Pune : 28<sup>th</sup> April, 2007

Membership No.: 206124

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## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) The Fixed Assets have been physically verified by the Management at reasonable intervals. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.  
(c) According to the information and explanation given to us, the company has not disposed off substantial part of Fixed Assets, during the year.
- (ii) (a) The inventory was physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted, nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(a),(b),(c),(d),(e),(f) & (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there were adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and Fixed Assets and for the sale of goods and services. During the course of audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.  
(b) As there are no transactions that need to be entered in to the register maintained under section 301 of the Act, paragraph 4(v)(b) of the order is not applicable.
- (vi) The Company has not accepted deposits from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As informed to us Employees' State Insurance Act is not applicable to the Company.

According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.





- (b) According to information and explanation given to us, there are amounts of excise duty and sales tax, which have not been deposited on account of dispute as listed below

Name of the statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Central Excise Act	Interest on refund	341,496	Assistant Commissioner of Central Excise
	Duty on pattern development charges	242,068	Commissioner of Central Excise
	Cenvat Credit utilised for payment of Service Tax	7,585,734	Commissioner of Central Excise
	Duty on Undervaluation	4,668,000	CEGAT Mumbai
Maharashtra Sales Tax Act	Interest on tax dues	1,558,043	Sales Tax Appellate Tribunal
	Interest on tax dues	69,110	Sales Tax Appellate Tribunal

- (x) The Company does not have accumulated losses as at the date of Balance Sheet. The Company has not incurred cash losses during the financial year and in the Immediately preceding financial year.
- (xi) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.
- (xii) According to information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) According to information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures. However, the company had made investments in mutual funds for which proper records have been maintained of the transactions and contracts and timely entries have been made therein.
- (xv) As informed to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, the Company has not made any preferential allotment of any shares to parties and companies covered under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debenture during the year.
- (xx) According to information and explanation given to us, the Company has not made any public issue to raise money.
- (xxi) According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR M/s P. G. BHAGWAT  
Chartered Accountants

S.B.Pagad  
Partner

Pune : 28<sup>th</sup> April, 2007

Membership No.: 206124

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2007

	SCHEDULE		As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>I. SOURCES OF FUNDS:</b>				
<b>1. Shareholders' Funds:</b>				
(a) Capital	1	685,025,825		1,407,974,530
(b) Reserves and Surplus	2	<u>1,946,327,875</u>		-
			2,631,353,700	1,407,974,530
<b>2. Loan Funds :</b>				
(a) Secured Loans	3	201,083,342		160,233,338
(b) Unsecured Loans	4	<u>-</u>		<u>163,333,341</u>
			201,083,342	323,566,679
<b>3. Deferred Tax liability - Net</b>	5		<u>100,909,721</u>	-
<b>Total</b>			<u>2,933,346,763</u>	<u>1,731,541,209</u>
<b>II. APPLICATION OF FUNDS:</b>				
<b>1. Fixed Assets:</b>	6			
(a) Gross Block		2,860,861,576		2,400,708,577
(b) Less : Depreciation		<u>1,333,991,104</u>		<u>1,196,752,707</u>
(c) Net Block		1,526,870,472		1,203,955,870
(d) Capital Work-in-Progress		<u>198,558,638</u>		<u>43,105,892</u>
			1,725,429,110	1,247,061,762
<b>2. Investments</b>	7		100	-
<b>3. Deferred Tax Asset - Net</b>	5		-	82,351,690
<b>4. Current Assets, Loans and Advances:</b>				
(a) Inventories	8	527,744,888		430,241,368
(b) Sundry Debtors	9	793,999,601		450,794,052
(c) Cash and Bank Balances	10	1,105,445,460		83,433,695
(d) Other Current Assets	11	18,688,202		8,276,716
(e) Loans and advances	12	<u>223,113,520</u>		<u>279,849,140</u>
	(a)	<u>2,668,991,671</u>		<u>1,252,594,971</u>
<b>Less : Current Liabilities and Provisions</b>	13			
Liabilities		1,444,053,376		962,343,408
Provisions		<u>17,020,742</u>		<u>267,241,261</u>
	(b)	<u>1,461,074,118</u>		<u>1,229,584,669</u>
<b>Net Current Assets</b>	(a)-(b)		1,207,917,553	23,010,302
<b>Profit &amp; Loss Account</b>			-	379,117,455
<b>Total</b>			<u>2,933,346,763</u>	<u>1,731,541,209</u>
Notes forming part of the accounts	20			

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

ATUL C. KIRLOSKAR  
Chairman

R.V.GUMASTE  
Managing Director

S.B.PAGAD  
Partner

C.S.PANICKER  
Company Secretary

R.S.SRIVATSAN  
Sr.General Manager-Finance

Pune : 28th April, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2007**

	SCHEDULE	For the year ended		For the year ended	
		31st March, 2007		31st March, 2006	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales & Operating Income		5,798,692,850		5,318,547,952	
Sale of byproducts, waste and scrap		333,702,566		289,730,585	
		6,132,395,416		5,608,278,537	
Less : Excise Duty & Education Cess on Excise Duty		881,080,042		780,816,881	
Net Sales		5,251,315,374		4,827,461,656	
Other Income	14	36,256,360		44,517,607	
		5,287,571,734		4,871,979,263	
<b>EXPENDITURE</b>					
Material Consumed	15	3,590,344,241		3,690,576,962	
Employees Remuneration & Benefits	16	184,826,905		134,462,950	
Operational and Establishment Expenses	17	632,815,548		459,557,659	
Interest	18	69,318,326		69,937,829	
Depreciation and Amortisation	19	139,885,814		119,809,133	
		4,617,190,834		4,474,344,533	
<b>Profit for the year</b>		670,380,900		397,634,730	
Prior period Expenses /(Income) (Net)		4,785,487		37,079	
<b>Profit before Tax</b>		665,595,413		397,597,651	
Provision for Taxation:					
Deferred Tax		183,261,411		131,762,836	
Fringe Benefit Tax		1,341,036		1,509,804	
Minimum Alternate Tax		39,620,000		3,400,000	
Wealth Tax for the year		145,512		108,803	
Adjustment of previous year ( Net )		(3,400,000)		-	
<b>Profit after Tax</b>		444,627,454		260,816,208	
Appropriation					
Dividend on:					
12% Cumulative Redeemable Preference Shares	35,864,091			38,959,503	
1% Cumulative Redeemable Preference Shares	6,648,197			188,830,677	
	42,512,288			227,790,180	
Tax on above Dividend	5,962,348			31,947,573	
		48,474,636		259,737,753	
<b>Profit after appropriation</b>		396,152,818		1,078,455	
Balance of Profit / (Loss) brought forward from previous year		(379,117,455)		(380,195,910)	
<b>Balance of Profit / (Loss) carried to Balance Sheet</b>		17,035,363		(379,117,455)	
Earnings Per Share:					
Basic & Diluted Earnings Per Share		5.24		2.88	
Notes forming part of the accounts	20				

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered AccountantsATUL C. KIRLOSKAR  
ChairmanR.V.GUMASTE  
Managing DirectorS.B.PAGAD  
PartnerC.S.PANICKER  
Company SecretaryR.S.SRIVATSAN  
Sr.General Manager-Finance

