KIRLOSKAR FERROUS INDUSTRIES LIMITED

22nd Annual Report 2012-13

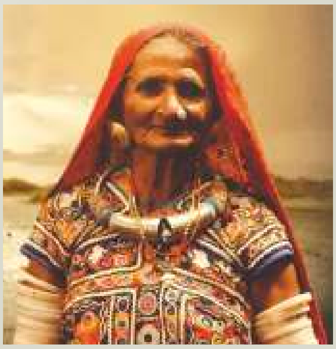
Enriching Lives

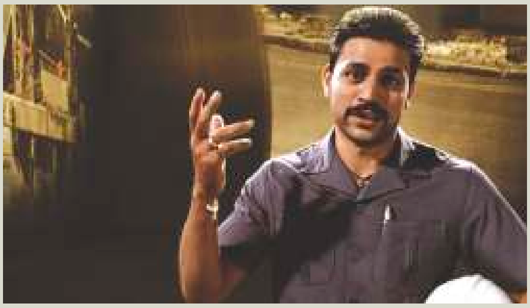
Decades of positive change

Positive Change!

It has been our reason to be, for decades now. And, it is this thought that has been the inspiration behind a gazillion smiles, across the globe.

Through critical engineering solutions across industries; be it the water that quenches thirst of millions across regions or keeps mega power plants cool, or the engines that power countless applications, generating sets that provide standby power from telecom to defence and the refrigeration that saves millions of tonnes of food stock - Kirloskar has been working reliably and efficiently to spread and earn more and more smiles.





Your company has brought about a positive change by:

- Manufacturing of Castings which are critical components used in Tractors, Power Generating Sets and Automobiles
- Use of Pig Iron for foundries resulting in ultimate manufacture of castings and other applications
- Contributing in the development of Agriculture, Automobile, Power Generation and Textile, which are the vital sectors of the economy and growth drivers of the economy

To see how Kirloskar has enriched lives, watch Television Commercials at www.kirloskarsolutions.in

22nd ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2013

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
HDFC Bank Limited
Canara Bank
The Hongkong and Shanghai Banking Corporation Limited
ICICI Bank Limited
DBS Bank Limited

REGISTRAR AND 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 and District Koppal
Karnataka - 583 234

2) Hotgi Road,
Shivashahi, Solapur,
Maharashtra - 413 224

Information for shareholders
22nd Annual General Meeting

Date	: Friday, 26th July, 2013
Time	: 12 Noon
Venue	: MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007
Dates of Book Closure	: 19th July, 2013 to 26th July, 2013 (both days inclusive)

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KIRLOSKAR FERROUS INDUSTRIES LIMITED

A DECADE AT A GLANCE

(₹ in Millions)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Net sales / revenue from operations	3,759.54	4,970.11	4,827.46	5,251.32	7,264.56	6,991.39	8,069.87	10,917.58	10,896.51	11,981.09
Other income	94.36	34.68	44.52	64.37	183.47	50.87	102.27	19.81	20.84	24.91
Total income	**3,853.90**	**5,004.79**	**4,871.98**	**5,315.69**	**7,448.03**	**7,042.26**	**8,172.14**	**10,937.39**	**10,917.35**	**12,006.00**
Raw material and stores consumed	2,656.25	4,076.12	3,690.58	3,618.46	5,301.91	5,254.59	5,790.99	7,684.87	7,116.88	7,504.67
Employees remuneration and benefits	107.25	119.75	134.46	182.44	296.85	306.52	327.72	330.56	427.73	511.76
Other expenses	456.43	384.93	459.60	639.99	921.82	930.76	1,030.56	1,891.44	2,419.45	2,881.55
Total expenses	**3,219.93**	**4,580.80**	**4,284.64**	**4,440.89**	**6,520.58**	**6,491.87**	**7,149.27**	**9,906.87**	**9,964.06**	**10,897.98**
Profit before interest, depreciation and amortisation	**633.97**	**423.99**	**587.34**	**874.80**	**927.45**	**550.39**	**1,022.87**	**1,030.52**	**953.29**	**1,108.02**
(% to Total income)	**16.45**	**8.47**	**12.06**	**16.46**	**12.45**	**7.82**	**12.52**	**9.42**	**8.73**	**9.23**
Interest / finance cost	231.46	89.90	69.94	69.32	83.90	117.27	60.59	41.45	104.70	151.80
Depreciation and amortisation	130.07	126.46	119.81	139.88	185.42	230.40	259.65	270.44	291.99	332.03
Profit/(Loss) before Tax	**272.44**	**207.63**	**397.59**	**665.60**	**658.13**	**202.72**	**702.63**	**718.63**	**556.61**	**624.19**
(% to Total Income)	**7.07**	**4.15**	**8.16**	**12.52**	**8.84**	**2.88**	**8.60**	**6.57**	**5.10**	**5.20**
Tax provisions	(44.72)	(10.68)	136.78	220.97	167.81	123.23	211.95	235.34	185.81	233.33
Net Profit/(Loss) after Tax	**317.16**	**218.31**	**260.81**	**444.63**	**490.32**	**79.49**	**490.68**	**483.29**	**370.80**	**390.86**
(% to Total income)	**8.23**	**4.36**	**5.35**	**8.36**	**6.58**	**1.13**	**6.00**	**4.42**	**3.40**	**3.26**
Share capital										
Equity share capital	722.22	722.22	361.11	685.02	685.02	686.47	686.49	686.54	686.54	686.54
Preference share capital	1,046.86	1,046.86	1,046.86	-	-	-	-	-	-	-
Total	**1,769.08**	**1,769.08**	**1,407.97**	**685.02**	**685.02**	**686.47**	**686.49**	**686.54**	**686.54**	**686.54**
Reserves										
Share premium	-	-	-	1,929.29	1,929.29	1,937.97	1,938.06	1,938.38	1,938.38	1,938.38
General reserves	-	-	-	-	50.00	50.00	100.00	150.00	200.00	250.00
Profit and Loss account	(830.35)	(741.31)	(379.11)	17.04	337.14	298.58	540.91	815.65	976.86	1,191.86
Total	**(830.35)**	**(741.31)**	**(379.11)**	**1,946.33**	**2,316.43**	**2,286.55**	**2,578.97**	**2,904.03**	**3,115.24**	**3,380.24**
Deferred tax (assets) / liability	(203.33)	(214.11)	(82.35)	100.91	228.95	315.01	319.11	379.68	420.55	514.75
Long term loans	612.70	534.28	323.56	201.08	39.43	188.57	62.85	-	-	804.62
Net fixed assets including CWIP	1,337.57	1,284.90	1,247.06	1,725.42	2,464.09	3,288.68	3,382.73	3,590.97	3,851.77	4,881.68
Net current assets other than cash and bank #	(112.65)	(329.53)	(60.42)	102.47	371.53	61.19	98.39	67.74	50.49	(17.08)
Cash and bank balance	107.02	386.61	83.43	1,105.45	434.29	126.75	166.60	184.02	136.15	145.81
Non current assets								127.52	183.92	375.75
Capital employed	**1,331.94**	**1,341.98**	**1,270.07**	*****2,056.81**	**3,269.91**	**3,476.62**	**3,647.72**	**3,970.25**	**4,222.34**	**5,386.16**
Misc. expenditure	16.17	5.96	-	-	-	-	-	-	-	-
Net worth *	954.90	1,033.73	1,028.86	** 1,459.16	3,001.45	2,973.02	3,265.46	3,590.57	3,801.78	4,066.78
Capital employed *	1,331.94	1,341.98	1,270.07	2,056.81	3,269.91	3,476.62	3,647.72	3,970.25	4,222.34	5,386.16
Return on capital employed %	37.83	22.17	36.81	35.73	22.69	9.20	20.92	19.14	15.66	14.41
Return on networth %	33.21	21.12	25.35	30.47	16.34	2.67	15.03	13.46	9.75	9.61
No. of equity shares	72,222,400	72,222,400	72,222,400	137,005,165	137,005,165	137,294,479	137,297,303	137,308,081	137,308,081	137,308,081
Earnings per share (Rs.)	3.75	2.38	2.88	5.24	3.58	0.58	3.57	3.52	2.70	2.85
Book value per share (Rs.)	(1.72)	(0.35)	(0.25)	19.21	21.91	21.65	23.78	26.15	27.69	29.62
Dividend %	-	-	-	-	15	10	20	20	20	25

