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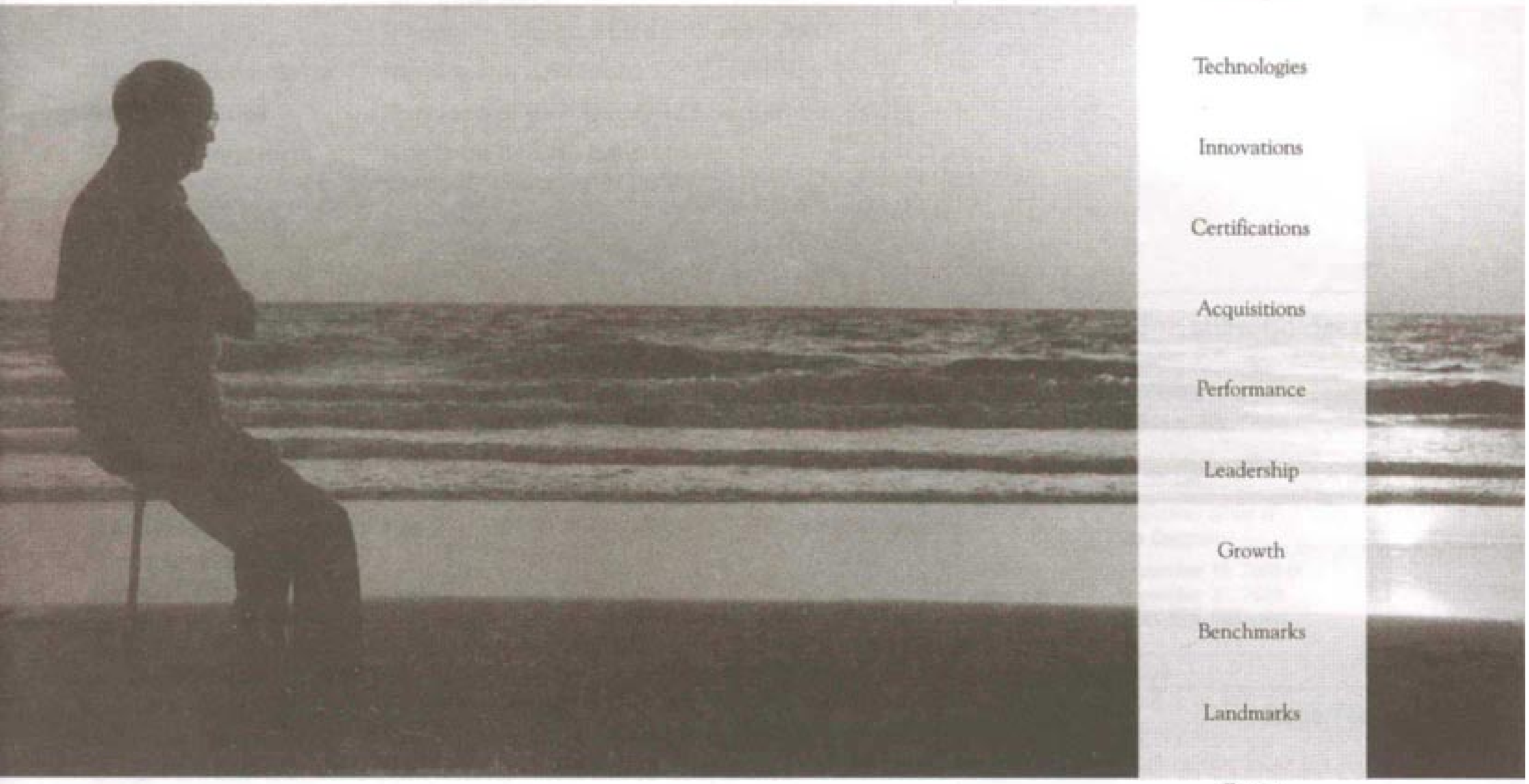


Vision

Mission

Ideas

Ideologies

Technologies

Innovations

Certifications

Acquisitions

Performance

Leadership

Growth

Benchmarks

Landmarks

Equity

Consolidation

Profits

Progress

KIRLOSKAR FERROUS INDUSTRIES LIMITED 12th ANNUAL REPORT 2002-2003

12TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2003

BOARD OF DIRECTORS

Mr. Atul C. Kirloskar	Chairman
Mr. Sanjay C. Kirloskar	
Mr. A. R. Jamenis	Managing Director (till 31st January 2003 inclusive) Director (from 1st February 2003)
Mr. C. V. Tikekar	
Mr. S. N. Inamdar	
Mr. D. K. Dixit	(Upto 31st March 2003)
Mr. R. V. Gumaste	Executive Director (w.e.f. 25th July, 2002 till 30th June 2003 inclusive) Managing Director (w.e.f. 1st July 2003)
Mr. K. D. Hodavdekar	Nominee of Industrial Development Bank of India (upto 13th September 2002)
Mr. G. A. Tadas	Nominee of IDBI (w.e.f. 13th September, 2002)
Mr. Mujib Mundewadi	Nominee of ICICI Bank Ltd. (from 10th December 2002)
Mr. S. K. Singhai	Nominee of IFCI Ltd. (from 28th January 2003)

AUDITORS	BANKERS
M/s. P. G. Bhagwat	State Bank of India
Chartered Accountants	Bank of Baroda
	Bank of Maharashtra

COMPANY SECRETARY	REGISTERED OFFICE
Mr. C. S. Panicker	Laxmanrao Kirloskar Road, Khadki, Pune 411 003 (India)

FACTORY

Village : Bevinahalli
Post : Hitnal (Pin 583 234)
Taluka : Koppal
District : Raichur
(Karnataka State)

NOTICE

Notice is hereby given that the 12th 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 Saturday, the 20th day of September, 2003 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 2003 and the Balance Sheet as at that date and also the reports of the Auditors and the Board of Directors thereon.

ITEM NO. 2:

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

ITEM NO. 3:

To appoint a Director in place of Mr. A. R. Jamenis, who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO. 4:

To appoint Auditors to hold office from the conclusion of this Annual General Meeting until 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. 5

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

"RESOLVED THAT pursuant to provisions of sections 61 and other applicable provisions of the Companies Act, 1956 and Clause 6.1 and other applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereafter referred to as 'delisting guidelines') and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company ('the Board' which term shall be deemed to include any Committee thereof), consent of Company be and is hereby accorded to the Board to delist the Equity shares of the Company from the Pune Stock Exchange Ltd. and Delhi Stock Exchange Association Ltd.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary delisting of shares as may in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution and to all such acts, deeds and things as may be required or necessary to effectuate this resolution.

ITEM NO. 6

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

"RESOLVED THAT consent of the Company 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 also to the approval of Financial Institutions who are holding first charge on the immovable and movable properties of the Company, for mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and movable properties of the Company, both present and future, situated at Bevinahalli, Taluka Koppal, District Raichur, Karnataka State, and the whole of the undertaking of the Company, to or in favour of consortium of banks comprising of State Bank of India, Bank of Baroda, Bank of Maharashtra and any other scheduled Bank whether Public Sector Bank or Private Sector Bank, as may be decided by the Board of Directors, to secure the working capital facilities to be granted to the Company by the said consortium of banks of an amount not exceeding Rs. 100 Crores.

RESOLVED FURTHER THAT Board of Directors of the Company, be and is hereby authorised to finalise with the existing charge holders and the consortium of bankers, led by State Bank of India or any other scheduled Bank whether Public Sector Bank or Private Sector Bank all agreements and documents necessary for creating aforesaid mortgage by way of 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 resolve any question or doubt relating thereto, or then considered by the Board of Directors to be in the interests of the Company.

ITEM NO. 7

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, and other applicable provisions, if any, of the Companies Act, 1956 read with Articles 95, 96, 97 and 98 of the Articles of Association of the Company and subject also to the approvals of Financial Institutions with whom the Company has borrowing arrangements and of any such authorities, if necessary, Mr. R.V. Gumaste be and is hereby appointed as the Managing Director of the Company for a period of 5 years with effect from 1st July 2003.

RESOLVED THAT Mr. R. V. Gumaste be paid the following remuneration during the tenure of his office as the Managing Director,

A) BASIC SALARY:

Basic Salary shall be Rs. 75,000 per month with annual increments of Rs. 15,000

B) SPECIAL ALLOWANCE:

Rs. 20,000 per month

C) PERQUISITES:

In addition to the aforesaid salary and special allowance, Mr. R.V. Gumaste as Managing Director shall be entitled to the following perquisites:

1. Residential accommodation, valuation of which shall not exceed Rs. 10,000 per month; where no accommodation is provided by the Company, house rent allowance in lieu thereof not exceeding Rs. 10,000 per month be paid.
2. Reimbursement of all medical expenses incurred for self and family, subject to a limit of Rs. 15,000 per annum.
3. Leave travel assistance for self and family once in a year, in accordance with the rules of the Company, not exceeding Rs. 60,000 per annum.

4. Personal accident insurance, premium whereof does not exceed Rs. 1,000 per annum.

5. Mediclaim Insurance Policy, premium whereof does not exceed Rs. 10,000 per annum

6. Provision of car for use on Company business. Use of car for private purpose shall be billed by the Company to the Managing Director.

7. Telephone at residence. Personal long distance calls shall be billed by the Company to the Managing Director.

8. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.

9. Gratuity at the rate not exceeding half a month's salary for each completed year of service as Managing Director, and

10. Leave at the rate of 30 days per calendar year of service. Leave calculation for a part of the calendar year at the date of appointment as Managing Director or on ceasing to be Managing Director shall be made on a pro-rata basis at the rate of two and a half days leave for every completed month of service. Leave accumulated and not availed of may be encashed at the end of the tenure as per the rules of the Company.

"Family" for the above purpose means wife, dependent children and dependent parents of the Managing Director.

Perquisites shall be evaluated as per the provisions of the Income tax Rules.

D) COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Managing Director shall not exceed the limit laid down under Sections 198 and 309 of the Companies Act, 1956.

E) MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, remuneration by way of salary, perquisites and other allowances shall be paid as mentioned under A, B and C above.

For the purpose of computation of minimum remuneration, the following shall not be included:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
2. Gratuity at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

F) The Managing Director, so long as he functions as such, shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

RESOLVED FURTHER THAT Mr. R. V. Gumaste, being a Director liable to retire by rotation, his re-appointment as such Director shall not be deemed to constitute a break in his appointment as Managing Director.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps and to do all such acts, deeds, matters, and things as may be necessary or desirable to give effect to this resolution and also, to make such alterations and modifications, as may be required within the limits of Schedule XIII of the Companies Act, 1956.

NOTES:

i) Pursuant to Section 173 of the Companies Act, 1956, explanatory statement in respect of the item No. 5, 6 and 7 above is annexed.

ii) The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 6 days from 15th September 2003 to 20th September 2003 (both days inclusive) in connection with the 12th 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 addresses.

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:
13, Laxmanrao Kirloskar Road,
Khadki,
Pune-411003
Dated: 27th June, 2003

By order of the Board of Directors

C. S. Panicker
Company Secretary

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, following is the Explanatory Statement to Item Nos. 5, 6 & 7 in the accompanying Notice of the 12th Annual General Meeting of the Company to be held on Saturday, the 20th day of September, 2003 at 11.00 a.m.

