

KIRLOSKAR FERROUS INDUSTRIES LIMITED
ANNUAL REPORT 2009 - 2010

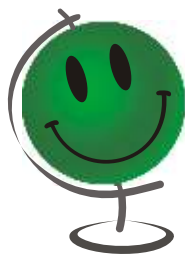


Enriching Lives

Let's celebrate the spirit



ENGINEERING SMILES GLOBALLY



At Kirloskar, we follow a simple philosophy. Engineering smiles.

A philosophy that reflects our belief in business. After all, what drives us is not just creating world-class engineering products. What drives us is bringing a smile on the faces of our customers. This is the crux behind our existence. And our future. To enable this, we have undertaken numerous initiatives. We have installed stoves in the Mini Blast Furnace, which have resulted in the reduction of coke consumption by 70 kgs. per ton of hot metal. This has reduced air pollution as well as the consumption of natural resource.

- We have been awarded with the “CERTIFICATE OF MERIT” in the Integrated Steel Plants Sector for the National Energy Conservation Awards – 2009 by the Ministry of Power, Government of India.
- Keeping in sync with the times, we sponsored the “Vasundhara” film festival on environment in Koppal and Hospet to promote environmental awareness amongst the public.
- We have also planted 8,250 trees in and around the factory premises during the financial year 2009 - 2010. Till date, around 70,000 trees have been planted, covering around 40% of the land (73.5 acres).
- We are in the process of installing 4.5 MW Power Plant by using Blast Furnace Gas from MBF. This will lead to a dramatic reduction in the atmospheric air pollution. Moreover, we are also in the process of obtaining carbon credit.



19th Annual Report for the
financial year ended on 31st March, 2010

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. C. S. Panicker

AUDITORS

M/s P. G. Bhagwat
Chartered Accountants

BANKERS

Bank of Maharashtra
Axis Bank Limited
ING Vysya Bank Limited
HDFC Bank Limited
Canara Bank
Corporation Bank
The Hongkong and Shanghai Banking Corporation Limited

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
Akshay Complex, Block No 202, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Temple,
Pune - 411 001

REGISTERED OFFICE

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

FACTORY

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

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Time : 11.30 a.m.		Notice	3
Venue : Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002		Directors' Report	7
Dates of Book Closure : 22nd July, 2010 to 29th July, 2010 (Both days inclusive)		Report on Corporate Governance	15
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KIRLOSKAR FERROUS INDUSTRIES LIMITED
A DECADE AT A GLANCE

	(Rupees in Million)									
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Particulars										
Net Sales	2,345.79	2,267.12	2,511.37	3,759.54	4,970.11	4,827.46	5,251.32	7,264.56	6,991.39	8,069.87
Other Income	11.96	7.36	8.32	94.36	34.68	44.52	64.37	183.47	50.87	102.27
Total Income	2,357.75	2,274.48	2,519.69	3,853.90	5,004.79	4,871.98	5,315.69	7,448.03	7,042.26	8,172.14
Raw Material & Stores consumed	1,758.97	1,632.42	1,738.62	2,656.25	4,076.12	3,690.58	3,618.46	5,301.91	5,254.59	5,795.22
Employees remuneration & benefits	88.42	96.05	108.85	107.25	119.75	134.46	182.44	296.85	306.52	327.72
Other Expenses	340.57	302.95	342.79	456.43	384.93	459.60	639.99	921.82	930.76	1,026.33
Total Expenses	2,187.96	2,031.42	2,190.26	3,219.93	4,580.80	4,284.64	4,440.89	6,520.58	6,491.87	7,149.27
Profit Before Interest, Depreciation & Amortisation	169.79	243.06	329.43	633.97	423.99	587.34	874.80	927.45	550.39	1,022.87
(% to Total Income)	7.20	10.69	13.07	16.45	8.47	12.06	16.46	12.45	7.82	12.52
Interest	371.11	244.51	161.14	231.46	89.90	69.94	69.32	83.90	117.27	60.59
Depreciation and Amortisation	137.92	133.62	134.00	130.07	126.46	119.81	139.88	185.42	230.40	259.65
Profit/(Loss) before Tax	(339.24)	(135.07)	34.29	272.44	207.63	397.59	665.60	658.13	202.72	702.63
(% to Total Income)	(14.39)	(5.94)	1.36	7.07	4.15	8.16	12.52	8.84	2.88	8.60
Tax Provisions	0.08	40.85	4.59	(44.72)	(10.68)	136.78	220.97	167.81	123.23	211.95
Net Profit/(Loss) after Tax	(339.32)	(175.92)	29.70	317.16	218.31	260.81	444.63	490.32	79.49	490.68
(% to Total Income)	(14.39)	(7.73)	1.18	8.23	4.36	5.35	8.36	6.58	1.13	6.00
Share Capital										
Equity share capital	625.00	722.22	722.22	722.22	722.22	361.11	685.02	685.02	686.47	686.49
Preference share capital	684.20	986.26	1,046.86	1,046.86	1,046.86	1,046.86	-	-	-	-
Total	1,309.20	1,708.48	1,769.08	1,769.08	1,769.08	1,407.97	685.02	685.02	686.47	686.49
Reserves										
Share Premium	-	-	-	-	-	-	-	-	-	-
General Reserves	-	-	-	-	-	-	-	-	-	-
Profit & Loss Account	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	17.04	337.14	50.00	100.00
Total	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	1,946.33	2,316.43	2,286.55	2,578.97
Loans	1,882.05	1,622.29	1,262.27	622.99	534.28	323.57	201.08	39.43	188.57	62.86
Net Fixed Assets	1,706.08	1,600.87	1,492.22	1,337.57	1,284.90	1,247.06	1,725.42	2,464.09	3,288.68	3,382.73
Net Current Assets other than Cash & Bank	192.46	269.68	71.21	(102.36)	(329.53)	(60.42)	102.47	371.54	61.18	98.39
Cash & Bank Balance	60.74	75.77	125.81	107.02	386.61	83.43	1,105.45	434.28	126.76	166.60
Capital employed	1,959.28	1,946.32	1,689.24	1,342.23	1,341.98	1,270.07	**2,056.81	3,269.91	3,476.62	3,647.72
Misc. Expenditure	26.37	43.71	36.07	16.17	5.96	-	-	-	-	-
Net Worth*	77.73	283.75	585.51	922.56	1,021.81	1,028.86	**1,459.16	3,001.45	2,973.02	3,265.46
Capital employed*	1,959.28	1,946.32	1,689.24	1,342.23	1,341.98	1,270.07	2,056.81	3,269.91	3,476.62	3,647.72
Return on Capital employed %	1.63	5.62	11.57	37.54	22.17	36.81	35.73	22.69	9.20	20.92
Return on Networth %	-	-	5.07	34.38	21.37	25.35	30.47	16.34	2.67	15.03
No. of Equity Shares	62,500,000	72,222,400	72,222,400	72,222,400	72,222,400	72,222,400	137,005,165	137,005,165	137,294,479	137,297,303
Earnings per share (Rs.)	(6.71)	(2.63)	(0.18)	3.75	2.38	2.88	5.24	3.58	0.58	3.57
Book Value per share (Rs.)	(9.70)	(9.73)	(6.39)	(1.72)	(0.35)	(0.25)	19.21	21.91	21.65	23.78
Dividend %	-	-	-	-	-	-	-	15	10	20

Note:

* Net worth = Share capital + share premium + Profit & Loss (Balance) + General Reserves - Misc Expenditure.

** Net worth of 2006-07, 2007-08 has been arrived by taking both new equity shares issued on rights basis as well as preference shares redeemed during the year on pro-rata basis.

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

The figures of 2006-07 include figures of Castings Division, Solapur unit (acquired from Kirloskar Oil Engines Limited w.e.f. 1 January 2007) for 3 months i.e. from January 07 to March 07

and the financial year 2007-08 for 12 months as such the figures of 2007-08 are not comparable with 2006-07 or earlier years.

Figures have been regrouped wherever necessary.

Figures are as per latest annual report.



NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Thursday, the 29th day of July, 2010 at 11.30 a.m. at Maharashtra Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002 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, 2010 and the Balance Sheet as at that date and also the reports of the Auditors and the Board of Directors thereon.

Item No. 2

To declare a dividend on equity shares for the financial year ended on 31st March 2010.

Item No. 3

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

Item No. 4

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. 5

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

Item No. 6

To appoint M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration No. 101118W) as the Statutory Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

By order of the Board of Directors

Registered Office:
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411003.

Pune : 29th April, 2010

C. S. Panicker
Company Secretary

NOTES:

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 22nd July, 2010 to Thursday, the 29th July, 2010 (both days inclusive).
- ii) A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxy Form/s, in order to be effective, must be received at the Registered Office of the Company at Pune, not later than 48 hours before the time fixed for the meeting.

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

- iii) The dividend, if declared at the Annual General Meeting, will be paid to those members :
 - a) whose names appear as Beneficial Owners as at the end of the business hours on 21st July, 2010 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of equity shares held in electronic form; and
 - b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 21st July, 2010.
- iv) Members, who hold shares in physical form, are requested to advise the Company immediately of any change in their addresses.
- v) Members, who hold shares in electronic form, are requested to intimate details regarding change of address, etc. to the Depository Participants, where they have their Demat accounts.
- vi) Members may avail of the facility of dematerialisation by opening Demat 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.
- vii) Members, who hold shares in electronic form, are requested to bring their Client Id and DP Id for easy identification.
- viii) Since the securities of the Company are compulsorily tradable in electronic form, to ensure better investor service and elimination of risk of holding securities in physical form, it is requested that the shareholders holding shares in physical form to get their shares dematerialized at the earliest.
- ix) 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.
- x) Members / proxies are requested to bring their attendance slip duly filled in.
- xi) Members are requested to bring 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.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 AND CLAUSE 49 OF THE LISTING AGREEMENT

Item No. 3 of the Notice

Mr. Sudhakar Ganesh Chitnis, aged 69 years, holds a Bachelor's Degree in Mechanical Engineering and has wide experience of over 38 years in manufacturing, research and development, marketing etc. He retired at the age of 63 years from the post of Vice Chairman of Kirloskar Pneumatic Company Limited, after successfully turning it around in the record time of two years.

He had been an advisor to the Kirloskar Group on techno – commercial projects and on world class manufacturing practices. He was first appointed on the Board of Directors of the Company on 27th January, 2005.

He is a member of the Audit Committee, the Rights Issue and Allotment Committee and the Compensation Committee.

He is also a Director of Kirloskar Chillers Private Limited. He does not hold any other committee membership.

He is not related to any other Director on the Board of Directors of the Company.

He holds 3,100 (0.002 %) equity shares in the Company.

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

Item No. 4 of the Notice

Mr. Ashok Ramkrishna Jamenis, aged 66 years, completed his Graduation in Mechanical Engineering in 1965 from the University of Pune. He has been associated with the Kirloskar Group of Companies when he joined Kirloskar Oil Engines Limited in 1967. He 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 Limited. He resigned from Kirloskar Oil Engines Limited as Executive Vice President (Engines) in 1998 to shoulder the responsibility as the Managing Director of Kirloskar Ferrous Industries Limited.

Mr. Jamenis has by his knowledge and experience turned around the Company from a loss making Company to a profit making one. He resigned from the office of Managing Director with effect from 31st January, 2003 and has continued to be a Director liable to retire by rotation. He had been an advisor to the Kirloskar Group on techno – commercial projects. His continued guidance is very much needed by the Company to make more progress.

He is a member of the Audit Committee, the Share Transfer cum Shareholders' / Investors' Grievance Committee, the Finance Committee, the Remuneration Committee, the Rights Issue and Allotment Committee and the Compensation Committee.

He is also a Director of Kalyani Forge Limited.

Other Committee positions

Name of the Company	Name of Committee and position held
Kalyani Forge Limited	Audit Committee - Member Shareholders' Grievance Committee - Chairman Remuneration Committee - Member

He is not related to any other Director on the Board of Directors of the Company.

He holds 3,400 (0.002 %) equity shares in the Company.

Mr. A. R. Jamenis retires by rotation, and being eligible, offers himself for re-appointment.

Item No. 5 of the Notice

Mr. Anil Narayan Alawani, aged 64 years, is a Chartered Accountant by profession and has been associated with the Kirloskar Group of Companies since 1977. Prior to his appointment as a Director in the Company, he was Director (Finance) of Kirloskar Oil Engines Limited. Besides his core area of finance and taxation, he has experience in import – export and labour matters. His abilities in corporate tax planning and finance have helped the Company immensely, in financial restructuring and tax benefits.

He is a member of the Audit Committee, the Share Transfer cum Shareholders' / Investors' Grievance Committee, the Remuneration Committee, the Rights Issue and Allotment Committee and the Compensation Committee.

Other Directorships

Kirloskar Brothers Limited
Kirloskar Brothers Investments Limited
Kirloskar Industries Limited (earlier known as Kirloskar Oil Engines Limited)
Kirloskar Engines India Limited
Kothrud Power Equipment Limited
Kirloskar Integrated Technologies Limited

Other Committee positions

Name of the Company	Name of Committee and position held
Kirloskar Brothers Limited	Shareholders' / Investors' Grievance Committee - Member Remuneration Committee - Member Sub-Committee for scheme of arrangement - Member
Kirloskar Industries Limited	Audit Committee - Chairman Share Transfer cum Shareholders' / Investors' Grievance Committee - Chairman
Kirloskar Brothers Investments Limited	Audit Committee - Chairman Remuneration Committee - Member

He is not related to any other Director on the Board of Directors of the Company.