Pune : 28th April, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2007

	Rs.	2006-2007 Rs.	2005-2006 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before tax		665,595,413	397,597,651
Adjustments for:			
Depreciation	139,885,814		113,852,216
Deferred Revenue Expenses Written off	-		5,956,917
Profit on sale of assets	(4,532)		(281,508)
Loss on sale of assets	1,429,970		80,476
Interest paid	69,318,326		69,937,829
Interest income	(12,701,046)		(11,175,760)
Dividend Income	(2,194,285)		(155,341)
Rent on Building	(6,000,000)		(6,000,000)
		<u>189,734,247</u>	<u>172,214,829</u>
Operating profit before working capital changes		855,329,660	569,812,480
Decrease/(Increase) in Trade & Other Receivables	(243,712,628)		93,837,565
Decrease/(Increase) in Inventories	(97,503,520)		131,366,227
(Decrease)/Increase in Trade Payables	492,093,057		(629,353,071)
		<u>150,876,909</u>	<u>(404,149,279)</u>
Cash generated from operations		1,006,206,569	165,663,201
Taxes paid		(57,143,399)	(475,224)
Net cash from operating activities		<u>949,063,170</u>	<u>165,187,977</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>			
Purchase of assets	(653,499,276)		(78,917,561)
Sale of assets	747,774		722,306
Interest received	11,176,157		13,612,601
Dividend received	2,194,285		155,341
Rent on Building	6,000,000		6,000,000
Purchase of investments	(100)		-
Net cash used in investing activities		<u>(633,381,160)</u>	<u>(58,427,313)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>			
Interest paid	(69,318,326)		(70,254,724)
Proceeds from issue of equity shares on rights basis	2,253,206,337		-
Redemption of Preference Shares	(1,046,862,530)		-
Proceeds/(Repayment) of Long Term Borrowings	40,850,004		39,600,004
Proceeds/(Repayment) from Short Term Borrowings	(163,333,341)		(249,999,996)
Dividend on Cumulative Redeemable Preference Shares	(270,302,468)		(113,379,134)
Tax on Dividend on Cumulative Redeemable Preference Shares	(37,909,921)		(15,901,424)
Net cash used in financing activities		<u>706,329,755</u>	<u>(409,935,274)</u>
Net increase/(decrease) in cash & cash equivalents		<u>1,022,011,765</u>	<u>(303,174,610)</u>
Opening Cash and Cash Equivalents		83,433,695	386,608,305
Closing Cash and Cash Equivalents		<u>1,105,445,460</u>	<u>83,433,695</u>

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

ATUL C. KIRLOSKAR  
Chairman

R.V.GUMASTE  
Managing Director

S.B.PAGAD  
Partner

C.S.PANICKER  
Company Secretary

R.S.SRIVATSAN  
Sr.General Manager-Finance

Pune : 28th April, 2007



## Schedule Nos. 1 to 13 annexed to and forming part of Balance Sheet as at 31st March, 2007

	Rs.	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
Authorised :			
210,000,000 (210,000,000) Equity Shares of Rs. 5 each	1,050,000,000	1,050,000,000	
117,000,000 (117,000,000) Preference Shares of Rs.10 each	1,170,000,000	1,170,000,000	
	<u>2,220,000,000</u>	<u>2,220,000,000</u>	
Issued, Subscribed and Paid up :			
137,005,165 (72,222,400) Equity Shares of Rs.5 Each ( Rs.5 each) (Refer Note 9)	685,025,825	361,112,000	
Nil ( 32,466,253 ) 12% Redeemable Cumulative Non Convertible Preference Shares of Rs.10 each redeemable at par. (Refer Note 6)	-	324,662,530	
Nil (72,220,000) 1% Redeemable Cumulative Non Convertible Preference Shares of Rs.10 each Redeemable at par. (Refer Note 6)	-	722,200,000	
	<u>685,025,825</u>	<u>1,407,974,530</u>	
<b>SCHEDULE 2</b>			
<b>RESERVES AND SURPLUS</b>			
i. Share Premium (Refer Note 9)	1,943,482,950		
Less: Rights Issue Expenses	<u>14,190,438</u>	1,929,292,512	-
ii. Surplus as per annexed Profit and Loss Account		<u>17,035,363</u>	-
		<u>1,946,327,875</u>	-
<b>SCHEDULE 3</b>			
<b>SECURED LOANS</b>			
Term Loans :			
a) from Banks (Refer Note 8 A (i) )	127,083,342		35,833,338
b) from Others (Refer Note 8 A (ii))	<u>74,000,000</u>		<u>124,400,000</u>
		201,083,342	160,233,338
Cash Credit from Banks ( Refer Note-8 B )		-	-
		<u>201,083,342</u>	<u>160,233,338</u>
<b>SCHEDULE 4</b>			
<b>UNSECURED LOANS</b>			
Term Loans :			
from Others		-	163,333,341
		-	<u>163,333,341</u>

As at  
31st March, 2007      31st March, 2006  
Rs.                      Rs.

## SCHEDULE 5

### DEFERRED TAX - Net

#### Deferred Tax Assets:

Unabsorbed Depreciation as per Income Tax Act	159,230,078	404,848,658
Disallowance under Section 43 B of Income Tax Act	2,743,705	2,412,166
Provision for doubtful debts	6,266,437	6,652,208
<b>Total Assets</b>	<b>168,240,220</b>	<b>413,913,032</b>

#### Deferred Tax Liabilities:

Depreciation	269,149,941	280,277,788
Lease Adjustment account	-	51,283,554
<b>Total Liabilities</b>	<b>269,149,941</b>	<b>331,561,342</b>
<b>Net Deferred Tax Assets ( Liability )</b>	<b>(100,909,721)</b>	<b>82,351,690</b>

## SCHEDULE 6

### FIXED ASSETS

	Goodwill	Land Freehold	Buildings	Plant & Machinery Including Comp. & Elect. Rs.	Furniture & Fixture	Vehicles	As at 31st March 2007	As at 31st March 2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Block :								
As at 1st April, 2006	-	23,594,541	558,598,586	1,796,971,441	13,160,218	8,383,791	2,400,708,577	2,328,162,125
Additions during the year	33,502,465	9,809,277	17,474,962	396,958,577	3,923,206	3,305,140	464,973,627	74,889,074
Deductions and adjustments	-	-	-	2,782,543	27,000	2,011,085	4,820,628	2,342,622
<b>As at 31st March, 2007</b>	<b>33,502,465</b>	<b>33,403,818</b>	<b>576,073,548</b>	<b>2,191,147,475</b>	<b>17,056,424</b>	<b>9,677,846</b>	<b>2,860,861,576</b>	<b>2,400,708,577</b>
Depreciation :								
As at 1st April, 2006	-	-	165,253,396	1,020,216,445	9,127,489	2,155,377	1,196,752,707	1,084,721,839
For the period 31-03-2007	2,791,872	-	16,611,403	119,067,590	603,587	811,361	139,885,813	113,852,216
Deductions and adjustments	-	-	-	1,635,621	3,076	1,008,719	2,647,416	1,821,348
<b>Upto 31st March, 2007</b>	<b>2,791,872</b>	<b>-</b>	<b>181,864,799</b>	<b>1,137,648,414</b>	<b>9,728,000</b>	<b>1,958,019</b>	<b>1,333,991,104</b>	<b>1,196,752,707</b>
Net Block								
As at 31st March, 2007	30,710,593	33,403,818	394,208,749	1,053,499,061	7,328,424	7,719,827	1,526,870,472	1,203,955,870
As at 31st March, 2006	-	23,594,541	393,345,190	776,754,996	4,032,729	6,228,414	1,203,955,870	

