Kirloskar

Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED | Annual Report 2004-05

True progress is nothing but a result of true understanding, true effort and true commitment in every endeavour, small or big. It is the seamless integration of these attributes that enables us overcome challenges and consistently achieve milestones. Today, we are not just growing, but progressing from strength to strength. Something which is reflected in our comprehensive financial performance.

- Steady growth in sales turnover of the Company. Achieved Rs.497 crores in 2004~05.
- Achieved profit for the 3rd consecutive year.
- Achieved debt reduction.
- Achieved reduction in term loan interest.
- Received "Honest Tax Payer" award from Commissioner of Commercial Taxes, Govt. of Karnataka.

14th ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH, 2005

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	(w. e. f. 27th January 2005)
Mr. S. K. Singhai	(upto 5th August 2004)

COMPANY SECRETARY
Mr. C. S. Panicker

AUDITORS
M/s. P. G. Bhagwat
Chartered Accountants

BANKERS
State Bank of India
Bank of Baroda
Bank of Maharashtra
Andhra Bank
Development Credit Bank Ltd.
UTI Bank Ltd.
ICICI Bank Ltd.

REGISTRAR & TRANSFER AGENT
Intime Spectrum Registry Limited
102, Shree Vidyanand, Dr. Ketkar Path, Erandwane,
Near Old Karnataka High School, Pune - 411 004.

REGISTERED OFFICE
Laxmanrao Kirloskar Road, Khadki, Pune - 411 003.

FACTORY
Bevinhalli Village, Hitnal, Koppal
Karnataka - 583 234

Information for Shareholders

14th Annual General Meeting

Date	:	Friday, 5th August, 2005
Time	:	11.00 A.M.
Venue	:	Registered Office of the Company
Date of Book Closure	:	28th July 2005 to 5th August 2005 (both days inclusive)

Contents — **Page No.**

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held at the Registered Office of the Company at Laxmanrao Kirloskar Road, Khadki, Pune 411 003 on Friday the 5th day of August 2005 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

Item No. 1:

To receive, consider and adopt the audited Profit and Loss Account for the year ended on 31st March, 2005 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 declare dividend including arrears on 324,66,253 - 12% Cumulative Redeemable Preference Shares.

Item No. 3:

To appoint a Director in place of Mr.S. N. Inamdar who retires by rotation and being eligible, offers himself for re-appointment.

Item No. 4:

To appoint a Director in place of Mr. R. V. Gumaste 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 authorise the Board of Directors to fix their remuneration for the said period.

M/s. P.G. Bhagwat, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

Item No. 6:

To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. S.G. Chitnis who was appointed as an Additional Director at the meeting of the Board of Directors held on 27th January, 2005 pursuant to Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company and who holds office of Director upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Item No. 7:

To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT consent of the members be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of existing charge holders who are holding charge on the immovable properties of the Company, for mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable properties of the Company, both present and future, situated in Karnataka State, or any other place belonging to the Company and the whole of the undertaking of the Company, to or in favour of Banks /Institutions/Public Financial Institution(s)/Bodies Corporate, as may be decided by the Board of Directors, to secure the working capital facilities and term loans granted / to be granted to the Company upto an amount of Rs.350 Crores and Rs.150 Crores respectively by the Bank(s)/Institutions/ Public Financial Institution(s)/Bodies Corporate, by mortgage aggregating to Rs. 500 Crores.

RESOLVED FURTHER THAT Board of Directors of the Company (including any Committee thereof), be and is hereby authorised to finalise with the existing charge holders and new Bank(s) /Institution(s) / Public Financial Institution(s)/Bodies Corporate the terms & conditions of all agreements and documents necessary for creating aforesaid mortgage by way of First Charge/ Second charge and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to solve any question or doubt relating thereto, or then considered by the Board of Directors to be in the interests of the Company."

Item No. 8:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT in accordance with the provisions of Sections 100 to 104 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the provisions of the Listing Agreement with the The Stock Exchange, Mumbai where the Securities of the Company are listed and the enabling provisions in the Memorandum and Articles of Association of the Company and subject to confirmation of the High Court / National Company Law Tribunal, as the case may be, and other appropriate authorities, departments or bodies if any, and such other approvals, consents, permissions and sanctions, as may be necessary and subject to such terms, conditions and modifications, as may be stipulated, prescribed or imposed by any of them while granting such approvals, consents, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall include any duly constituted Committee of Directors for the time being, exercising the powers conferred on such Committee by the Board) in its absolute discretion, consent of the Company be and is hereby accorded to the Board for cancellation of 50% of the existing paid up value of the Equity Shares of the Company aggregating to Rs. 36,11,12,000/- (Rupees thirty six crores eleven lac twelve thousand only) comprising 72,222,400 (Seven crores twenty two lacs twenty two thousand four hundred only) Equity Shares of the paid up value of Rs.5/- each (Rupees Five only);

RESOLVED FURTHER THAT on the confirmation of the reduction of equity share capital, by Honourable High Court Judicature at Bombay, if the equity shares are held in physical form, the existing equity share certificates will remain valid except that the face value and the paid up value of Rs.10/- each mentioned on the equity share certificate will stand altered by the pasting of the sticker to be provided by the Company for the new face value and paid up value of Rs.5/- each.

RESOLVED FURTHER THAT on the confirmation of the reduction of equity share capital, by Honourable High Court Judicature at Bombay, if the shares are held in Dematerialised form (D-mat), necessary instructions be conveyed to NSDL & CDSL, being the Depositories holding D-Mat shares, for making necessary changes effecting the reduction of face value and the paid up value of the equity share from Rs.10/- each to Rs.5/- each.

RESOLVED FURTHER THAT in the event there are any pending share transfers, whether lodged or outstanding of any shareholder of the Company, the Board be and is hereby empowered in appropriate cases, even subsequent to the Record date (as may be fixed by the Board) at its sole discretion, to effectuate such a transfer in the Register of Members of the Company, as if such changes were operative as on the Record Date.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, matters, deeds and things, including follow up with the The Stock Exchange, Mumbai, as may be necessary or desirable including any directions for settling any question or doubt or difficulty whatsoever that may arise, for the purpose of giving effect to the reduction of the share capital of the Company as placed before the meeting or to any modification thereof and in particular :

i) To verify, sign, deal, swear, affirm, declare, deliver, execute, make, enter into, acknowledge, record and perfect all deeds, declarations, instruments, affidavits, applications, petitions, objections, notices and writings whatsoever as may be usual, necessary, proper or expedient;

ii) To accept services of notices or other processes which may from time to time be issued in connection with the matter aforesaid;

iii) To produce all documents, matters or other evidence in connection with the matters aforesaid and all and any of other proceedings incidental thereto or arising thereat;

iv) To make or prepare any applications, petitions, appeals and judges summons before any court, tribunal, or all relevant authorities and respond to the appropriate authorities;

v) To file petitions, affidavits and / or other legal documents as may be required for confirmation of the reduction of the share capital of the Company by the Hon'ble High Court of Judicature at Bombay ;

vii) To do and perform all such other acts, matters, deeds and things and sign all documents as may be considered necessary or desirable to give effect to this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised, in their absolute discretion, to make the reduction and cancellation of the share capital on such other terms and conditions as they may consider appropriate and to accept such other conditions and modifications as may be prescribed by the Honourable High Court and other appropriate bodies/authorities while according their sanction or consent to the proposed reduction and cancellation of share capital.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised on behalf of the Company inter alia to evolve, decide upon and bring into effect the capital reduction and make and give effect to any modifications, changes, variations, alterations or revision in the proposal for capital reduction from time to time or to suspend ,withdraw or review the proposal for capital reduction from time to time as may be specified by any statutory authority or as the Board may suo moto decide in its absolute discretion and to do all such acts, deeds, matters and things whatsoever, including settling any question, doubt or difficulty that may arise, as it may in its absolute discretion consider necessary, expedient, fit and proper.

RESOLVED FURTHER THAT Subject to the confirmation of the reduction of equity share capital, by Honourable High Court Judicature at Bombay, The Clause V of the Memorandum of Association of the Company shall be substituted by the following :

" V. The Authorised Capital of the Company is Rs. 222,00,00,000/- (Rupees Two Hundred and Twenty Two Crores) divided into 21,00,00,000 (Twenty One Crores) equity shares of Rs. 5/- each (Rupees Five each) and 11,70,00,000 (Eleven Crore Seventy Lacs) Preference Shares of Rs.10/- (Rupees Ten each), with power to increase and reduce the capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

Item No. 9:

To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Section 310 of the Companies Act, 1956 read with the Articles of Association of the Company, the remuneration of a Director for his services in attending the meeting of Board of Directors or Committee thereof, be and is hereby increased from Rs. 1,000/- to Rs. 5,000/- with immediate effect".

NOTES :

i) Pursuant to Section 173 (2) of the Companies Act, 1956 explanatory statement in respect of the item Nos. 6 to 9 above is annexed.

ii) The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 9 days from 28th July, 2005 to 5th August 2005 (both days inclusive) in connection with the 14th Annual General Meeting.

iii) 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.

iv) The documents relating to the items of Special Business are available for inspection at the Registered Office of the Company on any working day, during the business hours of the Company.

v) Members who hold shares in physical form are requested to advise the Company or Intime Spectrum Registry Ltd. (Registrar & Transfer Agents of the Company) immediately of any change in their address.

vi) 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 depository accounts.

vii) Members may avail of the facility of dematerialisation by opening Depository 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.

viii) 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.

ix) Members who hold shares in dematerialised form are requested to bring their Client Id and DP Id for easy identification.

x) 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.

xi) Members / Proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.

xii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.

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

By order of the Board of Directors

C.S.Panicker
Company Secretary

Pune: 10th June, 2005

ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT

As required by Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the Special Business in respect of Item Nos. 6 to 9 in the accompanying notice of Annual General Meeting of the Company to be held on Friday, the 5th day of August, 2005 at 11.00 A.M.

ITEM NO. 6 OF THE NOTICE

This information is also given pursuant to clause 49 of the Listing Agreement.

Mr. Sudhakar Ganesh Chitnis was appointed as an Additional Director at the meeting of the Board of Directors held on 27th January, 2005 pursuant to Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company. He holds office of Director upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. Sudhakar Ganesh Chitnis is a Bachelor in Mechanical Engineering and has wide experience of over 38 years in manufacturing, Research & Development, Marketing etc. He has recently retired at age of 63 years from the post of Vice Chairman of Kirloskar Pneumatic Company Limited after successfully turning it around in 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.

Presently he is Director of Kirloskar Macuay Private Limited and also an Alternate Director on the Board of SPP Pumps Ltd. U.K.

None of the Directors of the Company except Mr. S. G. Chitnis is in any way concerned or interested in the resolution.