Notes:
* Net worth = Share capital + share premium+ profit and 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.
# Net current assets has been calculated by deducting current liabilities and short term borrowings from the current assets.
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 2007 to March 2007 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 of 2010-11 and 2011-12 have been revised in accordance with the latest Schedule VI.
Figures are as per latest annual report.
Figures have been regrouped wherever necessary.

NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Friday, the 26th day of July, 2013 at 12 noon at MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007 to transact the following business :

ORDINARY BUSINESS

Item No. 1

To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended on 31st March, 2013 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, 2013.

Item No. 3

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. 4

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

Item No. 5

To appoint a Director in place of Mr. C. V. Tikekar, 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.

SPECIAL BUSINESS

Item No. 7

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

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force) read with Articles 95, 96, 97 and 98 of the Articles of Association of the Company and such other approvals as may be necessary, the consent of the members be and is hereby accorded to the re-appointment of Mr. Ravindranath Venkatesh Gumaste as the Managing Director of the Company for a period of 5 (five) years with effect from 1st July, 2013 upon the terms and conditions as set out in the agreement to be entered into between the Company and Mr. R. V. Gumaste and on the remuneration as set out below :

(A) SALARY

Basic Salary ₹ 5,00,000 per month, with the increment as may be determined by the Board of Directors of the Company from time to time.

(B) SPECIAL ALLOWANCE

₹ 50,000 per month

(C) PERQUISITES

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

1. Fully furnished residential accommodation, perquisite valuation of which shall not exceed ₹ 20,000 per month. Where no accommodation is provided by the Company, House Rent Allowance at the rate of ₹ 20,000 per month in lieu thereof may be paid.

   The expenses on soft and hard furnishings not exceeding ₹ 15,000 per month shall be borne by the Company. The expenses on gas, electricity, water and other utilities shall be borne by the Company.

2. Family Medicare Policy premium under mediclaim insurance policy not exceeding ₹ 15,000 per annum.

3. Reimbursement of all medical expenses, including hospitalisation expenses, incurred for self and family, other than expenses claimed under the Family Medicare Policy.

4. Leave travel assistance for self and family once in a year, in accordance with the rules of the Company, not exceeding ₹ 90,000 per annum.

5. Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.

6. Personal accident insurance, premium whereof does not exceed ₹ 25,000 per annum.

7. A car with driver for official and personal purpose.

8. Telephone and Internet facilities at residence and a mobile phone facility for use on Company's Business.

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

10. Gratuity at the rate not exceeding one month's salary for each completed year of service or part thereof (on pro-rata basis), and

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

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

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

(D) COMMISSION

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

(E) MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, the remuneration shall be in accordance with the ceiling prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.

(F) The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

FURTHER RESOLVED THAT, Mr. R. V. Gumaste shall not be liable to retire by rotation till he continues as the Managing Director of the Company.

FURTHER RESOLVED THAT, the Board of Directors be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this resolution and also to vary the terms of remuneration from time to time within the limits prescribed and permitted under Sections 198, 309 and Schedule XIII of the Companies Act, 1956, as amended from time to time, during the aforesaid period without being required to seek any fresh approval of the members of the Company, but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration and that the decision of the Board of Directors shall be final and conclusive in this regard."

By order of the Board of Directors

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

C. S. Panicker
Company Secretary

Pune : 29th April, 2013

NOTES :

i) The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 19th July, 2013 to Friday, 26th July, 2013 (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 18th July, 2013 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 18th July, 2013.

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 dematerialised 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.

xiii) **Green Initiative in the Corporate Governance - Registration of email address**

The members are requested to register email address with the Depository Participant / the Registrar and Share Transfer Agent of the Company, i.e. Link Intime India Private Limited, as the case may be, for service of documents, as mentioned on pages 33 and 65 of this annual report.

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. A. N. Alawani

Mr. Anil Narayan Alawani, aged 67 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 was appointed as a Director of the Company on 22nd October, 2005.

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, the Compensation Committee and the Capex Planning Committee.

Other Directorships

Kirloskar Brothers Limited	Kirloskar Brothers Investments Limited
Kirloskar Industries Limited	Kirloskar Oil Engines 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 Investors' Grievance Committee – Member Remuneration Committee – Member Investment Committee – Chairman
Kirloskar Integrated Technologies Limited	Audit Committee – Chairman Remuneration Committee – Chairman

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

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

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

Item No. 4 of the Notice

Mr. S. N. Inamdar

Mr. Shrikrishna Narhar Inamdar, aged 67 years, is a commerce and a law graduate. He is a leading Advocate and Tax Consultant. He has been practicing as an Advocate both on original and appellate side of the Bombay High Court over last 41 years. Presently, he is a Senior Advocate at Bombay High Court.

He was appointed as a Director of the Company on 19th March, 1993. He is the Chairman of the Audit Committee and a Member of the Remuneration Committee.

Other Directorships

Kirloskar Brothers Limited	Kirloskar Industries Limited
Kirloskar Proprietary Limited	Finolex Industries Limited
Kulkarni Power Tools Limited	Sudarshan Chemical Industries Limited
The Ugar Sugar Works Limited	Apple Hospitals and Research Institute Limited
Finolex Infrastructure Limited	Sakal Papers Private Limited

Other Committee Positions

Name of the Company	Name of Committee and position held
Kirloskar Brothers Limited	Audit and Finance Committee – Chairman Remuneration Committee – Member Compensation Committee – Member
The Ugar Sugar Works Limited	Audit Committee – Chairman Remuneration Committee – Chairman
Sudarshan Chemical Industries Limited	Audit Committee – Member Finance Committee – Member Remuneration Committee – Member
Finolex Industries Limited	Audit Committee – Chairman Investor Grievance Committee – Member Remuneration Committee – Chairman
Kirloskar Industries Limited	Audit Committee – Member
Kulkarni Power Tools Limited	Remuneration Committee – Chairman

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

He holds 6,100 (0.004 percent) equity shares in the Company.

Mr. S. N. Inamdar retires by rotation, and being eligible, offers himself for reappointment.

Item No. 5 of the Notice

Mr. C. V. Tikekar

Mr. Chintaman Vishwanath Tikekar aged 80 years, graduated from the College of Engineering, Pune with a Degree in Metallurgical Engineering with distinction. He then worked at the heat treatment shop of Premier Automobiles for over a year. Thereafter, he joined Tata Engineering Company Limited (TELCO) and during the course of service, he was sent by them to visit the plant of Daimler Benz at Germany for specialised on the job training in heat treatment of automobile components, material testing and in process technologies.