## SCHEDULE 7

### INVESTMENTS

#### Long Term Investments (At cost)

##### Fully paid equity shares

##### Trade

##### Unquoted

##### Kirloskar Proprietary Limited

##### One equity share with a face value of Rs.100/- per share

100	-
<b>100</b>	<b>-</b>





	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
<b>SCHEDULE 8</b>		
<b>INVENTORIES</b>		
(As certified by the Managing Director )		
(a) Raw Materials	260,305,826	282,756,195
(b) Non reusable waste	42,775,287	1,433,626
(c) Stores and Spares	108,284,154	102,081,858
(d) Goods in transit	1,086,927	-
(e) Finished Goods	46,973,519	15,646,746
(f) Work-in-Progress	68,319,175	28,322,943
	<u>527,744,888</u>	<u>430,241,368</u>
<b>SCHEDULE 9</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
(a) Debts outstanding for a period exceeding six months		
Considered Good	7,803,135	2,577,695
Considered Doubtful	13,936,120	15,646,626
	<u>21,739,255</u>	<u>18,224,321</u>
Less: Provision for doubtful debts	13,936,120	15,646,626
	<u>7,803,135</u>	<u>2,577,695</u>
(b) Others - Considered Good	786,196,466	448,216,357
	<u>793,999,601</u>	<u>450,794,052</u>
<b>SCHEDULE 10</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	360,786	167,572
Balances with Scheduled banks :		
In Current Accounts	99,266,664	58,475,849
In Margin Money Deposit	35,328,009	24,558,700
In Fixed Deposit	970,490,001	231,574
	<u>1,105,445,460</u>	<u>83,433,695</u>
<b>SCHEDULE 11</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest accrued on investments and deposits	2,111,834	586,945
Claims Receivable	20,327,286	12,189,771
Less :Provision for doubtful claims	<u>4,500,000</u>	<u>4,500,000</u>
	15,827,286	7,689,771
Export Incentive Receivable	749,082	-
	<u>18,688,202</u>	<u>8,276,716</u>
<b>SCHEDULE 12</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured considered good)		
Advances recoverable in cash or in Kind or for value to be received	104,209,465	51,326,562
Advance against capital expenditure	38,858,336	5,785,434
Prepaid Expenses	3,095,794	181,648,774
Sundry Deposits	33,720,162	5,556,139
Balance with Central Excise & Customs	24,658,767	35,532,231
Advance Income Tax and Tax deducted at source (net of provision for Tax)	18,570,996	-
	<u>223,113,520</u>	<u>279,849,140</u>

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	As at 31st March,2007	As at 31st March,2006
Rs.	Rs.	Rs.
<b>SCHEDULE 13</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors :		
(1) Dues of SSI Undertakings	-	155,360
(2) Others	1,412,261,917	947,133,829
	1,412,261,917	947,289,189
Earnest Money Deposit received	303,000	233,000
Advance from customers	31,488,459	14,821,219
	1,444,053,376	962,343,408
Provisions for :		
Gratuity	5,459,333	-
Wealth Tax	145,512	108,803
Minimum Alternate Tax ( net of Tax Deducted at Source )	-	902,564
Leave Encashment	11,415,897	6,492,141
Proposed Dividend on Preference Shares	-	227,790,180
Tax on Preference Dividend	-	31,947,573
	17,020,742	267,241,261

Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.



**Schedule Nos 14 to 19 annexed to and forming part of Profit and Loss Account for the year ended 31st March, 2007**

	For the year ended 31st March, 2007 Rs.	For the year ended 31st March, 2006 Rs.
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest on deposits ((T.D.S.Rs.3,794,295) (Rs.2,313,738))	12,701,046	11,175,760
Dividend Income	2,194,285	155,341
Rent on Building	6,000,000	6,000,000
Profit on sale of assets	4,532	281,508
Miscellaneous Income	3,795,986	11,083,982
Provision no longer required written back	9,125,081	15,821,016
Sundry credit balances appropriated	2,409,499	-
Cash Discount received	25,931	-
	<u>36,256,360</u>	<u>44,517,607</u>
<b>SCHEDULE 15</b>		
<b>MATERIAL CONSUMED</b>		
(a) Raw Materials Consumed :		
Opening Stock	282,756,195	424,845,939
Less : Vat Credit available on opening stock	-	(2,642,313)
Add : Purchases	3,271,032,396	3,250,825,098
	<u>3,553,788,591</u>	<u>3,673,028,724</u>
Less : Closing Stock	<u>260,305,826</u>	<u>282,756,195</u>
	3,293,482,765	3,390,272,529
(b) Stores and spares consumed	369,833,949	289,007,415
(c) Decrease / (Increase) in stocks :		
Stock at close :		
Work-in-process	68,319,175	28,322,943
Finished Goods	46,973,519	15,646,746
Non Reusable Waste	42,775,287	1,433,626
(a)	<u>158,067,981</u>	<u>45,403,315</u>
Less : Stock at commencement :		
Work-in-process	* 58,609,105	36,810,338
Finished Goods	* 20,078,756	20,236,035
Non Reusable Waste	1,433,626	-
(b)	<u>80,121,487</u>	<u>57,046,373</u>
(b) - (a)	(77,946,494)	11,643,058
Excise duty on Increase / (Decrease) in closing stock of finished goods	4,974,021	(346,040)
	<u>3,590,344,241</u>	<u>3,690,576,962</u>

\* Stock at commencement includes Work in process Rs. 30,286,162 and Finished goods Rs. 4,432,010 as on January, 01, 2007 in respect of Solapur Unit consequent to the acquisition (ref note no. 10 of the notes forming part of the accounts)

	For the year ended 31st March,2007 Rs.	For the year ended 31st March,2006 Rs.
<b>SCHEDULE 16</b>		
<b>EMPLOYEE REMUNERATION AND BENEFITS</b>		
Salaries, Wages and Bonus	144,754,991	104,798,027
Company's Contributions to Provident & other funds	17,698,425	11,913,943
Employees' Welfare Expenses	22,373,489	17,750,980
	<u>184,826,905</u>	<u>134,462,950</u>
<b>SCHEDULE 17</b>		
<b>OPERATIONAL AND ESTABLISHMENT EXPENSES</b>		
Power, fuel and water	272,469,598	181,370,437
Insurance	2,923,292	3,256,351
Machinery Hire	2,414,217	1,585,979
Lease Rent	16,152,116	33,595,267
Repairs & Maintenance		
- Building	4,659,986	3,037,927
- Machinery	21,548,110	9,506,687
- Others	8,643,944	3,407,445
MBF Relining expenses	42,818,178	-
Fettling & Labour charges	72,810,565	52,354,252
Rent	942,415	382,860
Rates and Taxes	7,577,698	3,959,270
Traveling Expenses	9,286,497	6,689,570
Administrative Expenses	41,676,690	28,681,602
Bank Commission	6,606,490	12,271,429
Selling Expenses	112,787,756	113,030,180
Bad debts writtenoff	2,011,026	9,412,455
Provision for Doubtful Debts	-	(3,453,528)
Directors Sitting fees	470,000	164,000
Donations	5,587,000	225,000
Loss on assets sold/ discarded	1,429,970	80,476
	<u>632,815,548</u>	<u>459,557,659</u>
<b>SCHEDULE 18</b>		
<b>INTEREST</b>		
on Fixed Loans	21,075,848	26,304,712
on others	48,242,478	43,633,117
	<u>69,318,326</u>	<u>69,937,829</u>
<b>SCHEDULE 19</b>		
<b>DEPRECIATION AND AMORTISATION</b>		
Depreciation	139,885,814	113,852,216
Deferred Revenue Expenses Written off	-	5,956,917
	<u>139,885,814</u>	<u>119,809,133</u>



## NOTES FORMING PART OF THE ACCOUNTS SCHEDULE 20

### [1] SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

- a) The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- b) The financial statements have been prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP), under the historical cost convention, on the basis of a going concern. The company follows mercantile system of accounting & recognizes income & expenditure on an accrual basis except those with significant uncertainties.
- c) The accounting policies applied by the Company are consistent with those used in the previous year.