ITEM NO. 5

The equity shares of the company are listed on The Stock Exchange, Mumbai, (BSE), Pune Stock Exchange Ltd., (PSE), The Delhi Stock Exchange Association Ltd. (DSE). However bulk of trading of the Company's Equity shares take place on BSE.

As per the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 (the Guidelines), it is open to the company to voluntarily delist securities from any stock exchange(s), provided that the Company's securities continue to remain listed in a stock exchange having nation-wide trading terminals. The BSE is a stock exchange, which fulfills this condition.

For the last few years, it has been observed that the trading in equity shares of the Company on PSE and DSE (said Stock Exchanges) has been negligible, as compared to the trading volume at BSE. Also the listing fee paid to the said stock exchanges is disproportionate to the volume handled by them when compared to that of BSE. Moreover, owing to the expansion of BSE and their extensive networking and extension of their terminals to other cities, investors now have access to online dealing in the Company's equity shares on such terminals across the Country.

The equity shares of the Company are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form.

Further, the Company has been spending considerable amount of money on listing fees, communication charges etc. and no particular benefit accrues to the shareholders or the Company by continuing the listing of the equity shares on the said Stock Exchanges.

Therefore, it is considered desirable to delist equity shares of the company from PSE and DSE subject to the Company complying with the various provisions of SEBI (Delisting of Securities) Guidelines, 2003 (The Delisting Guidelines) and obtaining requisite approvals, permissions and sanctions in this regard.

The Company's equity shares however, will continue to be listed on BSE.

In terms of De-listing Guidelines issued by SEBI, a Public announcement regarding proposed de-listing will be published. The de-listing will take place only after all approvals, sanction, and permissions have been received. The exact date on which de-listing will take place will be suitably notified.

Owing to the availability of trading facilities on the connectivity of BSE in most of the cities across the Country, the proposed de-listing of the Company's equity shares on the said Stock Exchanges will not be prejudicial to or affect the interest of the Investors.

The Directors commend the special resolution for the approval of the members.

None of the Directors of the Company are interested in the said resolution.

ITEM NO. 6

The Company has working capital facilities with the consortium of banks comprising of State Bank of India (SBI), Bank of Baroda (BOB) and Bank of Maharashtra (BOM). These facilities are secured by hypothecation of Company's inventories and book-debts.

The term lending institutions, who hold first charge on the fixed assets of the Company in respect of their term loans, had ceded second charge on the fixed assets in favour of SBI, BOB and BOM for the working capital facility of Rs. 43 Crores given by the said banks.

The Company has approached the existing Banks namely SBI, BOB, and BOM as well as some other public sector banks and private sector banks for additional working capital facility of Rs. 100 crores.

This additional working capital facility of Rs. 100 crores will be secured by:

1. By hypothecation of Company's inventories and book-debts and
2. By second charge on the fixed assets and will be subject to existing first Charge in favour of term lending institutions.

Consent of the members of the Company is required pursuant to Section 293(1)(a) of the Companies Act, 1956 in order to enable the Company to mortgage the immovable property of the Company in favour of the consortium of banks and any other public sector / private sector banks to increase the limit from Rs. 43 crores to Rs. 143 crores.

None of the Directors of the Company are interested in the resolution.

ITEM NO. 7

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

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.

In 1993, he joined Kirloskar Ferrous Industries Limited and in the year 1998, he was promoted as SBU Chief for pig iron business. 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 as the Senior Vice President (Operations). He took various initiatives to improve the performance of the company, such as cost reduction drive on all front, improvement in the production process, increasing the productivity of foundry operations, and quality of output, negotiating for reduction in the raw material price, improvement of market share of the castings etc. He was appointed as an Executive Director of the Company with effect from 25th July 2002.

Mr. A. R. Jamenis relinquished the office of the Managing Director with effect from 31st January 2003. Mr. R. V. Gumaste was appointed by the Board of Directors as the Managing Director of the Company w. e. f. 1st July 2003, as a part of the succession plan, subject to the approval of the shareholders and financial institutions with whom the Company has borrowing arrangements and of any such authorities, if necessary. With the appointment of Mr. R. V. Gumaste as a Managing Director he ceases to be Whole Time Director from 1st July 2003 and the agreement entered into with Mr. R. V. Gumaste as Whole Time Director stands mutually terminated.

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

None of the Directors of the Company except Mr. R.V. Gumaste is in any way concerned or interested in the resolution

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions of appointment of Mr. R.V. Gumaste as Managing Director in terms of Section 302 of the Companies Act, 1956.

INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES IN RESPECT OF THE DIRECTORS WHO ARE RETIRING BY ROTATION, AND BEING ELIGIBLE, HAVE OFFERED THEMSELVES FOR RE- APPOINTMENT AT THE ANNUAL GENERAL MEETING TO BE HELD ON 20th SEPTEMBER 2003

1. **Mr. Atul Chandrakant Kirloskar** began his career with the erstwhile Kirloskar Cummins Limited in the year 1978, where he started out as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales & Services.

   On 1st November 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL).

   He was co-opted on the Board of Kirloskar Oil Engines Limited on 6th August 1985 wherein he took over as the Managing Director. In 1988, he became the Vice Chairman of KOEL and held the position till 25th July 1998 when he was appointed Chairman of KOEL.

   He has been the Chairman of Kirloskar Ferrous Industries Limited since it's inception.

   He is a member of the World Economic Forum, Chairman of the Defence Sub-committee & National Committee Member of Confederation of Indian Industries (CII). In September 2002, he was elected as President of Mahratta Chamber of Commerce Industries & Agriculture (MCCIA) for a period of two years.

2. **Mr. Ashok Ramkrishna Jamenis** completed his Graduation in mechanical engineering in 1965 from the University of Pune. He has been associated with the Kirloskar Group when he joined Kirloskar Oil Engines Ltd. in 1967. Mr. Jamenis has worked in various capacities and has acquired experience in the field of production, Quality and SBU administration of Small and Medium engines etc. of Kirloskar Oil Engines Ltd. He resigned from Kirloskar Oil Engines Ltd. as Executive Vice President (Engines) in 1998 to shoulder the responsibility as Managing Director of Kirloskar Ferrous Industries Limited. Mr. Jamenis has by his knowledge and experience turned around Kirloskar Ferrous Industries Ltd. from a loss making Company to a Profit making one. Mr. Jamenis resigned from the office of Managing Director on 31st January 2003 and continued to be a Director liable to retire by rotation. He is also a member of the Audit Committee, the Remuneration Committee and the Shareholder grievance committee of the Board of Directors. His continued guidance is very much needed by the Company to make more progress.

DIRECTORS REPORT TO THE MEMBERS FOR THE YEAR ENDED 31ST MARCH 2003

1. FINANCIAL RESULTS:

	2002-2003 (Rs.)	*2001-2002* *(Rs.)*
Income	2,51,96,91,753	*2,27,44,85,529*
Profit/(Loss) before taxation	3,42,86,391	*(-) 13,50,73,248*
Provision for: Wealth tax	75,554	*72,758*
Deferred tax	45,07,947	*4,07,79,075*
Profit/(Loss) after tax	2,97,02,890	*(-) 17,59,25,081*

Your Company has turned around and has made a profit of Rs. 297 Lacs for the year under review. The Financial year 2002-03 was challenging for the Foundry Industry with Tractor Production recording negative growth of 20%. Proactive, well planned actions on all fronts of business brought the change of entering into profits for the first time since 1995-96. Your Directors have decided to plough back the profits to reserves to improve the networth. Directors do not recommend any dividend for the year under review and propose to carry forward the available surplus to the Balance Sheet.

2. OPERATIONS:

The financial year ended 31st March 2003 showed a considerable progress in the operations of your company. Your Company has moved away from a loss situation to a profit situation. Inspite of a bad economy, and rise in the price of imported raw materials, your Company has been able to perform better due to many strategic measures adopted. The year under review showed an increase of 11% in turnover over the corresponding previous year. The pig iron business continued to show good results as in the earlier years. However the foundry business still remains an area of concern. Tractor production showed a negative growth of 20%. However your Company managed to get a volume growth of 9% despite the dismal negative performance of the tractor segment. Excess capacity in the Foundry industry and severe competition had resulted in price reduction being offered to the Foundry customers both to retain the existing market share as well as to increase further market share in few cases.

The Sales Tax exemption which ended in February 2002 resulted in the company absorbing sales tax amount as the Foundry customers refused to accept the increase of the castings price.

As a strategic move, inspite of the negative trend in the tractor industry as mentioned earlier, your Company could increase its turnover of the foundry products due to change in the product mix from the tractor to automobile segment. Dependency on tractor industry for foundry sales has been reduced during the year under review by shifting the focus to sell more in the auto industry. This has resulted in increased Foundry sales to the Auto segment at 31% as against 8% in the earlier year. The other achievements of the Company are as follows:

a. Cost reduction exercises under-taken have yielded a substantial reduction in the cost of manufacturing and overheads.

b. Your company could manage to extend the lining life of Mini Blast Furnace - II beyond four years through some good maintenance practices and this has resulted in an increased production, which would not have been possible had the Furnace been shutdown for the relining which normally falls after three years operation.

c. Power Generation using Blast Furnace Gas showed considerable improvement through increased utilisation factor of Turbo Generator and this has resulted in lower power cost during the year under review.

d. Savings have been achieved by interest reduction realised through financial restructure/negotiations with the institutions.

e. Labour Wage agreement was concluded in August 2002. Even though the wage bill has risen by 6%, the employee related expenses to sales has been maintained at a level of 4.4%

f. Your Company has received IS-14000 certification for both Pig Iron and Foundry through Indian Registrar Quality Systems during December 2002. With this your company is having all the three certifications ISO 9002, QS 9000 and ISO 14001.

g. Company bagged Quality commitment award in gold category for quality commitment from Business Development Initiatives, Spain, during Annual Quality Conference at Paris.

3. STRATEGIES OF BUSINESS:

a. To increase further market volume in Foundry products, the company shall focus on domestic market broad basing and develop new castings.

b. After having brought down interest on working capital, your company now focuses on further reduction of interest on long-term debts.

c. Further increase in captive power generation through use of excess Blast Furnace Gas and reduce the power cost further for the Foundry operations.

d. Explore export market for Engine Blocks and Cylinder Heads.

e. To cut down the development period for new castings at least by 20% than the present norms.

4. PROSPECTS FOR THE CURRENT YEAR:

a. With the development of new castings for various customers, the Company expects improved business volume in the Foundry business and better capacity utilisation.

b. Even though the Pig Iron sales shall remain at higher levels, there may be an erosion in the value addition owing to the continuous increase in the price of imported Metallurgical Coke as is being experienced currently.

c. Improved process control measures to lower rejection of the Foundry products and improvement in value addition thereof.

5. SAFETY, HEALTH AND ENVIRONMENT:

Your Company is giving due importance to safety, health and environment related issues. The employees are continuously 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 of 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.

With the acquisition of IS-14000 your Company would further be able to promote on improving the environmental and safety aspects.

6. ALLOTMENT OF PREFERENCE SHARES:

Pursuant to the restructuring package, the Board of Directors of your Company have allotted 60,60,000 – 12% Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs.6,06,00,000/- to ICICI Bank Limited, on 28th September, 2002.