He holds 35,000 (0.025 %) equity shares in the Company

Mr. A. N. Alawani retires by rotation, and being eligible, offers himself for re-appointment.

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411003

Pune : 29th April, 2010

By order of the Board of Directors



C. S. Panicker
Company Secretary



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 19th Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2010.

FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2009 - 2010 as compared with the previous year are as follows -

	(Amount in Rupees)	
	2009 - 2010	2008 - 2009
Sales and other Income	8,172,140,511	7,042,262,288
Profit before tax	702,633,800	202,722,050
Provision for tax (including Deferred Tax)	211,954,791	123,234,490
Profit after tax	490,679,009	79,487,560
Balance of Profit brought forward from previous year	298,584,683	337,138,017
Profit available for appropriation	789,263,692	416,625,577

APPROPRIATIONS

Your Directors propose to appropriate the Profit as under :

Excess provision for 2008-09 written back

a) Dividend	(32,246,635)	-
b) Tax on Dividend	(5,480,315)	-
Proposed Dividend	201,787,930	100,893,965
Tax on Dividend	34,293,859	17,146,929
Transfer to General Reserve	50,000,000	-
Balance carried to Balance Sheet	540,908,853	298,584,683

DIVIDEND

Your Directors have recommended a dividend of 20 percent (Re. 1 per Equity share).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Economy and Industry Overview

The world economy which was affected by the slowdown towards the end of 2008 continued for greater part of the year 2009.

However during the year under review, the Indian Economy recorded a growth of around 7.2 % as compared to 6.75 % in the earlier year.

The Domestic Auto Industry achieved an all time high sale of around 12.2 Million units in financial year 2009 – 10 as against the previous sale of 10.1 Million units in 2006 – 07. The strong growth has been from the passenger car volumes, two wheelers and commercial vehicles. This represents a growth of 25.48 % as against 9.7 Million units sold in 2008 – 09.

Indian Tractor market is the largest in the global tractor market by volume. Tractor Industry is witnessing growth on account of its use in Agriculture, being its primary market, as well as for commercial purposes. 281,056 tractors were manufactured in India during the period from April 2009 to December 2009.

On the Iron and Steel front, the crude steel production in India reached a level of 59.57 million ton against 54 million ton for the previous year, helped by the demand from automobiles, roads and housing sector. India is the fifth largest producer of steel in the world.

Owing to the high coke consumption in China as well as on account of levy of tax on export of coke by the Chinese Government, there has been very little export of coke from China. During the financial year 2009-2010 coke was mainly imported from other countries. Coke prices increased from USD 275 per MT at the beginning of the year to around USD 500 per MT by the end of the year.

FOB prices of pig iron in the international market have been low as compared to price prevailing in the domestic market resulting in very less export of pig iron during the year.

China is a leading manufacturer of steel and India is among the leading countries in respect of export of iron ore to China. Owing to the huge exports, the price of iron ore has shown an increasing trend in the domestic market during the year under review.

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

The Indian Economy is expected to grow more than 8% in 2010-11.

B. Company Performance

During the year under review, your Company could realize the benefits of the upward swing in the economy through its pro-active business strategies. Your Company achieved net sales of Rs. 8,069 Million (previous year Rs. 6,991 Million), resulting in an increase in sales by 15.41 percent over the previous year. The sales value increased as compared to the previous year due to increase in sale volumes of both pig iron and castings. There has been a volume growth in sale of castings by 25.85 percent and that of pig iron by 55.61 percent.

The profit before tax for the year under review stood at Rs.702.63 Million as compared to Rs.202.72 Million of the previous year after providing for depreciation and amortization.

During the year under review, installation of stoves for second Mini Blast Furnace was completed in January 2010. Both furnaces are now operating with stoves resulting into an increased productivity and reduced coke consumption.

The profitability of Company for the year is after absorbing the relining expenses of Rs. 53.43 Million incurred for one of the Mini Blast Furnaces.

On the financial front, your Company was able to negotiate the interest rate at a lower rate on the term loan as well as on the usance interest in respect of the procurement of coke.

During the year under review, the high pressure moulding line, which was installed at Solapur plant in 2008, has achieved 39% of capacity utilization. Castings manufactured on this high pressure moulding line have met with customers' expectations.

Consequent to the installation of high pressure moulding line, your Company has reduced the production of castings manufactured in the old foundry at Solapur, which uses old technology and is labour intensive in nature. The majority of the castings that were manufactured in the old foundry, have been shifted to the new high pressure moulding line and the old foundry manufacturing operations will be totally phased out in the financial year 2010 – 2011.

Your Company is in the manufacture and sale of investment castings at Solapur plant, which contributed to less than 1 percent of the total company turnover. Being in a stagnated state for many years and as a step towards remaining 'lean' and profit orientated, the Company has taken a decision to close down the investment castings section with effect from 1st April, 2010.



Further to the information about the iron ore mines mentioned in the Annual Report 2008-2009, your Company is pleased to inform that the H'ble High Court of Karnataka, has given its judgment in favour of your Company. Presently, one case is pending in Supreme Court. Further three cases are also pending in Mines Tribunal, New Delhi. As such, the matter is subjudice as on date.

Your Company has received National Energy Conservation Award conducted by the Ministry of Power, Government of India.

C. Operational Performance

During the year under review, your Company sold 226,507 MT of pig iron valued at Rs. 4,342 Million as compared to 145,559 MT of pig iron valued at Rs. 3,532 Million in the previous year and 49,545 MT castings aggregating to Rs. 2,619 Million as compared to 39,366 MT castings aggregating to Rs. 2,469 Million in the previous year.

The price of iron ore continued to increase throughout the year. The prices increased from the level of Rs. 2,050 per MT at the beginning of the year to Rs. 3,200 per MT by the end of the year. This is on account of the increased demand from China as well as from the domestic industry.

D. Cost Control

Your Company adopted following measures to reduce the cost :

- a) Improvement in blast furnaces
- b) Installation of turbo blower
- c) Continuation of energy conservation projects.
- d) Strengthening of process controls in manufacturing and material procurement.
- e) Reduction in interest cost.

E. Concerns and Threats

Continuous increase in coke and iron ore prices will result in increase in input costs and thereby put pressure on profitability margins.

F. Prospects for the Current Year

In order to become cost competitive, your Company has installed stoves for both the furnaces and has identified the following projects for further cost saving :

- a) Installation of sinter plant to utilise the iron ore fines.
- b) Installation of turbo blower to utilize the excess blast furnace gas.
- c) Identified energy conservation projects.

Cautionary Statement

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

G. Internal Control Systems and their adequacy

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

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

H. Safety, Health and Environment

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

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

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

Your Company was certified earlier for Quality Management Systems under ISO TS 16949-2002 and Environmental Management System under ISO 14001-2004. Your Company is now certified for Occupational Health & Safety Assessment Series (OHSAS 18001:2007) by Indian Register Quality Systems (IRQS).

Requirements of environmental acts and regulations are complied with. Monitoring and analysis of waste water, stack emissions and ambient air quality are undertaken periodically to verify whether the level of environmental parameters are well within the specified limits. ISO14001-2004 for Environment management systems of your Company has been re-certified by IRQS, in March 2008.

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

Sewage treatment plant (STP) with 250 KLD (Kilo Litres per day) capacity installed to treat domestic waste water with extended biological aeration system. Sludge generated from STP are being used as manure for garden and treated waste water used for gardening within the plant.

I. Social Responsibility

As a part of its corporate responsibility to the society, your Company has been supporting and providing assistance to nearby villages at Bevinahalli by supply of good quality drinking water and educational assistance for the village people. Also some basic facilities such as roads, drainages, school building and medical centre have been provided though the Trust set up by your Company. Weekly medical check ups by the specialist doctors with medicines are provided and also health camps organized in the neighbouring village.

J. Human Resources

Your Company considers human resource to be an important valuable asset for the organisation and therefore, constantly strives to attract and recruit best talent for the current and future needs. The Company has taken necessary steps to upgrade the skills of present employees by conducting various in-house training programs and courses. Further measures for the safety of the employees are also adopted through training programs on safety and mock drills. As on 31st March, 2010 the total number of salaried employees stood at 1,223. The Employer - Employee Relations have been generally cordial throughout the year.



WARRANTS CONVERSION IN TERMS OF THE LETTER OF OFFER DATED 2ND JANUARY, 2007

The warrant exercise period has commenced on 13th March, 2008. In terms of the Letter of Offer dated 2nd January, 2007, each Detachable Warrant can be converted into one Equity Share of Rs. 5 each fully paid at a warrant exercise price Rs. 35 per warrant during the warrant exercise period.

The warrant holders at their meeting held on 14th August, 2009 have extended the validity of warrant exercise period by a period of three years from 13th March, 2010 till 13th March, 2013.

During the financial year 2009 – 2010, the Company had received applications from warrant holders for conversion of 11,197 warrants into equity shares for an amount aggregating to Rs. 3,91,895 (inclusive of securities premium). Out of the above, 2,644 warrants amounting to Rs. 92,540 have been converted into 2,644 Equity Shares of Rs. 5 each (Equity share capital Rs. 13,220 and securities premium Rs. 79,320) during the financial year. The balance 8,553 warrants amounting to Rs. 299,355 were pending for allotment at the end of the financial year and the same were since converted into 8,553 Equity Shares on 10th April, 2010.

DIRECTORS

Mr. S. G. Chitnis, Mr. A. R. Jamenis and Mr. A. N. Alawani retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. That in the preparation of the Accounts for the financial year ended 31st March, 2010 the applicable accounting standards have been followed;
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended 31st March, 2010;
- 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, 2010 on a "going concern" basis.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended 31st March, 2010 is attached with the Annual Audited Accounts of the Company.

AUDITORS

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

The Board has recommended their re-appointment.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of Energy Conservation, Technology Absorption, Research and Development and Foreign Exchange Earnings and Outgo as 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 are given in the Annexure - A and forms part of this Report.

PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure - B and forms part of this report.

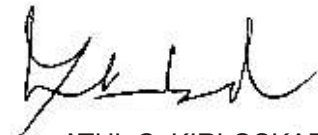
CORPORATE GOVERNANCE

The Company conforms to the norms of Corporate Governance as envisaged in the Companies Act, 1956 and the Listing Agreement with the Bombay Stock Exchange Limited. Pursuant to Clause 49 of the Listing Agreement, a Report on the Corporate Governance and the Auditors Certificate on Corporate Governance are annexed to this report.

APPRECIATION

Your Directors wish to place on record their appreciation towards the contribution of all the employees of the Company and their gratitude to the Company's valued customers, bankers, financial institutions, vendors and members for their continued support and confidence in the Company.

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR
Chairman

Pune : 29th April, 2010



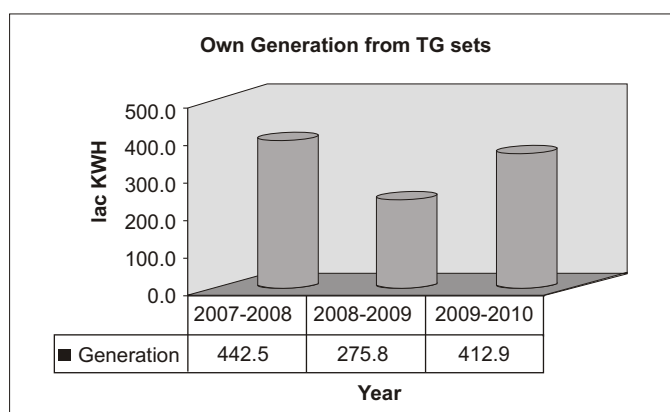
ANNEXURE - A

A CONSERVATION OF ENERGY:

a) Energy conservation measures taken during the year 2009-2010 are as follows:

1. Improvement in Blast furnace.
2. Replacement of reciprocating compressors with centrifugal compressors to enhance energy efficiency.
3. Replacement of energy efficient pumps with suitable capacity in Power Plant.
4. Replacement of existing motors with energy efficient motors.
5. Installation of Energy Management System in Utility area to measure power, fuel and air.
6. Replacement of Tubelights with CFLs to reduce electricity consumption.
7. Distribution of Solar Lanterns to neighbouring villages to promote use of renewable energy.
8. Processing of Clean Development Mechanism (CDM) for Stove for MBF I and Power plant 3.

Figures of Power generation :



Note: Low production in the year 2008-09 due to market conditions.

b) Additional Proposals for the year 2010-2011:

1. Installation of 4.5 MW Power plant to utilise excess Blast Furnace Gas is in progress and is expected to be completed in first quarter of FY 2010-11.
2. Installation of variable frequency drive for Boiler feed pumps to reduce power consumption to be completed in the first quarter of FY 2010-11.
3. Establishing Clean Development Mechanism (CDM) for projects like Power Plant 3 and Hot blast stoves 2.
4. Replacement of Tubelights with LEDs to reduce electricity consumption.
5. LED lighting for shop floors.
6. Plant level energy audit .

c) Impact of the above measures:

1. More generation of power resulting in less dependency on grid Power.
2. Reduction in energy consumption.
3. Conservation of non-renewable energy resources.
4. Improvement in operational efficiency and widening the scope for energy conservation.

B TECHNOLOGY ABSORPTION:

New core making technology introduced in Solapur foundry.

C FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rupees in Million)

Earnings	303.06
Outgo	2,292.19

D RESEARCH AND DEVELOPMENT:

Research and Development expenses are debited under respective heads.

ANNEXURE B

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

Name of the Employee	Age (Years)	Qualification	Experience (Years)	Designation / Nature of Duties	Date of Joining	Remuneration (Rs.)	Particulars of Last Employment
Mr. R. V. Gumaste	52	B.Tech (Met.)	29	Managing Director	8/11/2001	14,131,088	Chief Executive (Works) - Indian Seamless Metal Tubes Limited
Mr. N. B. Ektare	49	B.E. (Elec.)	27	Vice President (Pig Iron Plant)	12/1/1994	2,937,619	Manager (Electrical) - Usha Ispat Limited
Mr. G. D. Nandish	51	B.E. (Mech), M.B.A.	27	Vice President (Foundry)	30/08/2000	2,647,055	DEM - Hospet Steels Limited
Mr. C. S. Panicker	56	B.Com., ACA, ACS	30	Vice President (Finance) and Company Secretary	14/12/1999	2,549,719	Finance Controller and Secretary - Magnetti Marelli Automotive Components (India) Limited
Mr. R. S. Srivatsan	46	B.Com., ACA	25	Vice President (Finance)	12/1/1998	2,505,085	Senior Manager (Accounts) - Vasavdatta Cements Limited

NOTES :

1. Designation of the employee indicates the nature of duties.
2. All appointments, except that of the Managing Director, are non contractual.
3. Remuneration includes salary, special allowance, house rent allowance, reimbursement of medical expenses, mediclaim and personal accident insurance, leave travel allowance, value of perquisites as per Income Tax Act, 1961 and the rules thereunder and the Company's contribution to provident fund and superannuation fund, leave encashment, gratuity and terminal benefits. The remuneration of Managing Director also includes commission.
4. Other terms and conditions are as per rules of the Company.
5. None of the employees is a relative of any Director of the Company.



REPORT ON CORPORATE GOVERNANCE
(Pursuant to Clause 49 of the Listing Agreement)

Company's philosophy on Code of Governance

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

1. Board of Directors

(a) Composition of the Board

The Board of Directors comprises of eight Directors. Out of these, one is an Executive Director and seven are Non - Executive Directors. Non - Executive Directors constituted more than half of the total number of Directors. Five out of eight Directors are Independent Directors, which duly complies with the requirement of Clause 49 of the Listing Agreement.

(b) Number of Board meetings

During the financial year 2009 - 2010, five meetings of the Board of Directors were held on 9th June, 2009; 25th July, 2009; 26th October, 2009; 29th January, 2010 and 4th March, 2010.

(c) Directors' attendance record and directorships held

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 Limited Companies and Committees of other Public Limited Companies of which the Director is a Member / Chairman, is as under –

Name of Directors	Category	Financial Year 2009-10		Attendance at the Last AGM	* Number of Directorships in other Public Limited Companies incorporated in India	**Committee positions held in Other Public Limited Companies	
		Board Meetings Held	Board Meetings Attended			Member	Chairman
Mr. Atul C. Kirloskar	Chairman Non - Independent Non Executive	5	5	Yes	5	1	Nil
Mr. Sanjay C. Kirloskar	Non - Independent Non Executive	5	4	Yes	7	1	Nil
Mr. R. V. Gumaste	Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. R. Jamenis	Independent Non Executive	5	5	Yes	1	1	1
Mr. S. N. Inamdar	Independent Non Executive	5	5	Yes	10	3	3
Mr. C. V. Tikekar	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. S. G. Chitnis	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. N. Alawani	Independent Non Executive	5	4	Yes	6	1	3

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

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

Mr. Atul C. Kirloskar and Mr. Sanjay C. Kirloskar, being brothers, are related to each other. No other Director is related to any other Director of the Company within the meaning of Section 6 of the Companies Act, 1956.

Statement showing number of securities of the Company held by the Directors as on 31st March, 2010 :

Name of Directors	Equity Shares of Rs. 5 each	Detachable Warrants
Mr. Atul C. Kirloskar	1,427,939	670,495
Mr. Sanjay C. Kirloskar	380	180
Mr. R. V. Gumaste	24,000	NIL
Mr. S. N. Inamdar	6,100	NIL
Mr. A. N. Alawani	35,000	21,700
Mr. A. R. Jamenis	3,400	NIL
Mr. C. V. Tikekar	6,000	NIL
Mr. S. G. Chitnis	3,100	NIL

Declaration of compliance with the Code of Conduct :

The Board of Directors has laid down a Code of Conduct applicable to all Directors and Senior Management of the Company. The Code of Conduct is effective from 1st April, 2005. The Code of Conduct is also posted on the website of the Company at www.kirloskar.com

All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration to that effect signed by Mr. R. V. Gumaste, Managing Director is appearing elsewhere in the Annual Report.

2. Audit Committee

(a) Composition

The Audit Committee comprises of five Independent Directors. Mr. S. N. Inamdar is the Chairman of the Audit Committee. The Company Secretary acts as the Secretary of the Committee.

During the financial year 2009 - 2010, five Audit Committee meetings were held on 9th June, 2009; 25th July, 2009; 26th October, 2009; 29th January, 2010 and 4th March, 2010.

The details of attendance by Committee Members are as follows –

Name of the Directors	Category	Number of meetings attended
Mr. S. N. Inamdar (Chairman)	Independent Non - Executive	5
Mr. C. V. Tikekar	Independent Non - Executive	5
Mr. A. R. Jamenis	Independent Non - Executive	5
Mr. S. G. Chitnis	Independent Non - Executive	5
Mr. A. N. Alawani #	Independent Non - Executive	3

Mr. A. N. Alawani has been appointed as a member of the Audit Committee at the meeting of the Board of Directors held on 9th June, 2009.

The Managing Director and the Chief Financial Officer attended the meetings of the Audit Committee. The representatives of the Statutory Auditors and the Internal Auditors were invited and attended the meetings of the Audit Committee.



Mr. S. N. Inamdar, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on Thursday, the 14th August, 2009.

The Audit Committee acts as a link between the Management, the Statutory Auditors, Internal Auditors and the Board of Directors.

The Audit Committee has been vested with the following powers :

- i. To investigate any activity in terms of its reference;
- ii. To seek information from any employee;
- iii. To obtain outside legal or other professional advice;
- iv. To secure the attendance of outsiders with relevant expertise, if it considers necessary.

(b) Terms of Reference

The terms of reference of the Audit committee include the matters specified under Clause 49 II of the Listing Agreement entered into with the Bombay Stock Exchange Limited as well as those specified in Section 292A of the Companies Act, 1956 and inter - alia, includes the following –

- Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the management, the annual financial statements before submission to the Board, for approval, with particular reference to :
 - a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualification in draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses / applications of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- Discussion with internal auditors, any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 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.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
- To mandatorily review the following information :
 - a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of significant related party transactions submitted by the management;
 - c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d. Internal audit reports relating to internal control weaknesses; and
 - e. The appointment, removal and terms of remuneration of the Chief Internal Auditor.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee as amended from time to time by the Listing Agreement and the Companies Act, 1956.

3. **Subsidiary Company**

The Company does not have any subsidiary company.

4. **Disclosures**

a) **Related Party Transactions**

The Company places all the details of related party transactions before the Audit Committee at regular intervals.

During the year, 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. 2.18 of Schedule 17 of the notes forming part of the financial statements in the Annual Report.

During the year under review, there were no materially significant related party transactions made by the Company with its Promoters, Directors, Management or their subsidiaries or relatives, etc., that may have a potential conflict with the interests of the Company. The Company has a policy of obtaining declarations from all Senior Management and the same were placed before the meeting of the Board of Directors.

b) **Disclosure of Accounting Treatment**

The Company has followed all relevant accounting standards, while preparing the financial statements.



c) Risk Management

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

d) Detachable Warrants Conversion in terms of the Letter of Offer dated 2nd January, 2007

The Warrant Exercise Period has commenced on 13th March, 2008.

Till 31st March, 2010, the Company has received applications from warrant holders for conversion of 300,691 Detachable Warrants into 300,691 Equity Shares for an amount aggregating to Rs. 10,524,185 (inclusive of the securities premium).

The Detachable Warrants Conversion proceeds have been utilised as under :

1. Rs. 10,224,830 has been utilised for the installation of Sinter Plant after the allotment of 292,138 Equity shares; and
2. the balance amount of Rs. 299,355 was kept in a separate bank account till the allotment of 8,553 Equity Shares on 10th April, 2010.

e) Other Disclosures

There have been no instances of non - compliance by the Company on any matters related to capital markets, during last three years. Neither penalties nor any strictures have been imposed on the Company by the Stock Exchange, SEBI or any other statutory authority, on any matter related to capital markets.

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

The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement. The extent of adoption of non - mandatory requirements is given hereunder :

- a. The Company has adopted the non - mandatory requirement as regards provisions relating to the Remuneration Committee.
- b. The Company do not have any Whistle Blower Policy. However, any employee would not be denied access to the Audit Committee.

5. Remuneration to Directors

a) Remuneration Committee

Remuneration Committee comprises of four Directors, viz. Mr. Sanjay C. Kirloskar, Mr. A. R. Jamenis, Mr. S. N. Inamdar and Mr. A. N. Alawani.

During the financial year, one Remuneration Committee Meeting was held on 9th June, 2009 to recommend to the Board of Directors the payment of commission to the Managing Director and to Non - Executive Directors for the financial year 2008 - 2009.

b) Remuneration to Directors

i. Remuneration to Managing Director

The Company pays remuneration by way of salary, perquisites, allowances and commission to its Managing Director. The commission to the Managing Director is decided by the Remuneration Committee on determination of the profits for the financial year and is also approved by the Board of Directors. The remuneration to the Managing Director is in accordance with the provisions of the Companies Act, 1956 and within the ceiling

prescribed under Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956.

The Members at the Seventeenth Annual General Meeting held on 28th August, 2008 have approved the re-appointment and the terms of remuneration of Mr. R. V. Gumaste as the Managing Director for a period of 5 years with effect from 1st July, 2008.

The Company has entered into an agreement with the Managing Director for a period of 5 years. No notice period and severance fees have been prescribed in the agreement.

Details of remuneration, by payment and provision, to Mr. R. V. Gumaste, Managing Director, for the financial year 2009 - 2010 are as follows –

Particulars	Amount (Rs.)
Salary	4,680,000
Contribution to Provident Fund	489,600
Contribution to Superannuation Fund	612,000
Perquisites	42,430
Leave Travel Assistance	90,000
Commission	8,000,000
Gratuity	----
Leave Encashment	217,058
Total	14,131,088

Salary includes basic salary, special allowance and house rent allowance.

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

II. Remuneration to Non – Executive Directors

The members at the Seventeenth Annual General Meeting held on 28th August, 2008 have passed the special resolution to authorise the Board of Directors to decide the payment by way of commission to Non - Executive Directors, a sum not exceeding one percent per annum of the Net Profit of the Company, computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956, in any financial year upto a period of 5 years, commencing from the financial year 2007 - 2008.

Further, the Central Government vide its letter dated 24th November, 2008 has granted approval for the payment of commission to Non - Executive Directors for a period of 5 years commencing from the financial year 2007 - 2008.

The Board of Directors decides the remuneration to Non – Executive Directors by way of Commission, based on their attendance and contribution at the meetings.



Details of Commission payable to Non - Executive Directors for the financial year 2009 - 2010 are as follows -

Name of Directors	Amount (Rs.)
Mr. Atul C. Kirloskar	300,000
Mr. Sanjay C. Kirloskar	300,000
Mr. A. R. Jamenis	300,000
Mr. S. N. Inamdar	300,000
Mr. C.V. Tikekar	300,000
Mr. S. G. Chitnis	300,000
Mr. A. N. Alawani	300,000
Total	2,100,000

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

There are no pecuniary relationships or transactions of Non - Executive Directors vis - a - vis the Company.

III. Payment of Sitting Fees to Non – Executive Directors

The Board of Directors at its meeting held on 9th June, 2009 has increased the sitting fees from Rs. 5,000 to Rs. 10,000 to be paid to each Non – Executive Director for attending a meeting of the Board or a committee thereof.

Sitting Fees paid to Non - Executive Directors during financial year 2009 – 2010 are as under :

Name of Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	50,000
Mr. Sanjay C. Kirloskar	40,000
Mr. A. R. Jamenis	135,000
Mr. S. N. Inamdar	95,000
Mr. C.V. Tikekar	130,000
Mr. S. G. Chitnis	125,000
Mr. A. N. Alawani	105,000
Total	680,000

6. **CEO / CFO Certification**

The Chief Executive Officer, i.e. the Managing Director and the Chief Financial Officer, i.e. the Vice President - Finance heading the finance function have certified to the Board of Directors that :

- a. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
 - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b. There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct;

- c. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or proposed to take to rectify these deficiencies;
- d. They have indicated to the Auditors and the Audit Committee :
 - i. significant changes, if any, in internal control over financial reporting during the year;
 - ii. significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud, of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

The above certificate was placed before the meeting of the Board of Directors held on 29th April, 2010.

7. Shareholders' / Investors' Grievance Committee

The Company has a Share Transfer cum Shareholders' / Investors' Grievance Committee.

It comprises of four Directors, viz. Mr. Atul C. Kirloskar, Mr. A. R. Jamenis, Mr. A. N. Alawani and Mr. C. V. Tikekar. Mr. Atul C. Kirloskar acts as the Chairman of the committee.