#### 1.2 Use of Estimates

Estimates and assumptions used in the preparation of the financial statements are based on management's evaluation of the relevant facts and circumstances as of date of the Financial Statements, which may differ from the actual results at a subsequent date.

#### 1.3 Fixed Assets

- a) Fixed Assets (except Goodwill) are stated at original cost less accumulated depreciation. Cost comprises the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of qualifying Fixed Assets are also included to the extent they relate to the period till such assets are ready to be put to use. Cenvat / other credits availed have been deducted from the cost of respective assets.
- b) Goodwill : Difference between the purchase consideration and the Net Assets as on the date of acquisition of undertaking has been treated as goodwill.

#### 1.4 Depreciation & Ammortisation

- a) Depreciation on the Fixed Assets of the Castings Division at Solapur, acquired under the "Slump Sale Agreement" entered into with Kirloskar Oil Engines Limited, is provided on straight line method over the remaining useful life of the asset.
- b) The plant & machinery earlier taken on lease from Kirloskar Oil Engines Limited was purchased from them during the year. Depreciation on this plant & Machinery is provided on straight line method on the remaining useful life of the asset.
- c) Depreciation on all other Fixed Assets is provided on straight line method in the manner and at the rates specified in Schedule-XIV to the Companies Act, 1956.
- d) Goodwill arising out of acquisition of undertaking is amortised over a period of 36 months commencing from January 01, 2007.

#### 1.5 Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as Long Term Investments.

- a) Current Investments are carried at lower of cost and fair value determined on an individual investment basis.

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

### **1.6 Inventories**

- a) Raw Materials, Stores & Spares are valued at lower of Cost and net realizable value. Rates are determined on First in First out basis except for Solapur Plant . At Solapur Plant rates are determined on Weighted Average Cost formula.
- b) Work in process and finished goods other than by-product are valued at lower of Cost and net realizable value. Cost is arrived at by absorption cost method.
- c) By-products, Self Generated Scrap and non reusable waste are valued at net realizable value.

### **1.7 Foreign Currency Transactions**

- a) Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.
- b) Conversion: At the year end, monetary items denominated in foreign currencies other than those covered by forward contracts are converted into rupee equivalents at the year-end exchange rates.
- c) Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognized as income or expense over the life of the contract, except where it relates to fixed assets, in which case it is adjusted in the cost of the corresponding asset.
- d) Exchange Differences: All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

### **1.8 Revenue Recognition**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customer, which generally coincides with their delivery to customers. Sales are stated net of discounts, rebates and returns.

### **1.9 Leases**

- a) Lease transactions entered prior to 1st April, 2001 are accounted for as per the Guidance Note on Accounting for leases issued by the Institute of Chartered Accountants of India whereby the Lease rentals in respect of assets taken on Finance Lease are accounted for on accrual basis irrespective of contractual obligations for payment of lease rentals.
- b) Operating lease payments are recognized as an expense in the profit & loss account on a straight line basis over the lease term.

### **1.10 Borrowing Costs**

Borrowing costs are charged to Profit and Loss account except in cases where the borrowings are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

### **1.11 Excise Duty**

Excise Duty in respect of goods manufactured by the Company is accounted on accrual basis.





### 1.12 Employee Retirement Benefits

- a) Retirement benefit in the form of Provident Fund and Superannuation / pension schemes are charged to Profit & Loss account of the year when the contribution to the respective funds are due.
- b) The Company has taken Group Gratuity policy with Life Insurance Corporation of India (LIC) for future payment of Gratuity. The Gratuity liability is determined based on the actuarial valuation by LIC as on 31st March every year.
- c) Encashment of leave has been accounted on actuarial valuation basis.

### 1.13 Taxes on Income

- a) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of accounting period based on prevailing enacted or subsequently enacted regulations.
- b) Minimum Alternate Tax credit available under Section 115JB of the Income Tax Act will be accounted in the year in which the benefits are claimed.

### 1.14 Research & Development Expenses

Revenue expenditure on the Research & Development is charged off as expense in the year in which incurred. Capital expenditure is grouped with Fixed Assets under appropriate heads & Depreciation is provided as per the rates applicable.

### 1.15 Earnings Per Share

Earning per share is calculated by dividing the net profit or loss for the year after prior period adjustments attributable to equity shareholders (after deducting preference shares dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

### Other Notes

Sl No	Particulars	2006-07 (Rs.)	2005-06 (Rs.)
2	Estimated amount of contracts remaining to be executed on capital account and not provided for	132,754,973	181,052,568
3	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	12,837,298	26,801,328
	b) Sales Tax (under Appeal)	1,627,153	Nil
	c) Labour Matters (Matter Subjudice) , to the extent quantifiable.	4,487,682	1,098,665
4	i) Aggregate value of the Letters of Credit outstanding	783,647,183	538,103,779
	ii) Aggregate Value of Guarantees outstanding (Refer Note No. 8 B below)	11,375,028	Nil
5	Amount of borrowing costs capitalized	Nil	Nil

6 The Preference shares were redeemed pursuant to the approval of preference share holders. The preference shares were redeemed on 3rd March, 2007 out of the proceeds of the Rights Issue of Equity Shares.

7 Consequent to the purchase of lease assets of one Mini Blast Furnace & Two Turbo Generators, the prepaid lease rental of Rs. 179,020,836/- has been adjusted to the cost of Asset capitalized.

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8 Security:

A) Term Loans:

i) From Banks:

- a) Secured by Hypothecation (First charge) on Movable Fixed Assets (except charge on Core Shop Machinery, Mini Blast Furnace and two Turbo Generators) and further secured by Immovable Properties (except the land admeasuring 12.45 acres at Bevinahalli Village, Koppal, Karnataka) in favour of IDBI Trusteeship Services Limited, Security Trustees for the term loan of Rs.50,000,000 availed from UTI Bank Limited.
- b) Secured by exclusive Mortgage and charge on the immovable properties of the Company over land admeasuring 12.45 acres on which the water tank is constructed and a first exclusive charge by way of Hypothecation on Mini Blast Furnace and two Turbo Generators at Bevinahalli Village, Koppal, Karnataka in favour of IDBI Trusteeship Services Limited., Security Trustees for the term loan of Rs.135,000,000 availed from State Bank of India.

ii) From Others:

Secured by exclusive charge by way of hypothecation on Core Shop Machinery at Bevinahalli Village, Koppal, Karnataka, in favour of GE Capital Services India to secure the Term Loan of Rs.200,000,000.