ITEM NO. 7 OF THE NOTICE

1) The Company has availed a Term Loan from a Bank secured through first charge by way of mortgage to the extent of Rs.5 Crores.

   There has been a high increase in the price of Iron ore. To insulate itself against such abnormal increase, the Company needs to acquire Iron Ore Mines for sourcing of Iron ore. The acquisition of mines as well as for other related capital expenditures will required to be financed through long term loans.

   Depending upon future development, the Company may raise additional term loans for other projects.

   The long-term loans whenever raised will have to be secured inter alia by mortgage of fixed assets ranking pari passu with the charge in favour of the existing charge holders.

2) The Company has also created second charge by way of mortgage for securing working capital facilities from Consortium Banks to the extent of Rs.172.30 Crore.

   In view of the increased requirements of raw material, as a result of increased turnover, the present working capital limits would be inadequate and therefore the Company may require additional working capital limits. Depending upon future market development the Company may raise additional working capital.

   The additional limits whenever availed in future to be granted by the Bank(s) will inter alia have to be secured by second charge on fixed assets.

   Consent of the members is now sought pursuant to Section 293 (1)(a) of the Companies Act, 1956 to enable the Company to mortgage the immovable property of the Company in favour of Public Financial institution(s), other Financial Institution(s), Bank(s), Bodies Corporate to secure the term loans by way of first charge for Rs.150 Crore and the working capital facility by way of second charge for Rs.350 Crore.

Thus the aggregate amount to be secured by mortgage for working capital and term loans will be Rs. 500 Crores.

None of the Directors of the Company is concerned or interested in the resolution.

ITEM NO. 8 OF THE NOTICE

The Company made profits in the initial years upto 31st March, 1996 and thereafter started incurring losses. These losses were on account of recession which led to under utilisation of foundry capacity and reduced the sales. Further, the imposition of anti-dumping duty on coke, and adverse rupee-dollar exchange rate resulted in increase in the raw material cost. All the above factors together with high interest burden on the loans contributed to the losses.

It may be recalled that in year 2001 the share holders had passed resolution for the reduction of capital which was a precondition for the debt restructuring proposal given to the financial institutions. However, in the final restructuring proposal the financial institutions did not ask for the capital reduction.

The Board of Directors at their Meeting held on 10th June, 2005 felt it appropriate to consider the reduction issue afresh and therefore passed a resolution recommending for the reduction of issued and paid-up capital for writing off the debit balance in Profit & Loss Account to the extent of Rs 361,112,000 out of the aggregate amount of Rs. 74,13,07,910/- as on 31st March, 2005 in the following manner:

Accumulated Losses to be written off	361,112,000
Against Equity Share Capital	361,112,000

The issued and paid up equity share capital of the Company before and after the reduction shall be as under:

Share Capital	Pre Reduction (Amount in Rs.)	Post Reduction (Amount in Rs.)
72,222,400 Equity shares of Rs. 10/- each	722,224,000	—
72,222,400 Equity shares of Rs. 5/- each	—	361,112,000

The shareholding pattern of the Equity share capital of the Company before and after the implementation of the proposed reduction will be as follows:-

	Prior to Reduction (as on 31st March, 2005)		Post Reduction	
Category	No. of Shares	% to Total	No. of Shares	% to Total
Promoter Company	31,300,535	43.34	31,300,535	43.34
Persons Acting In Concert	4,557,542	6.31	4,557,542	6.31
Financial Institutions	4,100,000	5.68	4,100,000	5.68
Nationalised Banks	600	-	600	-
Non Nationalised Banks	900	-	900	-
Non Resident Indians	1,668,453	2.31	1,668,453	2.31
Mutual Funds	763,100	1.06	763,100	1.06
FII	56,100	0.08	56,100	0.08
Domestic Companies	4,487,945	6.21	4,487,945	6.21
General Public	25,237,026	34.94	25,237,026	34.94
In Transit	50,199	0.07	50,199	0.07
Total	72,222,400	100.00	72,222,400	100.00

Therefore, there will not be any change in the shareholding pattern post reduction of Equity Share Capital.

The proposed reduction will not adversely affect the business operations of the Company or the ability of the Company to honour its commitments or pay its debts in the ordinary course of its business. The aforesaid reduction does not involve either diminution of liability in respect of unpaid capital nor payment to any shareholder of any paid up capital.

The need to reduce capital is justified on the following grounds:

i. In spite of making profit in recent years, the Company is not in a position to service the equity share capital due to the accumulated losses and arrears of cumulative preference dividend. The Board of Directors have therefore proposed, subject to the resolution being approved by the members in the general meeting and confirmation by the High Court and/or any other regulatory authority to cancel 50% of its existing issued, subscribed and paid up Equity Share Capital which is already lost on account of accumulated losses.

ii. The revised capital will thereafter more reasonably represent the value of currently available productive and realizable assets in Balance Sheet.

iii. Reduction of capital will facilitate the Company to service its equity shareholders and it will be in their long-term interest. Pre and post capital reduction figures are given below: (Based on the audited figures as on 31st March, 2005):

Particulars	Pre Reduction (Amount - Rs. in Million)	Post Reduction (Amount - Rs. in Million)
1. Sources of Funds		
Share Capital :		
Equity	722.22	361.11
Preference	1,046.87	1,046.87
Loans	534.28	534.28
Total	2,303.37	1,942.26
2. Application of Funds		
Fixed Assets (Net of Depreciation)	1,284.90	1,284.90
Deferred Tax (Net)	214.11	214.11
Net Current Assets	57.09	57.09
Miscellaneous Expenditure	5.96	5.96
Profit & Loss	741.31	380.20
Total	2,303.37	1,942.26

iv. Writing-off of the losses, being in the nature of book entry, does not effect the value of the business in any way; The Balance Sheet can then be leveraged for future capital expenditure.

v. The creditors of the Company are in no way affected by the proposed reduction of share capital as there is no reduction in the amount payable to any of the creditors. Also it does not involve reduction in the security, if any, which has been created on the assets of the Company. Further no compromise or arrangement is contemplated with the creditors. The proposed reduction also does not involve any financial outlay on the part of the Company and is merely in the nature of book entry.

Section 100 of the Companies Act,1956 provide that, subject to the confirmation by the High Court, a company limited by shares may if so authorised by its articles, by special resolution, reduce its share capital. Clause 4(f) of the Articles of Association of the Company permits the reduction of share capital.

Consequent to the passing of the resolution for capital reduction, alteration to the clause V of the Memorandum of Association of the Company is necessary and hence proposed.

Approval of the members is therefore sought, pursuant to Sections 100 to 104 and other applicable provisions if any, for the reduction of the issued, subscribed and paid up share capital of the Company, by passing a Special Resolution, as set out in Item No. 8 of the accompanying notice.

Authority is also sought to be given to the Board for giving appropriate directions in case of any practical difficulties that may arise upon implementation.

The Board of Directors recommend the resolution at Item No. 8 for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution except to the extent of their respective shareholding.

ITEM NO. 9 OF THE NOTICE

Presently the Company is paying Rs. 1,000/- as sitting fees to Directors for attending each meeting of the Board or Committee, thereof. Considering the valuable time given by the Directors and timely guidance provided, it is proposed to increase the sitting fees payable from existing Rs. 1000/- to Rs. 5000/-.

All the Directors, except Mr. R.V.Gumaste, Managing Director, are concerned or interested in this resolution.

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

Pune: 10th June, 2005

By order of the Board of Directors

C.S.Panicker
Company Secretary

INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE IN RESPECT OF THE DIRECTORS WHO ARE RETIRING BY ROTATION, AND BEING ELIGIBLE, HAVE OFFERED THEMSELVES FOR RE-APPOINTMENT AT THE 14th ANNUAL GENERAL MEETING TO BE HELD ON 5TH AUGUST, 2005

1. **Mr. Srikrishna Narhar Inamdar** is an Advocate by profession and has been in practice for the past thirty three years. He has specialised in tax and allied laws. He has had a brilliant academic career having stood first in first class in Pune and Bombay University for B.Com and LL.B examinations respectively and is associated with several public charitable institutions. He has been associated with the Company since 19th March, 1993.

   Mr. S.N. Inamdar also holds directorship in the Kirloskar Brothers Limited, Brihan Maharashtra Sugar Syndicate Limited, Finolex Industries Limited, Sudarshan Chemical Industries Limited, Suvarna Sahakari Bank Limited, Kulkarni Power Tools Limited, Bajaj Tempo Limited, The Ugar Sugar Works Limited, Kirloskar Proprietary Limted, CMC Commutators Private Limited, Bharat Containers (Nagpur) Private Limited, PIH Finvest Private Limited.

   Mr. S.N. Inamdar has offered valuable guidance to the Company in taxation and legal matters.

2. **Mr. Ravindranath Venkatesh Gumaste** completed B. Tech in Metallurgical Engineering from Karnataka Regional Engg. College, Surathkal, in the year 1981, securing first class with distinction. He has been associated with the Kirloskar Group since July 1981 when he joined Kirloskar Oil Engines Limited (KOEL), as a Graduate Trainee Engineer. He worked in several departments such as Heat Treatment, Metallurgical Quality Control, etc. in various capacities for a period of twelve years till June 1993.

   As an active member of the Quality Circle, he brought about quality improvements and cost savings. He is also a Certified Engineer for Non destructive testing of various materials as well as a Certified Internal Auditor for ISO 9000 implementation. He has received several awards as Chairman of Quality Circle, indigenous development of Millipore testing equipment and extraordinary performance awards during development of WVDI and Pielstick engines.

   In 1993, he joined Kirloskar Ferrous Industries Limited and worked for development of the project concepts, layouts and implementation of both Pig iron and Foundry projects, after which, he took over as Chief of Pig Iron Production operations and subsequently took charge of materials and marketing.

   In the year 1998, he was promoted as SBU Chief for pig iron business. He has been instrumental in implementing the systems in materials and marketing functions to cut cost of procurement, increase the cash flows and improve profitability as well as in developing the pig iron dealership network and to get a commanding market position for pig iron business. The Pig Iron Plant was largely responsible for sustaining the business operations of the Company, when the Foundry business was affected by recession.

   He was with the Company for 8 years till February 2001. Thereafter, for a short span of eight months, he joined another organisation and in November 2001, he rejoined the Company.

   He was appointed as Executive Director w.e.f. 25th July, 2002 till 30th June, 2003 and from 1st July, 2003 he was appointed as a Managing Director of the Company.

   Mr. R.V. Gumaste does not hold directorships in any other Company.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting this 14th Annual Report together with Audited Accounts for the year ended 31st March, 2005.