He worked in TELCO for thirty eight years in various capacities such as Chief Metallurgist, in–charge of Foundries and as Senior Deputy General Manager. He is a life member of Indian Institute of Metals, Society of

Materials, Institute of Indian Foundrymen. He was assigned the job of improving quality of vendor supplying steel, forgings, castings and other items used in automobile manufacture. In TELCO, he was the Chairman of Material Rationalisation Committee responsible for selection of all raw materials so that varieties are reduced, material costs are brought down and yet quality of the vehicles is improved.

After retiring from service with TELCO, he worked with Kirloskar Group of Companies. With his vast experience, he played a pivotal role in the conceiving, planning, installing and commissioning of the Plant of the Company at Bevinahalli, Karnataka.

He was appointed as a Director of the Company on 19th March, 1993. He is the Chairman of the Rights Issue and Allotment Committee. He is also a Member of the Audit Committee, the Share Transfer cum Shareholders' / Investors' Grievance Committee, the Finance Committee and the Compensation Committee.

He is a Director of M. N. M. Tools Private Limited.

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

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

Mr. C. V. Tikekar retires by rotation, and being eligible, offers himself for reappointment.

Item No. 7 of the Notice

Mr. R. V. Gumaste

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

He joined the Company in 1993. He was promoted as SBU Chief for pig iron business in 1998 and thereafter as Senior Vice President (Operations) in 2001. He took various initiatives to improve the performance of the Company, such as cost reduction drive on all front, improvement in the production process, increasing the productivity of foundry operations and quality of output, negotiating for reduction in the raw material prices, improvement of market share of the castings etc.

He was appointed as an Executive Director of the Company with effect from 25th July, 2002 and has been the Managing Director of the Company since 1st July, 2003.

The Board of Directors at its meeting held on 29th April, 2013 has reappointed him as the Managing Director of the Company for a period of five years with effect from 1st July, 2013 and has also determined the remuneration payable to him, subject to the approval of the members at the ensuing Annual General Meeting.

He is not liable to retire by rotation till he continues as the Managing Director.

He holds 99,000 (0.07 percent) equity shares in the Company.

He does not hold any directorship in any other company.

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

By order of the Board of Directors

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

Pune : 29th April, 2013

C. S. Panicker
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 22nd Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2013.

FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2012-2013 as compared with the previous year are as follows -

(Amount in ₹)

	2012 - 2013	2011 - 2012
Sales and Other Income	**12,006,002,195**	10,917,352,422
Profit before tax	**624,191,494**	556,612,492
Provision for tax (including Deferred Tax)	**233,327,629**	185,815,296
Profit after tax	**390,863,865**	370,797,196
Balance of Profit brought forward from previous year	**976,864,750**	815,650,438
Excess provision for previous years written back		
a) Dividend	**(64,479,849)**	(64,479,849)
b) Tax on Dividend	**(10,460,244)**	(10,460,244)
Profit available for appropriation	**1,442,668,708**	1,261,387,727
APPROPRIATIONS		
Your Directors propose to appropriate the Profit as under :		
Proposed Dividend	**171,635,102**	201,787,930
Tax on Dividend	**29,169,386**	32,735,047
Transfer to General Reserve	**50,000,000**	50,000,000
Balance carried to Surplus Account	**1,191,864,220**	976,864,750

DIVIDEND

Your Directors have recommended a dividend of 25 percent (₹ 1.25 per equity share).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Economy and Industry Overview

Global Economy

Global economic developments over the last few months present a mixed picture. The US economy grew by 2.2 percent during 2012. China's economic growth in the first quarter of 2013 was 7.7 percent. China is gradually returning to faster growth after slow down in the earlier quarters. While other emerging and developing economies are struggling to maintain economic growth rates.

In the Eurozone area, sovereign debt problem has continued to weigh on the global recovery. After a brief phase of relative calm reflecting the large liquidity injection by the European Central Bank, renewed concerns have arisen about a sustainable solution to the sovereign debt problem and the increasing vulnerability of the banking sector. Consequently, risk aversion has increased.

All these salient global happenings have resulted into 'pull back' of demand situation for Indian exporters, which will perhaps further increase import – export gap, leading to increase in current account deficit.

Indian Economy

In 2010, the Indian Economy rebounded from the global financial crisis in large part because of strong domestic demand and growth exceeded 8 percent year-on-year in real terms. India's economic growth began slowing in 2011 because of a tight monetary policy, intended to address persistent inflation, and a decline in investment, caused by investor pessimism about domestic economic reforms and about the global situation. High international crude prices have increased the government's fuel subsidy expenditure, contributing to a higher fiscal deficit and a worsening current account deficit. In late 2012, the Indian Government announced reforms and deficit reduction measures to reverse India's slowdown. The Government undertook long anticipated measures towards fiscal consolidation by reducing fuel subsidies and selling stakes in public enterprises.

India's economic growth rate during fiscal 2012-13 is estimated to be lower at 5 percent, lowest in the decade, on account of poor performance of manufacturing, agriculture and services sector.

India's GDP growth in Quarter 3 of 2012-13, at 4.5 percent, (compared to 6 percent same quarter last year) was the weakest in the last 15 quarters. The services sector growth, hitherto the mainstay of overall growth, has also decelerated to its slowest pace in a decade.

India's exports, which had surpassed pre-crisis levels within a year in 2010-11 with a record 40.5 percent growth, continued growing even in 2011-12, but were finally affected by the global slowdown in 2012-13. The reason for decline in export was on account of slowing down of GDP growth of partner countries specially Eurozone countries.

India imports around 80 percent of its annual crude oil consumption and gold worth billions of dollars and that disturbs the whole balance of trade. India's current account deficit has increased due to weak exports, heavy gold and crude oil imports and a slowdown in inward remittances from overseas Indians.

The Current account deficit of the country and uncertain global economic environment, particularly unfolding of Eurozone sovereign debt crisis, which impacted the level of foreign institutional investment flows in the foreign exchange market lead to depreciation of rupee against dollar. Rupee depreciation also resulted in increase in inflation and thus, stagnant growth of the economy.

Monetary Policy

In April 2012, the Reserve Bank implemented a rate reduction by 50 basis points on the expectations of fiscal policy support for inflation management alongside supply-side initiatives for addressing the deceleration of investment and growth. As these expectations did not materialise and inflation remained firmly above 7.5 percent, the Reserve Bank decided to pause in its policy easing.

In March 2013, based on an assessment of the current macroeconomic situation, the Reserve Bank decided to reduce the policy repo rate under the liquidity adjustment facility by 25 basis points from 7.75 percent to 7.5 percent. But the commercial banks so far have not reduced the lending rates.

Iron and Steel Industry

India's rank in the world order of steel production remained unchanged at fourth slot with an output of 76.7 million tonnes, despite logging the highest growth of 4.2 percent among major producing nations in 2012.

Iron ore

Ban on iron ore mining in Karnataka has adversely affected the iron ore situation in terms of supply, quality and cost. Auction of iron ore from closed mines has been of a low quality and with high cost. Added to this 12 percent forest development tax has created additional burden to the industries in Karnataka dependent on the iron ore.