B) Working Capital facilities:

The working capital facilities with Consortium Banks (Fund based and Non-fund based) of Rs.2,150,000,000 (previous year Rs.1,723,000,000) are secured by first charge on the current assets in favour of IDBI Trusteeship Services Ltd., Security Trustees. Further, the said facilities have also been secured by way of second charge on immovable and movable properties (excluding core shop machineries, Mini Blast Furnace and two Turbo Generators and land admeasuring 12.45 acres, at Bevinahalli Village, Koppal, Karnataka) in favour of IDBI Trusteeship Services Ltd., Security Trustees.

9 Rights Issue:

Pursuant to the Rights Issue, the Company made the allotment of 64,782,765 equity shares of Rs.5/- each (amounting to Rs.323,913,825/-) at premium of Rs. 30/- (amounting to Rs.1,943,482,950/-) aggregating to Rs. 2,267,396,775/- along with 64,782,765 Detachable Warrants on 13th March 2007 as per the basis approved by the Bombay Stock Exchange Limited.

Warrants:

The holders of 64,782,765 warrants are entitled to apply for one equity share of Rs.5/- each per warrant at a premium of Rs.30/- at any time within the warrant exercise period i.e., between March 13, 2008 to March 12, 2010. The Company will also have one time call option of compulsory conversion of warrants at any time within the warrant exercise period.

10 Acquisition of an undertaking:

The Company entered into a Slump Sale Agreement on December 22, 2006 with Kirloskar Oil Engines Limited, for the acquisition of its Castings division at Solapur, as a going concern for a lump sum consideration of Rs.210,000,000/-. As per the terms of the Slump Sale Agreement, Fixed Assets, Capital work-in-progress including Capital Advances and Net Current Assets were acquired by the Company on going concern basis with effect from January 1, 2007.

The employees of the Casting Division were transferred to the Company with full benefit of the continuity of their previous employment.

11 Interest paid on others Rs.48,242,478/- (Previous year Rs. 43,633,117/-) is net of Rs. 2,487,608/- (Previous Year Rs.3,042,489/-) being interest received from customers/suppliers/contractors. [Tax deducted at source Rs. Nil (Previous Year Rs. Nil)].

12 "The Micro, Small and Medium Enterprises Development Act, 2006" has come into force from October 2, 2006 which has repealed the provisions of Interest on delayed payment to small scale and ancillary industrial undertakings Act, 1993.



The Company is in communication with its suppliers to ascertain the applicability of this Act. As on the date of this Balance Sheet, the Company has not received any communications from any of its suppliers regarding the applicability of this Act to them. This has been relied upon by the Auditors.

13 The Net Gain / (Loss) on account of exchange difference arising on foreign currency transaction is Rs. 27,507,289 (previous year Rs. (5,691,226))

14 Segment Information : The Company operates in one segment namely Iron castings.

15 Remuneration to Auditors (\*)

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
<u>Statutory Auditors :</u>		
(a) Audit Fees	590,000	525,000
(b) Tax Audit Fees	85,000	50,000
(c) Certification & Other Services	339,805	129,500
(d) Expenses reimbursed	45,307	38,884
Total	1,060,112	743,384

(\*) includes remuneration for Solapur unit for three months from January 01, 2007

16 C.I.F. Value of Import and Expenditure in Foreign currencies:

Particulars	2006-07 Rs.	2005-06 Rs.
(a) C.I.F. value of imports		
Capital Goods	Nil	Nil
Raw Materials	1,707,393,086	1,577,374,996
Stores & Spares	15,131,350	4,137,078
(b) Expenditure in foreign currencies		
Interest	40,995,851	33,299,603
Others	1,106,090	701,047

17 Earnings in Foreign Exchange

FOB Value of Exports 107,357,938 148,893,972

18 Details of raw material consumption:

(i) Raw Material Consumed:

Particulars	Unit	2006-07		2005-06	
		Quantity	Rs.	Quantity	Rs.
(a) Iron Ore Lumps	MT	462,553	795,175,027	475,500	779,256,357
(b) Coke	MT	209,237	2,038,398,448	214,014	2,054,462,432
(c) M.S/C.I. Scrap	MT	15,886	272,563,104	12,746	211,965,825
(d) Others		-	187,346,186	-	344,587,915
Total			3,293,482,765		3,390,272,529

Imported and Indigenous Raw Material Consumption:

Particulars	2006-07		2005-06	
	Rs.	Percent	Rs.	Percent
(a) Imported	1,949,371,408	59.19	1,913,760,732	56.45
(b) Indigenous	1,344,111,357	40.81	1,476,511,797	43.55
Total	3,293,482,765	100.00	3,390,272,529	100.00

(ii) Imported and Indigenous Stores & Spares Consumption:

Particulars	2006-07		2005-06	
	Rs.	Percent	Rs.	Percent
(a) Imported	12,061,948	3.26	3,796,910	1.31
(b) Indigenous	357,772,001	96.74	285,210,505	98.69
Total	369,833,949	100.00	289,007,415	100.00

19 Details of licensed and installed capacity, Production:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2006-07	2005-06	2006-07	2005-06
Liquid Metal for Pig Iron	MT	Not Applicable		240,000	240,000
Investment/ Steel Castings *	MT	100	N.A	200	N.A
Aluminum Castings *	MT	Not Applicable		300	N.A
Agriculture Implements *	MT	200	N.A	200	N.A
Self Priming Pumps *	Nos.	3500	N.A.	3500	N.A
Castings # *	MT	26,200**	N.A	84,000	60,000

\* Capacity got included consequent to acquisition of Solapur unit (see note 10)

\*\* The licensed capacity is the license issued for the Solapur plant only.

# Unit of Measurement has been changed from no. of moulds to metric tonnes.



## B. Production:

Class of Goods	Unit	2006-07	2005-06
Liquid Metal			
- Consumed in Foundry	MT	35,429	27,746
- Consumed for Manufacture of Pig Iron *	MT	219,281	232,521
Castings #	MT	37,347	28,234
Investment Castings	MT	15	Nil

\* Includes 1697 MT for internal consumption (previous year Nil).

# Unit of Measurement has been changed from no. of moulds to metric tonnes.

## C. Stock and Turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
(a) Pig Iron							
Quantity	MT	852	694	2080	852	206,365	221,218
Value (Rs.)		12,490,064	12,749,568	30,983,339	12,490,064	3,017,605,628	3,067,441,588
(b) Castings							
Quantity	MT	*59		44	-	35,599	27,002
Value (Rs)		*3,777,697	-	2,854,009		1,657,492,530	1,185,380,564
(c) Investment castings							
Quantity	MT	*2.23		2.48		14.34	
Value (Rs)		*654,313		861,075		9,454,220	
(d )Others							
Value (Rs.)		3,156,682	7,486,467	12,275,096	3,156,682	566,762,996	574,639,504
Total Turnover (Value Rs.)						5,251,315,374	4,827,461,656

\* Represents stock as on 1st January,2007 arising on account of takeover of Solapur Unit ( Refer Note No. 10 of the notes forming part of the accounts)

**Notes:**

(i) Castings turnover is net of rejections 1763 MTs amounting to Rs.79,799,660 /- (Previous Year 1232 MTs amounting to Rs. 52,605,768/-)

20. Following Investments are purchased and sold during the period :

Particulars	No.of Units	Face Value (Rs.)	Cost Price (Rs.)
DSP Merrill Lynch Liquidity Fund Daily - Regular Dividend'	85,513,339	10	855,988,519
DSP Merrill Lynch - Liquidity Fund Institutional-Daily Dividend	115,292	1000	115,315,378
Prudential ICICI Institutional Liquid Plan Super Institutional Daily Dividend	16,678,642	10	166,786,422
BIRLA Cash Plus Institutional-Daily Dividend Reinvestment	1,856,662	10	20,056,215
BIRLA Sun Life cash Manager I P Daily Dividend- Reinvestment	15,989,288	10	159,924,862
ING Vysya Liquid Fund - Institutional - Daily Dividend Option	36,221,425	10	362,626,348
ING Vysya Liquid Fund - Daily Dividend Option	1,201,095	10	12,953,689
TOTAL			1,693,651,433