1. FINANCIAL PERFORMANCE:

(Amount in Rupees)

	2004-2005	*2003-2004*
Income	5,004,791,286	*3,853,909,671*
Profit before tax	207,631,798	*272,440,520*
Provision for:		
Wealth tax	91,775	*86,543*
Deferred tax	(10,777,702)	*(44,801,589)*
Profit after tax	218,317,725	*317,155,566*
Appropriation:		
Your Directors propose to appropriate the available profit for the year 2004-05 as follows:		
Proposed dividend on 12% Cumulative redeemable Preference shares	Rs. 113,379,134	
Tax on proposed Dividend	Rs. 15,901,424	
Balance carried to Balance sheet	Rs. 89,037,167	

Dividend:

Your Company achieved profit for the third consecutive year and posted a profit of Rs. 218.31 Millions in 2004-05, and therefore the Directors have decided to recommend dividend (inclusive of arrear dividend) of Rs. 113.38 Millions on 32,466,253 —12% Cumulative Redeemable Preference Shares and propose to carry forward the balance available surplus to the Balance Sheet.

2. MANAGEMENT DISCUSSION AND ANALYSIS:

A. Industry Overview:

Pig Iron Scenario:

In the year under review, the Industry faced a lot of turmoil in the business conditions arising out of sharp fluctuations in raw material price and falling demands for the pig iron. In the first half of the year, the coke prices shot-up and came down only in the second half. Added to this, the prices of the iron ore also went up considerably. As a result, the price of pig iron had to be increased to compensate for steep increase in the input cost. However, this increased price could not be sustained. One of the reasons for such unexpected price hikes in the first half of the year, both for coke and iron ore was on account of excessive demand by China for these materials.

However, some relief was seen in the second half of the year when the coke prices came down to an extent and partly stabilised. During this period foundry operators once again switched back to pig iron from steel scrap. This change enabled restoration of demand for sale of pig iron to the foundries.

Also, due to the high demand for the steel both in the national and international markets, steel manufacturers continued their focus on the production of finished steel and not so much on pig iron. This sustained the demand for pig iron for the remaining period of the year.

Foundry Business scenario:

With the upswing in the automobile sector, the demand for castings increased, resulting in better capacity utilisation of the foundries in the country. The good monsoon, which prevailed in the year 2004-05 led to an increased agricultural production resulting in relatively good demand for the tractors. All these factors helped to increase production of castings and improve the capacity utilisation. Increased export demand for Indian tractors, reduction in excise duty and low interest cost helped in increased sale of tractors. To summarise the foundry scenario, the casting business of your Company showed a good growth for the year, like the other foundries.

B. Company Performance:

During the year under review your Company achieved sales of Rs. 4970 Million (previous year Rs. 3760 million) resulting in increase in sales by 32% over the previous year. Increase in the sales turnover of the Company was due to the price increase for Pig Iron and both volume as well as price increase for the sale of castings.

In the beginning of the year coke prices had peaked which increased the input cost of raw materials for pig iron business. The profit before tax for the year stood at Rs.208 Million as against the previous year profit of Rs.272 Million, after providing for depreciation and amortisation. The drop in profitability during the year under review with respect to previous year is mainly on account of extremely favourable pig iron price and stable raw material prices in the fourth quarter of the previous year.

Your Company received “Honest Tax payer” award from the “Department of Commercial Taxes, Government of Karnataka”.

Your Company also received “TS 16949” certificate through “Indian Registrar, Quality systems in January 2005 enhancing the company’s potential for export.

C. Operational Performance

Pig Iron

During the first half of the year under review, the increased prices of pig iron for compensating high input cost did not sustain. This happened due to drop in consumption of pig iron by foundries, who opted for better-priced steel scrap, which was then available in plenty. However, the prices of imported coke still remained at a high level. This adverse situation created severe pressure on the margins. To control the erosion in profitability, your Company promptly decided to shut down one of the furnaces for three months from the last week of April 2004 to July 2004 when the coke price had peaked. This furnace was made operational once the pig iron prices improved and the coke prices came down.

The second half of the year under review was a period of revival and the operating margins improved on account of stability in the market conditions. However, the increased price of iron ore continues to be a matter of concern in the present scenario.

In spite of the above conditions, your Company could sell 203,091 Metric Tons of Pig Iron of value Rs.3,253 Million as compared to 212,002 Metric Tons of value Rs. 2,428 million in the previous year due to the well managed marketing network. Your Company was also able to improve the price realisation substantially though it could not fully close the gap arising out of the input cost increases.

Castings

There was a sustained demand for Castings both from tractor and Auto Industry. This coupled with price increase led to the increase in sales, from Rs. 936 Million in the previous year to Rs. 1,217 Million in the year under review. Development of new castings, additions of new Customers, and shift in product mix for better margins all helped in achieving higher sales. The increases in input cost particularly chemicals and steel scrap put pressure on the margins. Your Company could manage to recover part of the increased input costs from the customer through price increase.

D. Cost Control:

Your Company believes that costs have to be continuously brought down. Towards this objective, several new initiatives were taken in the year under review. Noteworthy initiatives are – Installation of ladle pre-heating system in one of the mini blast furnace using MBF Gas and mechanised skull breaking activity resulting in reduction of labour cost, reduction in rejections in the foundry, reduction in material cost through value engineering process, and through logistics.

Improved Foundry maintenance resulted in improved plant availability leading to increased production.

Company made prepayment of high cost long term debts amounting to Rs.163 Million. This was financed partly from internal accruals and partly from new low cost borrowings.

The interest cost in the year under review was lower as compared to the previous year due to the prepayment of high cost loan as well as repayment of part of other low cost loan.

E. Concerns and Threats:

The expansion of the production capacities by the existing pig iron manufacturers and the capacities of the new entrants may put more pressure on the pig iron prices further affecting the contribution level.

Continuous increase in the iron ore prices will result in increased input cost. The availability of quality iron ore may also remain as an area of concern. To offset this risk the sanction of iron ore mines on lease by Government of Karnataka, which has already been applied for, will play a crucial role.

Coke is mostly imported by the Company. In the year under review, the Company benefited due to strengthening of the rupee against US dollar. Any adverse trend in exchange rates will have an adverse impact on the material cost. The Company minimizes the exchange fluctuation risk by taking appropriate forward cover contracts.

Reduction in the steel demand may lead to steel manufacturers diverting their capacities towards Pig Iron leading to reduction of pig iron prices and subsequent reduction in realizations.

India is seen as a good cost effective location to manufacture castings. To cater for export market, new foundries are likely to be set up in the country by domestic and international players. If large capacities get installed, prices may come under pressure.

F. Prospects for the Current Year:

Developed countries are exploring sourcing of auto components and castings from Asia Pacific region. India happens to be one of the preferred countries for sourcing due to its cost effectiveness. This can result into India emerging as a global sourcing potential for these developed countries. The auto industry is planning for introduction of new models which in turn open new opportunities for the foundries, especially for those producing thin walled castings. Your Company is one of the few foundries in India equipped to manufacture these thin walled castings.

Growth in the sectors like Passenger car, Multi Utility Vehicles, Commercial Vehicles and the Tractor segments will result in increase of demand for castings.

The work under-taken in process control, to lower internal rejection of castings will improve the margins.

Your Company will focus on domestic market by broad basing its products and continue to explore export market for castings. Further, the Company is planning to set up machining facilities to deliver machined castings to customers.

Efforts continue to reduce the developmental time for castings, which will help in converting new opportunities into business.

In order to protect the Company from the fluctuations in prices of imported coke the following actions have been taken:

1. Procurement of coke through conversion route from domestic manufacturers of coke:

   An agreement has already been finalized with a coke manufacturer for supply of 5000 tones per month for eleven years. The coking coal for converting the same into coke will be arranged by your Company.

2. Joint venture company.

   A joint venture agreement has been entered into with another coke manufacturer for the supply of additional 5000 tones of coke per month by this joint venture company.

   With the above two arrangements, Company's requirement of imported coke will reduce by 10000 MT per month.

   Your Company is planning to take up the following capital investments to become cost competitive:

   - Railway siding – to have logistic advantage and cost benefits on material transportation.

   - MBF Stoves – to reduce the coke consumption.

   Steps have been initiated to acquire Iron Ore mines. This will reduce the Company's dependency on procurement of iron ore from local sources where prices have peaked to unreasonable levels in the recent past.

   With the above investments, your Company will become cost competitive and geared to face new challenges.

   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 and that all transactions are 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.

The 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.

H. Safety, Health and Environment:

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

Your Company has been supporting and providing assistance to the nearby villages by supply of good quality drinking water, educational assistance, and medical assistance for the people.

Besides effluent treatment of waste products and suppression of fugitive emissions through sprinklers, lot of attention has been given to improve greenery all around the plant, through massive tree plantation programs.

I. Human Resources:

Your Company considers human resource to be an important valuable asset for the organisation and therefore constantly strives to attract and recruit the best talent for the current and future needs. Necessary steps have been taken to upgrade the standard 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 31st March, 2005 the total number of salaried employees stood at 790. The Employer – Employee Relations have been generally cordial throughout the year. Last Wage agreement with the company's workman union completed its term as on January 31, 2005. Workman Union has submitted its Charter of Demand and the negotiations are in progress.

3. REDUCTION IN EQUITY SHARE CAPITAL:

Members are aware that after making some profits in the initial years the Company has incurred heavy losses thereafter and has accumulated losses of Rs 741.31 million at the end of 31st March, 2005.

Your Company took several proactive measures to improve profitability and there by reduce accumulated losses as given below :

1. Entered into restructuring / settlements of long-term loans bearing high rate of interest with the Financial Institutions. In the process, the Company paid off substantial amount of loans and replaced the balance loan amounts with new loans having lower rate of interest.

2. Cost reduction exercises undertaken by the Company yielded sizable reduction in the area of operations and overheads offsetting to a large extent the impact of high prices of iron ore and coke.

3. Expanding the customer base also led to increase the turnover of the Company.

All the above steps resulted in Company generating profits in the recent years. However the accumulated losses have restricted the Company from paying the arrears of preference dividend and consequently the dividend towards the equity share capital.

Hence, your Directors now propose to write off the accumulated losses by Rs.361.11 million by reducing 50% of the paid-up equity share capital of the Company from the existing paid up value of Rs. 10/- per equity share to Rs. 5/- per equity share subject to the approval of the members and confirmation by the Honorable High Court.

On the confirmation of the reduction, the revised share capital of the Company will conform to the realistic assets available with the Company.

The Board is considering various options for redeeming the Preference Shares so that liability on preference shares is eliminated and thereafter equity shares can be serviced.

The Board will take the final decision once the reduction in capital as stated above is confirmed by the High Court.