The committee has been constituted to look into the investors' complaints like the transfer of securities, non - receipt of annual report, non-receipt of declared dividends, etc.

Mr. C. S. Panicker, Company Secretary has also been authorised by the Board of Directors to expedite the process of transfer / transmission of shares / warrants. The details of transfer / transmission of shares / warrants are placed before the meeting of the Board of Directors on a regular basis.

The Compliance Officer can be contacted at –

Mr. C. S. Panicker, Company Secretary
Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003
Tel (020) 66084664 Direct
Fax (020) 25813208 / 25810209

The Company has designated an exclusive email ID investor@kfil.com for the investors to register their grievances, if any. The Company has also displayed the said email ID on its website for the use of investors.

The total number of complaints received and redressed during the year ended 31st March, 2010 were 137 and there was no complaint pending as on 31st March, 2010.



8. General Body Meetings

Details of last three Annual General Meetings held :

Annual General Meeting	Financial Year	Date, Time and Place
16th Annual General Meeting	2006 - 2007	26th July, 2007 11.30 a. m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
No special resolution was passed.		
17th Annual General Meeting	2007 - 2008	28th August, 2008 * 11.30 a. m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
* Two special resolutions were passed : (1) To create, offer, issue and allot not more than 12,00,000 Equity Shares under one or more Employees Stock Option Scheme(s). (2) Payment of commission to Non - Executive Directors a sum not exceeding one percent per annum of the Net Profit in any financial year upto a period of 5 years, commencing from the financial year 2007 - 2008.		
18th Annual General Meeting	2008 - 2009	14th August, 2009 11.00 a. m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
No special resolution was passed.		

None of the special resolutions passed at the last three Annual General Meetings were required to be passed by Postal Ballot.

9. Means of Communication

In compliance with the requirement of the Listing Agreement, the Company regularly intimates financial results to Bombay Stock Exchange Limited immediately after they are approved by the Board of Directors.

Quarterly and half yearly results are published in national and local dailies such as Economic Times (English newspaper) and Loksatta (Marathi newspaper), having wide circulation. Since the results of the Company are published in national and regional newspapers, the results are not sent individually to each shareholder.

The financial results and official news releases of the Company are also displayed on the website of Kirloskar Group of Companies, viz, www.kirloskar.com. The financial results of the Company have been uploaded at the SEBI website, viz. www.sebidifar.nic.in

10. General Shareholders' Information

Annual General Meeting	
Day, Date and Time	Thursday, 29th July, 2010 at 11.30 a.m.
Venue	The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002.
Financial Year	1st April, 2009 to 31st March, 2010 During the year under review, the results were announced as under - First Quarter 25th July, 2009 Second Quarter 26th October, 2009 Third Quarter 29th January, 2010 Annual 29th April, 2010
Date of Book Closure	From 22nd July, 2010 To 29th July, 2010 (Both days inclusive)
Dividend payment date	On or after 20th August, 2010
Listing on stock exchange	Bombay Stock Exchange Limited
Stock Code	500245
ISIN	INE 884B01025

The Annual Listing Fees for the financial year 2009 - 2010 have been paid to the Bombay Stock Exchange Limited and there is no amount outstanding as on date.

Market Price Data

Monthly High / Low Closing Prices of Equity Share on the Bombay Stock Exchange Limited (BSE) during the financial year 2009 – 2010 are as follows :

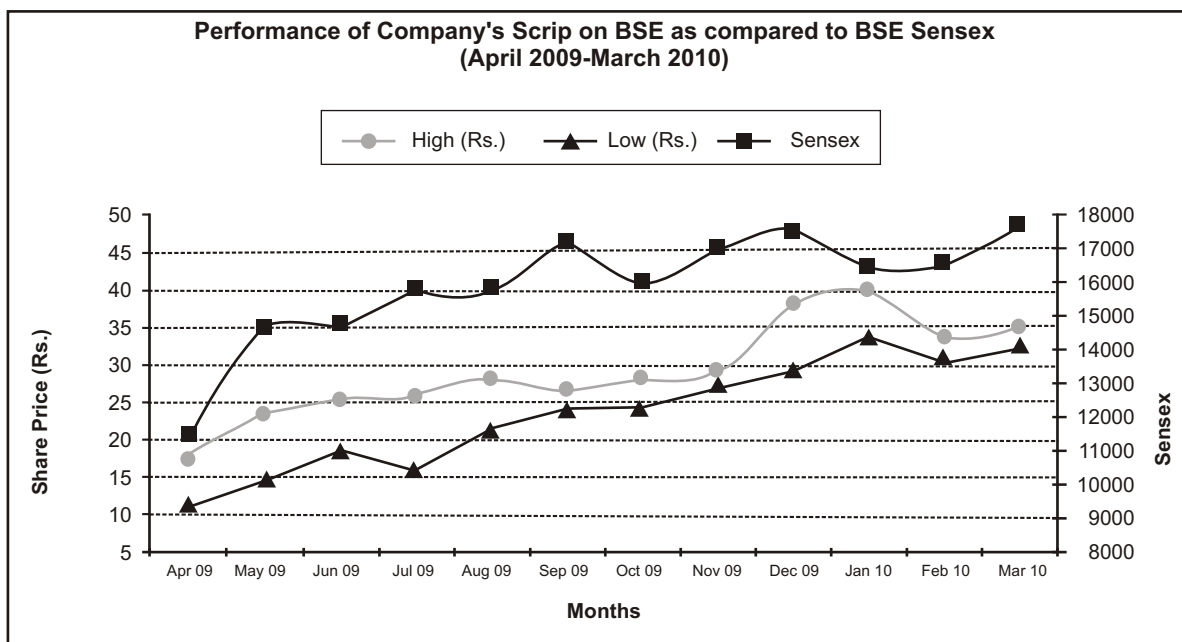
Year	Month	High (Rs.)	Low (Rs.)
2009	April	17.24	11.39
	May	23.33	14.49
	June	25.05	18.55
	July	25.80	15.85
	August	27.80	21.25
	September	26.45	23.70
	October	27.65	24.05
	November	28.85	27.00
	December	37.65	29.25
2010	January	39.50	33.60
	February	33.55	30.35
	March	34.65	32.25



Monthly High / Low Closing Prices of Detachable Warrant on the Bombay Stock Exchange Limited (BSE) during the financial year 2009 - 2010 are as follows :

Year	Month	High (Rs.)	Low (Rs.)	
2009	April	1.61	0.92	
	May	5.43	1.40	
	June	6.73	3.80	
	July	7.25	4.24	
	August	8.25	5.57	
	September	9.03	5.98	
	October	8.74	6.70	
	November	8.75	7.01	
	December	13.95	8.37	
	2010	January	14.20	11.10
		February	13.47	11.55
		March	13.02	11.04

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



Registrar & Share Transfer Agent -

The Company entrusted the entire work relating to processing of transfer of securities to M/s. Link Intime India Private Limited, a SEBI Registered R & T Agent.

The Registrar & Share Transfer Agent can be contacted at –

Link Intime India Private Limited
Akshay Complex, Block No 202,
Second Floor, Off Dhole Patil Road,
Near Ganesh Temple,
Pune 411001
Tel No. (020) 26051629 / 26053503
Fax No. (020) 26053503
Email : pune@linkintime.co.in

Share Transfer System

The applications for transfer of Shares / Warrants in physical form are processed by the Registrar and Share Transfer Agent of the Company and are returned after the registration of transfers within 30 days from the date of receipt, subject to the validity of all documents lodged with the Company. The applications for transfer of Shares / Warrants under objection are returned within a period of a week. The transfer applications are approved at regular intervals.

Distribution of Shareholding as on 31st March, 2010

Nominal Value of Shares (Rs.)		Shareholders		Shares	
From	To	Number	Percentage to Total	Number	Percentage to Total
1	5,000	72,494	93.98	14,819,654	10.79
5,001	10,000	2,014	2.61	3,243,653	2.36
10,001	20,000	1,191	1.54	3,480,492	2.54
20,001	30,000	576	0.75	2,928,278	2.13
30,001	40,000	185	0.24	1,314,002	0.96
40,001	50,000	197	0.26	1,888,831	1.38
50,001	100,000	248	0.32	3,650,819	2.66
100,001 & above		230	0.30	105,971,574	77.18
Total		77,135	100.00	137,297,303	100.00



Shareholding Pattern as on 31st March, 2010

Category	Number of Shares	Percentage of Shareholding
Promoters and Promoters Group	81,132,250	59.09
Financial Institutions	3,565,000	2.60
Nationalised Banks	600	0.00
Non Nationalised Banks	NIL	NIL
Insurance Companies	4,000	0.00
Non Resident Indians	1,436,610	1.05
Mutual Funds	5,017,833	3.65
Foreign Institutional Investors	48,100	0.04
Domestic Companies	7,480,259	5.45
Trusts	200	0.00
General Public	38,612,451	28.12
Total	137,297,303	100.00

Income Tax PAN mandatory for Transfer / Transmission / Deletion / Transposition of securities held in physical form

The Securities and Exchange Board of India (SEBI) vide its Circular nos. MRD/DoP/Cir-05/2009 dated 20th May, 2009 and SEBI/MRD/DoP/SE/RTA/Cir-03/2010 dated 7th January, 2010 has made it mandatory to furnish a copy of Income Tax PAN card to the Company / the Registrar and Share Transfer Agent for Transfer / Transmission / Deletion / Transposition of securities held in physical form.

Equity Shares in electronic form

As on 31st March, 2010, 91.73 percent of Paid - up Equity Share Capital of the Company was held in electronic form.

11. General Information for the Warrantholders

In terms of the Letter of Offer dated 2nd January, 2007 the Company had issued and allotted 64,782,765 Equity Shares of Rs. 5 each alongwith 64,782,765 Detachable Warrants.

Detachable Warrants are tradable on the stock exchange.

Name of Security	Detachable Warrant
ISIN	INE 884B13012
Listed with	Bombay Stock Exchange Limited (BSE)
Scrip Code	961664

Detachable Warrants in electronic form

As on 31st March, 2010, 99.75 percent of Detachable Warrants are held in electronic form.

Detachable Warrants Conversion in terms of the Letter of Offer dated 2nd January, 2007

As per the Letter of Offer dated 2nd January, 2007, the Warrant Exercise Period has commenced on 13th March, 2008 and was to conclude on 13th March, 2010. However, the warrant-holders at their

meeting held on 14th August, 2009 extended the validity by a further period of 3 years till 13th March, 2013. The Warrantheolders can exercise their right to apply for the Equity Shares at the warrant exercise price any time during the warrant exercise period. Further the warrants, not exercised during the warrant exercise period, shall lapse.

The Bombay Stock Exchange Limited has vide its Notice No. 20090930-9 dated 30th September, 2009 has displayed revised terms of warrants conversion at its website.

For the information of warrantheolders, the revised terms of warrants conversion are as given below –

	Earlier Terms	Revised Terms
1	The warrant exercise period would be valid till 13th March, 2010.	The warrant exercise period has been extended by a period of 3 years and will be valid till 13th March, 2013.
2	The allotment of equity shares on exercise of "the Voluntary Conversion Option" would take place once in each calendar month.	The allotment of equity shares on exercise of "the Voluntary Conversion Option" will take place once in each calendar quarter during the pendency of the warrant exercise period.
3	For valid applications alongwith the warrant exercise price received during each calendar month, the allotment of equity shares would be on 10th day of the succeeding calendar month.	For valid applications alongwith the warrant exercise price received during each calendar quarter; viz. October - December/ January - March/ April - June/ July - September; the allotment of equity shares will take place on or before 10th day of January / April / July / October respectively each calendar year during the pendency of the warrant exercise period.
4	The Company would have a one-time 'Call Option', which shall be 30th day from the date the notice is given by the Company for compulsory conversion of warrants ("the Call Option Date"), but at any time before the end of the warrant exercise period, i.e. 13th March, 2010.	The Company will have a one-time 'Call Option', which shall be 30th day from the date the notice is given by the Company for compulsory conversion of warrants ("the Call Option Date"), but at any time before the end of the warrant exercise period, i.e. 13th March, 2013.
5	Detachable Warrants shall lapse on the Call Option Date, OR at the end of warrant exercise period, (i.e. 13th March, 2010), whichever is earlier.	Detachable Warrants will lapse on the Call Option Date, OR at the end of warrant exercise period, (i.e. 13th March, 2013), whichever is earlier.

Unless specified otherwise above, all other terms in respect of the Detachable Warrants as mentioned in the Letter of Offer remain unchanged.

Call Option in terms of the Letter of Offer dated 2nd January, 2007

The Company also has a one - time call option of compulsory conversion of Detachable Warrants at any time within the warrant exercise period, i.e. from 13th March, 2008 to 13th March, 2013. In case the Company exercises the call option, the Company shall give 30 days' prior notice in the newspaper.

Call option date will be 30th day or such date from the aforesaid notice as specified ("call option date"). This call would be made uniformly in respect of all outstanding Detachable Warrants and will seek compulsory conversion of Detachable Warrants into Equity Shares at the warrant exercise price. Warrants shall lapse on the call option date, or the end of warrant exercise period, whichever is earlier.