7. RESTRUCTURING OF DEBTS WITH FINANCIAL INSTITUTIONS:

Your Company has received approvals of the re-structuring package from Industrial Development Bank of India (IDBI), ICICI Bank Limited (ICICI), The Industrial Finance Corporation of India Limited (IFCI) and Industrial Investment Bank of India Limited (IIBI) and the same was implemented.

The Company has also arrived at a negotiated settlement to settle the dues with Financial Institutions such as Industrial Investment Bank of India Limited (IIBI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), New India Assurance Company Limited (NIA) and Oriental Insurance Company

Limited (OIC). Your Company is also in discussion with IDBI & IFCI for negotiated settlement of debts. The package (when approved by all the above said Financial Institutions) will enable the Company to settle the dues within a period of 36 to 40 months on a reduced interest rate basis.

8. DIRECTORS:

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

Mr. A. R. Jamenis relinquished the office of Managing Director on 31st January, 2003 and continued as ordinary Director liable to retire by rotation with effect from 1st February, 2003. The Board placed on record their sincere appreciation of the valuable services rendered by Mr. A. R. Jamenis during his tenure as Managing Director. Mr. A. R. Jamenis retires by rotation and being eligible, offers himself for re-appointment.

During the year under review Mr. G. A. Tadas was appointed as Nominee Director of Industrial Development Bank of India on the Board of Directors of the Company in place of Mr. K. D. Hodavdekar. The Board placed on record the valuable guidance received from Mr. K. D. Hodavdekar during his tenure as Nominee Director of Industrial Development Bank of India.

ICICI Bank Limited has also appointed Mr. Mujib Mundewadi as Nominee Director on the Board of Director of the Company.

Similarly, Industrial Finance Corporation of India Limited has also appointed Mr. S. K. Singhai as Nominee Director on the Board of Directors of the Company.

Mr. D. K. Dixit resigned from the Directorship of the Company with effect from 31st March 2003. Directors have placed on record their sincere appreciation of the services rendered by Mr. D. K. Dixit. The Board of Directors does not propose to fill in the vacancy caused by the resignation of Mr. D. K. Dixit.

Your Directors take pleasure in announcing the appointment of Mr. R. V. Gumaste as Managing Director of the Company w. e. f. 1st July 2003. With the appointment of Mr. R. V. Gumaste as a Managing Director, he ceases to be Whole Time Director from 1st July 2003 and the agreement entered into with Mr. R. V. Gumaste as Whole Time Director stands mutually terminated.

9. DIRECTOR'S 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 2003, the applicable accounting standards have been followed.

(ii) That the Directors have selected such accounting policies and applied them consistently and made judgements 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) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) That the Directors have prepared the accounts for the year ended 31st March, 2003 on a "going concern" basis.

10. 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 members will be required to appoint auditors for the current year and fix their remuneration for the said period.

As required under the provisions of Section 224 of the Companies Act, 1956, a written certificate has been obtained by the Company from the above auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said Section.

11. 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.

12. PARTICULARS OF EMPLOYEES:

None of employees exceed the limit prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

13. CERTIFICATE OF COMPLIANCE OF CORPORATE GOVERNANCE:

Certificate of the Auditors regarding Compliance with the provisions of Corporate Governance forms a part of the Directors' Report.

14. ACKNOWLEDGEMENT:

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

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Place: Pune
Date : 27th June, 2003

(ATUL C. KIRLOSKAR)
Chairman

ANNEXURE – A

TO THE
DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31^{ST} MARCH 2003 AND FORMING PART THEREOF

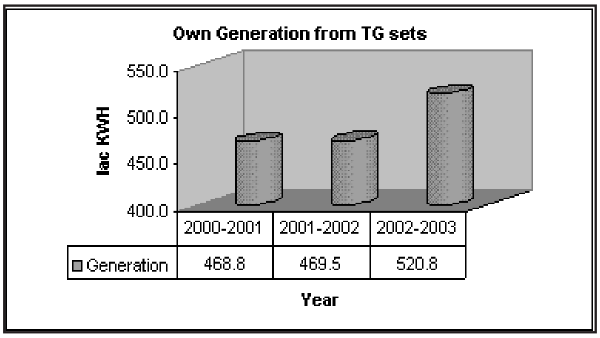
Additional Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming a part of the aforesaid Directors' Report:

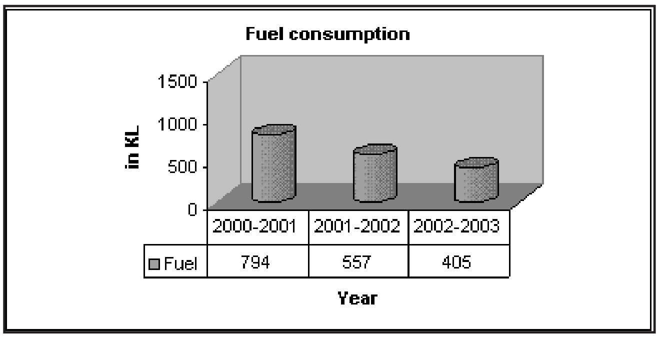
A. CONSERVATION OF ENERGY:

a) Energy conservation measures taken during the year 2002-2003 are as follows;

- i) Better utilisation of Captive power plant by redistributing the load pattern on Turbo generators
- ii) Fuel consumption at TG power plant was reduced by using better methods of cleaning boiler and well tuned operation.
- iii) Optimisation of compressed air consumption in both the Foundry and Pig Iron plants.

Figures of Power generation and Fuel consumption:





b) **Additional Proposals for the year 2003-2004:**

- i) Installation of conveyor belt from unloading point to ground hoppers at raw material storage yard. This will eliminate multiple handling of raw materials
- ii) Upgradation of fans at Metallic blast preheater in order to reduce power consumption.

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

- i) Reduction of raw material wastage.
- ii) Reduction of power consumption.

B. TECHNOLOGY ABSORPTION

MBF Blowers Upgradation

Improvement in blowing efficiency of MBF Blowers was achieved through modification of blade profiles. The end result has also brought in increased yield of liquid metal.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Earnings (Rs. Million)	0.24
Outgo (Rs. Million)	403.64

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS:

SCENARIO FOR PIG IRON:

a. Increased demand in steel products in International market resulted in reduced dumping of Pig Iron in northern region by the primary producers enabling the secondary producers to sell more pig iron in the northern belt.

b. The demand spurt thus created in the north enabled your Company to increase a quantitative sale in the north. The availability of better container rail movement also helped to push more material to north not resulting in any excess stock generation.

c. Substantial increase in the price of imported coke pushed up the cost of production of Pig Iron.

d. Increase in demand for Iron & Steel products in the International market helped the Company to realise some price increase from the customers and salvage the increased cost of production to some extent.

2. FOUNDRY SCENARIO:

a. The capacity utilisation of tractor industry was at its lowest, resulting in drastic reduction of casting procurement by tractor industry.

b. Aggressive competition coupled with low production in the tractor industry forced drastic price reductions in the foundry industry, which already is experiencing low capacity utilisation due to reduced off-take.

c. The growth in the multi-utility vehicle helped to sustain the Foundry sales to an extent.

d. The Foundry segment of the Company was able to show a marginal growth in its sales due to the shift in the product mix from tractor castings to automobile castings.

3. OPPORTUNITIES AND THREATS:

Opportunities for Pig Iron:

With the infrastructural development continuing at brisk pace, the demand for iron and steel is expected to go up. Production of pig iron from primary units therefore is expected to be minimal enabling the pig iron manufacturers to produce and sell at their peak capacities.

Opportunities for Foundry:

a. The steady growth in MUV will improve the casting demand for the Foundry.

b. The auto industry is planning introduction of new vehicles which will open new opportunities for the Foundry, producing environmental friendly products.

c. The revival of the commercial vehicle industry will show positive signs in the buying of castings from jobbing foundries.

d. The steady growth projected by the LCV industry is likely to result in the manufacturers opting for additional sources for the major castings like Cylinder Blocks and Cylinder Heads.

e. The International auto majors are eyeing India as a manufacturing and global sourcing hub. This will enhance the demand for castings in the coming years. This would also open doors for direct exports.

Threats for Pig Iron:

a. Increase in coke prices and erratic market demand may result in dropping of Pig Iron prices leading to reduced profitability.

b. The increased price of Pig Iron due to steep hike in Coke prices has forced few small foundries to close which has resulted in lesser demand for Pig Iron.

c. Increase in capacity as is being planned by few competing manufacturers, may result in reduced price realisation.

Threats for Foundry:

a. The maximum demand in the country for graded castings continues to come from the tractor industry. Even, with the broad basing of the products and reducing the dependence on the tractor industry, the Foundry still depends heavily on the tractor industry, which is not expected to grow in numbers in the forth-coming year.

b. Entry of new competitor may possibly affect the selling price for the Foundry products.

c. The passenger car new models are shifting to Aluminium engines from cast iron engines. This will have an impact on the demand of Grey Iron Cylinder Blocks and Cylinder Heads.

d. The prices of input material like Coke, Pig Iron, Steel Scrap, and Foundry resins have been going up and are projected to inflate further in the next year. With the current industry situation, the input cost increase would have adverse impact on the Foundry costs.

4. PRODUCTWISE PERFORMANCE:

The Company's products are mainly Pig Iron and Castings. The Item-wise performance during the year is:

	M. T.	Amount (Rs. In lacs)
PIG IRON	240710	17555
FOUNDRY PRODUCTS	17931	5472
OTHERS		721

5. OUTLOOK:

FOR PIG IRON:

Prices of Imported Coke, which is a major raw material for Pig Iron has gone up substantially. Pig Iron prices have not picked up to the same extent. The closure of many small foundries is likely to intensify further, resulting in drop in pig iron consumption. This is likely to result in erosion in the value addition in Pig Iron business.

FOR FOUNDRY:

a. The actions of changing the product mix from tractor to automobile components and broad basing the customer will ensure a growth in the Foundry sales, in-spite of decline in the tractor industry.

b. The items which were under development will add to the order board which will help the Foundry to register further growth in the next year.

c. The Foundry will continue to further work on various machining projects with customers for adding value to the castings.

d. A major focus on export market development has been taken up for improving the capacity utilisation and to reduce the dependence on the erratic domestic market.

6. RISKS AND CONCERNS:

a) Coke is a major imported raw material required in the manufacture of products of the Company. As such any rise in the price of coke in the international market will affect the profitability of the Company.

b) Coke payments are made in US dollars. Any fluctuation in Rupee Dollar relation has an effect on the material cost. However, the Company minimizes the Exchange fluctuation risk by taking appropriate cover through forward cover contracts with the Banks.

7. 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 disposition 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.

8. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

Financial Review:

The financial statements have been prepared in accordance with requirement of the Companies Act 1956, as per Generally Accepted Accounting Principles and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

Sales:

The year under review, witnessed substantial growth in Company level sales by 11%. This growth was achieved due to the pro-active and strategic actions taken by the Company to increase the foundry business in Automotive Sector, to compensate the volume loss arising from the continued recession in Tractor Industry (20% negative growth). The demand and realization for pig iron product continued to show positive trend throughout the year.

Raw materials and Stores consumed:

The efforts taken in the year 2001-02 in respect of continuous cost reduction drive, started yielding the results in the year under review. Further, value engineering efforts undertaken during the year, further contributed to the reduced cost on raw-material consumption. Company achieved a reduction of 3% on material cost to sales as compared to that of previous year.