4. JOINT VENTURE AGREEMENT:

Your Company has signed a Joint Venture Agreement with OSD Coke Private Limited (OSDPL), a company engaged in the business of manufacturing of coke from coking coal by using Coke Oven Batteries. A new Limited company will be floated on joint venture basis by OSDPL and your Company, for setting up of coke manufacturing plant near to the existing plant facilities. The proposed company will have an installed capacity of 120,000 tons per annum coke manufacturing at an estimated capital cost of Rs.15 crores. Two-third of project cost will be financed through equity participation by OSDPL and your Company, in the ratio 60% and 40% respectively. Balance one-third of the project cost will be financed through debt to be raised by the proposed company. The responsibility of raising this loan shall be with "OSDPL". The directors for the proposed company shall be nominated by both the promoters as per the ratio of equity share holdings. The day-to-day administration shall be looked after by the professional people. Fifty percent of the production in the proposed company shall be sourced by your Company on conversion of coal to coke basis and balance fifty percent of the production shall be sold in the market. However, if your Company requires an additional quantity, preference shall be given to it by the proposed company.

The above arrangement will reduce the risk of the price fluctuation on account of coke to the tune of approximately 25% of the coke consumption.

5. DIRECTORS:

Mr. S. N. Inamdar and Mr. R. V. Gumaste retire by rotation and being eligible, offer themselves for re-appointment.

Mr. S. G. Chitnis was appointed as an additional Director on the Board under section 260 of the Companies, Act w.e.f. 27th January, 2005 till the forth coming Annual General Meeting and being eligible offers for appointment.

Mr. S. K. Singhai, Nominee Director appointed by IFCI Limited, ceased to be a Director of the Company with effect from 5th August, 2004 consequent to the withdrawal of his nomination from the Board by IFCI Limited pursuant to the repayment of their entire loan.

Directors have placed on record their sincere appreciation of the services rendered by Mr. S. K. Singhai.

6. 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 31st March, 2005, 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 at the end of the financial year and of the profit and loss of the Company for the year under review;

(iii) 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 31st March, 2005 on a “going concern” basis.

7. 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 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.

8. 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.

9. PARTICULARS OF EMPLOYEES:

None of employee is in receipt of remuneration in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

10. CORPORATE GOVERNANCE:

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

11. ACKNOWLEDGEMENT:

The Directors would like to place on record their gratitude to the Shareholders, Bankers, Financial Institutions, Customers, Suppliers, Business Associates and Employees for their assistance and support provided to the Company during the year.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

(ATUL C. KIRLOSKAR)
Chairman

Pune: 10th June, 2005

ANNEXURE – A
TO THE
DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31ST MARCH, 2005 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 2004-2005 are as follows:

i. The MBF1 venturies were upgraded in line with what was done at MBF2. This led to increase in efficiency of Metallic blast preheaters and minimised TG power plant shutdowns.

ii. Extending the PLC system to all compressors, for automatic loading and unloading.

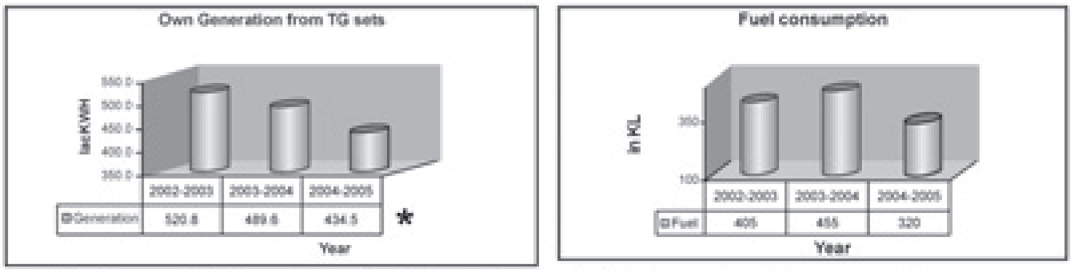
iii. Measures taken to reduce power consumption:

a. Replacement of Water spray pumps at PCM, to reduce electrical energy consumption.

b. Optimisation of sand plant mixer operation, where idle running period was reduced and power saved.

c. Automatic switching off of mould line shake out blowers, to reduce power wastage under idle running conditions.

Figures of Power generation and Fuel consumption:



* MBF1 was shutdown from April-04 to June-04 due to slump in pig iron market

b) Additional Proposals for the year 2005-06:

i. Installation of stoves for one of the Mini Blast Furnace, with technology from Kalugin, Russia.

ii. Coating of pump's internal surfaces with a special material to improve surface finish. This will reduce friction loses.

iii. Establishing energy management system, by appointing a certified Energy manager.

c) Impact of the above measures:

i. Reduction in consumption of raw material (coke).

ii. Reduction in power consumption.

iii. Improvement in operational efficiency and widening the scope for energy conservation.

B. TECHNOLOGY ABSORPTION:

i. A digital pressure sensor was used in conjunction with a PLC system for enabling automatic loading and unloading of compressors.

ii. Mechanised handling of waste (Pig iron skull) was established in the waste yard. A crane was installed in the yard and all facilities like skull breaking, screening, segregating and loading was set up, for operational ease and cost reduction.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Earnings (Rs. Million)	Rs.	0.51
Outgo (Rs. Million)	Rs.	2082.93

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 31st March, 2005, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchange 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.

On the basis of representation received from Registrars and Share Transfer Agents and as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee, we state that during the year ended 31st March, 2005, no Investor Grievances were pending for a period exceeding one month.

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: 10th June, 2005

CORPORATE GOVERNANCE

1. 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.

2. Board of Directors

As on 31st March 2005, there were Seven Directors on the Board. Out of these, one is Executive Director, and Six are Non-Executive Directors. The Non-Executive Directors constituted more than half of the total number of Directors.

Six out of Seven 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 is as under:-

Name of Directors	Category	Financial Year 2004-05		Attendance at the Last AGM	No. of Directorships In other public limited companies incorporated in India	Committee positions held in other companies	
		Board Meetings held	Board Meetings attended			*C	#M
Mr. Atul C. Kirloskar	Chairman Independent Non Executive	5	4	Yes	4	3	1
Mr. Sanjay C. Kirloskar	Independent Non Executive	5	5	Yes	6	-	6
Mr. R. V. Gumaste	Executive	5	5	Yes	-	-	-
Mr. A.R. Jamenis	Independent Non Executive	5	4	Yes	-	-	-
Mr. S.N. Inamdar	Independent Non Executive	5	5	Yes	10	2	4
Mr. C.V. Tikekar	Independent Non Executive	5	4	Yes	-	-	-
Mr. S.G.Chitnis (appointed as additional director w.e.f. 27th January 2005)	Independent Non Executive	5	N.A.	N.A.	-	-	-

* C : Chairman   N.A. : Not Applicable

\# M : Member

Following Nominee Directors ceased to be Directors of the Company during financial year 2004-05 upon withdrawal of Nomination.

Name of Directors who ceased to hold office and date of withdrawal of Nomination	Category	No.of meetings attended by Nominee director during the year 2004-05	Attendance at the Last AGM
Mr. Mujib Mundewadi (ICICI Nominee) 9th April, 2004	Independent Non Executive	Nil	Not Applicable
Mr. G. A. Tadas (IDBI Nominee) 19th May, 2004	Independent Non Executive	Nil	Not Applicable
Mr. S. K. Singhai (IFCI Nominee) 5th August, 2004	Independent Non Executive	1	Not Applicable

During the year under review, five Board meetings were held on the following dates:

14th May, 2004, 28th June, 2004,30th July, 2004, 28th October, 2004, and 27th January, 2005.

3. Audit Committee

During the year under review, four meetings of the committee were held on 28th June, 2004, 30th July 2004, 28th October, 2004 and 27th January, 2005. The composition of the committee and attendance at its meetings is given below:

Name of the Directors	Category	No. of Meetings held	No. of Meetings attended
Mr. S.N. Inamdar (Chairman)	Independent Non Executive	4	4
Mr. C.V. Tikekar*	Independent Non Executive	4	3
Mr. Sanjay C. Kirloskar**	Independent Non Executive	4	4
Mr. A.R. Jamenis	Independent Non Executive	4	4
Mr.S.G.Chitnis***	Independent Non Executive	4	N.A.

* Mr. C.V.Tikekar was inducted on the audit committee w.e.f. 14th May, 2004

** Mr.Sanjay C. Kirloskar resigned from the Audit Committee w.e.f. 27th January, 2005

*** Mr.S.G. Chitnis was inducted on the Audit Committee w.e.f. 27th January, 2005

N.A. : Not Applicable

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

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 Directors' 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.
    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 Companies Act, 1956.

4. Remuneration to Directors

Remuneration Committee of the Board of Directors has been constituted on 24th June, 2002. Mr. Sanjay C. Kirloskar, Mr. A. R. Jamenis, Mr. S. N. Inamdar, Mr. G. A. Tadas (Nomination of Mr. G. A. Tadas was withdrawn by IDBI w.e.f. 19th May, 2004) are the members of this committee. The Board of Directors had 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, and the same was approved by the shareholders at the 12th Annual General Meeting held on 20th September, 2003.

The Non Executive Directors are not paid any remuneration.

A sitting fee of Rs. 1000/- is paid to non-executive Directors for each meeting of Board or any committee thereof attended by them.

The details of the sitting fees paid to the Non Executive Directors during the year 2004-05 are given below:

Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	12,000
Mr. Sanjay C. Kirloskar	16,000
Mr. A. R. Jamenis	16,000
Mr. S.N. Inamdar	9,000
Mr. C.V. Tikekar	14,000
Mr. G. A. Tadas	Nil
Mr. S. K. Singhai	*1,000
Mr. M. Mundewadi	Nil

* Paid to Industrial Finance Corporation of India Ltd., being its Nominee.

Details of remuneration by way of salary and perquisites paid to the Managing Director of the Company for the year 1st April, 2004 to 31st March, 2005 are as given below.

Particulars	Total Amount (Rs.)
Salary	13,95,000
Contribution to PF	1,24,200
Contribution to Superannuation	1,55,250
Perquisites	25,372
Total	16,99,822

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

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

The Managing Director is also entitled to the following:

i) Gratuity not exceeding one half month's salary for each completed year of service.

ii) Encashment of leave at his credit as per Company's Rules at the end of his tenure.

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

5. Investors' / Shareholders' Grievance Committee

The shareholders'/Investors' Grievance committee of the Board has been constituted to look into complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of dividend etc. The committee is headed by Mr. Atul Kirloskar as Chairman (Non-Executive Director) and other members are Mr. Sanjay Kirloskar and Mr. A.R. Jamenis. Mr. Sarang Deshpande, Sr. Officer, Secretarial & Legal who is also a member of the Institute of Company Secretaries of India is the Compliance Officer. The Compliance Officer can be contacted at:

Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003.
Tel: 25810341, 25815341, extn : 4845
Fax: 25813208, 25810209 E-mail: sarangd@koel.co.in

During the year, 208 complaints were received from the shareholders all of which have been resolved and there was no complaint pending as on 31st March, 2005.