General Information for Detachable Warrants conversion

A blank warrant exercise application form alongwith the general instructions can be obtained from the Registrar and Share Transfer Agent or can be downloaded from the website - www.kirloskar.com

Any correspondence with regard to the warrants conversion shall be addressed to the following -

M/s Link Intime India Private Limited (Unit : Kirloskar Ferrous Industries Limited)
C - 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai 400 078
Tel No. (022) 25946970 - 78 Fax No. (022) 25946969 / 25962691
Contact Person: Mr. Mayur Dupte

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

On 13th March, 2007, the Company had allotted 64,782,765 Equity shares of Rs. 5 each alongwith 64,782,765 Detachable Warrants to the allottees on the basis of one Detachable Warrant for every one Equity Share in terms of the Letter of Offer dated 2nd January, 2007. Each Detachable Warrant is convertible into one Equity Share of Rs. 5 each at the warrant exercise price of Rs. 35 per warrant during the warrant exercise period in terms of the Letter of Offer dated 2nd January, 2007.

Assuming that, all Detachable Warrants are converted into Equity Shares, the Paid up Equity Share Capital of the Company will enhance from Rs. 686,486,515 (137,297,303 Equity Shares of Rs. 5 each) to Rs. 1,008,939,650 (201,787,930 Equity Shares of Rs. 5 each).

13. Nominations in respect of shares held in Physical form

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. However, a large number of shareholders are yet to make nominations in respect of their holding in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the time consuming and cumbersome process of obtaining the succession certificate / probate or will. Therefore, it would be in the best interest of the shareholders holding shares in physical form as sole registered holder 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, karta of hindu undivided family and holders of power of attorney. Nominations will have to be made in prescribed form, which can be obtained from the registered office of the Company or the Share Transfer Agent.

14. Pursuant to Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and subsequent amendments thereto, 'Group' consists of Better Value Holdings Private Limited, Kirloskar Industries Limited, Kirloskar Engines India Limited, Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Kirloskar Brothers Limited, Pooja Credits Private Limited, Kirloskar Silk Industries Limited, Kirloskar Constructions & Engineers Limited, Gondwana Engineers Limited, The Kolhapur Steel Limited, Kirloskar Corrocoat Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, Cees Investments & Consultants Private Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, VikramGeet Investments & Holdings Private Limited, Kirloskar Integrated Technologies Limited, Kothrud Power Equipment Limited, Koppal Mines & Minerals Private Limited, Kirloskar Proprietary Limited, G G Dandekar Machine Works Limited, Mahila Udyog Limited, Kirloskar Chillers Private Limited, Kirloskar Roadrailer Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Kirloskar Brothers Investments Limited, Kirloskar Consultants Limited, Suman Kirloskar, Mrinalini

Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpana Kirloskar, Alike Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Gargi Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Komal Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Manasi Kirloskar, Roopa Gupta and Chandrashekhar H. Naniwadekar.

15. Plant Locations

1. Bevinahalli Village, P.O. Hitnal, Taluka & Dist. Koppal, Karnataka 583 234
2. Hotgi Road, Shivashahi, Solapur, Maharashtra 413 224



DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT

To the Members of **KIRLOSKAR FERROUS INDUSTRIES LIMITED,**

Pursuant to Clause 49 I (D) (ii) of the Listing Agreement, I hereby declare that all Board members and senior management personnel are aware of the provisions of the Code of Conduct laid down by the Board and made effective from 1st April, 2005. All Board members and senior management personnel have affirmed compliance with the Code of Conduct.

For Kirloskar Ferrous Industries Limited

Ravindranath V. Gumaste
Managing Director

Pune : 29th April, 2010

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE:

We have examined the compliance of the conditions of Corporate Governance by Kirloskar Ferrous Industries Limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.

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

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

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

For M/s P.G.Bhagwat
Chartered Accountants

Pune : 29th April, 2010

S.B. Pagad
Partner
Membership No.206124

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ('the Company') as at 31st March, 2010 and the related Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representations received from the Directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 ;
 - (b) In the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm Registration No. 101118W

S.B.Pagad
Partner
Membership No. 206124

Pune : 29th April, 2010



ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2010.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As informed to us, the fixed assets have been physically verified by the Management at reasonable intervals. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the Books of Account.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- (ii) (a) The inventory was physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable. Stocks lying with third parties at the year-end have been confirmed.
- (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there were adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding Rs. five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from public and hence the provisions of Clause vi are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the Books of Account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 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 not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As informed to us, Employees' State Insurance Act is not applicable to the Company.

According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.

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

Name of the statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
The Central Excise Act, 1944	Interest on refund	341,496	Assistant Commissioner of Central Excise
The Central Excise Act, 1944	Duty on pattern development charges	342,068	CESTAT, Bangalore
The Central Excise Act, 1944	Cenvat Credit utilised for payment of Service Tax	7,585,734	Commissioner of Central Excise
The Central Excise Act, 1944	Penalty on excise duty	100,000	CESTAT, Bangalore
The Central Excise Act, 1944	Interest /Penalty on undervaluation	3,127,237	CESTAT, Mumbai
The Central Excise Act, 1944	Cenvat Credit availed on Electrodes	494,497	Assistant Commissioner, Central Excise
The Central Excise Act, 1944	Cenvat Credit availed on Structural Steels	9,839,223	Joint /Asst. Commissioner, Central Excise, Belgaum
The Karnataka VAT Act, 2003	Interest on refund	211,311	Joint Commissioner of Commercial Taxes, Davangere
The Karnataka VAT Act, 2003	VAT - Difference in Tax	1,415,672	Deputy Commissioner of Commercial Taxes, Davangere
The Karnataka Electricity Act,	Electricity Tax on captive generation & consumption	604,782	Hon'ble High Court of Karnataka
Income Tax Act, 1961	Minimum Alternate Tax	3,456,134	Income Tax Appl. Tribunal, Pune.
Income Tax Act, 1961	Minimum Alternate Tax	7,332,841	Commissioner, IT , Appeals, Pune
Income Tax Act, 1961	Minimum Alternate Tax	6,205,167	Commissioner, IT , Appeals, Pune



- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures or any outstanding loans from financial institution during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures. However, the Company had made investments in mutual funds for which proper records have been maintained of the transactions and contracts and timely entries have been made therein.
- (xv) As informed to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, the Company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.
- (xix) Since the Company has not issued any debentures during the year, para 4(xix) of the order regarding creation of security is not applicable.
- (xx) The Company has not made any public issue to raise money.
- (xxi) According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm Registration No. 101118W

S.B.Pagad
Partner

Membership No. 206124

Pune : 29th April, 2010

BALANCE SHEET AS AT 31st MARCH, 2010

	SCHEDULE		As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
I. SOURCES OF FUNDS:				
1. Shareholders' Funds:				
(a) Share Capital	1	686,486,515		686,472,395
(b) Reserves and Surplus	2	2,578,965,505		2,286,556,615
(c) Convertible Warrant application money pending allotment into Equity Shares (Refer note No.2.06)		299,355		6,300
			3,265,751,375	2,973,035,310
2. Loan Funds :				
(a) Secured Loans	3		62,857,142	188,571,428
(b) Unsecured Loans			-	-
3. Deferred Tax Liability - Net				
	4		319,113,921	315,017,205
Total			<u>3,647,722,438</u>	<u>3,476,623,943</u>
II. APPLICATION OF FUNDS:				
1. Fixed Assets:				
(a) Gross Block	5	4,723,247,214		4,315,723,814
(b) Less : Depreciation		1,916,376,824		1,661,191,384
(c) Net Block		2,806,870,390		2,654,532,430
(d) Capital Work-in-Progress		575,860,546		634,150,735
			3,382,730,936	3,288,683,165
2. Investments				
	6		100	100
3. Current Assets, Loans and Advances:				
A) Current Assets :				
(a) Inventories	7	1,427,048,942		576,625,481
(b) Sundry Debtors	8	889,480,120		691,951,063
(c) Cash and Bank Balances	9	166,602,072		126,761,048
		2,483,131,134		1,395,337,592
B) Loans and advances				
	10	364,156,379		405,055,050
	(A)	2,847,287,513		1,800,392,642
Less : Current Liabilities and Provisions				
(a) Current Liabilities	11	2,272,338,150		1,439,744,539
(b) Provisions		309,957,961		172,707,425
	(B)	2,582,296,111		1,612,451,964
Net Current Assets	(A)-(B)		264,991,402	187,940,678
Total			<u>3,647,722,438</u>	<u>3,476,623,943</u>

Notes forming part of the financial statements 17

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. KIRLOSekar
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C. S. PANICKER
Company Secretary

R. S. SRIVATSAN
Vice President-Finance

Pune : 29th April, 2010



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

SCHEDULE	For the year ended		For the year ended	
	31st March, 2010		31st March, 2009	
	Rs.	Rs.	Rs.	Rs.
INCOME				
Sales & Operating Income	7,925,196,285		7,215,783,901	
Sale of byproducts, waste and scrap	821,909,199		680,858,020	
	<u>8,747,105,484</u>		<u>7,896,641,921</u>	
Less : Excise Duty & Education Cess on Excise Duty	677,236,544		905,248,050	
Net Sales		8,069,868,940		6,991,393,871
Other Income	12	102,271,571		50,868,417
		<u>8,172,140,511</u>		<u>7,042,262,288</u>
EXPENDITURE				
Material Consumed	13	5,795,216,937		5,254,587,096
Employees Remuneration and Benefits	14	327,716,178		306,523,046
Operational, Selling and Administrative Expenses	15	1,025,537,480		929,726,137
Interest	16	60,593,255		117,274,684
Depreciation and Amortisation	5	259,645,081		230,400,407
		<u>7,468,708,931</u>		<u>6,838,511,370</u>
Profit for the year		703,431,580		203,750,918
Prior period Expenses (Net)		797,780		1,028,868
Profit before Tax		<u>702,633,800</u>		<u>202,722,050</u>
Provision for Taxation:				
Deferred Tax		4,096,716		86,066,912
Fringe Benefit Tax		-		1,625,000
Current Tax	228,220,395			22,588,928
Less : Minimum Alternate Tax Credit Entitlement	20,530,906			-
		<u>207,689,489</u>		<u>22,588,928</u>
Wealth Tax		168,586		161,641
Short Provision for earlier years		-		12,792,009
Profit After Tax		<u>490,679,009</u>		<u>79,487,560</u>
Balance brought forward from previous year		298,584,683		337,138,017
Profit available for Appropriation		<u>789,263,692</u>		<u>416,625,577</u>
Appropriations				
Transfer to General Reserve		50,000,000		-
Excess Provision for Dividend Written Back (Refer Note No.2.21)		(32,246,635)		-
Excess Provision for Tax on Dividend Written Back (Refer Note No.2.21)		(5,480,315)		-
Proposed Dividend (Refer Note No.2.22)		201,787,930		100,893,965
Tax on Proposed Dividend (Refer Note No.2.22)		34,293,859		17,146,929
Balance carried to Balance sheet		<u>540,908,853</u>		<u>298,584,683</u>
		<u>789,263,692</u>		<u>416,625,577</u>
Earnings Per Share: (Refer Note No.2.17)				
Basic Earnings Per Share of Face Value of Rs. 5 each		3.57		0.58
Diluted Earnings Per Share of Face Value of Rs. 5 each		3.57		0.58

Notes forming part of the financial statements 17

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C. S. PANICKER
Company Secretary

R. S. SRIVATSAN
Vice President-Finance

Pune : 29th April, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

	2009-2010	2008-2009
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACITVITIES		
Net Profit before tax	702,633,800	202,722,050
Adjustments for:		
Depreciation	259,645,081	230,400,407
Loss on sale of assets	4,011,688	13,213,607
Interest paid	60,593,255	117,274,684
Interest income	(3,849,421)	(15,514,732)
Dividend Income	(896,550)	(1,562,698)
Rent on Building	(452,300)	(275,081)
	<u>319,051,753</u>	<u>343,536,187</u>
Operating profit before working capital changes	1,021,685,553	546,258,237
Decrease/(Increase) in Trade & Other Receivables	(223,805,722)	353,858,084
Decrease/(Increase) in Inventories	(850,423,461)	355,722,021
(Decrease)/Increase in Trade Payables	751,232,400	(751,515,391)
	<u>(322,996,783)</u>	<u>(41,935,286)</u>
Cash generated from operations	698,688,770	504,322,951
Taxes Paid	(160,220,677)	(50,204,211)
Net cash from operating activities	<u>538,468,093</u>	<u>454,118,740</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of assets	(239,381,220)	(832,510,613)
Sale of assets	2,993,576	10,479,492
Interest received	3,832,656	15,192,016
Dividend received	896,550	1,562,698
Rent on Building	452,300	275,081
Net cash used in investing activities	<u>(231,206,138)</u>	<u>(805,001,326)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Interest paid	(61,784,596)	(115,846,449)
Proceeds from conversion of warrants	391,895	10,066,490
Proceeds/(Repayment) of Long Term Borrowings (Net)	(125,714,286)	149,138,082
Dividend on equity shares	(68,647,330)	-
Tax on Dividend	(11,666,614)	-
Net cash used in financing activities	<u>(267,420,931)</u>	<u>43,358,123</u>
Net increase/(decrease) in cash & cash equivalents	<u>39,841,024</u>	<u>(307,524,463)</u>
Opening Cash and Cash Equivalents	126,761,048	434,285,511
Closing Cash and Cash Equivalents	166,602,072	126,761,048

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C. S. PANICKER
Company Secretary