More transparent norms for iron ore mining are now being put in place in many States so that all stakeholders benefit, and the first results of these measures should be visible in Karnataka sometime during financial year 2013-2014, in the form of improved supply.

The iron ore procurement continues under e-auction mode. Presently 8 mines are in operation in Karnataka and the annual production capacity has been capped at 30 million tonnes per annum by the Supreme Court.

However, on 18th April, 2013 the Supreme Court allowed limited resumption of mining in Karnataka State by 55 'A' category mines and 63 'B' category mines, but set an annual production cap of 30 million tonnes for mining in the districts of Bellary, Tumkur and Chitradurga. Since these companies have to fulfill all reclamation and rehabilitation obligations and pay fines before they can resume mining operations, it will take some time before the availability of iron ore improves.

The Supreme Court also cancelled 49 mining leases of the 'C' category mines and directed that they be auctioned amongst end users. The floor price for such auctions would be based on the market value and ore to be used for captive purposes only. No sale / export would be permissible from 'C' category of mines. Since your Company is actual user and does not own any mine, it can apply for such mines.

Coke

Because of demand fluctuations during the global financial crisis, metallurgical coke prices have been reacting along the lines of fuel prices. After a scenario of continuous increase in coke prices, in 2010 and 2011, the prices started to decline between mid-2011 to end-2012. China has withdrawn 40 percent export tax on coke from January 2013. Chinese coke is likely to be available once again at comparable prices.

Auto Industry

The auto industry is showing its first decline in annual sales in 10 years as a result of high interest rates and high fuel costs. The auto industry is estimated to have a growth of around 3 to 5 percent for the current financial year 2012-13 from the earlier estimate of 10 to 12 percent. Overall economic situation in the country, high petrol price, inflation, high vehicle finance cost and differential excise rate are among the factors affecting overall industry.

Tractor industry

The Indian tractor industry has been hit by lower sales due to a host of issues ranging from deficient monsoon, mining curbs, delays in infrastructure projects, etc., where tractors are used on a large scale. The industry may face a further slowdown in demand, if rural credit availability does not increase and deficit monsoon continues for 2013-14.

Crude oil prices

International crude oil prices have remained unchanged in the first three quarters.

B. Company Performance

Inspite of the closure of mines and non availability of iron ore at reasonable price, your Company has been able to run both the blast furnaces during the year. Commissioning of sinter plant helped the Company to consume iron ore fines instead of lump ore and get the benefit of price difference and reduction in coke consumption.

Even though sluggish market conditions prevailed in the tractor and auto industry, your Company managed to minimise the impact on its production.

Your Company achieved net sales of ₹ 11,981 million (previous year ₹ 10,896 million). Sales value has shown a growth of 10 percent in spite of stoppage of one of the mini blast furnace aggregating to 73 days for relining and major maintenance. Further slowdown in Tractor industry and auto sector also impacted the sales of castings.

In terms of volume growth in sales, Pig Iron sales has increased by 20 percent, while castings sales reduced by 5 percent compared to previous year.

The profit before tax for the year under review stood at ₹ 624.19 million as compared to ₹ 556.61 million of the previous year after providing for depreciation and amortisation showing an improvement of 12 percent over the previous year.

During the year under review, the fund based utilisation of working capital (for financing the iron ore purchase under e-auction) was for the entire year, as compared to utilisation for only half of the year during the previous year ie. 2011-12 resulting in increased interest cost.

During the year under review, the Company availed term loan and buyers credit aggregating to ₹ 90.46 Crores for the import of capital equipments and machinery.

C. Operational Performance

The slowdown in the tractor industry as well as automobile industry has impacted the production of castings with consequent effect on sales.

Your Company sold 58,725 MT castings aggregating to ₹ 4,420 million during financial year 2012-13 as compared to 62,136 MT castings aggregating to ₹ 4,493 million in the previous year.

Your Company sold 236,633 MT of pig iron valued at ₹ 6,771 million during financial year 2012-13 as compared to 197,524 MT of pig iron valued at ₹ 5,626 million in the previous year.

Sinter plant which functioned for part of previous year, was in operation throughout the year under consideration. The use of sinters in place of iron ore lumps in the Mini Blast Furnace has reduced the consumption of iron ore lumps substantially and consequently reduced the cost of pig iron manufacture.

Your Company faced many problems in getting iron ore supplies, but managed to ensure availability of iron ore throughout the year to maintain its operations.

Due to closure of mines and demand supply gap, iron ore prices have remained high. Available iron ore has been of a low quality and this has affected the productivity and the cost of manufacture.

The demand for high grade iron ore fines increased because of newly installed Pallet Plants. This has resulted in pushing up the prices of iron ore fines.

Many steel manufacturers started dumping pig iron into the market due to the sluggish steel market resulting in lower market demand for pig iron during the financial year 2012-13. Pig iron prices have come down substantially in last four months of 2012–13.

Coke prices in the beginning of the year was at USD 350 per MT and the prices have come down to a level of USD 290 per MT by the end of the year. Rupee depreciated against dollar during this period, hence full benefit of coke price reduction could not be materialised in rupee terms.

Thus, your Company faced a challenging task of managing both the production and the cost of production in these adverse conditions and took appropriate and timely decisions to ensure uninterrupted production and at the same time also ensured that the cost of production was also kept under control.

D. Cost Control

Your Company adopted following measures to reduce the cost:

a) Use of sinters to the maximum extent by optimising sinter plant operation thereby reducing the cost of iron ore and also reducing the consumption of coke.
b) Coke procurement strategies.
c) Operational efficiencies and controlled power and fuel cost.
d) Improved operational efficiencies and cost control measures at Solapur Plant.

E. Concerns and Threats

Iron ore is a major raw material required for production of pig iron. Delay in starting of the closed mines may force the Company to source the iron ore from outside the state, thereby increasing the sourcing cost of iron ore and put pressure on profitability.

Demand for the auto and tractors have a direct impact on the performance of your Company and any adverse market condition for these sectors will result into reduced capacity utilisation and profitability.

Further, depreciation of Rupee vis-à-vis US dollar can lead to an increase in price of coke and in the price of crude oil, resulting in increased input costs, thereby putting pressure on profitability.

F. Prospects for the Current Year

Both 'A' and 'B' Category mines in Karnataka have been cleared for start of operation after fulfilling certain conditions. It is expected that some more mines will become operational and this will lead to improved availability of iron ore. However, the start of mines may take some more time.

Demand for pig iron is expected to remain stable considering the growth projections by auto sector and tractor sector.

<u>New High Pressure Moulding Line</u>

Your Company has signed agreements for supply of castings with major OEMs. To meet the demand of new OEMs, your Company is installing a new high pressure moulding line at Koppal plant, Karnataka to enhance the production capacity of castings by 48,000 MT per annum in phase -I. The cost of this new moulding line will be around ₹ 200 Crores. The same is being partly financed by internal generation and partly through long term borrowings.

In phase- II, the capacity of the new moulding line will be further expanded from 48,000 MT per annum to 72,000 MT per annum.

The work on new foundry at Koppal is progressing as per project schedule. All major civil works have been completed and installation of equipment is in progress. The new foundry is expected to be commissioned during the second quarter of financial year 2013-14.

Development of castings of new major OEMs have reached the final stage. These castings once productionised will add to the volumes over the year progressively.