6. General Body Meetings

Location and time of last three Annual General Meetings:

AGM for the Financial Year	Date	Time	Venue
2001-2002	13th September, 2002	11.00 a.m.	Registered Office of the Company 13, Laxmanrao Kirloskar Road, Khadki, Pune 411 003
2002-2003	20th September,2003*	11.00 a.m.	
2003-2004	27th August, 2004	11.00 a.m.	

* One Special Resolution passed for Delisting of the equity shares from Pune Stock Exchange Ltd. and Delhi Stock Exchange Association Ltd.

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

7. Disclosures

During the year under review, the Company, in its normal course of business, has had sale / purchase transactions with its promoter company viz. M/s. Kirloskar Oil Engines Limited. Transactions with the related parties are disclosed in Note No.17 of B Part of Schedule 19 to the Accounts in the Annual Report.

The Company has not had any transaction with the Directors and / or their relatives during the year under review that may have conflict with the interest of the Company at large.

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

8. Means of Communication

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

The Company's result and official news releases are displayed on the Company's website namely: www.kirloskars.com

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

The Management Discussion and Analysis Report forms part of the Annual Report.

9. General Shareholder Information

Annual General Meeting	
Date and Time	5th August, 2005 at 11.00. A.M
Venue	Registered office of the Company at: Laxmanrao Kirloskar Road, Khadki, Pune 411 003
Financial Calendar	1st April, 2004 to 31st March, 2005 During the year under review, the results were announced as under : First Quarter 30th July, 2004 Second Quarter 28th October, 2004 Third Quarter 27th January, 2005 Annual 10th June, 2005
Date of Book Closure	28th July, 2005 to 5th August, 2005 (both days inclusive)
Dividend payment date	No dividend is being recommended on Equity Shares*
Listing on stock exchange and Stock Code	The Stock Exchange, Mumbai 500245

* Dividend is proposed on Preference Shares which are not listed on any Stock Exchange.

The ISIN Number of Kirloskar Ferrous Industries Limited (or demat number) on both NSDL and CDSL is INE 884B01017

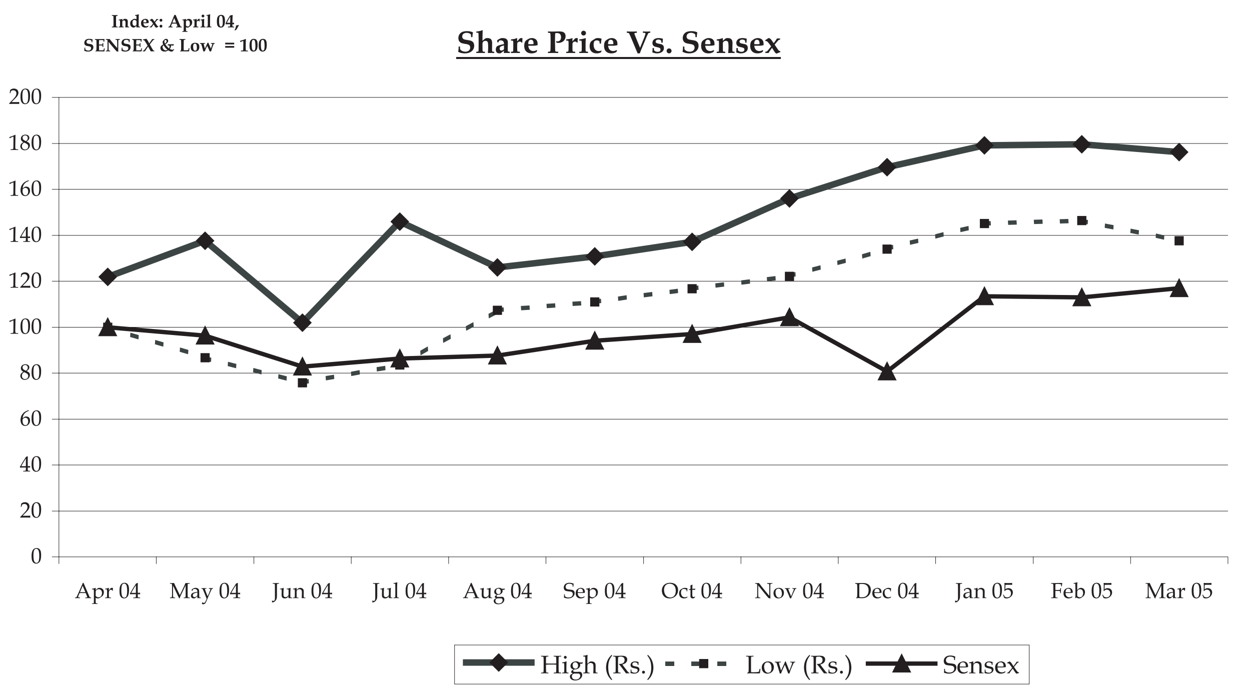
The Company has paid listing fees to the Stock Exchange, Mumbai for the year 2004–05.

Market Price Data

Monthly high/low during the year 2004-05 on the Stock Exchange, Mumbai

Year	Month	High (Rs.)	Low (Rs.)
2004	April	25.10	20.60
	May	28.35	17.85
	June	21.00	15.60
	July	30.05	17.20
	August	25.95	22.10
	September	26.95	22.85
	October	28.25	24.05
	November	32.15	25.15
	December	34.95	27.60
2005	January	36.90	29.90
	February	37.00	30.15
	March	36.30	28.35

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 & T Agent, whose address is given below :

Intime Spectrum Registry Limited
102, Shree Vidyanand, Dr. Ketkar Path, Erandawane,
Near Old Karnataka High School, Pune 411 004.
Telephone No. (020) 25458397/98,
E-mail ID : 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 31st March, 2005)

Range of Shares		Share Holders		Shares	
From	To	Number	% to Total	Number	% to Total
1	5,000	77,661	92.72	11,798,622	16.32
5,001	10,000	3,431	4.10	2,907,145	4.03
10,001	20,000	1,150	1.37	1,867,890	2.59
20,001	30,000	544	0.64	1,427,287	1.98
30,001	40,000	165	0.20	605,382	0.84
40,001	50,000	246	0.29	1,191,615	1.65
50,001	1,00,000	299	0.36	2,338,900	3.24
1,00,001 and above		264	0.32	50,035,360	69.28
In Transit				50,199	0.07
TOTAL		83,760	100.00	72,222,400	100.00

Shareholding Pattern as on 31st March, 2005

Category	No. of Shares	% of Share Holding
Promoter Company	31,300,535	43.34
Persons Acting In Concert	4,557,542	6.31
Financial Institutions	4,100,000	5.68
Nationalised Banks	600	–
Non Nationalised Banks	900	–
Non Resident Indians	1,668,453	2.31
Mutual Funds	763,100	1.06
FII	56,100	0.08
Domestic Companies	4,487,945	6.21
General Public	25,237,026	34.94
In Transit	50,199	0.07
Total	72,222,400	100.00

Dematerialisation of shares:

As on 31st March 2005, 79.84 % of the total equity capital of the Company was held in dematerialised form.

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

The Company has not issued any GDR / ADR/ Warrants.

Nominations in respect of shares held in Physical form :

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. However a large number of shareholders are yet to make nominations in respect of their holding in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/ her Nominee without having to go through the time consuming and cumbersome process of obtaining the Succession Certificate / Probate or Will. Therefore it would be in the best interest of the shareholders holding shares in Physical form as sole register holders to make Nomination without any delay. The Nominee shall be the person in whom all the rights of transfer and / or amount payable in respect of the shares shall vest in the event of death of shareholder(s). A minor can also be a Nominee provided the name of the Guardian is given in the Nomination form. The facility of Nomination is not available to Non- individual shareholders such as Bodies Corporate, Financial Institutions, Kartas of Hindu Undivided Family and Holders of Powers of Attorney. Nominations will have to be made in prescribed form, which could be obtained from the Registered office of the company or the Share Transfer Agent.

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 Harihareshwar Finance & Investments Private Limited, Cees Investments Private Limited, Kirloskar Kisan Equipments Limited, Kothrud Power Equipment Limited, Kirloskar Silk Industries Limited, Kirloskar Proprietary Limited, Kirloskar Copeland Limited, G G Dandekar Machine Works 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, Alpana Kirloskar, Alika Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Mansi Kirloskar and Roopa Gupta.

Plant Location:

Bevinahalli Village
P.O. Hitnal, Taluk Koppal,
Dist. Koppal, Karnataka.

Address for Correspondence:

Intime Spectrum Registry Ltd.
102, Shree Vidyanand,
Dr. Ketkar Path, Erandwane,
Near Old Karnataka High School,
Pune 411 004
Tel. No: (020) 25458397 / 98
E-mail ID : pune@intimespectrum.com

Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003
Tel: 25810341, 25815341, extn : 4845
Fax: 25813208, 25810209
E-mail: sarangd@koel.co.in

10. (i) As required by Clause 49 of the Listing Agreement, Certificate of the Auditors regarding Compliance with the provisions of Corporate Governance forms a part of the Directors' Report.

(ii) There are no qualifications in the Auditor's Report.

REPORT OF THE AUDITORS TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** as at 31st March, 2005, 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 31st March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 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;

   (vi) 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 31st March, 2005;

   (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
Membership No. 206124

Pune: 10th June, 2005

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. According to information and explanation given to us, no material discrepancies were noticed on such verification.

(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.

(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) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and

(b) according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(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.

(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,2005 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 which have not been deposited on account of dispute as listed below :

Name of the stature	Nature of the dues	Amount	Forum where dispute is pending
Central Excise Act	Interest on refund	Rs.3,41,496	Assistant Commissioner of Excise
	Cenvat on Jobwork	Rs.1,02,431	CESTAT-Bangalore
	Duty on pattern development charges	Rs.2,42,068	CESTAT-Bangalore

(x) In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth. 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 a financial institution or bank or debenture holders.

(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) In our opinion, 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 and other investments.

(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) According to information and explanation given to us, security or charge has been created in respect of debentures issued.