R. S. SRIVATSAN
Vice President-Finance

Pune : 29th April, 2010



Schedule Nos. 1 to 11 annexed to and forming part of Balance Sheet as at 31st March, 2010

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
210,000,000 (210,000,000) Equity Shares of Rs. 5 each	1,050,000,000	1,050,000,000
117,000,000 (117,000,000) Preference Shares of Rs.10 each	1,170,000,000	1,170,000,000
	<u>2,220,000,000</u>	<u>2,220,000,000</u>
Issued, Subscribed and Paid up :		
137,297,303 (137,294,479) Equity Shares of Rs.5 each (Refer Note No.2.06)	686,486,515	686,472,395
	<u>686,486,515</u>	<u>686,472,395</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
i. Securities Premium Account		
As per Last Balance Sheet	1,937,971,932	1,929,292,512
Add : Received during the year (Refer Note No.2.06)	84,720	8,679,420
	<u>1,938,056,652</u>	<u>1,937,971,932</u>
ii. General Reserve		
As per Last Balance Sheet	50,000,000	50,000,000
Add: Transfer From Profit and Loss Account	50,000,000	-
	<u>100,000,000</u>	<u>50,000,000</u>
iii. Surplus as per annexed Profit and Loss Account	540,908,853	298,584,683
	<u>2,578,965,505</u>	<u>2,286,556,615</u>
SCHEDULE 3		
SECURED LOANS		
Term Loan from Bank (Refer Note No. 2.05 A)	62,857,142	188,571,428
Cash Credit from Banks (Refer Note No. 2.05 B)	-	-
	<u>62,857,142</u>	<u>188,571,428</u>
SCHEDULE 4		
DEFERRED TAX - LIABILITY (NET)		
Deferred Tax Liabilities:		
Depreciation	353,479,663	339,817,121
Total Liabilities	<u>353,479,663</u>	<u>339,817,121</u>
Deferred Tax Assets:		
Disallowance under Section 43 B of Income Tax Act	30,308,059	20,480,181
Provision for doubtful debts	4,057,683	4,319,735
Total Assets	<u>34,365,742</u>	<u>24,799,916</u>
Liability (Net)	<u>319,113,921</u>	<u>315,017,205</u>

SCHEDULE 5

FIXED ASSETS

(Amount in Rs.)

PARTICULARS	GROSS BLOCK						DEPRECIATION / AMORTISATION						NET BLOCK	
	AS AT 01.04.2009	ADDITIONS	DELETIONS	ADJUSTMENTS	AS AT 31.03.2010	AS AT 01.04.2009	FOR THE YEAR	DELETIONS	ADJUSTMENTS	AS AT 31.03.2010	AS AT 31.03.2010	AS AT 31.03.2009	AS AT 31.03.2010	
INTANGIBLE ASSETS														
GOODWILL	33,502,465	-	-	-	33,502,465	25,125,360	8,377,105	-	-	33,502,465	-	-	8,377,105	
COMPUTER SOFTWARE	15,476,934	20,284	-	-	15,497,218	3,340,499	2,516,477	-	-	5,856,976	9,640,242	12,136,435	9,640,242	
TANGIBLE ASSETS														
FREEHOLD LAND	39,202,660	812,376	-	-	40,015,036	-	-	-	-	-	40,015,036	39,202,660	40,015,036	
LEASEHOLD LAND	39,243,357	2,661,850	-	-	41,905,207	-	-	-	-	-	41,905,207	39,243,357	41,905,207	
MINING RIGHTS	1,150,000	-	-	-	1,150,000	167,535	104,215	-	-	271,750	878,250	982,465	878,250	
BUILDINGS	859,443,257	15,491,514	5,383,583	(13,833,542)	855,717,646	223,256,774	24,772,854	1,384,663	(178,914)	246,466,031	609,251,615	636,186,483	609,251,615	
PLANT & MACHINERY	3,293,998,513	393,872,287	3,588,832	13,833,542	3,698,115,510	1,394,723,483	221,415,195	1,454,486	178,914	1,614,863,106	2,083,252,404	1,899,275,030	2,083,252,404	
FURNITURE & FIXTURES	17,873,467	1,485,626	492,206	-	18,866,887	10,440,655	860,553	469,501	-	10,831,707	8,035,180	7,432,812	8,035,180	
VEHICLES	15,833,161	4,644,368	2,000,284	-	18,477,245	4,137,078	1,598,682	1,150,971	-	4,584,789	13,892,456	11,696,083	13,892,456	
Total	4,315,723,814	418,988,305	11,464,905	-	4,723,247,214	1,661,191,384	259,645,081	4,459,641	-	1,916,376,824	2,806,870,390	2,654,532,430	2,806,870,390	
Previous year total	3,306,479,682	1,120,763,659	111,519,527	-	4,315,723,814	1,518,617,403	230,400,407	87,826,426	-	1,661,191,384	2,654,532,430		2,654,532,430	



	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
SCHEDULE 6		
INVESTMENTS		
Long Term Investments (At cost)		
Fully Paid Equity Shares		
Trade - Unquoted		
Kirloskar Proprietary Limited	100	100
One Equity Share with a Face value of Rs.100 per share		
	<u>100</u>	<u>100</u>

SCHEDULE 7

INVENTORIES

(a) Raw Materials	1,079,609,097	273,570,870
(b) Non reusable waste	23,668,285	30,889,898
(c) Stores and Spares	143,618,361	128,179,685
(d) Goods in transit	387,712	-
(e) Finished Goods	74,052,188	40,265,417
(f) Work-in-Progress	105,713,299	103,719,611
	<u>1,427,048,942</u>	<u>576,625,481</u>

SCHEDULE 8

SUNDRY DEBTORS

(Unsecured and considered good)

(a) Debts outstanding for a period exceeding six months

Considered Good	11,052,294	12,460,724
Considered Doubtful	7,359,010	1,643,138
	<u>18,411,304</u>	<u>14,103,862</u>
Less: Provision for doubtful debts	7,359,010	1,643,138

11,052,294 12,460,724

(b) Others - Considered Good

878,427,826	679,490,339
<u>889,480,120</u>	<u>691,951,063</u>

SCHEDULE 9

CASH AND BANK BALANCES

Cash on Hand	391,655	197,785
Balances with Scheduled banks :		
In Current Accounts	165,918,244	116,161,865
In Fixed Deposit	268,243	10,394,233
Interest accrued on Fixed Deposits	23,930	7,165
	<u>166,602,072</u>	<u>126,761,048</u>

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
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SCHEDULE 10

LOANS AND ADVANCES

(Unsecured considered good)

Advances recoverable in cash or in kind or for value to be received		136,180,534	89,522,488
Advance against capital expenditure		8,070,913	27,632,561
Sundry Deposits		47,655,628	45,015,009
Balance with Central Excise & Customs	150,752,791		173,766,576
Less: Provision for doubtful Advances / Deposits /Claims	<u>4,578,661</u>		<u>4,587,211</u>
		146,174,130	169,179,365
Advance Income Tax, Tax deducted at source and MAT Credit Entitlement (Net of Provision for Tax)		26,075,174	73,705,627
		<u>364,156,379</u>	<u>405,055,050</u>

SCHEDULE 11

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Sundry Creditors :

(1) Dues to Micro, Small & Medium Enterprises (Refer Note No. 2.08 (a))	5,666,795		1,943,191
(2) Others (Refer Note No. 2.08 (b))	<u>2,197,901,960</u>		<u>1,367,805,479</u>
		2,203,568,755	1,369,748,670
Unclaimed Dividend #		4,205,723	2,186,901
Interest Accrued but not due on Secured Loans		236,894	1,428,235
Advance from customers		64,326,778	66,380,733
		<u>2,272,338,150</u>	<u>1,439,744,539</u>

PROVISIONS

Gratuity		40,014,833	28,373,776
Wealth Tax		168,586	161,641
Provident Fund and Superannuation Fund		2,508,347	4,374,794
Proposed Dividend		201,787,930	100,893,965
Tax on Proposed Dividend		34,293,859	17,146,929
Compensated Absences		31,184,406	21,756,320
		<u>309,957,961</u>	<u>172,707,425</u>

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



Schedules 12 to 16 annexed to and forming part of Profit and Loss Account for the Year ended 31st March, 2010

	For the year ended 31st March, 2010	For the year ended 31st March, 2009
	Rs.	Rs.
SCHEDULE 12		
OTHER INCOME		
Interest on deposits ((T.D.S.Rs. 320,313) (Rs.3,334,760))	3,849,421	15,514,732
Dividend Income	896,550	1,562,698
Rent on Building	452,300	275,081
Miscellaneous Income	17,401,631	4,866,411
Provision no longer required written back	24,296,668	27,537,117
Sundry credit balances appropriated	-	770,287
Insurance claim received	270,000	342,091
Foreign Exchange Gain (net)	55,105,001	-
	<u>102,271,571</u>	<u>50,868,417</u>
SCHEDULE 13		
MATERIAL CONSUMED		
(a) Raw Materials Consumed :		
Opening Stock	273,570,870	541,892,528
Add : Purchases	5,852,404,430	4,269,873,631
	<u>6,125,975,300</u>	<u>4,811,766,159</u>
Less : Closing Stock	<u>1,079,609,097</u>	<u>273,570,870</u>
	5,046,366,203	4,538,195,289
(b) Stores and spares consumed	773,182,708	662,717,919
(c) Decrease / (Increase) in stocks :		
Stock at close :		
Work-in-process	105,713,299	103,719,611
Finished Goods	74,052,188	40,265,417
Non Reusable Waste	23,668,285	30,889,898
(a)	<u>203,433,772</u>	<u>174,874,926</u>
Less : Stock at commencement :		
Work-in-process	103,719,611	91,834,262
Finished Goods	40,265,417	25,155,432
Non Reusable Waste	30,889,898	113,865,639
(b)	<u>174,874,926</u>	<u>230,855,333</u>
(b) - (a)	(28,558,846)	55,980,407
Excise duty on Increase / (Decrease) in closing stock of finished goods	4,226,872	(2,306,519)
	<u>5,795,216,937</u>	<u>5,254,587,096</u>

	For the year ended 31st March,2010 Rs.	For the year ended 31st March,2009 Rs.
SCHEDULE 14		
EMPLOYEE REMUNERATION AND BENEFITS		
Salaries, Wages and Bonus	265,472,934	249,269,447
Company's Contributions to Provident and other funds	35,311,323	32,293,583
Employees' Welfare Expenses	26,931,921	24,960,016
	<u>327,716,178</u>	<u>306,523,046</u>
SCHEDULE 15		
OPERATIONAL, SELLING AND ADMINISTRATIVE EXPENSES		
A) OPERATIONAL EXPENSES		
Power, fuel and water	445,605,798	321,095,062
Machinery Hire	865,960	2,178,579
Repairs and Maintenance - Machinery	56,254,686	35,629,436
MBF Relining expenses	53,432,638	66,150,873
Fettling and Labour charges	93,392,446	82,678,456
Total - A	<u>649,551,528</u>	<u>507,732,406</u>
B) SELLING EXPENSES		
Freight and Forwarding Expenses (net)	182,763,770	133,654,924
Advertisement	1,676,696	887,292
Sales Commission and Incentive	36,074,818	22,394,438
Royalty	16,714,720	14,046,000
Total - B	<u>237,230,004</u>	<u>170,982,654</u>
C) ADMINISTRATIVE EXPENSES		
Rent	773,407	851,040
Rates and Taxes	16,585,708	28,257,887
Insurance	1,906,528	1,702,196
Building Repairs	5,076,770	5,640,400
Other Repairs and Maintainance	7,842,796	17,646,257
Travelling Expenses	11,139,087	12,169,764
Legal and Professional	17,627,694	24,978,561
Communication Expenses	6,477,300	5,689,270
Printing and Stationery	4,559,990	4,215,895
Auditors Remuneration	1,672,227	1,226,614
Miscellaneous Expenses	20,006,554	23,225,126
Directors' Commission	10,100,000	4,050,000
Bank Charges	7,414,078	9,324,148
Bad debts written off	1,276,319	11,267,164
Provision for Doubtful Debts	6,041,064	(9,619,936)
Directors Sitting fees	680,000	520,000
Donations	15,564,738	1,693,689
Loss on assets sold, demolished, discarded and scrapped (net)	4,011,688	13,213,607
Foreign Exchange Loss (net)	-	94,959,395
Total - C	<u>138,755,948</u>	<u>251,011,077</u>
Total - (A+B+C)	<u>1,025,537,480</u>	<u>929,726,137</u>
SCHEDULE 16		
INTEREST		
- On Fixed Loans	15,741,512	32,177,655
- On others	44,851,743	85,097,029
	<u>60,593,255</u>	<u>117,274,684</u>



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE - 17

[1] SIGNIFICANT ACCOUNTING POLICIES

1.01 Basis of preparation of financial statements

- a) The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- b) The Company follows mercantile system of accounting and recognizes income & expenditure on an accrual basis except those with significant uncertainties.
- c) The accounting policies applied by the Company are consistent with those used in the previous year.