Employee Related Expenses:

Your company entered into wage agreement with the labour union. The agreement is for a period of three and half years with effect from 1st August, 2001. The Employee Related Expenses to sales ratio is at 4.4% level.

Operational and Establishment Expenses:

Operational and establishment expenses to sales ratio has registered a drop of 4% over the previous years. This was achieved through the continued efforts in respect of:

a) Reduced cost on power and fuel using blast furnace gas through increased utilization factor.

b) Reduction in interest effected through financials restructure/negotiations with the financial institutions.

c) Effective control measures taken on current assets has resulted in higher liquidity of current assets. This helped in the reduction of working capital interest.

Profit before depreciation, interest and tax : (PBDIT)

PBDIT increased from Rs. 2430.54 lakhs in the previous year to Rs. 3379.33 lakhs during the year under review . PBDIT improved by 39% due to effective cost control measures and quality control measures implemented by the Company.

Financial Condition:

Share Capital:

Equity Share Capital:

There is no change in the Equity Share Capital during year under review.

Preference Share Capital:

Your company has allotted 12% Cumulative Redeemable Preference Shares (CRPS) aggregating to Rs.606.00 lakhs to a Financial Institution during the year.

Loan Funds:

During the year under review secured loans were reduced by Rs.2445.91 lakhs through payments/settlement arrived with the financial institutions. Further, interest dues of financial institutions amounting to Rs. 606 lakhs were converted into 12% Cumulative Redeemable Preference Shares. Effective utilization of current assets have resulted in higher liquidity which in turn helped your company to manage the working capital in a better way.

Fixed Assets:

Addition to fixed assets block during the year under review was Rs.110 lakhs as against Rs.140 lakhs during the previous year. The major additions to the asset has been towards the purchase of Plant & Machinery amounting to Rs.82 lakhs for augmentation of manufacturing facilities and Rs.13 lakhs towards purchase of freehold land for business purposes.

Current Assets, Loans and Advances:

a) **Inventories**:

During the year under review, Inventories reduced by Rs.673 lakhs with respect to the previous year through improved inventory control management.

b) **Sundry Debtors**:

During the year under review, Sundry Debtors reduced by Rs.1584 lakhs with respect to the previous year. This was achieved through better planning and Control on Sundry Debtors.

c) **Cash and Bank Balance**:

During the year under review, Cash and Bank balances increased by Rs.500 lakhs with respect to the previous year. They represent year end cash and balances in banks in the current, collections and deposit accounts.

d) Other Current Assets:

Other current assets decreased by Rs.72 lakhs during the year.

e) Loans and Advances:

Loans and advances reduced by Rs.28 lakhs during the year.

f) Current Liabilities:

Current liabilities reduced by Rs.373 lakhs over the preceding year.

g) Deferred Tax Balance:

As per paragraph 33 (on transitional provisions) of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute Chartered Accountants of India, the deferred tax balance accumulated as on 1st April, 2001 has been recognized as deferred tax assets and deferred tax liabilities with corresponding adjustment to the opening balance of profit and loss accounts. The deferred tax balance (Asset) as on 31st March 2003 is Rs. 1,585.35 Lacs.

h) Miscellaneous Expenditure:

Miscellaneous expenditure represents preliminary expenses, share issue expenses and expenses incurred towards the relining of Mini-blast furnace to the extent not written-off. The preliminary expenses and share issue expenses are written off over a period of 10 years. Expenses incurred in connection with the relining of Mini Blast Furnace 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. As at 31st March 2003 the miscellaneous expenses to the extent not written-off or adjusted amounted to Rs. 360.75 Lacs.

9. HUMAN RESOURCES:

Your company considers human resource to be an important valuable asset for the organisation and therefore constantly strives to attract and recruit best talent for the current and future needs. The Company has taken necessary steps to upgrade the standard of present employees by conducting various in-house training programmes and courses. Further measures for the safety of the employees are also adopted through training programmes on safety and mock drills. As on 31st March, 2003 the total number of salaried employees stood at 789. The Employer – Employee Relations were generally cordial throughout the year.

10. CAUTIONARY STATEMENT:

Statements in this management discussions and analysis report contains 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 in the statement. Company's operations may inter-alia affect with supply and demand situations, input prices and the availability, changes in Government regulations, Tax laws and other factors such as industrial relations etc. Company cannot guarantee of the accuracy of assumptions and perceive performance of the Company in future. Therefore, the investors should bear the above in mind.

CERTIFICATE OF THE AUDITORS IN RESPECT OF COMPLIANCE OF CORPORATE GOVERNANCE

To the Members of
Kirloskar Ferrous Industries Ltd.,

We have examined the compliance of conditions of corporate governance by Kirloskar Ferrous Industries Ltd., for the year ended on 31st March 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

We state that in respect of investor grievances received during the year ended 31st March 2003, no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the shareholders / Investors Grievance Committee.

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

For and on behalf of

M/s P.G. Bhagwat
Chartered Accountants

S.B. Pagad
Partner

Place: Pune
Date: 27th June 2003

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 stake holders. 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 2003, there were nine Directors on the Board. Out of these, one is Executive Director, and eight are Non-Executive Directors. The Non-Executive Directors constituted more than half of the total number of Directors.

Seven out of nine 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 the Director	Category	Financial Year 2002-03		Attendance at the Last AGM	No. of Director-ships in other public companies incorporated in India	Committee positions held in other companies	
		Board Meetings held	Board Meetings attended			*C	#M
Mr. Atul C. Kirloskar	Chairman Non Executive	6	5	Yes	6	-	3
Mr. Sanjay C. Kirloskar	Independent Non Executive	6	6	Yes	8	-	3
Mr. R. V. Gumaste	Executive	5	5	Yes	-	-	-
Mr. A.R. Jamenis	Independent Non Executive	6	6	Yes	1	-	-
Mr. S.N. Inamdar	Independent Non Executive	6	4	No	10	2	4
Mr. D.K. Dixit	Independent Non Executive	6	6	Yes	-	-	-
Mr. C.V. Tikekar	Independent Non Executive	6	6	Yes	-	-	-
Mr. K.D. Hodavdekar (IDBI Nominee)	Independent Non Executive	2	2	Not Applicable	-	-	-
Mr. G. A. Tadas (IDBI Nominee)	Independent Non Executive	4	4	Yes	1	-	-
Mr. S. K. Singhai (IFCI Nominee)	Independent Non Executive	2	2	Not Applicable	2	-	2
Mr. Mujib Mundewadi (ICICI Nominee)	Independent Non Executive	2	1	Not Applicable	2	-	1

* C : Chairman # M : Member

Notes:

1. Mr. R. V. Gumaste was appointed as Whole Time Director w. e. f. 25th July 2002.
2. Mr. K. D. Hodavdekar has ceased to be the nominee Director of IDBI on the Board w. e. f. 13th September 2002.
3. Mr. G. A. Tadas was nominated by IDBI as a Director w. e. f. 13thSeptember 2002 on the Board in place of Mr. K. D. Hodavdekar.
4. Mr. Mujib Mundewadi was nominated by ICICI Bank Ltd w. e. f. 10th December 2002.
5. Mr. S. K. Singhai was nominated by IFCI as the Director w. e. f. 28th January 2003.
6. Mr. A. R. Jamenis relinquished the office of the Managing Director w. e. f. 31st January 2003. Thereafter he has continued as Director liable to retire by rotation.
7. Mr. D. K. Dixit resigned as Director from the Board w. e. f. 31st March 2003.

During the year under review, six Board meetings were held on the following dates : 24th June 2002, 25th July 2002, 13th September 2002, 30th October 2002, 28th January 2003 and 27th March, 2003.

3. Audit Committee

During the year under review, three meetings of the committee were held on 24th June 2002, 30th October 2002 and 28th January 2003. The composition of the committee and attendance at its meetings is given below:

Name of the Director	Category	No. of Meetings held	No. of Meetings attended
Mr. S.N. Inamdar (Chairman)	Independent Non Executive	3	3
Mr. Sanjay C. Kirloskar	Independent Non Executive	3	3
Mr. A.R. Jamenis	Independent Non Executive	3	3
Mr. D.K. Dixit * *	Independent Non Executive	3	3
Mr. K.D. Hodavdekar (IDBI Nominee) * * *	Independent Non Executive	1	1
Mr. G. A. Tadas* * * (IDBI Nominee)	Independent Non Executive	2	2

* * * Mr. G. A. Tadas was appointed as member of the Audit Committee on 30th October, 2002 in place of Mr. K. D. Hodavdekar.

* * Mr. D. K. Dixit has ceased to be a member of the Audit Committee w. e. f. 31st March 2003.

The representatives of the Internal Auditors, Statutory Auditors and Jt. 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 following:

a. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
c. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
    i) Any changes in accounting policies and practices.

ii) Major accounting entries based on exercise of judgement by management
iii) Qualifications in draft audit report.
iv) Significant adjustments arising out of audit.
v) The going concern assumption
vi) Compliance with accounting standards.
vii) Compliance with stock exchange and legal requirements concerning financial statements
viii) Any related party transactions i.e transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc, that may have potential conflict with the interests of Company at large.

d. Reviewing with the management, external and internal auditors, the adequacy of internal control systems

e. Reviewing the adequacy of internal audit function, 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.

f. Discussion with internal auditors any significant findings and follow up there on.

g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud, irregularity, or a failure of internal control systems of a material nature and reporting the matter to the Board.

h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

i. Reviewing the company's financial and risk management policies and

j. 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.

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 are the members of this committee. The Board of Directors had fixed the remuneration of the Whole Time 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 11th Annual General Meeting held on 13th September, 2002.

The Non Executive Directors are not paid any remuneration.

A sitting fee of Rs. 1000/- per meeting of the Board and any committee thereof, attended by the Non-Executive Directors is paid to them.

The details of the sitting fees paid to the Non Executive Directors during the year 2002-03 are given below:

Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	9,000
Mr. Sanjay C. Kirloskar	9,000
Mr. A. R. Jamenis	2,000
Mr. S.N. Inamdar	7,000
Mr. D.K. Dixit	10,000
Mr. C.V. Tikekar	10,000
Mr. K.D. Hodavdekar	*3,000
Mr. G. A. Tadas	*6,000
Mr. S. K. Singhai	**2,000
Mr. M. Mundewadi	***1,000

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

Mr. A.R. Jamenis has relinquished the duties as Managing Director of the Company with effect from 31st January, 2003 and continues to be ordinary Director liable to retire by rotation with effect from 1st February, 2003. Details of remuneration, by way of salary and perquisites, paid to the Managing Director for the period 1st April 2002 to 31st January, 2003 are as given below .

Particulars	Amount (Rs.)
Salary	8,54,500
Contribution to PF	1,02,540
Contribution to Superannuation	1,28,175
Perquisites	6,447
Leave encashment	41,301
Gratuity	2,04,466
Total	**13,37,429**

Perquisites include reimbursement of medical expenses, reimbursement of electricity and gas, perquisite value as per Income-tax Rules for furniture at residence and provision of motor car.
Salary = Basic salary only

Mr. A. R. Jamenis as Managing Director was also entitled to the following:

1. Gratuity not exceeding one half month's salary for each completed year of service.
2. 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.

Mr. R. V. Gumaste was appointed as the Whole Time Director of the Company with effect from 25th July, 2002. Details of remuneration by way of salary and perquisites paid to the Whole Time Director for the period 25th July 2002 to 31st March, 2003 are as given below.