(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
Membership No. 206124

Pune: 10th June, 2005

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule	Rs.	As at 31st March, 2005 Rs.	*As at 31st March, 2004 Rs.*
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
(a) Capital	1	1,769,086,530		*1,769,086,530*
(b) Reserves and Surplus		-		*-*
			1,769,086,530	*1,769,086,530*
2 Loan Funds :				
(a) Secured Loans	2	220,950,229		*172,994,677*
(b) Unsecured Loans	3	313,333,337		*450,000,000*
			534,283,566	*622,994,677*
Total			2,303,370,096	*2,392,081,207*
II. APPLICATION OF FUNDS :				
1. Fixed Assets :	4			
(a) Gross Block		2,328,162,125		*2,306,769,315*
(b) Less: Depreciation		1,084,721,839		*972,143,164*
(c) Net Block		1,243,440,286		*1,334,626,151*
(d) Capital Work In Progress		41,462,191		*2,946,033*
			1,284,902,477	*1,337,572,184*
2 Deferred Tax Asset - Net	5		214,114,526	*203,336,824*
3 Current Assets, Loans And Advances:				
(a) Inventories	6	561,607,595		*379,582,227*
(b) Sundry Debtors	7	548,361,522		*297,412,250*
(c) Cash & Bank Balances	8	386,608,305		*107,020,881*
(d) Other Current Assets	9	11,098,977		*4,474,834*
(e) Loans & Advances	10	276,972,820		*273,697,677*
		1,784,649,219		*1,062,187,869*
Less : Current Liabilities and Provisions	11			
Current Liabilities		1,592,632,781		*1,052,655,400*
Provisions		134,928,172		*4,874,121*
		1,727,560,953		*1,057,529,521*
Net current assets			57,088,266	*4,658,348*
4 Miscellaneous Expenditure				
(to the extent not written off or adjusted)	12		5,956,917	*16,168,774*
Profit & Loss Account			741,307,910	*830,345,077*
Total			2,303,370,096	*2,392,081,207*
Notes forming part of the accounts	19			

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
General Manager (Finance)

Pune: 10th June, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule	Rs.	For the year ended 31st March, 2005 Rs.	*For the year ended 31st March, 2004 Rs.*
INCOME				
Sales			5,211,357,395	*4,079,577,242*
Sale of byproducts, waste and scrap			402,516,516	*270,699,220*
			5,613,873,911	*4,350,276,462*
Less : Excise Duty & Education Cess on Excise Duty			643,759,478	*590,731,650*
Net Sales			4,970,114,433	*3,759,544,812*
Other income	13		34,676,853	*94,364,859*
			5,004,791,286	*3,853,909,671*
EXPENDITURE				
Raw Materials & Stores Consumed	14		4,076,121,370	*2,656,249,551*
Employees Remuneration & Benefits	15		119,751,615	*107,253,373*
Operational and Establishment Expenses	16		392,729,600	*456,513,175*
Interest	17		89,898,555	*231,460,723*
Depreciation and Amortisation	18		126,462,174	*130,071,551*
			4,804,963,314	*3,581,548,373*
Profit for the year			199,827,972	*272,361,298*
Prior period Expenses / (Income) (Net)			(7,803,826)	*(79,222)*
Profit before tax			207,631,798	*272,440,520*
Provision for Taxation:				
Deferred Tax			(10,777,702)	*(44,801,589)*
Wealth Tax for the year			91,775	*86,543*
Profit after tax			218,317,725	*317,155,566*
Appropriation				
Proposed Dividend on Cumulative Redeemable Preference Shares		113,379,134		-
Tax on above proposed dividend		15,901,424	129,280,558	-
			89,037,167	*317,155,566*
Balance of Profit/(Loss) brought forward from previous year.			(830,345,077)	*(1,147,500,643)*
Balance of Profit/(Loss) carried to Balance Sheet.			(741,307,910)	*(830,345,077)*
Earnings Per Share:				
Basic & Diluted Earnings Per Share			2.38	*3.75*
Notes forming part of the accounts	19			

As per our report of even date attached

For M/s P.G. Bhagwat
Chartered Accountants

S.B. PAGAD
Partner

Pune: 10th June,2005

For and on behalf of the Board of Directors

ATUL C.KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

C.S.PANICKER
Company Secretary

R. S. SRIVATSAN
General Manager (Finance)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

		2004-2005	*2003-2004*
	Rs.	Rs.	*Rs.*
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/(Loss) before taxation and extraordinary items		199,827,972	*272,361,298*
Adjustments for			
Depreciation	116,250,317		*117,938,902*
Write offs	10,211,857		*12,132,649*
Profit on sale of assets	(8,401)		-
Loss on sale of assets	934,864		*55,034,730*
Interest paid	89,898,555		*231,460,723*
Interest income	(13,990,792)		*(16,206,376)*
Rent	(6,000,000)		*(6,000,000)*
Proposed Dividend & Dividend Tax	(129,280,558)		-
Deferred Revenue Expenses	-		*7,773,877*
		68,015,842	*402,134,505*
Operating profit before working capital changes		267,843,814	*674,495,803*
Decrease/(Increase) in Trade & Other Receivables	(256,051,107)		*(53,855,426)*
Decrease/(Increase) in Inventories	(182,025,368)		*(121,172,658)*
(Decrease)/Increase in Trade Payables	670,073,444		*379,540,787*
		231,996,969	*204,512,703*
Cash generated from operations		499,840,783	*879,008,506*
Tax Deducted at Source		83,503	*(2,575,042)*
Cash flow before extra ordinary items		499,924,286	*876,433,464*
Prior Period Adjustments		7,803,826	*79,222*
Net cash from operating activities		507,728,112	*876,512,686*
B. CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of assets	(72,484,502)		*(36,562,800)*
Proceeds from sale of assets / Adjustment to Gross Block	5,302,271		*17,602,213*
Interest received	11,784,996		*15,710,483*
Rent	6,000,000		*6,000,000*
Wealth Tax paid	(86,543)		*(75,554)*
Net cash used in investing activities		(49,483,778)	*2,674,342*
C. CASH FLOW FROM FINANCING ACTIVITIES :			
Interest paid	(98,241,904)		*(250,094,519)*
Proceeds/(Repayment) of Long Term Borrowings	166,541,334		*(940,514,154)*
Proceeds/(Repayment) from Short Term Borrowings	(236,666,663)		*344,000,000*
Increase/(Decrease) Cash Credit	(10,289,677)		*(51,363,503)*
Net cash used in financing activities		(178,656,910)	*(897,972,176)*
		279,587,424	*(18,785,148)*
Net increase/(decrease) in cash & cash equivalents			
Opening Cash and Cash Equivalents		107,020,881	*125,806,029*
Closing Cash and Cash Equivalents		386,608,305	*107,020,881*

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
General Manager (Finance)

Pune: 10th June,2005

Schedule Nos. 1 to 12 annexed to and forming part of the Balance Sheet as at 31st March, 2005

		As at 31st March, 2005	*As at 31st March, 2004*
	Rs.	Rs.	*Rs.*
SCHEDULE 1			
SHARE CAPITAL			
Authorised :			
105,000,000 (105,000,000) Equity Shares of Rs. 10 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*
		2,220,000,000	*2,220,000,000*
Issued, Subscribed and Paid up :			
72,222,400 (72,222,400)Equity Shares of Rs. 10 each		722,224,000	*722,224,000*
32,466,253 (32,466,253) 12% Cumulative Redeemable Preference Shares of Rs.10 each redeemable as follows:		324,662,530	*324,662,530*
a) 26,406,253 (26,406,253) Shares Redeemable at par commencing from 31-03-2008 and ending on 31-03-2011			
b) 6,060,000 (6,060,000) Shares Redeemable at par commencing from 15-09-2008 and ending on 15-09-2013			
72,220,000 (72,220,000) 1% Cumulative Redeemable Preference Shares of Rs.10 each Redeemable at par as under:		722,200,000	*722,200,000*
a) 45,000,000 (45,000,000) Shares Redeemable at par after a period of 3 years from allotment date (i.e. 10.03.1998) but not later than 10 years from the date of allotment			
b) 23,420,000 (23,420,000) Shares Redeemable at par on 30-03-2011			
c) 3,800,000 (3,800,000) Shares Redeemable at par on 24-09-2011			
		1,769,086,530	*1,769,086,530*
SCHEDULE 2			
SECURED LOANS			
Debentures			
900,000 (900,000)17.5% Privately placed Secured Redeemable Non Convertible Debentures of Rs.100/- each (Redeemable in six equal annual instalments of Rs.14.75 million each commencing from March 31, 2003 and ending on March 31, 2008) (Secured by hypothecation of movable Plant & Machinery including spares, tools and accessories and further secured by mortgage of immovable property (both present and future))	90,000,000		*90,000,000*
	90,000,000		*90,000,000*
Less: Redeemed	90,000,000		*31,000,000*
Carried Over Rs.		-	*59,000,000*

			As at 31st March, 2005	*As at 31st March, 2004*
		Rs.	Rs.	*Rs.*
	Brought Over Rs.		-	*59,000,000*
Term Loans:				
a)	from Financial Institutions	-		*95,092,000*
	Interest Accrued and due on above loans	-		*8,613,000*
	(Secured by hypothecation of movable Plant & Machinery including spares, tools and accessories and further secured by mortgage of immovable property (both present and future))			
b)	from Banks	45,833,334		-
	Interest Accrued and due on above loans	316,895		-
	(Secured by way of hypothecation (first charge) on movable fixed assets (except charge on Core Shop machinery gross block Rs.52.46 crores) and futher to be secured on the immovable property)			
c)	from Others	174,800,000		-
	(Secured by exclusive charge by way of hypothecation on movable Plant & Machinery (Core Shop machinery value Gross block Rs.52.46 crores))			
			220,950,229	*103,705,000*
	Cash Credit from Banks (See Note - B-6)		-	*10,289,677*
			220,950,229	*172,994,677*

SCHEDULE 3

UNSECURED LOANS

Term Loans :			
i)	from Banks	150,000,000	-
ii)	from Bodies Corporate	163,333,337	*450,000,000*
	(Short Term Loan Rs.150,000,000 (Previous year Rs.350,000,000)		
		313,333,337	*450,000,000*

SCHEDULE 4

FIXED ASSETS

	FREEHOLD LAND Rs.	BUILDINGS Rs.	PLANT & MACHINERY INCLUDING COMP.& ELEC. Rs.	FURNITURE & FIXTURES Rs.	VEHICLES Rs.	AS AT 31ST MARCH 2005 Rs.	*AS AT 31ST MARCH 2004 Rs.*
Gross Block :							
As at 1st April 2004	22,734,109	507,973,885	1,759,625,835	11,709,586	4,725,900	2,306,769,315	*2,378,546,356*
Additions during the year	-	1,145,166	27,725,570	1,083,828	1,338,622	31,293,186	*32,979,028*
Deductions and adjustments	-	-	9,726,661	173,715	-	9,900,376	*104,756,069*
As at 31st March 2005	22,734,109	509,119,051	1,777,624,744	12,619,699	6,064,522	2,328,162,125	*2,306,769,315*
Depreciation :							
Upto 31st March 2004	-	133,535,151	829,463,253	7,929,884	1,214,876	972,143,164	*886,323,387*
For the year 2004-05	-	15,562,093	99,408,438	727,041	552,745	116,250,317	*117,938,902*
Deductions and adjustments	-	-	3,547,395	124,247	-	3,671,642	*32,119,125*
Upto 31st March 2005	-	149,097,244	925,324,296	8,532,678	1,767,621	1,084,721,839	*972,143,164*
Net Block :							
As at 31st March 2005	22,734,109	360,021,807	852,300,448	4,087,021	4,296,901	1,243,440,286	*1,334,626,151*
As at 31st March 2004	22,734,109	374,438,734	930,162,582	3,779,702	3,511,024	1,334,626,151	