To meet the logistics requirements, your Company is proposing to install railway siding at Koppal plant.

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 statutory requirements related to safety like licenses, plan approvals, mock drills as per approved emergency preparedness plan and testing of lifting tackles, tool and pressure vessels, etc. are being complied with. As a proactive approach, periodical safety audit is being conducted to identify potential causes of accidents and address the same.

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. 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 is certified for Quality Management Systems under ISO TS 16949:2009, Environmental Management System under ISO 14001:2004 and also certified for Occupational Health and 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 water, stack emissions and ambient air quality etc., are undertaken periodically to verify whether the level of environmental parameters are maintained, well within the specified limits.

Effluent treatment of waste water and suppression of fugitive emissions through sprinklers is also carried out effectively. Plantation of about 30,000 trees was undertaken during the year 2012-13, to improve the greenery all around the plant and also to reduce dust emission during operation of raw material handling and movement of vehicles.

Sewage Treatment Plant (STP) with 250 KLD (kilo liters per day) capacity is operated to treat domestic wastewater with extended biological aeration system. Sludge generated from STP is being used as manure for garden and treated wastewater used for gardening.

Under ISO:14001 and OHSAS : 18001, the following management programmes have been taken-up and completed during 2012-13.

1. Installation and commissioning of dust collection system in RMHS-1 (Raw Material Handling System) to reduce and control fugitive dust.
2. Continuous Air Ambient monitoring equipment has been installed.
3. Erected porous fence (mesh) of 36 meter length and 12 meter height in the North side boundary to prevent the fugitive dust going out of the factory premises.
4. Equipped with UV Spectrophotometer and PM10 and 2.5 equipment for monitoring dust level within the factory premises.
5. Entered into a MoU with University of Agriculture Sciences, to study “Effect of fugitive emission on crop, land, water in and around the factory premises”.
6. Dust extraction system has been installed and commissioned at New Fettling Shop.

I. Social Responsibility

Your Company has taken following measures as a part of its corporate responsibility to the society. The Company focuses on rural health, hygiene and education to serve the society in the local vicinity of the plant. Major activities undertaken during the year are as follows:

<u>Rural education</u>

1. Provided financial assistance to Sree Mruthyunjayeshwara Association for Rural Development (R.), Karkihalli, for construction of class rooms.
2. Provided financial assistance to Sri Annadaneeshwara Samsthana Mutt, Mundaragi, for construction of college building.
3. School bags and note books provided to primary school children.

4. Supported schools for mid-day meals infrastructure.
5. Scholarships were given to school children for good performance in SSLC examinations.

Rural health and hygiene

1. Conducted “Health Camp” for school children.
2. Arranged visit of specialist doctors to Bevinahalli medical centre once in a week.
3. Under “Grama Nirmalya Yojana”, 163 individual toilets have been constructed in the Bevinahalli village and awareness given on the usage of toilet.
4. Constructed concrete road (665 meters) and storm water drain (145 meters) at Bevinahalli village.
5. Under “Women Empowerment” scheme, tailoring classes were conducted in Bevinahalli village for 6 months.
6. Sponsored “Haadu Kogile” programme (20 Sundays) in association with All India Radio, Hospet to promote budding singers.

J. Human Resource

Your Company considers human resource to be an important and valuable asset for the organisation. Therefore, constantly strives to attract and retain best “talents” for the present and future needs.

The Company has taken-up the following initiatives –

1. Company level “Fast Trackers” and “Future Leaders” have been identified and individual development programmes have been initiated with the intervention of specialised professional organisations like Thomas Assessment Centre.
2. Necessary training programmes i.e., technical and soft skills have been organised in association with reputed agencies.
3. Offering career growth at all levels.
4. Attention to the “Work Life Balance” of the employees through various initiatives.
5. Working on feedback report on Employee Engagement Survey and implementing the action plans with the intervention of external agency.
6. Recognising the “Talents” through rewards and awards.

During the year under review, the management concluded productivity linked wage settlement with workers union at Koppal and Solapur plants.

As on 31st March, 2013 the total number of salaried employees stood at 1,242. 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 commenced on 13th March, 2008. In terms of the Letter of Offer dated 2nd January, 2007, each detachable warrant could be converted into one equity share of ₹ 5 each fully paid at a warrant exercise price ₹ 35 per warrant during the warrant exercise period.

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

The Board of Directors at its meeting held on 25th January, 2013 decided not to extend the validity of warrant exercise period and accordingly to extinguish detachable warrants outstanding at the end of warrant exercise period ie. 13th March, 2013 and not exercised by the warrant holders for conversion into equity shares on or before warrant exercise period.

Further, on the expiry of the warrant exercise period, the Board of Directors extinguished the outstanding 64,479,849 detachable warrants not exercised by the warrantholders for conversion into equity shares.

During the period from 1st April, 2012 till 13th March, 2013 (inclusive), the Company did not receive any application/s from warrantholders for conversion of warrants into equity shares.

DIRECTORS

Mr. A. N. Alawani, Mr. S. N. Inamdar and Mr. C. V. Tikekar 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, 2013 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, 2013 and of the profit of the Company for the year ended 31st March, 2013;
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, 2013 on a "going concern" basis.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended 31st March, 2013 is attached with the Annual Audited Accounts of the Company.

AUDITORS

M/s P.G. Bhagwat, Chartered Accountants (Firm Registration No. 101118W) 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 BSE 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, 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, 2013

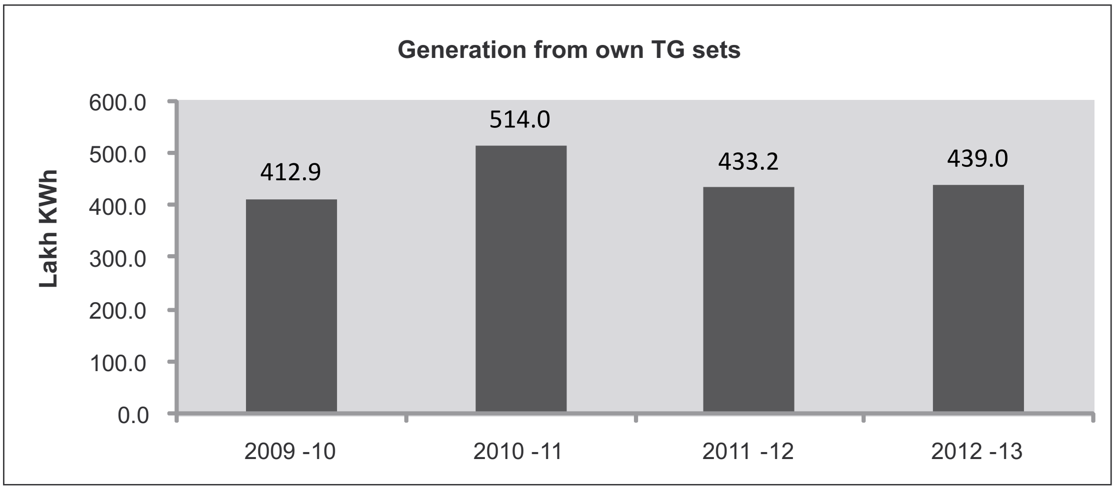
ANNEXURE - A

A CONSERVATION OF ENERGY :

a) Energy conservation measures taken during the financial year 2012-2013 are as follows:

1. Reduction in Auxillary power consumption in Power plant 3.
2. Installation of energy efficient motors with variable frequency drives for the new RMHS dedusting PCM - MBF 1 Projects.
3. Installation of variable frequency drives for cranes in Foundry.
4. Use of star rating product for all utilities area.
5. Power trading through Indian Energy Exchange (IEX) resulting in lower power costs.
6. Installation of auto drain valves for compressors to reduce power consumption.
7. Replacement of tubelights with LEDs to reduce electricity consumption.
8. LED lighting for shop floors.
9. Plant level energy audit completed at Hospet.
10. Commencement of open access power trading through Global Energy with effect from September 2012 at Solapur plant.
11. Purchase of renewable energy certificates from Indian Energy Exchange (IEX).