21. a) Details of foreign currency exposures that are hedged by derivative instruments or otherwise:

Particulars	Amount in foreign currency	Currency	Equivalent Indian currency	Purpose
Liabilities Payables				
2006-07	10,900,209	USD	484,556,528	Hedging the Risk
	133,895	EURO	7,905,161	
2005-06	8,020,350	USD	358,687,088	Hedging the Risk

b) Details of foreign currency exposures that are not hedged by derivative instruments or otherwise:

Particulars	Amount in foreign currency	Currency	Equivalent Indian currency
2006-07			
Assets Receivables	341	USD	14,643
Liabilities Payables	7,185,631	USD	313,580,922
2005-06			
Assets Receivables	722,491	USD	32,244,773
Liabilities Payables	4,092,219	USD	186,012,900





## 22. Earnings per Equity Share

		2006-07 (Rs.)	2005-06 (Rs.)
a)	Basic Earnings Per Share	5.24	2.88
b)	The amount of profit/(loss) considered for Calculation of EPS is as follows: Net Profit/(Loss) after tax Dividend on Cumulative Redeemable Preference Shares and tax thereon. Adjusted Profit/(Loss) after tax	444,627,454 48,474,636 396,152,818	260,816,208 52,658,460 208,157,748
c)	Basic Earnings for equity share has been computed by dividing net profit/(loss) after tax by the weighted average number of equity shares outstanding for the period Weighted average number of equity shares used in computing Basic earnings per equity share	75,594,654	72,222,400
d)	Face value of each equity share- Rs. 5/-		

## 23. Related Party Disclosures :

- Kirloskar Oil Engines Limited: controlling Company till 31-07-2006.
- Key Management Personnel : Mr. R.V.Gumaste Managing Director
- Relatives of Key Management Personnel :  
Mrs. Kamala R. Gumaste, Ms Pooja R. Gumaste, Ms Kavya R. Gumaste and Mrs. Vimala V. Gumaste
- Transactions with related parties :

Particulars	Controlling Company 2006-07 (till 31.07.2006) (Rs)	Controlling Company 2005-06 (Rs)	Key Management Personnel 2006-07 (Rs)	Key Management Personnel 2005-06 (Rs)
(a) Sale of Finished Goods	91,049,650	296,852,987	—	—
(b) Purchase of Material & Components	24,324,614	51,236,571	—	—
(c) Dividend on Preference Shares	227,790,180	113,379,134	—	—
(d) Lease Rentals	8,716,035	35,044,140	—	—
(e) Other Services	—	124,702	—	—
(f) Remuneration	—	—	8,210,653	2,886,195
(g) Electricity Charges	7,114,909	25,184,827	—	—
(h) Building Rent Received	2,000,000	6,000,000	—	—
(i) Other Expenses	460,354	6,728,323	—	—
Outstanding as on 31st March				
(a) Outstanding Receivables	*—	40,281,349	—	—
(b) Outstanding Payables	*—	70,891,040	—	—
(c) Unsecured Loan	—	100,000,000	—	—

\* There were no outstanding amount receivables or payables as on 31st March, 2007 in respect of the transactions entered into with related parties (Controlling Company) upto 31st July, 2006.

## 24. Managerial Remuneration:

- (a) Details of payment and provisions on account of remuneration to Managing Director included in the Profit and Loss Account are as under

Particulars	2006-07 (Rs.)	2005-06 * (Rs.)
Salary	4,080,000	2,070,000
Contribution to Provident Fund	424,800	205,200
Contribution to Superannuation Fund	531,000	256,500
Perquisites	28,164	27,852
Leave Travel Assistance	180,000	135,000
Commission	2,385,000	--
Gratuity	57,692	23,075
Leave Encashment	523,997	168,568
Total	8,210,653	2,886,195

\* Minimum remuneration as per Schedule XIII to the Companies Act, 1956.

- b) (i) Computation of Net Profit in accordance with section 349 read with section 198 of the Companies Act, 1956:

Particulars	(Rs.)	2006-07 (Rs.)
Profit for the year		444,627,454
Add: Provision for taxation	220,967,959	
Managing Director's remuneration	8,210,653	
		<u>229,178,612</u>
		673,806,066
Less: Excess of expenditure over income of the previous years		<u>509,583,564</u>
Net Profit as per Section 309(5) of the Companies Act, 1956		164,222,502

(ii) Remuneration payable to Managing Director @ 5% on above profits	8,211,125
Restricted to	8,210,653

## 25. Details of provisions & movements in respect of Leave encashment provision :

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
Carrying amount at the beginning of the year	*9,861,171	5,555,839
Additional provision made during the year	2,947,504	2,133,204
Amount used during the year	1,392,778	1,196,902
Unused amounts reversed during the year	-	-
Carrying amount at the end of the year.	11,415,897	6,492,141

\* Includes Rs. 3,369,030 of Solapur plant as on January 01, 2007 ( Refer Note No. 10)

Leave encashment is a benefit to an employee in respect of encashment of accumulated leave to the credit of the employees during the tenure of service and/or on separation as per the rule of the Company.

26. Previous years figures have been regrouped wherever considered necessary to make them comparable with those of the current year.

During the year, the Company has acquired the Castings Division of Kirloskar Oil Engines Limited, at Solapur, as detailed in Note no. 10 above, and therefore, current year's figures are not comparable with those of the previous year.



**27. Information as per Part IV of Schedule VI of the Companies Act, 1956.  
Balance Sheet Abstract and Company's General Business Profile.**

**I. Registration Details:**

Registration No. 

1	1	-	6	3	2	2	3
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 State Code 

1	1
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Balance Sheet Date 

3	1	0	3	2	0	0	7
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**II Capital Raised during the period : (Amount in Rs. Thousands)**

Public Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L			Rights Issue <table border="1" style="display: inline-table;"><tr><td></td><td>3</td><td>2</td><td>3</td><td>9</td><td>1</td><td>3</td></tr></table>		3	2	3	9	1	3
		N	I	L											
	3	2	3	9	1	3									
Bonus Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L			Private Placement <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											

**III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)**

Total Liabilities <table border="1" style="display: inline-table;"><tr><td>2</td><td>9</td><td>3</td><td>3</td><td>3</td><td>4</td><td>7</td></tr></table>	2	9	3	3	3	4	7	Total Assets <table border="1" style="display: inline-table;"><tr><td>2</td><td>9</td><td>3</td><td>3</td><td>3</td><td>4</td><td>7</td></tr></table>	2	9	3	3	3	4	7
2	9	3	3	3	4	7									
2	9	3	3	3	4	7									