	Rs.	As at 31st March, 2005 Rs.	*As at 31st March, 2004 Rs.*
SCHEDULE 5			
DEFERRED TAX - Net			
Deferred Tax Assets:			
Unabsorbed Business Loss as per Income Tax Act		33,772,222	*-*
Unabsorbed Depreciation as per Income Tax Act		519,026,528	*581,006,539*
Disallowance under Section 43 B of Income Tax Act		1,908,810	*5,483,708*
Provision for doubtful debts		8,481,775	*9,136,302*
Total Assets		563,189,335	*595,626,549*
Deferred Tax Liabilities:			
Depreciation		296,273,848	*332,740,213*
Deferred Revenue expenses		2,005,098	*5,800,548*
Lease Adjustment account		50,795,863	*53,748,964*
Total Liabilities		349,074,809	*392,289,725*
Net Assets		214,114,526	*203,336,824*
SCHEDULE 6			
INVENTORIES			
(As certified by the Managing Director)			
(i) Stores, Spares & Consumables		79,715,283	*64,983,001*
(ii) Raw material including self generated scrap		424,845,939	*164,581,391*
(iii) Stock in trade			
Finished Goods		20,236,035	*113,057,282*
(iv) Work in Process		36,810,338	*36,960,553*
		561,607,595	*379,582,227*
SCHEDULE 7			
SUNDRY DEBTORS			
(Unsecured)			
(a) Debts outstanding for a period exceeding six months			
Considered Good	6,285,143		*617,877*
Considered Doubtful	20,698,379		*20,967,044*
	26,983,522		*21,584,921*
Less: Provision for doubtful debts	20,698,379		*20,967,044*
		6,285,143	*617,877*
(b) Others - Considered Good		542,076,379	*296,794,373*
		548,361,522	*297,412,250*
SCHEDULE 8			
CASH AND BANK BALANCES			
Cash and stamps on hand		130,936	*313,652*
Bank Balances with scheduled banks:			
In Current Account		118,038,043	*66,169,675*
In Margin Deposit		70,807,204	*40,340,100*
In Fixed Deposit		197,632,122	*197,454*
		386,608,305	*107,020,881*

	Rs.	As at 31st March, 2005 Rs.	*As at 31st March, 2004 Rs.*
SCHEDULE 9			
OTHER CURRENT ASSETS			
Interest accrued on investments and deposits		3,023,786	*817,990*
Claims Receivable	12,575,191		*8,156,844*
Less: Provision for doubtful advances / Deposits	4,500,000		*4,500,000*
		8,075,191	*3,656,844*
		11,098,977	*4,474,834*
SCHEDULE 10			
LOANS AND ADVANCES			
(Unsecured considered good)			
Advances recoverable in cash or in kind or for value to be received		65,479,493	*76,247,576*
Advance against capital expenditure		3,400,648	*725,490*
Prepaid Expenses		181,565,401	*179,547,308*
Sundry Deposits		7,488,619	*9,069,760*
Balance and deposit with Central Excise & Customs		15,414,868	*4,400,249*
Advance Income tax and Tax deducted at Source		3,623,791	*3,707,294*
		276,972,820	*273,697,677*
SCHEDULE 11			
CURRENT LIABILITIES			
Sundry Creditors:			
Amount due to Small Scale Industrial Undertakings	170,095		*6,392,562*
Other than Small Scale Industrial Undertakings	1,565,731,826		*953,226,745*
		1,565,901,921	*959,619,307*
Earnest Money Deposit Received		93,000	*43,000*
Interest Accrued but not due on loans (secured & unsecured)		-	*47,244*
Advance from customers		26,637,860	*92,945,849*
		1,592,632,781	*1,052,655,400*
PROVISION:			
For Wealth Tax		91,775	*86,543*
For Leave encashment		5,555,839	*4,787,578*
Provision for Proposed Dividend		113,379,134	*-*
Provision for Tax on Dividend		15,901,424	*-*
		134,928,172	*4,874,121*
Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.			
SCHEDULE 12			
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Deferred Revenue Expenses :			
Relining Expenses of Mini Blast Furnace		5,956,917	*16,168,774*
		5,956,917	*16,168,774*

Schedule Nos. 13 to 18 annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2005

	Rs.	For the year ended 31st March, 2005 Rs.	*For the year ended 31st March, 2004 Rs.*
SCHEDULE 13			
OTHER INCOME			
Interest on deposits ((T.D.S.Rs.3,219,767) (Rs.304,934))		13,990,792	*16,206,376*
Rent		6,000,000	*6,000,000*
Profit on sale of Assets		8,401	-
Miscellaneous Income		1,427,094	*107,980*
Provisions no longer required written back		13,250,566	*72,050,503*
		34,676,853	*94,364,859*
SCHEDULE 14			
RAW MATERIALS & STORES CONSUMED			
(a) Raw materials consumed :			
Stocks at commencement	164,581,391		*82,925,454*
Add: Purchases	4,021,937,988		*2,584,657,542*
	4,186,519,379		*2,667,582,996*
Less: Stocks at close	424,845,939		*164,581,391*
		3,761,673,440	*2,503,001,605*
(b) Stores and Spares consumed		228,847,568	*203,499,512*
(c) Decrease/(Increase)in stocks			
Stock at close			
Work in process	36,810,338		*36,960,553*
Finished Goods	20,236,035		*113,057,282*
	57,046,373		*150,017,835*
Less: Stocks at commencement			
Work in process	36,960,553		*77,119,486*
Finished Goods	113,057,282		*14,327,944*
	150,017,835		*91,447,430*
		92,971,462	*(58,570,405)*
Excise Duty on Increase/(Decrease) in Closing Stock		(7,371,100)	*8,318,839*
		4,076,121,370	*2,656,249,551*
SCHEDULE 15			
EMPLOYEES REMUNERATION AND BENEFITS			
Salaries, Wages & Other Benefits		103,107,371	*93,154,448*
Contribution to Provident & Superannuation Funds		7,162,171	*6,462,890*
Employees' Welfare Expenses		9,482,073	*7,636,035*
		119,751,615	*107,253,373*

	Rs.	For the year ended 31st March, 2005 Rs.	*For the year ended 31st March, 2004 Rs.*
SCHEDULE 16			
OPERATIONAL AND ESTABLISHMENT EXPENSES			
Power & Fuel		163,439,850	*163,657,912*
Insurance		3,430,948	*3,427,549*
Machinery Hire		2,202,596	*1,505,745*
Lease rent		33,958,350	*34,321,609*
Repairs & Maintenance			
- Building		3,566,779	*1,933,756*
- Machinery		33,466,791	*19,504,053*
- Others		7,711,576	*4,049,950*
- MBF Relining Expenses		-	*53,544,560*
Labour Charges		49,628,046	*44,302,368*
Rent		371,360	*367,010*
Rates and Taxes		4,777,758	*2,858,484*
Travelling Expenses		5,614,547	*5,085,727*
Administrative Expenses		23,956,763	*21,458,902*
Bank Commission		17,905,285	*12,828,011*
Selling Expenses		41,433,919	*29,427,568*
Provision for doubtful debts, Advances & Deposits		237,168	*3,108,241*
Directors Sitting Fees		68,000	*72,000*
Donations		25,000	*25,000*
Loss on sale/scrap of assets		934,864	*55,034,730*
		392,729,600	*456,513,175*
SCHEDULE 17			
INTEREST			
Interest			
- On Fixed Loans		55,869,500	*221,137,617*
- On Others		34,029,055	*10,323,106*
		89,898,555	*231,460,723*
SCHEDULE 18			
DEPRECIATION AND AMORTISATION			
Depreciation		116,250,317	*117,938,902*
Preliminary Expenses written off		-	*19,714*
Share Issue Expenses written off		-	*1,901,078*
Deferred Revenue Expenditure written off		10,211,857	*10,211,857*
		126,462,174	*130,071,551*

NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE - 19

[A] SIGNIFICANT ACCOUNTING POLICIES

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 under the historical cost convention on an accrual basis.

c) The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

2 Fixed Assets

Fixed assets 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 fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Cenvat credit availed has been deducted from the cost of respective assets.

3 Depreciation

Depreciation on fixed assets has been provided on straight line method in the manner and at the rates specified in Schedule-XIV to the Companies Act,1956.

4 Inventories

a) Raw Materials, Stores & Spares at lower of Cost and net realizable value. Rates are determined on First in First out basis.

b) Work in process and Finished goods other than by-product at lower of Cost and net realizable value. Cost is arrived at by absorption cost method. Finished goods are valued inclusive of Excise Duty.

c) By-products, Self Generated Scrap and non reusable waste – at net realizable value.

5 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) 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.

d) 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.

6 Leases

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.

7 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.

8 Excise Duty

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

9 Employee Retirement Benefits

a) Contribution to Provident Fund and Superannuation Fund is made at pre-determined rate to the Provident Fund Commissioner and Life Insurance Corporation of India respectively and charged to the profit and loss account.

b) Encashment of leave has been accounted on actuarial valuation basis.

c) The accruing liability of Gratuity is covered by Employees Group Gratuity Scheme of the Life Insurance Corporation of India and the premium is accounted for in the year of accrual. The additional amount if any, payable in the event of premature retirement of employee is accounted for in the year of retirement.

10 Taxes on Income

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.

11 Miscellaneous Expenditure (to the extent not written off)

As per the Accounting Standard AS-26 on Intangible Assets prescribed by the Institute of Chartered Accountants of India, which came into effect from 1st April, 2003, the relining expenses incurred on Mini Blast Furnace up to 31st March, 2003 are treated as Deferred Revenue expenses in the year in which relining is completed and the same is written off over its expected useful life of 4 years. Relining expenses incurred after 1st April 2003, have been charged to Profit and Loss account in the year in which the expenditure is incurred.