1.02 Use of estimates

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

1.03 Fixed Assets

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

1.04 Depreciation and Amortisation

- a) Depreciation on the fixed assets of the casting division at Solapur, acquired under the "Slump Sale Agreement" entered into with Kirloskar Oil Engines Ltd, is provided on straight line method over the remaining useful life of the asset ranging from 1 year to 18 years.
- b) In respect of the plant and machinery acquired from Kirloskar Oil Engines Ltd, depreciation is provided on straight line method over the remaining useful life of the asset ranging from 5 years to 9 years.
- c) Goodwill arising out of acquisition of Solapur unit from Kirloskar Oil Engines Ltd. is amortised over a period of 36 months commencing from 1st January, 2007.
- d) Mining Rights are amortised over 11 years being the period of lease.
- e) On all other fixed assets depreciation is provided on straight line method in the manner and at the rates specified in Schedule-XIV to the Companies Act, 1956.

1.05 Investments

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

- a) Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- b) Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

1.06 Inventories

- a) Raw Materials, Stores and Spares are valued at lower of Cost and net realizable value. Rates are determined on weighted average cost formula.
- b) Work in process and finished goods other than by-product are valued at lower of cost and net realizable value. Cost is arrived at by absorption cost method.
- c) By-products, self generated scrap and non reusable waste are valued at net realizable value.

1.07 Foreign Currency Transactions

- a) Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.
- b) Conversion: At the year end, monetary items denominated in foreign currencies other than those covered by forward contracts are converted into rupee equivalents at the year-end exchange rates.
- c) Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognized as income or expense over the period of the contract.
- d) Exchange Differences: All exchange differences arising on settlement/conversion of foreign currency transactions are recognised in the Profit and Loss Account.

1.08 Revenue Recognition

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

1.09 Borrowing Costs

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

1.10 Excise Duty

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

1.11 Employee Benefits

- a) Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering of services are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc., and the same are recognized in the period in which the employee renders the related service.
- b) Post Employment Benefits:
 - i) Defined Contribution Plan:

The Company's approved Superannuation Schemes, Central Government Provident Fund Scheme, are defined contribution plans. The contribution paid / payable under the schemes are recognized during the period in which the employee renders the related service.
 - ii) Defined Benefit Plans:

The employee's gratuity fund scheme, long term compensated absences are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the



date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

1.12 Taxes on Income

- a) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of accounting period based on prevailing enacted or subsequently enacted regulations.
- b) Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.
- c) Advance taxes and provisions for current Income Tax are presented in the Balance Sheet after off-setting advance taxes paid and Income Tax provision arising in the same tax jurisdiction and the Company intends to settle the assets and liabilities on a net basis.

1.13 Research and Development Expenses

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

1.14 Earnings Per Share

Earnings per share is calculated by dividing the net profit or loss for the year after prior period adjustments attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

[2] OTHER NOTES

Sr. No.	Particulars	2009-10 (Rs.)	2008-09 (Rs.)
2.01	Estimated amount of contracts remaining to be executed on capital account and not provided for	148,192,670	331,329,529
2.02	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	21,833,255	17,533,337
	b) Sales Tax (under Appeal)	1,626,983	3,620,604
	c) Income Tax (MAT) (Matter Subjudice)	16,994,142	50,044,616
	d) Interest on Electricity Tax (Matter Subjudice)	604,782	Nil
	e) Labour Matters (Matter Subjudice), to the extent quantifiable.	2,021,076	1,886,448
	f) Sales bills discounted covered under letter of credit issued by the customers (realized in April 2010)	79,700,704	Nil
2.03	i) Aggregate value of the amount outstanding under the letters of credit (Refer Note No: 2.05 B below)	1,452,074,075	699,846,296
	ii) Aggregate Value of Guarantees outstanding	3,000,000	Nil
2.04	Amount of borrowing costs capitalized	Nil	Nil

2.05 Security:

A) Term Loan

Term Loan of Rs.220,000,000 availed from The Hongkong and Shanghai Banking Corporation Limited (HSBC) is secured by an exclusive first charge by way of hypothecation of specific fixed assets, namely Mini Blast Furnace - 1 and Turbo Generators I and II in favour of IDBI Trusteeship Services Limited, as Security Trustees for the benefit of HSBC.

B) Working Capital facilities

Working capital facilities with Consortium Banks (fund based and non fund based) aggregating to Rs.4,500,000,000 (previous year Rs. 4,500,000,000) are secured by first charge by way of hypothecation on the current assets, both present and future, in favour of IDBI Trusteeship Services Limited, as Security Trustees, for the benefit of consortium banks.

2.06 Warrants:

The holders of 64,782,765 warrants are entitled to apply for one equity share of Rs.5 each per warrant at a premium of Rs.30 at any time within the warrant exercise period i.e., between 13th March, 2008 to 13th March, 2013. The Company will also have one time call option of compulsory conversion of warrants at any time within the warrant exercise period.

From the commencement of warrant exercise period (ie. 13th March, 2008) till 31st March, 2010, the Company has received applications from warrant holders for conversion of 300,691 warrants into equity shares for an amount aggregating to Rs. 10,524,185 (inclusive of securities premium). Out of the above, 292,138 warrants amounting Rs. 10,224,830 have been converted into 292,138 Equity Shares (Equity Share Capital Rs. 1,460,690 and Securities Premium Rs. 8,764,140) till 31st March, 2010.

Details of warrant conversion during the Financial Year:

Particulars	Number of Warrants	
	2009-10	2008-09
Warrants pending for conversion into equity shares for which application money received at the beginning of the year	180	1,500
Warrants received for conversion into equity shares during the year	11,197	287,994
Warrants converted into equity shares during the year	2,824	289,314
Warrants pending for conversion into equity shares for which application money received at the end of the year	8,553	180

As on 31st March, 2010, warrants 8,553 numbers (Previous year 180 numbers) aggregating to Rs.299,355 (Previous year Rs.6,300) were pending for conversion into equity shares.

Details of increase in Equity Share Capital and Securities Premium during the Financial Year:

Particulars	Equity Share Capital (Rs.)		Securities Premium (Rs.)	
	2009-10	2008-09	2009-10	2008-09
Balance at the beginning of the year	686,472,395	685,025,825	1,937,971,932	1,929,292,512
Conversion of warrants into equity share during the year	14,120	1,446,570	84,720	8,679,420
Balance at the end of the year	686,486,515	686,472,395	1,938,056,652	1,937,971,932

2.07 Interest paid on others Rs. 44,851,743 (Previous year Rs. 85,097,029) is after deducting Rs.731,640 (Previous Year Rs. 1,292,168) being interest received from customers / suppliers / contractors. [Tax deducted at source on interest received is Rs. Nil (Previous Year Rs. Nil)].

2.08 (a) Disclosure in respect of Principal and interest under the "Micro, Small and Medium Enterprises Development Act, 2006" based on available details is as under:

Particulars	2009-10 Rs.	2008-09 Rs.
1. Principal amount remaining unpaid at the end of the year	5,666,795	1,943,191
2. Interest due thereon remaining unpaid at the end of the year	Nil	255,399
3. Amount of interest paid in terms of section 16 during the year	296,991	36,578
4. Principal amounts of the payment made to the supplier beyond the appointed day during the year	1,834,607	8,454,031
5. Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSME Act;	Nil	291,977
6. Amount of interest accrued and remaining unpaid at the end of year	Nil	255,399
7. Amount of further interest remaining due and payable in the succeeding years	Nil	Nil

(b) Sundry creditors include Rs.82,547,212 (previous year nil) towards vendor bills discounting.



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

2.10 Remuneration to Statutory Auditors (Excluding Service Tax):

Particulars	2009-10 Rs.	2008-09 Rs.
a) Audit Fees	895,000	765,000
b) Tax Audit Fees	150,000	130,000
c) Certification and Other Services	542,908	273,600
d) Expenses reimbursed	84,319	58,014
Total	1,672,227	1,226,614

2.11. C.I.F. Value of Imports and Expenditure in Foreign currencies:

Particulars	2009-10 Rs.	2008-09 Rs.
(a) C.I.F. value of imports		
Capital Goods	38,910,326	587,746,675
Raw Materials	2,223,909,285	925,616,627
Stores and Spares	3,925,404	8,293,738
(b) Expenditure in foreign currencies		
Interest	18,318,606	16,557,248
Professional Fee	4,358,574	Nil
Others	2,774,550	350,267

2.12. Earnings in Foreign Exchange

Particulars	2009-10 Rs.	2008-09 Rs.
FOB Value of Exports	303,057,876	256,208,606

2.13. Details of material consumption:

(i) Raw Material Consumed:

Particulars	Unit	2009-10		2008-09	
		Qty.	Rs.	Qty.	Rs.
(a) Iron Ore Lumps	MT	522,658	1,105,535,988	350,212	877,818,410
(b) Coke	MT	208,581	3,125,797,803	141,845	2,989,326,164
(c) M.S/C.I. Scrap	MT	31,818	639,013,577	18,888	436,219,353
(d) Others			176,018,835		234,831,362
Total			5,046,366,203		4,538,195,289

Imported and Indigenous Raw Material Consumption:

Particulars	2009-10		2008-09	
	Rs.	Percent	Rs.	Percent
(a) Imported	1,838,187,722	36.43	1,241,305,058	27.35
(b) Indigenous	3,208,178,481	63.57	3,296,890,231	72.65
Total	5,046,366,203	100.00	4,538,195,289	100.00

(ii) Imported and Indigenous Stores and Spares Consumption:

Particulars	2009-10		2008-09	
	Rs.	Percent	Rs.	Percent
(a) Imported	3,881,935	0.50	3,367,691	0.51
(b) Indigenous	769,300,773	99.50	659,350,228	99.49
Total	773,182,708	100.00	662,717,919	100.00

2.14. Details of licensed and installed capacity and Production:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2009-10	2008-09	2009-10	2008-09
Liquid Metal for Pig Iron	MT	NA	NA	360,000	240,000
Investment / Steel Castings	MT	200	200	200	200
Castings #	MT	120,000	60,000	102,000	112,000

During the year the installed capacity of Liquid Metal for Pig Iron increased on account of installation of Hot Blast Stoves.

During the year the licensed capacity for castings increased from 60,000 to 120,000 based on the application made to IEM

Casting capacity :

Particulars	MT
Capacity as on 01.04.2009	112,000
Less: Casting capacity removed during the year	(10,000)
Capacity as on 31.03.2010	102,000

B. Production:

Class of Goods	Unit	2009-10	2008-09
Liquid Metal			
- Consumed in Foundry	MT	28,693	29,597
- Consumed for Manufacture of Pig Iron *	MT	244,706	159,783
Castings	MT	52,822	42,026
Investment Castings	MT	55	62

* Includes 5,219.13 MT for internal consumption (previous year 2,579 MT)



C. Stock and Turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
(a) Pig Iron							
Quantity	MT	1,855	834	3,491	1,855	226,507	145,559
Value (Rs.)		36,667,263	16,070,562	67,311,802	36,667,263	4,342,171,134	3,532,162,076
(b) Castings							
Quantity	MT	Nil	1	Nil	Nil	49,545	39,366
Value (Rs)		Nil	18,984	Nil	Nil	2,619,843,216	2,468,790,501
(c) Investment castings							
Quantity	MT	Nil	1.69	Nil	Nil	55	64
Value (Rs)		Nil	52,435	Nil	Nil	45,885,841	53,673,003
(d) Others							
Value (Rs.)		3,598,154	9,013,451	6,740,386	3,598,154	1,061,968,749	936,768,291
Total (Value Rs.)		40,265,417	25,155,432	74,052,188	40,265,417	8,069,868,940	6,991,393,871

Note:

Castings turnover has been arrived after considering the rejections of 3,277 MT amounting to Rs.192,111,931 (Previous Year 2,660 MT amounting to Rs. 183,480,367)

2.15. Following Investments were purchased and sold during the period :

Particulars	No of Units	Face Value (Rs.)	Cost Price (Rs.)
a) Birla Sun Life Mutual Fund:			
i) Birla Sun Life Savings Fund - Institutional - Daily Dividend -Reinvestment	73,558,663	10	735,569,500
ii) Birla Sun Life Cash Plus - Institutional - Daily Dividend -Reinvestment	95,978,074	10	1,036,628,048
b) Deutsche Mutual Fund:			
i) Dws Insta Cash Fund- Institutional Plan - Daily Dividend- Reinvest	65,663,125	10	659,939,000
ii) Dws Ultra Short Term Fund- Regular Daily - Dividend Plan- Reinvest	2,926,838	10	29,318,675
iii) Dws Ultra Short Term Fund- Institutional - Daily Dividend- Reinvest	23,844,708	10	238,744,946
Total			2,700,200,169

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency	Purpose
Liabilities Payable				
2009-10	USD	11,475,245	520,951,588	Hedging the Risk
2008-09	USD	1,750,000	90,410,000	Hedging the Risk

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency
2009-10			
Assets Receivable	USD	193,926	8,711,169
	EURO	2,642	158,521
Liabilities Payable	USD	17,673,184	804,296,345
	EURO	58,009	3,538,517
	JPY	2,937,264	1,434,600
2008-09			
Assets Receivable	EURO	47	3,150
	USD	226,585	11,485,403
Liabilities Payable	USD	1,927,749	99,240,510
	EURO	1,037,024	70,693,947
	JPY	3,249,790	1,710,040

2.17. Earnings per Equity Share (EPS) :

		2009-10 (Rs.)	2008-09 (Rs.)
a)	Basic Earnings Per Share		
	Basic	3.57	0.58
	Diluted	3.57	0.58
b)	The amount of profit considered for calculation of EPS is as follows: Net Profit after tax	490,679,009	79,487,560
c)	Basic Earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Weighted average number of equity shares used in computing earnings per equity share	137,295,383	137,206,540
d)	Face value of each equity share	5	5