Figures of Power generation :



b) **Additional proposals for the year 2013-2014 :**

1. Installation of screw compressors at New Foundry project.
2. Replacement of energy efficient pumps at plant level.
3. Replacement of old motors with energy efficient motors.
4. Installation of energy efficient motors with variable frequency drives for the New Foundry Project.
5. Plant level energy audit at Solapur plant.
6. Reduction in blast furnace gas consumption in Sinter Plant by modifying the burner design. By this gas availability for Power plant will be more and hence the power generation.

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

1. Reduction in energy consumption.
2. Reduction in coke consumption.
3. Conservation of non-renewable energy resources.
4. Improvement in operational efficiency and widening the scope for energy conservation.

B. TECHNOLOGY ABSORPTION:

Sinter plant technology for use of iron ore fines and other iron and carbon containing by-products, in place of iron ore lumps, which enables the increase in productivity and reduction in coke consumption.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

	(₹ in Million)
Earnings	17.19
Outgo	4,001.52

D. RESEARCH AND DEVELOPMENT :

Have purchased and started using simulation tool for evaluation of effectiveness of pouring methods which is expected to help to reduce casting development time.

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 ₹	Particulars of Last employment
Mr. R. V. Gumaste	55	B.Tech (Met.)	32	Managing Director	8/11/2001	21,394,408	Chief Executive (Works) Indian Seamless Metal Tubes Limited

NOTES :

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

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 2012-2013, five meetings of the Board of Directors were held on 27th April, 2012; 24th July, 2012; 26th October, 2012; 25th January, 2013 and 15th March, 2013.

(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 2012 – 2013		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	4	Yes	8	1	Nil
Mr. Sanjay C. Kirloskar	Non - Independent Non Executive	5	4	No	6	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	Nil
Mr. S. N. Inamdar	Independent Non Executive	5	4	Yes	9	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	5	Yes	6	2	4

* 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 equity shares of the Company held by the Directors as on 31st March, 2013:

Name of Directors	Equity Shares of ₹ 5 each
Mr. Atul C. Kirloskar	1,427,939
Mr. Sanjay C. Kirloskar	380
Mr. R. V. Gumaste	99,000
Mr. S. N. Inamdar	6,100
Mr. A. N. Alawani	35,000
Mr. A. R. Jamenis	3,400
Mr. C. V. Tikekar	6,000
Mr. S. G. Chitnis	3,100

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.kfil.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 2012-2013, five Audit Committee meetings were held on 27th April, 2012; 24th July, 2012; 26th October, 2012; 25th January, 2013 and 15th March, 2013.

The details of attendance by Committee Members are as follows –

Name of Directors	Category	Number of meetings attended
Mr. S. N. Inamdar	Independent Non - Executive	4
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	5

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 Tuesday, 24th July, 2012.

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 BSE 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 thereon.

- 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 details of related party transactions before the Audit Committee at regular intervals.

During the year, the Company, in its normal course of business, has paid license fees for the use of office premises to its promoter company, viz. Kirloskar Industries Limited.

Transactions with the related parties are disclosed in Note No. 35 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 commenced on 13th March, 2008 and concluded on 13th March, 2013

During the said period, the Company received applications from warrantholders for conversion of 302,916 detachable warrants into 302,916 equity shares for an amount aggregating to ₹ 10,602,060 (inclusive of the securities premium).

Detachable warrants conversion proceeds of ₹ 10,602,060 were utilised for the installation of Sinter Plant after the allotment of 302,916 equity shares.

On the expiry of the warrant exercise period, the Board of Directors extinguished outstanding 64,479,849 detachable warrants not exercised by the warrantholders for conversion into equity shares.

e) Details of the Cost Auditor :

With reference to the General Circular No. 15/2011-52/5/CAB-2011 dated 11th April, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi following are the details of Cost Auditor and filing of cost audit report with the Central Government :

M/s. Parkhi Limaye and Co., Cost Accountants (Firm Registration No. 000191)
'Aabha', Plot No. 16, Siddhakala Society, Warje, Pune 411 058
Email ID : parkhilimaye@hotmail.com

Details of filing of the Cost Audit Report for the financial year ended 31st March, 2012 :

Date of Filing : 25th December, 2012

Due Date : 27th September, 2012

The Ministry of Corporate Affairs, Cost Audit Branch vide its General Circular No. 2/2013 dated 31st January, 2013 had allowed to file the Cost Audit Report and the Compliance Report for the financial year 2011–2012 with the Central Government in XBRL mode, without any penalty, upto 28th February, 2013.

f) 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 27th April, 2012 to recommend to the Board of Directors the payment of commission to the Managing Director and to Non - Executive Directors for the financial year 2011–2012.

b) Remuneration to Directors

I. Remuneration to Managing Director

The Company pays remuneration by way of salary, perquisites, allowances and commission to the 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 had 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 had 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 2012–2013 are as follows –

Particulars	Amount ₹
Salary	4,680,000
Leave Travel Assistance	90,000
Perquisites	44,400
Commission	15,000,000
Contribution to Provident Fund	489,600
Contribution to Superannuation Fund	612,000
Gratuity	247,207
Leave Encashment	231,201
Total	21,394,408

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 Ministry of Corporate Affairs (MCA) vide its general circular No 4/2011 dated 4th March, 2011 has clarified that the approval of Central Government is not required for payment of remuneration by way of commission to Non Executive Directors, in addition to sitting fees, if the total commission to Non Executive Directors does not exceed 1 percent of net profit of the Company, if it has a Managing Director.

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

Details of commission payable to Non Executive Directors for the financial year 2012–2013 are as follows :

Name of Directors	Amount ₹
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 sitting fees of ₹ 10,000 is 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 2012–2013 are as under :

Name of Directors	Sitting Fees ₹
Mr. Atul C. Kirloskar	40,000
Mr. Sanjay C. Kirloskar	50,000
Mr. A. R. Jamenis	110,000
Mr. S. N. Inamdar	90,000
Mr. C. V. Tikekar	100,000
Mr. S. G. Chitnis	100,000
Mr. A. N. Alawani	110,000
Total	600,000

6. CEO / CFO Certification

The Chief Executive Officer, i.e. the Managing Director and the Chief Financial Officer, i.e. the Senior 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, 2013.

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, 2013 were 24 and there was no complaint pending as on 31st March, 2013.