Particulars	Amount (Rs.)
Salary	7,76,323
Contribution to PF	59,226
Contribution to Superannuation	65,054
Perquisites	16,096
Total	**9,16,699**

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 Whole Time 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. Ashish M. Boradkar, 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: 5810341, 5815341, extn : 4845
Fax: 5813208,5810209
E-mail: ashb@koel.co.in

During the year, 80 complaints were received from the shareholders all of which have been resolved.

The Company had no share transfer requests pending as on 31 March 2003.

6. General Body Meetings

Location and time of last three Annual General Meetings:

AGM for the Financial Year	Date	Time	Venue
1999-2000	27th September, 2000	10.00 a.m.	Registered Office of the Company 13, Laxmanrao Kirloskar Road, Khadki, Pune 411 003
2000-2001	25th September, 2001	11.00 a.m.	
2001-2002	13th September, 2002	11.00 a.m.	

The Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 were notified on 10th May 2001. None of the Special Resolutions proposed at the Annual General Meeting held thereafter i.e. on 25th September 2001, 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 8 of Schedule 20 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	:	20th September, 2003 at 11.00 A.M.
Venue	:	Registered office of the Company at: Laxmanrao Kirloskar Road Khadki, Pune 411 003
Financial Calendar	:	1st April 2002 to 31st March 2003 During the year under review, the results were announced as under First Quarter 25th July, 2002 Second Quarter 30th October, 2002 Third Quarter 28th January, 2003 Annual 27th June, 2003
Date of Book Closure	:	15th September, 2003 to 20th September, 2003 (both days inclusive)
Dividend payment date	:	No dividend is being recommended
Listing on stock exchanges and Stock-Code	:	The Pune Stock Exchange Ltd. KIRFE 13525 The Stock Exchange, Mumbai 245 The Delhi Stock Exchange Association Ltd. 111108

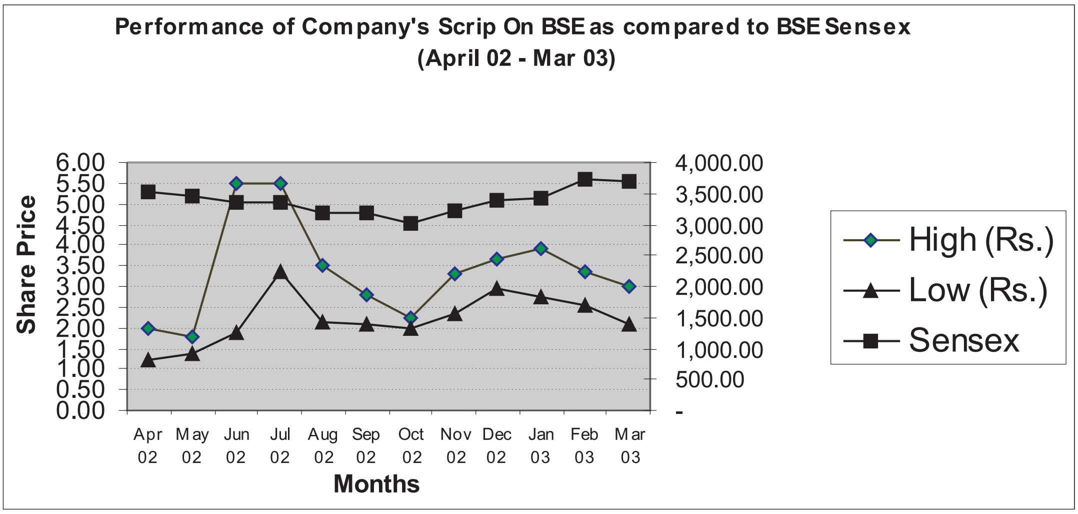
The ISIN Number of Kirloskar Ferrous Industries Limited (or demat number) on both NSDL and CDSL is INE 884B01017.

Market Price Data

Monthly high/low during the year 2002-03 on the Stock Exchange, Mumbai.

Month	High (Rs.)	Low (Rs.)
April 2002	2.00	1.20
May 2002	1.80	1.35
June 2002	5.50	1.90
July 2002	5.50	3.35
August 2002	3.50	2.15
September 2002	2.80	2.15
October 2002	2.25	2.00
November 2002	3.30	2.35
December 2002	3.65	2.95
January 2003	3.90	2.75
February 2003	3.35	2.55
March 2003	3.00	2.10

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



Registrar & Transfer Agent :

SEBI vide its circular D&CC/FITTC/CIR-15/2002 dated 27 December 2002 had instructed that all the work relating to share registry in terms of both physical and electronic (demat) should be maintained at a single point i.e. either in-house by the Company or by a SEBI registered Registrar & Transfer Agent. The Company was required to take necessary action in this regard on or before 31st March 2003.

Accordingly, the Company transferred the entire work relating to processing of transfer of shares to an outside agency i.e. Intime Spectrum Registry Limited being a SEBI Registered R & T Agent instead of setting up an in-house share transfer registry.

Intime Spectrum Registry Limited,	
Head Office	C–13, Pannalal silk Mills Compound, L.B.S. Marg, Bhandup, Mumbai 400078 Telephone No. : (022) 25923837 Fax No. (022) 25672693 Email ID : isrl@intimespectrum.com
Pune Office	102, Shree Vidyanand, Dr. Ketkar Path, Erandawane, Near Karnataka High School, Pune 411004 Telephone No. : (020) 5458397/98 Email 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, registered within 30 days of receipt of the documents valid in all respects. After such processing, the option of simultaneous dematerialisation of shares is provided to the shareholder who holds upto 500 shares and despatch share certificate to all other shareholders within 30 days of receipt of certificate for transfer. Shares under objection are returned within a week's time. The transfer applications are approved periodically.

Distribution of Shareholding (as on 31st March 2003)

Range of shares		Share holders		Shares	
From	To	Number	% To Total	Number	% To total
1	5000	103,336	94.84	15,045,494	20.84
5001	10000	3,394	3.12	2,742,851	3.80
10001	20000	1,014	0.93	1,590,700	2.20
20001	30000	569	0.52	1,455,686	2.02
30001	40000	139	0.13	497,551	0.68
40001	50000	184	0.17	881,806	1.22
50001	100000	176	0.16	1,333,715	1.84
100001 and above		145	0.13	48,642,997	67.36
In Transit				31,600	0.04
TOTAL		108,957	100.00	72,222,400	100.00

Shareholding Pattern (as on 31st March 2003)

Category	No. of shares	%
Promoter Company	2,70,00,000	37.38
Financial Institutions	59,12,133	8.19
Nationalised Banks	2,000	0.00
Non Resident Indians	18,79,400	2.60
Mutual Funds	47,800	0.07
FII	79,500	0.11
Domestic Companies	1,04,26,677	14.44
General Public	2,68,43,290	37.17
In Transit	31,600	0.04
	7,22,22,400	100.00

Dematerialisation of shares:

As on 31st March 2003, 58.45 % 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.
The Company had privately placed Optionally Fully Convertible Debentures (OFCDs) aggregating to Rs. 3.08 Crores with various financial institutions. The entire amount has been paid off as per the settlement arrived with Financial Institutions during the year under review.

Nominations in respect of shares held in Physical form :

The Companies Act, 1956 now 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 registered 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.

Under regulation 3 (1) (e) (i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997, Kirloskar Oil Engines Ltd, Pooja Credits Pvt. Ltd, Achyut and Neeta Holdings and Finance Pvt. Ltd, Prakar Investments Pvt. Ltd., Navsai Investments Pvt. Ltd., Kirloskar Pneumatic Co. Ltd. and Alpak Investments Pvt. Ltd., be treated as inter-se.

Plant Location:

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

Address For Correspondence:

Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki,
Pune 411 003

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 Auditors Report.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** as at **31st March 2003** and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   A] We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

   B] In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.

   C] The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.

   D] In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards specified by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   E] Based on the representations made by all the Directors of the Company as on 31st March 2003 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima facie, have any disqualification as referred to in clause (g) of sub-section (1) of Section 274 of the Act.

   F] In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:

      i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
      ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

For M/s P.G. BHAGWAT
Chartered Accountants

PUNE
Date : 27th June 2003

S.B. PAGAD
Partner

ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph 1 of our report of even date]

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals. As informed to us, no serious discrepancies were noticed on such verification.

2. None of the fixed assets have been revalued during the year.

3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on verification between the physical stocks and the book records were not material.

6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.

7. The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained as per section 301 of the Companies Act, 1956. As informed to us, there is no company under the same management, as defined under sub-section (1-B) of section 370 of the Companies Act, 1956.

8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As informed to us, there is no company under the same management, as defined under sub-section (1-B) of section 370 of the Companies Act, 1956.

9. In respect of Loans and advances in the nature of loans given by the Company, the parties have been repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials, plant and machinery, equipment and other assets and for the sale of goods.

11. In our opinion and according to the information and explanations give to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50, 000 or more, in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

13. The Company has not accepted deposits from public.

14. The Company has maintained reasonable records for the sale and disposal of realizable by-products and scrap.

15. In our opinion the Company has as internal audit system commensurate with the size and nature of its business.

16. We have broadly reviewed the Books of Account 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 are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.

17. According to the records of the Company, Provident Fund dues have generally been regularly deposited during the year with the appropriate authorities. As explained to us, the Employees State Insurance Act is not applicable to the Company.

18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty which remained outstanding as at the date of Balance Sheet for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.

20. The Company is not a sick company within the meaning of clause (0) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For M/s P.G. BHAGWAT
Chartered Accountants

PUNE
Date : 27th June 2003

S.B. PAGAD
Partner

BALANCE SHEET AS AT 31ST MARCH, 2003

	SCHEDULE	Rs.	As at 31st March, 2003 Rs.	*As at 31st March, 2002 Rs.*
I. SOURCES OF FUNDS :				
1. SHAREHOLDERS' FUNDS :				
(a) Capital	1	1,769,086,530		*1,708,486,530*
(b) Reserves and Surplus		—		—
			1,769,086,530	*1,708,486,530*
2 LOAN FUNDS :				
(a) Secured Loans	2	1,256,275,568		*1,592,286,097*
(b) Unsecured Loans	3	6,000,000		*30,000,000*
			1,262,275,568	*1,622,286,097*
Total			3,031,362,098	*3,330,772,627*
II. APPLICATION OF FUNDS :				
1. FIXED ASSETS :	4			
(a) Gross Block		2,378,546,356		*2,369,500,494*
(b) Less: Depreciation		886,323,387		*768,630,068*
(c) Net Block			1,492,222,969	*1,600,870,426*
2. INVESTMENTS	5		—	*500,000*
3. CURRENT ASSETS, LOANS AND ADVANCES:				
(a) Inventories	6	258,409,569		*325,718,665*
(b) Sundry Debtors	7	298,472,038		*456,890,072*
(c) Cash & Bank Balances	8	125,806,029		*75,768,875*
(d) Other Current Assets	9	8,844,201		*16,046,698*
(e) Loans & Advances	10	210,704,421		*213,512,176*
		902,236,258		*1,087,936,486*
Less : Current Liabilities and Provisions				
Current Liabilities	11	697,677,283		*737,242,101*
Provisions		7,531,024		*5,240,194*
		705,208,307		*742,482,295*
Net current assets			197,027,951	*345,454,191*
4 Deferred Tax Balance (See Note 9)				
Deferred Tax Asset		609,740,500		—
Deferred Tax Liability		(451,205,265)		*(40,779,075)*
			158,535,235	*(40,779,075)*
5 MISCELLANEOUS EXPENDITURE				
(to the extent not written off or adjusted)	12		36,075,300	*43,701,295*
Profit & Loss Account	13		1,147,500,643	*1,381,025,790*
Total			3,031,362,098	*3,330,772,627*
Notes forming part of the accounts	20			