[B] OTHER NOTES

Sl No.	Particulars	2004-05 (Rs.)	2003-04 (Rs.)
1	Estimated amount of contracts remaining to be executed on capital account and not provided for	9,760,759	8,830,993
2	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	757,567	*1,298,095*
	b) Wealth Tax	Nil	*22,276,831*
	c) Labour Matters (Matter Subjudice)		
	i 2 cases	1,265,000	*Nil*
	ii 2 cases	Not quantifiable	*Nil*
	d) Arrears of fixed cumulative dividend on Cumulative Preference Shares of Rs.10/- each		
	i 12% Dividend	Nil	*74,419,630*
	ii 1% Dividend	181,608,677	*174,386,678*
3	The amount of future obligations towards lease rent in respect of assets taken on finance lease	133,268,835	*168,312,975*
4	Aggregate value of the letters of credit outstanding	1,135,844,654	*497,252,395*
5	Amount of borrowing costs capitalized	Nil	*Nil*

6 The working capital facilities with Consortium Banks (Fund based & Non Fund based) are secured by hypothecation of inventories and book debts. Further, the said facilities to the extent of Rs.430,000,000 have been secured by second charge on the immovable properties of the company.

7 Interest paid on others Rs.34,029,055/- (Previous year Rs. 10,323,106/-) is net of Rs.74,789/- (Previous Year Rs. 729,793/-) being interest received from customers. [Tax deducted at source Rs.Nil (Previous Year Rs. 60,290/-)].

8 Sundry Creditors includes amount due to Small Scale and / or Ancillary Industrial Undertaking Rs.170,095/- (Previous year Rs.955,671/-) on account of principal and Rs.3,158,948/- (Previous year Rs.4,613,019/-) on account of interest. (Based on information regarding Status of Suppliers available as on the Balance Sheet date)

9 The names of small scale industrial undertaking(s) to whom the company owes sums, including interest outstanding for more than 30 days are: Swastik Enterprises,Fosan Company, Suman Industries, Dhaneshwari Eng.Corporation.

10 The Net Gain/(Loss) on account of exchange difference arising on foreign currency transactions is Rs.4,144,110 /- (Previous Year – Rs. 39,683,611/-).

11 Segment Information: The company operates in one segment namely Iron castings

12 Remuneration to Auditors

	2004-05 (Rs.)	2003-04 (Rs.)
Statutory Auditors		
a) Audit Fees	250,000	*270,000*
b) Tax Audit Fees	50,000	*64,800*
c) Certification and other services	147,102	*249,450*
d) Expenses reimbursed	33,607	*26,582*
Total	480,709	610,832

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

	2004-2005 (Rs.)	2003-2004 (Rs.)
(a) C.I.F. value of imports		
Capital Goods	423,633	*270,750*
Raw Materials	2,068,891,151	*813,828,753*
Stores & Spares	1,170,248	*478,864*
(b) Expenditure in foreign currencies		
Interest	11,598,901	*4,311,407*
Others	854,364	*393,108*

14. Earnings in Foreign Exchange

FOB Value of Exports	510,673	*Nil*

15. Details of raw material consumption:

(i) Raw Material Consumed:

Particulars		2004-2005		*2003-2004*	
	Unit	Qty.	Rs.	*Qty.*	*Rs.*
(a) Iron Ore Lumps	MT	412,766	486,207,088	*463,085*	*256,592,787*
(b) Coke	MT	194,213	2,892,378,092	*211,949*	*2,012,608,992*
(c) M.S. Scrap	MT	14,718	261,757,970	*12,353*	*157,979,768*
(d) Others		-	121,330,290	-	*75,820,058*
Total			3,761,673,440		*2,503,001,605*

(ii) Imported and Indigenous Raw Material Consumption:

Particulars	2004-2005		*2003-2004*	
	Rs.	Percent	*Rs.*	*Percent*
(a) Imported	1,994,293,267	53.02	*1,654,344,470*	*66.09*
(b) Indigenous	1,767,380,173	46.98	*848,657,135*	*33.91*
Total	3,761,673,440	100.00	*2,503,001,605*	*100.00*

(iii) Imported and Indigenous Stores & Spares Consumption:

Particulars	2004-2005		*2003-2004*	
	Rs.	Percent	*Rs.*	*Percent*
(a) Imported	2,116,640	0.92	*2,957,091*	*1.45*
(b) Indigenous	226,730,928	99.08	*200,542,421*	*98.55*
Total	228,847,568	100.00	*203,499,512*	*100.00*

16. Details of licensed and installed capacity, Production:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2004-2005	2003-2004	2004-2005	*2003-2004*
Liquid Metal for Pig Iron	MT	Not Applicable		240,000	*240,000*
Castings	No. of Moulds	Not Applicable		475,500	*475,500*

Note: Installed capacity includes Mini Blast Furnace with capacity of 120,000 MT per annum taken on lease.

B. Production:

Class of Goods	Unit	2004-2005	*2003-2004*
Liquid Metal			
- Consumed in Foundry	MT	28,343	*28,385*
- Consumed for Manufacture of Pig Iron	MT	203,447	*231,592*
Castings	Nos.	352,949	*364,779*

C. Stock and Turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2004-2005	*2003-2004*	2004-2005	*2003-2004*	2004-2005	*2003-2004*
(a) Pig Iron							
Quantity	(MT)	10,381	*1,655*	694	*10,381*	203,091	*212,002*
Value (Rs.)		110,677,270	*11,662,840*	12,749,568	*110,677,270*	3,253,175,069	*2,428,763,565*
(b) Castings							
Quantity	Nos.	-	-	-	-	333,924	*340,261*
Value (Rs.)		-	-	-	-	1,217,337,869	*936,432,195*
(c) Others							
Value (Rs.)		2,380,012	*2,665,104*	7,486,467	*2,380,012*	499,601,495	*394,349,052*
Total Turnover (Value Rs.)						4,970,114,433	*3,759,544,812*

Notes:

(i) Castings turnover is net of rejections –Nos.19,025 amounting to Rs.65,342,929/- (Previous Year 24,518 Nos. Amounting to Rs.54,895,120/-

(ii) As the contracts for sale of castings with the customers are in numbers and the stock records are also maintained in numbers, the quantitative information for production, Stock and Turnover of castings are disclosed in numbers.

The weight of these numbers if converted at standard weight of respective Castings will be as under:

Particulars	2004-2005 (MT)	*2003-2004 (MT)*
Production	28,949	*26,855*
Opening Stock	-	-
Closing Stock	-	-
Turnover	27,438	*25,279*
Rejection	1,511	*1,576*

17. Related Party Disclosures :

a) Controlling Company : Kirloskar Oil Engines Ltd

b) Key Management Personnel : Mr. R.V.Gumaste – Managing Director

c). Transactions with related parties :

Particulars	Controlling Company 2004-05 (Rs)	Controlling Company 2003-04 (Rs)	Key Management Personnel *2004-05* (Rs)	*Key Management Personnel* 2003-04 *(Rs)*
(a) Sale of finished goods	285,869,063	186,503,057	—	—
(b) Sale of Stores & Spares	1,871	37,984	—	—
(c) Purchase of Material & Components	126,183,561	410,238,686	—	—
(d) Lease Rentals	35,044,140	35,044,140	—	—
(e) Other Services	254,859	2,055,776	—	—
(f) Remuneration	—	—	1,699,822	*1,557,179*
(g) Electricity Charges	78,097,048	120,035,723	—	—
(h) Building Rent Received	6,000,000	6,000,000	—	—
(i) Other Expenses	5,804,969	11,848,254	—	—
Outstanding as on 31st March, 2005				
(a) Outstanding Receivables	28,796,335	23,703,133	—	—
(b) Outstanding Payables	206,456,527	286,953,059	—	—

18. Details of payment and provisions on account of managerial remuneration included in the Profit and Loss Account as under (minimum remuneration as per Schedule XIII to the Companies Act,1956)

Particulars	2004-2005 (Rs.)	*2003-2004 (Rs.)*
Salary	1,395,000	*1,215,000*
Contribution to P.F.	124,200	*102,600*
Contribution to Superannuation Fund	155,250	*128,250*
Perquisites	25,372	*111,329*
Total	1,699,822	*1,557,179*

In addition to the above, the Managing Director is eligible for Gratuity and leave encashment payable at the end of his tenure.

19. EARNINGS PER EQUITY SHARE

Particulars	2004-05 (Rs.)	*2003-04 (Rs.)*
a) Basic Earnings Per Share	2.38	*3.75*
b) The amount of profit/(loss) considered for calculation of EPS is as follows:		
Net Profit/(Loss) after tax	218,317,725	*317,155,566*
Dividend on Cumulative Redeemable Preference Shares	46,181,504	*46,181,504*
Adjusted Profit/(Loss) after tax	172,136,221	*270,974,062*
c) Basic Earnings for equity share has been computed by dividing net profit/(loss) after tax by the weighted average number of equity share outstanding for the period Weighted average number of equity shares used in computing Basic earnings per equity share	72,222,400	*72,222,400*
d) Face value of each equity share Rs. 10/-		

20. Previous year's figures have been regrouped and reclassified to conform with current year's grouping wherever necessary.

21 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. 11-63223 State Code 11

Balance Sheet Date 31032005

II. Capital Raised during the year : (Amount in Rs. Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
2303370	2303370
Sources of Funds	
Paid up Capital	Reserves and Surplus
1769087	NIL
Secured Loans	Unsecured Loans
220950	313333
Application of Funds	
Net Fixed Assets	Capital Work in Progress
1243440	41462
Investments	Net Current Assets
NIL	57088
Deferred Tax Asset (Net)	Misc. Expenses
214114	5957
Accumulated Losses	
741307	

IV Performance of Company (Amount in Rs.Thousands)

Turnover	Total Expenditure
5004791	4797160
Profit/(Loss) before tax ✓	Profit/(Loss) after tax ✓
207631	218317
Earning per share (Basic) (Rs.) ✓	Dividend Rate (%)
+ − 2.38	NIL

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

Item Code No. 720110

Product Description : Non Alloy Pig Iron containing by weight 0.5% or less of Phosphorous.

Item Code No. 732510

Product Description Industrial Castings of non-malleable cast iron

Item Code No. 73259909

Product Description Industrial Castings of other cast articles of Iron or steel.

Signatures to Schedules 1 to 19

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
General Manager (Finance)

Pune: 10th June, 2005

ATTENDANCE SLIP

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

14th Annual General Meeting on
5th August, 2005 at 11.00 A.M.

Ledger Folio No. / DP Id and Client Id ....

Full name of the shareholder..

(in block capitals) ....

....

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

I hereby record my presence at the 14th Annual General Meeting of the Company at the Registered Office of the Company at Laxmanrao Kirloskar Road, Khadki, Pune 411 003, on Friday, the 5th August, 2005 at 11 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

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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 14th Annual General Meeting of the Company, to be held at the Registered Office of the Company at Laxmanrao Kirloskar Road, Khadki, Pune 411 003, on Friday, the 5th August, 2005 at 11.00 A.M. and at any adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this........................day of................................2005.

(Signature of the member across the stamp).............................. Please affix Re. 1 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.

Book-Post

Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED
Regd. Office: 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

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