8. General Body Meetings

Details of last three Annual General Meetings held:

<table>
<tr><td>Annual General Meeting</td><td>Financial Year</td><td>Date, Time and Place</td></tr>
<tr><td>19th Annual General Meeting</td><td>2009 - 2010</td><td>29th July, 2010
11.30 a. m.
The Pudmjee Hall,
Mahratta Chamber of Commerce,
Industries and Agriculture,
Tilak Road, Near Nehru Stadium,
Swargate Corner, Pune 411002</td></tr>
<tr><td colspan="3">No special resolution was passed.</td></tr>
<tr><td>20th Annual General Meeting</td><td>2010 - 2011</td><td>22nd July, 2011
10.00 a. m.
The Pudmjee Hall,
Mahratta Chamber of Commerce,
Industries and Agriculture,
Tilak Road, Near Nehru Stadium,
Swargate Corner, Pune 411002</td></tr>
<tr><td colspan="3">No special resolution was passed.</td></tr>
<tr><td>21st Annual General Meeting</td><td>2011 - 2012</td><td>24th July, 2012
12 Noon.
MDC Auditorium,
Yashwantrao Chavan Academy of
Development Administration,
Raj Bhavan Complex, Near Sakal
Nagar, Baner Road, Pune 411007</td></tr>
<tr><td colspan="3">Two special resolutions were passed :
1. Approval to avail of professional legal services as an Advocate from Mr. S. N. Inamdar, Non Executive Director and to pay him from time to time the fees for professional services not exceeding ₹ 3,60,000 per financial year, in addition to the commission on profits and the sitting fees, to which he is entitled as a Director.
2. Approval to the Board of Directors of the Company to decide and pay the remuneration by way of commission, over and above the payment of sitting fees, to Non Executive Directors a sum not exceeding one percent per annum of the net profit of the Company, in any financial year upto a period of 5 years, commencing from the financial year 2012–2013.</td></tr>
</table>

9. Means of Communication

In compliance with the requirement of the Listing Agreement, the Company regularly intimates financial results to BSE Limited immediately after they are approved by the Board of Directors. The financial results of the Company are also available on the website, viz, www.bseindia.com

Quarterly and half yearly results are published in national and local dailies such as Financial Express (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 the Company, viz, www.kfil.com

10. General Shareholders' Information

Annual General Meeting	
Day, Date and Time	Friday, 26th July, 2013 at 12 noon
Venue	MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007
Financial Year	1st April, 2012 to 31st March, 2013 During the year under review, the results were announced as under - First Quarter 24th July, 2012 Second Quarter 26th October, 2012 Third Quarter 25th January, 2013 Annual 29th April, 2013
Date of Book Closure	From 19th July, 2013 To 26th July, 2013 (Both days inclusive)
Dividend payment date	19th August, 2013
Listing on stock exchange	BSE Limited
Stock Code	500245
ISIN	INE 884B01025

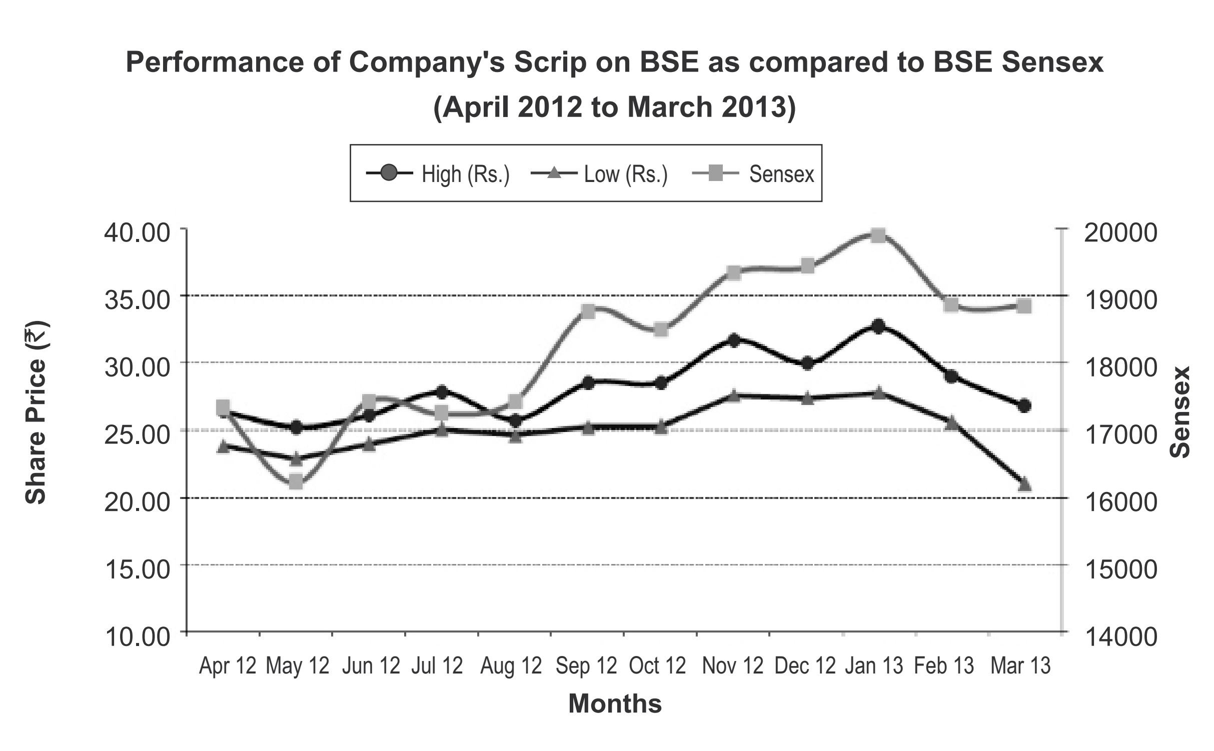
The annual listing fees for the financial year 2012–2013 have been paid to the BSE Limited and there is no amount outstanding as on date.

Market Price Data

Monthly high / low closing prices of equity share on the BSE Limited during the financial year 2012–2013 are as follows:

Year	Month	High (₹)	Low (₹)
2012	April	26.40	23.85
	May	25.25	22.90
	June	26.10	24.00
	July	27.85	25.10
	August	25.75	24.65
	September	28.50	25.25
	October	28.55	25.30
	November	31.70	27.60
	December	30.00	27.40
2013	January	32.65	27.80
	February	29.05	25.60
	March	26.80	21.00

Performance of the Company's equity shares on the BSE Limited as compared to the BSE Sensex:



Monthly high / low closing prices of detachable warrant on the BSE Limited during the financial year 2012–2013 are as follows :

Year	Month	High (₹)	Low (₹)
2012	April	4.09	3.15
	May	3.30	2.75
	June	3.50	2.62
	July	3.86	2.72
	August	3.00	1.42
	September	3.59	1.37
	October	3.05	2.32
	November	3.50	2.17
	December	2.91	1.11
2013	January	2.13	0.53
	February	0.43	0.02
	March	N. A. *	N. A. *

* The Board of Directors at its meeting held on 25th January, 2013 had fixed 1st March, 2013 as the Record Date for suspending the trading of detachable warrants at the BSE Limited. Accordingly, there was no trading of detachable warrants at the BSE Limited from 1st March, 2013 to 13th March, 2013.

Registrar and 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 Registrar and Share Transfer Agent.

The Registrar and 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) 26161629 / 26163503
Fax No. (020) 26163503
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 15 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.

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.