As per our report of even date attached

For M/s P. G. Bhagwat
Chartered Accountants

S. B. PAGAD
Partner

Pune : 27th June, 2003

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Executive Director

C. S. PANICKER
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	SCHEDULE	For the year ended 31st March, 2003 Rs.	*For the year ended 31st March, 2002 Rs.*
INCOME			
Sales	14	2,511,373,487	*2,267,129,929*
Other income	15	8,318,266	*7,355,600*
		2,519,691,753	*2,274,485,529*
EXPENDITURE			
Raw Materials & Stores Consumed	16	1,738,618,243	*1,632,415,739*
Employees Remuneration & Benefits	17	108,849,204	*96,049,611*
Operational and Establishment Expenses	18	503,858,944	*548,130,820*
Depreciation and Amortisation	19	134,005,443	*133,621,213*
		2,485,331,834	*2,410,217,383*
Profit/(Loss) for the year		34,359,919	*(135,731,854)*
Adjustments relating to earlier years (Net)		73,528	*(658,606)*
Profit/(Loss) before tax		34,286,391	*(135,073,248)*
Provision for Taxation:			
Deferred Tax		(4,507,947)	*(40,779,075)*
Wealth Tax for the year		(75,554)	*(72,758)*
Profit/(Loss) after tax		29,702,890	*(175,925,081)*
Earnings Per Share:			
Basic & Diluted Earnings Per Share		(0.18)	*(2.63)*
Notes forming part of the accounts	20		

As per our report of even date attached

For M/s P. G. Bhagwat
Chartered Accountants

S. B. PAGAD
Partner

Pune : 27th June, 2003

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Executive Director

C. S. PANICKER
Company Secretary

Schedule Nos. 1 to 13 annexed to and forming part of the Balance Sheet as at 31st March, 2003

	Rs.	As at 31st March, 2003 Rs.	*As at 31st March, 2002 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*
32466,253 (26,406,253)12% Cumulative Redeemable Preference Shares of Rs.10 each (Redeemable at par from 31-03-2008 and ending on 31-03-2011)		324,662,530	*264,062,530*
72,220,000 *(72,220,000)* 1% Cumulative Redeemable Preference Shares of Rs. 10 each Redeemable at par as under :			
a) 45,000,000 *(45,000,000)* (Redeemable at par after a period of 3 years from allotment but not later than 10 years from the date of allotment 10-03-1998. Dividend rate reduced from 12% to 1% w.e.f. 01.01.2001)		450,000,000	*450,000,000*
b) 23,420,000 *(23,420,000)* (Redeemable at par on 31.03.2011)		234,200,000	*234,200,000*
c) 3,800,000 (3,800,000) (Redeemable at par on 08.11.2011)		38,000,000	*38,000,000*
		1,769,086,530	*1,708,486,530*
SCHEDULE 2			
SECURED LOANS			
Debentures (See Note - 6a)			
4,000,000*(4,260,000)* 17% Privately placed Secured Redeemable Non Convertible Debentures of Rs.100/- each	400,000,000		*426,000,000*
(Redeemable in twenty eight quarterly equal instalments of Rs.14.214 million each commencing from April 1, 2004 and ending in January 1, 2011)			
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 April 15, 2003 and ending in April 15, 2008)	90,000,000		*90,000,000*
	490,000,000		*516,000,000*
Less:Subscription in Arrears	3,500,000		*3,500,000*
	486,500,000		*512,500,000*
Nil *(308,031)* 16.5% Privately placed Secured Redeemable Optionally Fully Convertible Debentures of Rs. 100 each	—		*30,803,100*
Term Loans from Financial Institutions (See Note - 6b)	708,106,154		*803,317,091*
Interest Accrued and due on above loans	16,234		*92,593,681*
		1,194,622,388	*1,439,213,872*
Cash Credit from Banks (See Note - 6c)		61,653,180	*153,072,225*
		1,256,275,568	*1,592,286,097*

	Rs.	As at 31st March, 2003 Rs.	*As at 31st March, 2002 Rs.*

SCHEDULE 3

UNSECURED LOANS

	Rs.	As at 31st March, 2003 Rs.	*As at 31st March, 2002 Rs.*
Term Loans from Banks		6,000,000	*30,000,000*
		6,000,000	*30,000,000*

SCHEDULE 4

FIXED ASSETS

	LEASEHOLD LAND Rs.	FREEHOLD LAND Rs.	BUILDINGS Rs.	PLANT & MACHINERY (INCLUDING (COMP.& ELEC.) Rs.	FURNITURE & FIXTURES Rs.	VEHICLES Rs.	AS AT 31ST MARCH, 2003 Rs.	*AS AT 31ST MARCH, 2002 Rs.*
Gross Block :								
As at 1st April 2002	15,618,601	3,986,376	506,865,626	1,828,006,430	11,579,188	3,444,273	2,369,500,494	*2,357,102,217*
Additions during the year	—	1,286,777	779,886	8,191,465	86,740	610,699	10,955,567	*13,961,470*
Deductions and adjustments	—	—	—	1,884,960	—	24,745	1,909,705	*1,563,193*
As at 31st March 2003	15,618,601	5,273,153	507,645,512	1,834,312,935	11,665,928	4,030,227	2,378,546,356	*2,369,500,494*
Depreciation :								
Upto 31st March 2002	—	—	102,445,236	658,113,435	6,839,940	1,231,457	768,630,068	*651,023,180*
For the year 2002-2003	—	—	15,539,292	102,122,141	590,335	353,802	118,605,570	*118,438,447*
Deductions and adjustments	—	—	—	895,733	—	16,518	912,251	*831,559*
Upto 31st March 2003	—	—	117,984,528	759,339,843	7,430,275	1,568,741	886,323,387	*768,630,068*
Net Block :								
As at 31st March 2003	15,618,601	5,273,153	389,660,984	1,074,973,092	4,235,653	2,461,486	1,492,222,969	*1,600,870,426*
As at 31st March 2002	*15,618,601*	*3,986,376*	*404,420,390*	*1,169,892,995*	*4,739,248*	*2,212,816*	*1,600,870,426*	

SCHEDULE 5

INVESTMENTS

	As at 31st March, 2003 Rs.	*As at 31st March, 2002 Rs.*
(Non-trade - Unquoted)		
Government Securities - Indira Vikas Patra	—	*500,000*
	—	*500,000*

		As at 31st March, 2003 Rs.	*As at 31st March, 2002 Rs.*

SCHEDULE 6

INVENTORIES

(As certified by the Executive Director)

(i) Stores, Spares & Consumables		84,036,685	*80,900,762*
(ii) Stock of Patterns		59,283,583	*54,475,252*
(iii) Stock in trade			
Raw material including self generated scrap		82,925,454	*139,362,336*
Non Reusable Waste		—	*2,903,291*
Finished Goods		14,327,944	*12,123,502*
(iv) Work in Process		17,835,903	*35,953,522*
		258,409,569	*325,718,665*

SCHEDULE 7

SUNDRY DEBTORS

(Unsecured considered good)

(a) Debts outstanding for a period exceeding six months	26,086,859		*20,129,105*
Less : Provision for doubtful debts	14,848,725		*—*
		11,238,134	*20,129,105*
(b) Others : Good		287,233,904	*436,760,967*
		298,472,038	*456,890,072*

SCHEDULE 8

CASH AND BANK BALANCES

Cash and stamps on hand		254,818	*220,880*
Remittances in transit		191,000	*12,146,000*
Bank Balances with scheduled banks:			
In Current Account		102,343,757	*45,743,995*
In Margin Deposit		22,819,000	*17,478,000*
In Fixed Deposit		197,454	*180,000*
		125,806,029	*75,768,875*

SCHEDULE 9

OTHER CURRENT ASSETS

Interest accrued on investments and deposits		322,097	*714,270*
Claims Receivable	13,022,104		
Less : Provision for doubtful debts	4,500,000		
		8,522,104	*15,332,428*
		8,844,201	*16,046,698*

	Rs.	As at 31st March, 2003 Rs.	*As at 31st March, 2002 Rs.*

SCHEDULE 10

LOANS AND ADVANCES
(Unsecured considered good)

Advances recoverable in cash or in kind or for value to be received		8,842,746	*9,453,928*
Advance against capital expenditure		87,750	*87,750*
Prepaid Expenses		179,546,728	*178,521,485*
Sundry Deposits		14,838,938	*21,732,537*
Balance and deposit with Central Excise & Customs		6,256,007	*2,969,246*
Advance Income tax and Tax deducted at Source		1,132,252	*747,230*
		210,704,421	*213,512,176*

SCHEDULE 11

CURRENT LIABILITIES

Sundry Creditors:			
Amount due to SSI Units	7,290,147		*10,406,387*
Other than SSI Units	590,179,630		*632,014,108*
		597,469,777	*642,420,495*
Earnest Money Deposit Received		18,000	*70,000*
Interest Accrued but not due on loans (secured & unsecured)		27,277,806	*35,921,916*
Advance from customers		72,911,700	*58,829,690*
		697,677,283	*737,242,101*
PROVISION:			
For Wealth Tax		75,554	*72,758*
For Leave encashment		7,455,470	*5,167,436*
		7,531,024	*5,240,194*

SCHEDULE 12

MISCELLANEOUS EXPENDITURE
(to the extent not written off or adjusted)

Preliminary Expenses		19,714	39,427
Share Issue Expenses		1,901,078	3,802,156
Deferred Revenue Expenses			
(i) Relining Expenses of Mini Blast Furnace		34,154,508	39,859,712
		36,075,300	43,701,295

SCHEDULE 13

PROFIT & LOSS ACCOUNT

Balance as on 01.04.2002		1,381,025,790	*1,205,100,709*
(Less) : (i) Adjustment on account of Deferred Tax of Transitional period (See note 9)		(203,822,257)	—
(ii) (Profit) / Loss for the year		(29,702,890)	*175,925,081*
Balance carried to Balance Sheet		1,147,500,643	*1,381,025,790*

Schedule Nos. 13 to 19 annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2003

	For the year ended 31st March, 2003 Rs.	*For the year ended 31st March, 2002 Rs.*
SCHEDULE 14		
SALES AND OPERATING INCOME		
Sales (Gross including Excise Duty)	2,758,993,079	*2,476,051,547*
Less : Excise Duty	384,179,803	*354,332,523*
Sales (Net)	2,374,813,276	*2,121,719,024*
Sale of waste, by-products and scrap	136,560,211	*145,410,905*
	2,511,373,487	*2,267,129,929*

SCHEDULE 15		
OTHER INCOME		
Interest on deposits [(T.D.S. Rs. 304,934) *(Rs. 218,162)]*	1,743,105	*1,275,038*
Rent on Building	6,000,000	*6,000,000*
Profit on sale of Assets	12,352	*3,385*
Miscellaneous Income	562,809	*77,177*
	8,318,266	*7,355,600*