2.18. Related Party Disclosures :

- a) Associate Company : Kirloskar Oil Engines Limited (the name changed to Kirloskar Industries Limited w.e.f. 31.03.2010)
b) Key Management Personnel : Mr. R.V.Gumaste – Managing Director
c) Transactions with related parties :

Particulars	Associate Company 2009-10 (Rs)	Associate Company 2008-09 (Rs)	Key Management Personnel 2009-10 (Rs)	Key Management Personnel 2008-09 (Rs)
Remuneration	--	--	14,131,088	9,221,329
Dividend	32,996,001	Nil	4,750	Nil
Sale of Finished Goods	765,394,433	723,607,527	--	--
Purchase of Materials & Components	105,496	Nil	--	--
Other Services	Nil	4,775,300	--	--
Building Rent Paid	480,000	480,000	--	--
Outstanding as on 31st March				
Outstanding Receivables	161,249,784	115,511,520	--	--
Outstanding Payables	Nil	43,596	--	--

2.19. Managerial Remuneration:

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

Particulars	2009-10 (Rs.)	2008-09 (Rs.)
Profit for the year	490,679,009	79,487,560
Add: Provision for taxation	211,954,791	123,234,490
Directors' remuneration	16,231,088	10,271,329
	718,864,888	212,993,379
Add: Provision for doubtful debts	6,041,064	(9,619,936)
	724,905,952	203,373,443
Less:		
a) Provision for doubtful debts no longer required written back	421,969	15,000
b) Capital profit on sale of assets	Nil	Nil
Net Profit as per Section 309(5) of the Companies Act, 1956	724,483,983	203,358,443

(ii) Remuneration payable to Managing Director @ 5% on above profit	36,224,199	10,167,922
Restricted to	14,131,088	9,221,329
Commission to other Directors @ 1% of above profit	7,244,840	2,033,584
Restricted to	2,100,000	1,050,000

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

Particulars	2009-10 (Rs.)	2008-09 (Rs.)
Salary	4,680,000	4,680,000
Contribution to Provident Fund	489,600	489,600
Contribution to Superannuation Fund	612,000	612,000
Perquisites	42,430	29,868
Leave Travel Assistance	90,000	90,000
Commission	8,000,000	3,000,000
Leave Encashment	217,058	319,861
Total	14,131,088	9,221,329

2.20 Disclosure pursuant to Accounting Standard 15 (Revised) Employee Benefits :

- a. Defined Contribution Plan:

Contribution to the Defined Contribution Plan recognized as expense are as under:

Particulars	2009-10 (Rs.)	2008-09 (Rs.)
Employer's Contribution to Provident Fund	15,580,520	15,243,894
Employer's Contribution to Superannuation Fund	1,548,884	1,700,182

The Provident Fund contributions are remitted to the Regional Provident Fund Commissioner.

The contributions on account of Superannuation are remitted to Life Insurance Corporation of India, who manages the Superannuation Fund.

- b. Defined Benefit plan:

The Employee Gratuity Fund Scheme is a defined benefit plan. The present value of the obligation is based on the actuarial valuation using Projected Unit Credit Method.

Particulars	Gratuity (Funded) 2009-10 (Rs.)	Gratuity (Funded) 2008-09 (Rs.)
1) Changes in the Present Value of Obligations (PVO)		
PVO at beginning of Period	74,227,088	62,025,965
Interest Cost	5,397,254	4,781,091
Current Service cost	6,526,067	5,660,660
Benefits Paid	(4,527,421)	(4,524,653)
Actuarial (gain)/loss on obligation	8,803,126	6,284,025
PVO at end of period	90,426,114	74,227,088
2) Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	45,853,312	38,608,886
Expected Return on Plan Assets	4,267,500	3,676,978
Contribution	4,594,751	8,364,305
Benefit Paid	(4,527,421)	(4,524,653)
Actuarial (gain)/loss on obligation	223,139	(272,204)
Fair Value of Plan Assets at the end of period	50,411,281	45,853,312



Particulars	Gratuity (Funded) 2009-10 (Rs.)	Gratuity (Funded) 2008-09 (Rs.)
3) Fair value of plan assets		
Fair Value of Plan Assets at beginning of period	45,853,312	38,608,886
Actual Return on Plan Assets	4,490,639	3,404,774
Contributions	4,594,751	8,364,305
Benefit Paid	(4,527,421)	(4,524,653)
Fair Value of Plan Assets at end of period	50,411,281	45,853,312
Funded Status	(40,014,833)	(28,373,776)
Excess of actual over estimated return on Plan Assets	223,139	(272,204)
4) Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (obligation)	(8,803,126)	(6,284,025)
Actuarial Gain/(Loss) for the period (Plan Assets)	223,139	(272,204)
Total Gain/ (Loss) for the period	(8,579,987)	(6,556,229)
Actuarial Gain/(Loss) Recognized for the period	(8,579,987)	(6,556,229)
Unrecognized Actuarial Gain/ (Loss) at end of period	Nil	Nil
5) Amount Recognised in the Balance Sheet and statement of Profit & Loss A/c		
PVO at end of period	90,426,114	74,227,088
Fair value of Plan Assets at end of Period	50,411,281	45,853,312
Funded Status	(40,014,833)	(28,373,776)
Unrecognized Actuarial Gain/ (Loss) at end of period	Nil	Nil
Net Assets/ (Liability) recognized in the Balance Sheet	(40,014,833)	(28,373,776)
6) Amount recognized in the Statement of Profit & Loss A/c		
Current Service Cost	6,526,067	5,660,660
Interest Cost	5,397,254	4,781,091
Expected Return on Plan Assets	(4,267,500)	(3,676,978)
Net Actuarial (Gain)/Loss recognized for the period	8,579,987	6,556,229
Expenses recognized in statement of Profit & Loss A/c	16,235,808	13,321,002
7) Movements in the Liability recognized in Balance Sheet		
Opening Net Liability	28,373,776	23,417,079
Expenses as above	16,235,808	13,321,002
Contribution paid	(4,594,751)	(8,364,305)
Closing Net Liability	40,014,833	28,373,776
8) Actuarial Assumptions		
Mortality	LIC(1994-96) Ult	LIC(1994-96) Ult
Discount Rate	7.50%	7.50%
Rate of increase in compensation	7.00%	7.00%
Withdrawal rates	0.80%	0.80%

Major category of Fair Value of Plan Assets at the end of period is as under:

Particulars	2009-10 (Rs.)	Percent	2008-09 (Rs.)	Percent
In Government Securities	Nil	-	Nil	-
State Government Bonds	1,218,765	2.42	1,192,425	2.60
Balances in Current Accounts with scheduled Banks	552,342	1.09	249,353	0.54
Income Tax Authorities (TDS)	45,594	0.09	45,594	0.10
Funds with Life Insurance Corporation of India	48,594,580	96.40	44,365,940	96.76
Total	50,411,281	100.00	45,853,312	100.00

c. Amount recognised as an expense in respect of long term compensated absences is Rs. 10,909,848 (Previous Year Rs. 3,512,497).

2.21 Write back of excess provision pertaining to dividend and tax thereon made in the earlier year:

Particulars	Dividend (Rs.)	Tax on Dividend (Rs.)
Provision made in the accounts for the year ended 31.03.2009 towards likely conversion of 64,493,451 Warrants into equity shares of Rs.5 each on or before the book closure date for 18th Annual General Meeting	32,246,725	5,480,331
Dividend on actual warrants (180 nos) converted into equity shares of Rs.5 each on or before the book closure date for 18th Annual General Meeting	90	16
Excess Provision written back to Profit & Loss Account	32,246,635	5,480,315

2.22 Details of Proposed Dividend and tax thereon, as on 31st March 2010 :

Particulars	Dividend (Rs.)	Tax on Dividend (Rs.)
(a) On Paid up Equity Share Capital as on 31st March, 2010	137,297,303	23,333,677
(b) Provision towards likely conversion of 64,490,627 Warrants into Equity Shares of Rs.5 each on or before book closure date	64,490,627	10,960,182
Total	201,787,930	34,293,859

2.23 Previous year's figures have been regrouped wherever considered necessary to make them comparable with those of the current year.



**2.24. 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.

L	2	7	1	0	1	P	N	1	9	9	1	P	L	C	0	6	3	2	2	3
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State Code

1	1
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 Balance Sheet Date

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

Public Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L				Rights Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L									
		N	I	L																			
		N	I	L																			
Bonus Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L				Private Placement <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L				Others <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>4</td><td>.</td><td>1</td><td>2</td></tr></table>	1	4	.	1	2
		N	I	L																			
		N	I	L																			
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III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)

Sources of Funds	Total Assets																
Total Liabilities <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>6</td><td>4</td><td>7</td><td>7</td><td>2</td><td>2</td></tr></table>		3	6	4	7	7	2	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>3</td><td>6</td><td>4</td><td>7</td><td>7</td><td>2</td><td>2</td></tr></table>		3	6	4	7	7	2	2
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	3	6	4	7	7	2	2										
Paid up Capital <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>6</td><td>8</td><td>6</td><td>4</td><td>8</td><td>7</td></tr></table>			6	8	6	4	8	7	Reserves and Surplus <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>5</td><td>7</td><td>8</td><td>9</td><td>6</td><td>5</td></tr></table>		2	5	7	8	9	6	5
		6	8	6	4	8	7										
	2	5	7	8	9	6	5										
Share Application Money <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td>2</td><td>9</td><td>9</td></tr></table>						2	9	9	Unsecured Loans <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L			
					2	9	9										
		N	I	L													
Secured Loans <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td>6</td><td>2</td><td>8</td><td>5</td><td>7</td></tr></table>				6	2	8	5	7	Deferred Tax Liability (Net) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>3</td><td>1</td><td>9</td><td>1</td><td>1</td><td>4</td></tr></table>			3	1	9	1	1	4
			6	2	8	5	7										
		3	1	9	1	1	4										
Application of Funds	Capital Work in Progress <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>5</td><td>7</td><td>5</td><td>8</td><td>6</td><td>1</td></tr></table>			5	7	5	8	6	1								
		5	7	5	8	6	1										
Net Fixed Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>2</td><td>8</td><td>0</td><td>6</td><td>8</td><td>7</td><td>0</td></tr></table>		2	8	0	6	8	7	0	Net Current Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>2</td><td>6</td><td>4</td><td>9</td><td>9</td><td>1</td></tr></table>			2	6	4	9	9	1
	2	8	0	6	8	7	0										
		2	6	4	9	9	1										
Investments <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>-</td><td>-</td><td></td><td></td><td></td><td></td></tr></table>			-	-					Accumulated Losses <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L			
		-	-														
		N	I	L													
Misc. Expenses <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L												
		N	I	L													

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

Turnover (Includes Other Income) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>8</td><td>1</td><td>7</td><td>2</td><td>1</td><td>4</td><td>0</td></tr></table>		8	1	7	2	1	4	0	Total Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td>7</td><td>4</td><td>6</td><td>9</td><td>5</td><td>0</td><td>6</td></tr></table>		7	4	6	9	5	0	6
	8	1	7	2	1	4	0										
	7	4	6	9	5	0	6										
Profit/(Loss) before tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td></td><td>7</td><td>0</td><td>2</td><td>6</td><td>3</td><td>4</td></tr></table>	+		7	0	2	6	3	4	Profit/(Loss) after tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td></td><td>4</td><td>9</td><td>0</td><td>6</td><td>7</td><td>9</td></tr></table>	+		4	9	0	6	7	9
+		7	0	2	6	3	4										
+		4	9	0	6	7	9										
Earnings per share (Rs.) ✓ <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td>-</td><td></td><td>3</td><td>.</td><td>5</td><td>7</td></tr></table> (Basic)	+	-		3	.	5	7	Dividend Rate (%) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td></tr></table>	2	0							
+	-		3	.	5	7											
2	0																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td>-</td><td></td><td>3</td><td>.</td><td>5</td><td>7</td></tr></table> (Diluted)	+	-		3	.	5	7										
+	-		3	.	5	7											

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

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

Signatures to Schedules 1 to 17

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Vice President-Finance

Pune : 29th April, 2010

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KIRLOSKAR FERROUS INDUSTRIES LIMITED

Regd. Office : 13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra State)

ATTENDANCE SLIP

19th Annual General Meeting on 29th July, 2010 at 11.30 A.M.

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

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

I hereby record my presence at the 19th Annual General Meeting of the Company at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 on Thursday, the 29th day of July, 2010 at 11.30 A.M.

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

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

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KIRLOSKAR FERROUS INDUSTRIES LIMITED

Regd. Office : 13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra State)

PROXY FORM

I/We
L.F. No / DP Id and Client Id of
being member/members of Kirloskar Ferrous Industries Limited, 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 19th Annual General Meeting of the
Company, to be held at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru
Stadium, Swargate Corner, Pune 411002 on Thursday, the 29th day of July, 2010 at 11.30 A.M. and at any
adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this day of 2010.

Please
affix
Re. 1
Revenue
Stamp

(Signature of the member across the stamp)

Note : This form, in order to be effective, should be completed, stamped, duly signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

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Installation of hot blast stoves for second mini blast furnace at Bevinahalli.



An expansive view of the lush, green factory premises.



Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.

Tel.: +91 (20) 2581 0341. Fax: +91 (20) 2581 3208, 2581 0209.

E-mail: C.Panicker@kirloskar.com | Website: www.kirloskar.com