**Sources of Funds**

Paid up Capital <table border="1" style="display: inline-table;"><tr><td></td><td>6</td><td>8</td><td>5</td><td>0</td><td>2</td><td>6</td></tr></table>		6	8	5	0	2	6	Reserves and Surplus <table border="1" style="display: inline-table;"><tr><td>1</td><td>9</td><td>4</td><td>6</td><td>3</td><td>2</td><td>8</td></tr></table>	1	9	4	6	3	2	8
	6	8	5	0	2	6									
1	9	4	6	3	2	8									
Secured Loans <table border="1" style="display: inline-table;"><tr><td></td><td>2</td><td>0</td><td>1</td><td>0</td><td>8</td><td>3</td></tr></table>		2	0	1	0	8	3	Unsecured Loans <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L		
	2	0	1	0	8	3									
		N	I	L											
Deferred Tax Liability (Net) <table border="1" style="display: inline-table;"><tr><td></td><td>1</td><td>0</td><td>0</td><td>9</td><td>1</td><td>0</td></tr></table>		1	0	0	9	1	0								
	1	0	0	9	1	0									

**Application of Funds**

Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td>1</td><td>5</td><td>2</td><td>6</td><td>8</td><td>7</td><td>0</td></tr></table>	1	5	2	6	8	7	0	Capital Work in Progress <table border="1" style="display: inline-table;"><tr><td></td><td>1</td><td>9</td><td>8</td><td>5</td><td>5</td><td>9</td></tr></table>		1	9	8	5	5	9
1	5	2	6	8	7	0									
	1	9	8	5	5	9									
Investments <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td>-</td><td></td><td></td><td></td></tr></table>				-				Net Current Assets <table border="1" style="display: inline-table;"><tr><td>1</td><td>2</td><td>0</td><td>7</td><td>9</td><td>1</td><td>8</td></tr></table>	1	2	0	7	9	1	8
			-												
1	2	0	7	9	1	8									
Misc. Expenses <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L			Accumulated Losses <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L		
		N	I	L											
		N	I	L											

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

Turnover <table border="1" style="display: inline-table;"><tr><td>5</td><td>2</td><td>8</td><td>7</td><td>5</td><td>7</td><td>1</td></tr></table>	5	2	8	7	5	7	1	Total Expenditure <table border="1" style="display: inline-table;"><tr><td>4</td><td>6</td><td>2</td><td>1</td><td>9</td><td>7</td><td>6</td></tr></table>	4	6	2	1	9	7	6
5	2	8	7	5	7	1									
4	6	2	1	9	7	6									
Profit/(Loss) before tax <table border="1" style="display: inline-table;"><tr><td>+</td><td>6</td><td>6</td><td>5</td><td>5</td><td>9</td><td>5</td></tr></table>	+	6	6	5	5	9	5	Profit/(Loss) after tax <table border="1" style="display: inline-table;"><tr><td>+</td><td>4</td><td>4</td><td>4</td><td>6</td><td>2</td><td>7</td></tr></table>	+	4	4	4	6	2	7
+	6	6	5	5	9	5									
+	4	4	4	6	2	7									
Earnings per share (Basic) (Rs.) ✓ <table border="1" style="display: inline-table;"><tr><td>+</td><td>-</td><td>5</td><td>.</td><td>2</td><td>4</td></tr></table>	+	-	5	.	2	4	Dividend Rate (%) <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td></tr></table>			N	I	L			
+	-	5	.	2	4										
		N	I	L											

**V Generic Name of Three Principal Products/Services of Company (as per monetary terms)**

Item Code No.	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>7</td><td>2</td><td>0</td><td>1</td><td>1</td><td>0</td></tr></table>			7	2	0	1	1	0
		7	2	0	1	1	0		
Product Description	Non Alloy Pig Iron containing by weight 0.5% or less of Phosphorous.								
Item Code No.	<table border="1" style="display: inline-table;"><tr><td></td><td></td><td>7</td><td>3</td><td>2</td><td>5</td><td>1</td><td>0</td></tr></table>			7	3	2	5	1	0
		7	3	2	5	1	0		
Product Description	Industrial Castings of non-malleable cast iron								
Item Code No.	<table border="1" style="display: inline-table;"><tr><td>7</td><td>3</td><td>2</td><td>5</td><td>9</td><td>9</td><td>0</td><td>9</td></tr></table>	7	3	2	5	9	9	0	9
7	3	2	5	9	9	0	9		
Product Description	Industrial Castings of other cast articles of Iron or steel.								
Item Code No.	<table border="1" style="display: inline-table;"><tr><td>7</td><td>6</td><td>1</td><td>6</td><td>9</td><td>9</td><td>9</td><td>0</td></tr></table>	7	6	1	6	9	9	9	0
7	6	1	6	9	9	9	0		
Product Description	Aluminum Castings								
Item Code No.	<table border="1" style="display: inline-table;"><tr><td>8</td><td>4</td><td>3</td><td>2</td><td>8</td><td>0</td><td>9</td><td>0</td></tr></table>	8	4	3	2	8	0	9	0
8	4	3	2	8	0	9	0		
Product Description	Agricultural Implements								
Item Code No.	<table border="1" style="display: inline-table;"><tr><td>8</td><td>4</td><td>1</td><td>3</td><td>3</td><td>0</td><td>3</td><td>0</td></tr></table>	8	4	1	3	3	0	3	0
8	4	1	3	3	0	3	0		
Product Description	Self Priming Pumps.								