SCHEDULE 16

RAW MATERIALS & STORES CONSUMED

	Rs.	For the year ended 31st March, 2003 Rs.	*For the year ended 31st March, 2002 Rs.*
(a) Raw materials consumed :			
Stocks at commencement	139,362,336		*164,348,936*
Add: Purchases	1,497,775,491		*1,395,030,913*
	1,637,137,827		*1,559,379,849*
Less: Stocks at close	82,925,454		*139,362,336*
		1,554,212,373	*1,420,017,513*
(b) Stores and Spares consumed		165,589,402	*163,163,497*
(c) Decrease/(Increase)in stocks			
Stock at close			
Work in process	17,835,903		*35,953,522*
Finished Goods	14,327,944		*12,123,502*
Non Reusable Waste	—		*2,903,291*
	32,163,847		*50,980,315*
Less: Stocks at commencement			
Work in process	35,953,522		*74,093,045*
Finished Goods	12,123,502		*19,313,709*
Non Reusable Waste	2,903,291		*6,808,290*
	50,980,315		*100,215,044*
		18,816,468	*49,234,729*
		1,738,618,243	*1,632,415,739*

SCHEDULE 17

EMPLOYEES REMUNERATION AND BENEFITS

Salaries, Wages & Other Benefits	94,712,740	*82,720,465*
Contribution to Provident & Superannuation Funds	6,701,773	*5,412,883*
Employees' Welfare Expenses	7,434,691	*7,916,263*
	108,849,204	*96,049,611*

SCHEDULE 18	Rs.	For the year ended 31st March, 2003 Rs.	*For the year ended 31st March, 2002 Rs.*
OPERATIONAL AND ESTABLISHMENT EXPENSES			
Power & Fuel		112,319,223	*122,893,386*
Insurance		3,403,476	*3,322,881*
Machinery Hire		1,560,380	*1,403,809*
Lease rent		34,669,953	*40,058,646*
Repairs & Maintenance			
- Building		1,818,309	*2,364,135*
- Machinery		8,085,098	*10,643,010*
- Others		3,337,272	*874,396*
Labour Charges		35,190,055	*35,654,536*
Rent		457,681	*763,355*
Rates and Taxes		39,151,643	*22,816,854*
Travelling Expenses		4,542,093	*4,761,563*
Administrative Expenses		33,229,255	*13,631,582*
Bank Commission		3,724,144	*9,682,717*
Selling Expenses		31,933,620	*34,059,710*
Provision for doubtful debts and Advances & Deposits		19,348,725	*236,330*
Bad Debts & Doubtful Advances & Deposits		376,599	—
Directors Sitting Fees		59,000	*56,000*
Donations		15,000	*15,040*
Loss on sale on assets		994,955	*386,497*
Interest			
- On Fixed Loans	145,277,917		*198,861,121*
- On Others	24,364,546		*45,645,252*
		169,642,463	*244,506,373*
		503,858,944	*548,130,820*

SCHEDULE 19

DEPRECIATION AND AMORTISATION

Depreciation	118,605,570	*118,438,447*
Preliminary Expenses written off	19,714	*19,714*
Share Issue Expenses written off	1,901,078	*1,901,078*
Deferred Revenue Expenses written off	13,479,081	*13,261,974*
	134,005,443	*133,621,213*

SCHEDULE 20

NOTES FORMING PART OF THE ACCOUNTS :

1. Statement of significant Accounting Policies :

a. **Method of Accounting**

The financial statements are prepared under the historical cost convention and on the basis of going concern concept. The company follow mercantile system of accounting and recognizes income and expenditure on accrual basis.

b. **Fixed Assets**

Fixed Assets are stated at their original cost of acquisition including respective taxes, duties, freight and other incidental expenses related to acquisition and installation of the respective assets. Technical know-how fees, interest on borrowed funds attributable to acquisition/construction of fixed assets and expenses related to the project, net of sales of trial production, are also capitalised where appropriate. Modvat availed has been deducted from the cost of respective assets.

c. **Depreciation**

Depreciation on fixed assets is being provided on straight line basis in the manner and at the rate specified in schedule XIV to the Companies Act 1956.

d. **Inventories**

The basis of valuation of inventories is as under:

i) Raw Materials, Stores & Spares at lower of cost and net realisable value. Rates are determined on First in First out basis.

ii) Work in process and Finished goods other than by-product at lower of cost and net realisable value. Cost is arrived at by absorption cost method.

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

e. **Borrowing Cost**

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

Amount of borrowing costs capitalized during the year – Nil.

f. **Foreign Currency Transactions**

Foreign Currency transactions are accounted at exchange rates on the date transactions take place. Premium on forward cover contracts in respect of import of raw materials is charged to Profit & Loss account over the period of contract. Amounts payable and receivable in foreign currency as at the Balance Sheet date not covered by forward contracts are reinstated at the applicable exchange rates prevailing on that date. All exchange differences arising on revenue transactions, not covered by forward contracts, are charged to Profit & Loss account.

g. **Excise Duty**

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

h. **Lease**

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:

i) 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.

i. **Employee Retirement Benefits**

i) Contribution to Provident Fund and Superannuation Fund is made at pre-determined rate to the Provident Fund Commissioner/Profident Fund Trust and Life Insurance Corporation of India respectively and charged to the Profit and Loss account.

ii) Encashment of leave is accounted for on arithmetical valuation based on the assumption that such benefits are payable to all employees at the end of the financial year.

iii) 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.

j. **Miscellaneous Expenditure**

Miscellaneous Expenditure (to the extent not written off or adjusted) is written off as follows:

i) Preliminary expenses over a period of 10 years.

ii) Share issue expenses over a period of 10 years.

iii) Expenses incurred in connection with relining of Mini Blast Furnace 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.

2. Contingent Liabilities not provided for:

i) Demands raised by Central Excise authorities disputed by the Company – Rs. 4,333,238 *(Previous year – Rs. 12,701,303)*

ii) Arrears of fixed cumulative dividend on Cumulative Preference Shares of Rs.10/- each Rs. 202,624,804 *(Previous Year Rs. 155,839,944)*

3. The amount of future obligations towards lease rent in respect of assets taken on finance lease is Rs. 203,357,115 (*Previous year Rs. 238,401,255).*

4. Aggregate value of letters of credit (secured by hypothecation of the Company's inventories, and book debts and further secured by second charge on the immovable properties of the Company situated at Village Bevinahalli) outstanding as on 31st March, 2003 is Rs. 187,176,127 *(Previous Year – Rs. 161,684,673).*

5. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 1,636,681 *(Previous Year Rs. 895,084).*

6. **Security:**

a) 4,900,000 *(5,160,000)* Privately Placed Secured Redeemable Non Convertible Debentures of Rs. 100/- each are secured by hypothecation of the movable properties of the Company situated at Village Bevinahalli including the Company's movables (save and except book debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charges created and/or to be created in favour of Company's bankers on raw materials, semi finished goods and finished goods, consumable stores and such other movables for working capital facilities and further are secured by mortgage of immovable property.

b) The Term loans from Financial Institutions (except aggregating to Rs. 237,863,418 *(Rs. 231,574,500)*) are secured by mortgage of the immovable. They are further secured by hypothecation of the movable properties of the Company situated at Village Bevinahalli including the Company's movables (save and except book debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charges created and/or to be created in favour of Company's bankers on raw materials, semi finished goods and finished goods, consumable stores and such other movables as may be agreed by the lead institution, for working capital facilities.

c) The working capital facilities with Consortium Banks (fund based and non-fund based) are secured by hypothecation of inventories and book debts and further secured by a second charge on the immovable properties of the Company situated at Village Bevinahalli.

7. **Segment Information :**
The Company operates in one segment namely Iron Castings.

8. **Related Party Disclosures :**

a) Controlling Company :
Kirloskar Oil Engines Ltd

b) Key Management Personnel :
Mr. A. R. Jamenis – Managing Director (upto January 31, 2003)
Mr. R. V. Gumaste – Executive Director (from July 25, 2002)

c) Transactions with related parties :

	Particulars	Controlling Company (Rs) 2002-03	Controlling Company (Rs) 2001-02	Key Management Personnel (Rs.) 2002-03	Key Management Personnel (Rs.) 2001-02
i)	Sale of finished goods	126,620,552	122,075,771	—	—
ii)	Purchase of Material & Components	454,857,191	305,834,283	—	—
iii)	Lease Rentals	35,044,140	35,318,627	—	—
iv)	Other Services	5,323,170	4,148,455	—	
v)	Capital contribution –				
	- Equity	—	50,000,000	—	—
	- Preference	—	38,000,000	—	—
vi)	Remuneration			2,254,128	1,306,472
	Outstanding as on 31st March 2003				
	(a) Outstanding Receivables	27,891,546	26,026,305	—	—
	(b) Outstanding Payables	217,278,902	188,739,038	—	—

9. Deferred Tax:

As per paragraph 33 (on transitional provisions) of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute Chartered Accountants of India, the deferred tax balance accumulated as on 1st April 2001 has been recognized as deferred tax assets and deferred tax liabilities with corresponding adjustment to the opening balance of profit and loss accounts as per details below :

Deferred Tax Assets on account of Timing Difference :		**Amount (Rs.)**
a) Unabsorbed Depreciation as per Income Tax Act		532,443,305
b) On account of disallowance of 43B of Income Tax		111,335,125
	Total Asset	**643,778,430**
Deferred Tax Liabilities on account of Timing Difference :		
Depreciation		375,605,043
Deferred Revenue Expenses		7,268,375
Lease Adjustment Account		57,082,755
	Total Liabilities	**439,956,173**
	Net Adjustment	**203,822,257**

Details of Deferred Tax Account as on 31st March, 2003 is as below:

Particulars		**Amount (Rs.)**
Deferred Tax Assets:		
a) Unabsorbed Depreciation as per Income Tax Act		581,006,539
b) On account of disallowance of 43B of Income Tax		28,733,961
	Total Assets	**609,740,500**
Deferred Tax Liabilities:		
Depreciation		385,464,395
Deferred Revenue expenses		12,252,930
Lease Adjustment account		53,487,940
	Total Liabilities	**451,205,265**
	Net Assets/(Liabilities)	**158,535,235**

10. Payment to Auditors:

		2002-2003 Rs.	*2001-2002* *Rs.*
(a)	As Audit Fees	262,500	*210,000*
(b)	In other capacity		
	- for certification	191,626	*68,750*
	- for Tax Audit	42,000	*42,000*
(c)	For Expenses	23,230	*20,465*
		519,356	*341,215*

11. Interest paid on others Rs. 24,364,546 (Previous year Rs. 45,645,252) is net of Rs. 428,716 (Previous Year Rs. 415,666) being interest received from customers. [Tax deducted at source Rs. 122,315 (Previous Year 102,728)].

12. Interest paid on fixed loans Rs. 145,277,917 is after net of Rs. 17,854,057, in view of the excess provision written back on account of the settlement arrived at with the financial institutions.

13. The Net Gain/(Loss) on account of exchange difference arising on foreign currency transactions is Rs. 3,256,351 (Previous Year – Rs. 6,999,094).

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

		2002-2003 Rs.	*2001-2002* *Rs.*
(a)	C.I.F. value of imports		
	Capital Goods	Nil	*Nil*
	Raw Materials	398,216,722	*360,519,445*
	Stores & Spares	875,346	*2,597,093*
(b)	Expenditure in foreign currencies		
	Interest	3,359,787	*5,809,232*
	Others	1,192,930	*757,328*

15. Earnings in Foreign Exchange

FOB Value Exports	248,108	*8,094*

16. Details of raw material consumption:

(i) Raw Material Consumed:

			2002-2003		*2001-2002*	
		Unit	Qty.	Rs.	*Qty.*	*Rs.*
(a)	Iron Ore Lumps	MT	482,009	223,147,461	*457,608*	*225,576,253*
(b)	Coke	MT	218,097	1,182,678,928	*202,342*	*1,058,989,428*
(c)	M.S. Scrap	MT	8,622	77,281,894	*8,290*	*68,961,745*
(d)	Others		—	71,104,090	—	*66,490,087*
				1,554,212,373		*1,420,017,513*

(ii) Imported and Indigenous Raw Material Consumption:

		2002-2003		*2001-2002*	
		Rs.	Percent	*Rs.*	*Percent*
(a)	Imported	1,182,678,928	76.10	*1,058,989,428*	*74.58*
(b)	Indigenous	371,533,445	23.90	*361,028,085*	*25.42*
		1,554,212,373	100.00	*1,420,017,513*	*100.00*

(iii) Imported and Indigenous Stores & Spares Consumption:

	2002-2003		*2001-2002*	
	Rs.	Percent	*Rs*	*Percent*
(a) Imported	800,856	0.48	1,063,482	0.65
(b) Indigenous	164,788,546	99.52	162,100,015	99.35
	165,589,402	100.00	*163,163,497*	*100.00*

17. Details of licensed and installed capacity, Production, Stocks and Turnover:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2002-2003	*2001-2002*	2002-2003	*2001-2002*
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	2002-2003	*2001-2002*
Liquid Metal			
- Consumed in Foundry	MT	20,162	*19,725*
- Consumed for Manufacture of Pig Iron*	MT	253,194	*231,053*
Castings	Nos.	248,702	*220,696*

* Includes for manufacture of Nil MT (Nil MT) of Pig Iron captively consumed.

C. Stocks and Turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2002-2003	*2001-2002*	2002-2003	*2001-2002*	2002-2003	*2001-2002*
(a) Pig Iron							
Quantity	(MT)	1,351	*1,972*	1,655	*1,351*	240,710	*219,474*
Value (Rs.)		9,541,523	*15,010,324*	11,662,840	*9,541,523*	1,755,525,048	*1,483,485,159*
(b) Castings							
Quantity	Nos.					229,932	*208,404*
Value (Rs.)						547,234,708	*567,693,414*
(c) Others							
Quantity							
Value (Rs.)		2,581,979	*4,303,385*	2,665,104	*2,581,979*	72,053,520	*70,540,451*

Notes:

(i) Castings turnover is net of rejections –Nos. 18770 amounting to Rs. 44,326,281 (Previous Year Nos. 12,292 amounting to Rs. 31,075,299)

(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:

	2002-2003 (MT)	*2001-2002 (MT)*
Production	19,280	*17,958*
Opening Stock	—	—
Closing Stock	—	—
Turnover	17,931	*17,069*
Rejection	1,349	*889*

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)

Particulars	2002-2003 Rs.	*2002-2003* *Rs.*
Salary	1,630,823	*1,025,400*
Contribution to P.F.	161,766	*123,048*
Contribution to Superannuation Fund	193,229	*153,810*
Commission	—	—
Perquisites	22,543	*4,214*
Leave Encashment	41,301	—
Gratuity	204,466	—
Total	2,254,128	*1,306,472*

19. i) Unpaid overdue amount due on 31st March, 2003 to Small Scale and / or Ancillary Industrial Undertaking Rs. 544,578 *(Previous year Rs. 3,556,507)* on account of principal and Rs.4,459,899 *(Previous year Rs. 4,147,328)* on account of interest. This disclosure is based on the information available with the Company regarding the status of the suppliers as defined under the "Interest on Delayed Payments to Small Scale and Ancilliary Industrial Undertakings Act, 1993".

ii) The names of small scale industrial undertaking(s) to whom the company owes sums, including interest outstanding for more than 30 days are: R. Pampapathy, V.S. Lad & Sons (C Block), Yadwad Lime & Chemicals, Polygon Refractories Ltd., Yokagava Blue Star ltd., Sharma Machine Tools, "Ajay Metachem Ltd., Kishore Chemical Industries, Bhilai Auxilary Industries, Chaitanya Lathe & Welding Works, Vijayesh Instruments Pvt. Ltd., Maruthi Conveyor System, Swastik Enterprises, United Metachem Pvt. Ltd., Consolidated Hoists Pvt. Ltd., Industrial Systems & Equipments, Nanda Engineers, Mangalore Mineral Traders, Sree Ajay Fabricators, Versatile Equipment Pvt. Ltd., Innotech Engineers Ltd., Sriram Polyplast, Foundry Equipment Engineers, Tainwala Enterprises, Gargi Industries, Jai Jalaram Saw mills, Floni Chern Engineers, Industrial Wire Knitting Syndicate, Acqa Chemicals & System Manufacturing Pvt. Ltd., Sri Nataraja Engineering Industries, S.M.Industrial Supplier, Jayalaxmi Studs & Chaplets, Essar Industries, Gargi Steel chern Pvt. Ltd., Mecshotblasting Equipment Pvt. Ltd., Sree Shakti Fettling Works, Bharatiya Pulverisers, Jaydeep Engineering, System Engineering, Tacklers, Vinsavi Indotechs, Apcon System, Switzer Instrument Ltd., K.M.Parvatamma Mine owners, Deccan Mining Syndicate, Viswakarma Refractories, Ubique metament Pvt.Ltd., Jaypee Engineering & Hydraulic Equipment, Simhagiri Foundry Works Pvt. Ltd., Kastwel Foundries, Auto steel & Rubber Industries Pvt. Ltd., Union Pressing Pvt. Ltd., Marshal Corelines, Smithra Enterprises, Clean Cat Conveyor Pvt.Ltd., B.K.Industries, Sri Ramakrishna Engg.Works,Ultraseal (India) Pvt. Ltd., Foundwell Minechem, R.S.Arora Industries, Smaran Industries, R.S.Enterprises.

20. Earnings per Equity Share	2002-2003 Rs.	*2001-2002* *Rs.*
a) Basic Earnings Per Share	(0.18)	*(2.63)*
b) The amount of Profit/(Loss) considered for calculation of EPS is as follows :		
Net Profit/(Loss) after tax	29,702,890	*(175,925,081)*
Dividend on Cumulative Redeemable Preference Shares	42,595,312	*6,999,152*
Adjusted Profit/(Loss) after tax	(12,892,422)	*182,924,233*
c) Basic Earnings for equity share has been computed by dividing net Profit/(Loss) after tax by the weighted average no. of equity share outstanding for the period.		
Weighted average number of equity shares used in computing basic earnings per equity share.	72,222,400	*69,694,238*
d) Face value of each equity share Rs.10/-		

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

22. 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 31032003

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

Public Issue NIL

Rights Issue NIL

Bonus Issue NIL

Private Placement 60600

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

Total Liabilities 3031362

Total Assets 3031362

Sources of Funds

Paid up Capital 1769087

Reserves and Surplus NIL

Secured Loans 1256276

Unsecured Loans 6000

Application of Funds

Net Fixed Assets 1492223

Capital Work in Progress NIL

Investments NIL

Net Current Assets 197028

Deferred Tax Asset (Net) 158535

Misc. Expenses 36075

Accumulated Losses 1147501

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

Turnover 2519692

Total Expenditure 2485406

Profit/(Loss) before tax [✓ +] — 34286

Profit/(Loss) after tax [✓ +] — 29703

Earning per share (Basic) (Rs.)	+ [✓ −]	0.18
Dividend Rate (%)		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 20

As per our report of even date attached

For M/s P.G. Bhagwat
Chartered Accountants

S.B. PAGAD
Partner

Place : Pune
Date : 27th June, 2003

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Executive Director

C. S. PANICKER
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

		2002-2003	*2001-2002*
	Rs.	Rs.	*Rs.*
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/(Loss) before tax and extraordinary items		34,359,919	(135,731,853)
Adjustments for			
Depreciation	118,605,570		118,438,447
Write offs	15,399,873		15,182,766
Profit on sale of assets	(12,352)		(3,385)
Loss on sale of assets	994,955		386,497
Interest paid	169,642,463		244,506,373
Interest income	(1,743,105)		(1,275,039)
Rent on Building	(6,000,000)		(6,000,000)
Deferred Revenue Expenses	(7,773,878)		(32,511,533)
		289,113,526	338,724,127
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES			
		323,473,445	202,992,273
Decrease/(Increase) in Trade & Other Receivables	168,421,135		(62,162,306)
Decrease/(Increase) in Inventories	67,309,096		61,708,541
Decrease/(Increase) in Trade Payables	(34,070,773)		(70,556,933)
		201,659,458	(71,010,698)
CASH GENERATED FROM OPERATIONS		525,132,903	131,981,575
Tax Deducted at Source		(385,022)	7,047,220
CASH FLOW BEFORE EXTRA ORDINARY ITEMS		524,747,881	139,028,795
Prior Period Adjustments		(73,528)	658,606
NET CASH FROM OPERATING ACTIVITIES		524,674,353	139,687,401
B. CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of assets	(5,517,469)		(13,961,469)
Proceeds from sale of assets / Adjustment to Gross Block	14,852		348,521
Interest received	2,135,278		1,319,178
Rent on Building	6,000,000		6,000,000
Sale of investments	500,000		—
Wealth Tax paid	(72,758)		(68,865)
NET CASH USED IN INVESTING ACTIVITIES		3,059,903	(6,362,634)
C. CASH FLOW FROM FINANCING ACTIVITIES :			
Interest paid	(270,864,020)		(424,516,158)
Proceeds from issue of share capital	60,600,000		399,286,530
Proceeds/(Repayment) of Long Term Borrowings	(152,014,037)		(27,603,655)
Proceeds/(Repayment) from Short Term Borrowings	(24,000,000)		(79,943,663)
Increase/(Decrease) Cash Credit	(91,419,045)		14,483,854
NET CASH USED IN FINANCING ACTIVITIES		(477,697,102)	(118,293,092)
		50,037,154	15,031,675
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS			
Opening Cash and Cash Equivalents		75,768,875	60,737,200
Closing Cash and Cash Equivalents		125,806,029	75,768,875

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
Executive Director

S. B. PAGAD
Partner

C. S. PANICKER
Company Secretary

Pune : 27th June, 2003

TEAR HERE

ATTENDANCE SLIP

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

12th Annual General Meeting on
20th September, 2003 at 11.00 a.m.

Ledger Folio No. ....

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 12th Annual General Meeting of the Company held at the Registered Office of the Company at Laxmanrao Kirloskar Road, Khadki, Pune 411 003, on Saturday, 20th September, 2003 at 11.00 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

PROXY

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

I/We ....

L.F. No. .... 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 12th 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 Saturday, 20th September, 2003 at 11.00 A.M. and at any adjournment thereof.

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

.... 2003.

Re. 1/-
Revenue
Stamp

(Signature of the member across the 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

If undelivered please return to :

KIRLOSKAR FERROUS INDUSTRIES LIMITED
Regd. Office : Laxmanrao Kirloskar Road, Khadki, Pune 411 003 (INDIA)