**Signatures to Schedules 1 to 20**

As per our report of Even date attached

For M/s P.G.BHAGWAT  
Chartered Accountants

S.B.PAGAD  
Partner  
Membership no: 206124

Pune : 28th April 2007

For and on behalf of the Board of Directors

ATUL C.KIRLOSKAR  
Chairman

C.S.PANICKER  
Company Secretary

R.V.GUMASTE  
Managing Director

R.S.SRIVATSAN  
Sr.General Manager Finance





# KIRLOSKAR FERROUS INDUSTRIES LIMITED A DECADE AT A GLANCE

Particulars	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Net Sales	2,142.24	2,222.61	1,941.38	2,219.29	2,345.79	2,267.12	2,511.37	3,759.54	4,970.11	4,827.46	5,251.32
Other Income	5.60	8.31	7.89	8.89	11.96	7.36	8.32	94.36	34.68	44.52	36.25
<b>Total Income</b>	<b>2,147.84</b>	<b>2,230.92</b>	<b>1,949.27</b>	<b>2,228.18</b>	<b>2,357.75</b>	<b>2,274.48</b>	<b>2,519.69</b>	<b>3,853.90</b>	<b>5,004.79</b>	<b>4,871.98</b>	<b>5,287.57</b>
Raw Material & Stores consumed	1,343.45	1,477.36	1,459.49	1,502.63	1,758.97	1,632.42	1,738.62	2,656.25	4,076.12	3,690.58	3,590.34
Employees remuneration & benefits	59.62	69.82	74.52	82.71	88.42	96.05	108.85	107.25	119.75	134.46	184.83
Other Expenses	477.86	446.63	373.31	379.11	340.57	302.95	342.79	456.43	384.93	459.60	637.59
<b>Total Expenses</b>	<b>1,880.93</b>	<b>1,993.81</b>	<b>1,906.32</b>	<b>1,964.45</b>	<b>2,187.96</b>	<b>2,031.42</b>	<b>2,190.26</b>	<b>3,219.93</b>	<b>4,580.80</b>	<b>4,284.64</b>	<b>4,412.76</b>
<b>Profit Before Interest, Depreciation &amp; Amortisation</b>	<b>266.91</b>	<b>237.11</b>	<b>42.95</b>	<b>263.73</b>	<b>169.79</b>	<b>243.06</b>	<b>329.43</b>	<b>633.97</b>	<b>423.99</b>	<b>587.34</b>	<b>874.81</b>
Amortisation (% to Total Income)	12.43	10.63	2.20	11.84	7.20	10.69	13.07	16.45	8.47	12.06	16.54
Interest	341.15	341.57	303.69	324.57	371.11	244.51	161.14	231.46	89.90	69.94	69.32
Depreciation and Amortisation	99.59	119.24	135.11	139.23	137.92	133.62	134.00	130.07	126.46	119.81	139.89
<b>Profit/(Loss) before Tax</b>	<b>(173.83)</b>	<b>(196.70)</b>	<b>(395.85)</b>	<b>(200.07)</b>	<b>(339.24)</b>	<b>(135.07)</b>	<b>34.29</b>	<b>272.44</b>	<b>207.63</b>	<b>397.59</b>	<b>665.60</b>
(% to Total Income)	(8.09)	(8.82)	(20.31)	(8.98)	(14.39)	(5.94)	1.36	7.07	4.15	8.16	12.59
Tax Provisions	0.31	0.27	0.43	0.23	0.08	40.85	4.59	(44.72)	(10.68)	136.78	220.97
<b>Net Profit/(Loss) after Tax</b>	<b>(174.14)</b>	<b>(196.97)</b>	<b>(396.28)</b>	<b>(200.30)</b>	<b>(339.32)</b>	<b>(175.92)</b>	<b>29.70</b>	<b>317.16</b>	<b>218.31</b>	<b>260.81</b>	<b>444.63</b>
(% to Total Income)	(8.11)	(8.83)	(20.33)	(8.99)	(14.39)	(7.73)	1.18	8.23	4.36	5.35	8.41
<b>Share Capital</b>											
Equity share capital	585.00	585.00	585.00	585.00	625.00	722.22	722.22	722.22	722.22	361.11	685.02
Preference share capital	-	450.00	450.00	450.00	684.20	986.26	1,046.86	1,046.86	1,046.86	1,046.86	-
<b>Total</b>	<b>585.00</b>	<b>1,035.00</b>	<b>1,035.00</b>	<b>1,035.00</b>	<b>1,309.20</b>	<b>1,708.48</b>	<b>1,769.08</b>	<b>1,769.08</b>	<b>1,769.08</b>	<b>1,407.97</b>	<b>685.02</b>
<b>Reserves</b>											
Share Premium	-	-	-	-	-	-	-	-	-	-	1,929.29
Profit & Loss Account	(72.22)	(269.20)	(665.48)	(865.78)	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	17.04
<b>Total</b>	<b>(72.22)</b>	<b>(269.20)</b>	<b>(665.48)</b>	<b>(865.78)</b>	<b>(1,205.10)</b>	<b>(1,381.02)</b>	<b>(1,147.50)</b>	<b>(830.35)</b>	<b>(741.31)</b>	<b>(379.11)</b>	<b>1,946.33</b>
Loans	1,891.29	1,671.98	1,752.98	1,734.34	1,882.05	1,622.29	1,262.27	622.99	534.28	323.57	201.08
Net Fixed Assets	2,022.26	1,971.54	1,918.97	1,819.67	1,706.08	1,600.87	1,492.22	1,337.57	1,284.90	1,247.06	1,725.42
Net Current Assets other than Cash & Bank	313.72	377.32	111.19	12.68	192.46	269.68	71.21	(102.36)	(329.53)	(60.42)	102.47
Cash & Bank Balance	31.27	39.04	35.44	34.11	60.74	75.77	125.81	107.02	386.61	83.43	1,105.45
<b>Capital employed</b>	<b>2,367.25</b>	<b>2,387.90</b>	<b>2,065.60</b>	<b>1,866.46</b>	<b>1,959.28</b>	<b>1,946.32</b>	<b>1,689.24</b>	<b>1,342.23</b>	<b>1,341.98</b>	<b>1,270.07</b>	<b>***2,056.81</b>
Misc. Expenditure	36.31	49.38	56.39	36.59	26.37	43.71	36.07	16.17	5.96	-	-
Net Worth *	476.47	716.42	313.13	132.63	77.73	283.75	585.51	922.56	1,021.81	1,028.86	***1,459.16
Return on Capital employed %	7.07	4.94	(4.46)	6.67	1.63	5.62	11.57	37.54	22.17	36.81	35.73
Return on Networth %	-	-	-	-	-	-	5.07	34.38	21.37	25.35	30.47
No. of Equity shares	58,500,000	58,500,000	58,500,000	58,500,000	62,500,000	72,222,400	72,222,400	72,222,400	72,222,400	72,222,400	137,005,165
Earnings per share (Rs.)					(6.71)	(2.63)	(0.18)	3.75	2.38	2.88	5.24
Book Value per share (Rs.)	8.14	4.55	(2.34)	(5.43)	(9.70)	(9.73)	(6.39)	(1.72)	(0.35)	(0.25)	19.21

Notes :

\* Net worth = (Share capital + share premium + Profit &amp; Loss (Balance)) - (Miscellaneous Expenditure)

\*\* Net worth of 2006-07 has been arrived by taking both new equity shares issued on rights basis as well as preference shares redeemed during the year on pro-rata basis.

\*\*\* Capital employed for 2006-07 has been arrived by taking pro-rata basis in respect of additions on account of Rights issue funds received.

Figures have been regrouped wherever necessary

Figures are as per latest annual report





**ATTENDANCE SLIP**

**KIRLOSKAR FERROUS INDUSTRIES LIMITED**

Regd. Office : Laxmanrao Kirloskar Road,  
Khadki, Pune 411 003 (Maharashtra State)

**16th Annual General Meeting on  
26th July, 2007 at 11.30 A.M.**

Ledger Folio No. / DP Id and Client Id. ....  
Full name of the shareholder .....  
(in capitals) .....

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the 16th Annual General Meeting of the Company at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 on Thursday, the 26th July, 2007 at 11.30 A.M.

Shareholder's / Proxy's Signature .....  
Proxy's full name .....  
(in block capitals) .....

**Note : Please fill in this Attendance Slip and hand it over at the entrance of the Hall.**

TEAR HERE

-----TEAR HERE-----

**PROXY**

**KIRLOSKAR FERROUS INDUSTRIES LIMITED**

Regd. Office : Laxmanrao Kirloskar Road,  
Khadki, Pune 411 003 (Maharashtra State)

I/We .....  
L.F. No / DP Id and Client Id ..... of .....  
being member/members of Kirloskar Ferrous Industries Limited, Pune 411 003 do hereby appoint .....  
..... of ..... or failing  
him/her ..... of ..... as my/our proxy in  
my/our absence to attend and vote for me/us and on my/our behalf at the 16th Annual General Meeting of the  
Company, to be held at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru  
Stadium, Swargate Corner, Pune 411002 on Thursday, the 26th July, 2007 at 11.30 A.M. and at any  
adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this ..... day of ..... 2007.

(Signature of the member across the stamp) .....

Please  
affix  
15 paise  
Revenue  
Stamp

**Note : The Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting.**





▲ View of works at Bevinahalli



▲ Pig Iron Plant at Bevinahalli



▲ Foundry at Bevinahalli



Enriching Lives

**KIRLOSKAR FERROUS INDUSTRIES LIMITED**

Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA. Tel.: +91 (20) 2581 0341, 2581 5341.

Fax: +91 (20) 2581 3208, 2581 0209. E-mail: [enrichinglives@kirloskar.com](mailto:enrichinglives@kirloskar.com)

Website: [www.kirloskar.com](http://www.kirloskar.com)