Distribution of Shareholding as on 31st March, 2013

Nominal Value of Shares (₹)		Shareholders		Shares	
From	To	Number	Percentage to Total	Number	Percentage to Total
1	5,000	65,226	93.89	13,022,264	9.49
5,001	10,000	1,746	2.51	2,801,286	2.04
10,001	20,000	1,106	1.59	3,258,524	2.37
20,001	30,000	553	0.80	2,800,087	2.04
30,001	40,000	158	0.23	1,128,931	0.82
40,001	50,000	182	0.26	1,742,523	1.27
50,001	100,000	242	0.35	3,574,432	2.60
100,001 and above		255	0.37	108,980,034	79.37
	Total	69,468	100.00	137,308,081	100.00

Shareholding Pattern as on 31st March, 2013

Category	Number of Shares	Percentage of Shareholding
Promoters and Promoters Group	81,688,944	59.49
Financial Institutions	NIL	NIL
Nationalised Banks	500	0.00
Non Resident Indians	1,400,878	1.02
Mutual Funds	811,367	0.59
Foreign Institutional Investors	47,500	0.03
Domestic Companies	8,768,187	6.39
Trusts	100	0.00
General Public	44,590,605	32.48
Total	137,308,081	100.00

Equity Shares in electronic form

As on 31st March, 2013, 95.73 percent of paid - up equity share capital of the Company was held in electronic form.

Transfer of unpaid dividend to Investor Education and Protection Fund (IEPF)

Pursuant to Sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, dividends that are unclaimed for a period of seven years, are statutorily required to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government, and thereafter, cannot be claimed by the investors.

No claim shall lie against the said Fund or the Company for unpaid dividends transferred to the Fund nor shall any payment be made in respect of such claim. Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay to the Company's Registrar and Transfer Agent, i.e. Link Intime India Private Limited.

Due dates for transfer of unclaimed dividend to IEPF :

Financial Year	Date of Declaration	Date of Payment	Dividend percent	Date on which dividend will become part of IEPF
2007-2008	20th February, 2008	17th March, 2008	15	23rd March, 2015
2008-2009	14th August, 2009	4th September, 2009	10	17th September, 2016
2009-2010	29th July, 2010	20th August, 2010	20	29th August, 2017
2010-2011	22nd July, 2011	11th August, 2011	20	26th August, 2018
2011-2012	24th July, 2012	16th August, 2012	20	27th August, 2019

Pursuant to notification no. G.S.R. 352(E) dated 10th May, 2012, issued by Ministry of Corporate Affairs, the details of unclaimed and unpaid amount of Dividend due to the shareholders of the Company as on 24th July, 2012 in respect of the financial years 2007–2008, 2008–2009, 2009–2010 and 2010–2011, are available on Company's website viz. www.kfil.com

Procedure for dealing with unclaimed shares in terms of Clause 5A of the Listing Agreement

Pursuant to SEBI Circular No. CIR/CFD/DIL/10/2010 dated 16th December, 2010 and Clause 5A of the Listing Agreement, the Company has sent reminder letters to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. These share certificates will be sent to eligible shareholders, if these shareholders submit necessary documents to the Company.

Green Initiative in the Corporate Governance - Registration of email address

The Ministry of Corporate Affairs ("MCA") vide its circular dated 21st April, 2011 has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Company and stating that service of documents can be made by a company through electronic mode. In order to implement the same, the members are requested to register email address by a written communication with the Depository Participant / the Registrar and Share Transfer Agent of the Company, i.e. Link Intime India Private Limited, as the case may be, for communication through electronic mode to receive documents such as, notice calling annual general meeting, annual report comprising of balance sheet, statement of profit and loss, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law. (Please refer to page 65 of this annual report.)

However, if a member does not wish to register his email address, the Company will continue to send documents in physical form by other modes of service as provided in Section 53 of the Companies Act, 1956.

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, kartas 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.

11. Detachable Warrants issued in terms of the Letter of Offer dated 2nd January, 2007

As per the Letter of Offer dated 2nd January, 2007, the Company had issued and allotted 64,782,765 equity shares of ₹ 5 each alongwith 64,782,765 detachable warrants.

The warrant exercise period had 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. On the expiry of warrant exercise period, the Board of Directors extinguished the outstanding 64,479,849 warrants not exercised by the warrant holders for conversion into equity shares.

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

There are no convertible instruments outstanding as on 31st March, 2013 for conversion into equity shares.

13. Plant Locations

1. Bevinahalli Village, P.O. Hitnal, Taluka and District Koppal, Karnataka 583 234.
2. Hotgi Road, Shivashahi, Solapur, Maharashtra 413224.

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, 2013

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 ("the Company") for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Company's 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
Firm Registration No. 101118W

S.B. Pagad
Partner
Membership No.206124

Pune : 29th April, 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR FERROUS INDUSTRIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;
(b) In the case of the Statement of Profit and Loss, 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

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

   b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

e. On the basis of written representations received from the Directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Companies Act, 1956 nor has it issued any Rules under the said Section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

S.B. Pagad
Partner
Membership No.206124

Pune : 29th April, 2013

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements of our report of even date

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) 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 Act. Accordingly, clauses 4(iii) (a) to (g) of the Order are not applicable to the Company and hence not commented upon.

(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 Act 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 Act 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 has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, applicable to it with the appropriate authorities.
According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2013 for a period of more than six months from the date they became payable.

(b) According to information and explanations given to us, there are amounts of Excise Duty, Value Added Tax, Service Tax , Electricity Tax and Income Tax which have not been deposited on account of dispute as listed below:

Name of the statute	Nature of the dues	Amount ₹	Forum where dispute is pending
The Central Excise Act,1944	Interest on refund	341,496	Assistant Commissioner of Central Excise, Belgaum
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, Belgaum
The Central Excise Act,1944	Interest /Penalty on undervaluation	2,827,237	CESTAT, Mumbai
The Central Excise Act,1944	Refund of Cenvat Credit	714,462	The Honourable High Court , Mumbai
The Central Excise Act,1944	Cenvat Credit availed on Electrodes	668,440	Assistant Commissioner, Central Excise, Bellary
The Central Excise Act,1944	Cenvat Credit availed on Structural Steel	362,821	Assistant Commissioner, Central Excise, Bellary
The Finance Act, 1994	Cenvat Credit on input Services	772,188	Deputy Commissioner, Central Excise, Bellary
The Finance Act, 1994	Cenvat Credit on outward freight	29,92,835	Commissioner of Central Excise, Belgaum
The Karnataka Electricity Act	Electricity Tax on captive generation and Consumption	604,782	The Honourable High Court of Karnataka
Karnataka VAT Act, 2003	VAT disallowance	53,50,856	Assistant Commissioner of Commercial Taxes, Audit-1, Davangere.
Income tax Act,1961	Income tax and interest demand	41,726,230	Deputy Commissioner of Income Tax, 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 explanations 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 the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, 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, 2013

BALANCE SHEET AS AT 31st MARCH, 2013

Particulars	Note No.	As at 31st March, 2013 ₹	As at 31st March, 2012 ₹
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**686,540,405**	686,540,405
Reserves and surplus	4	**3,380,244,212**	3,115,244,742
		4,066,784,617	3,801,785,147
Non-current liabilities			
Long-term borrowings	5	**804,619,357**	-
Deferred tax liabilities (Net)	6	**514,754,229**	420,551,039
		1,319,373,586	420,551,039
Current liabilities			
Short-term borrowings	7	**797,223,939**	549,650,290
Trade payables	8	**1,997,598,240**	2,060,732,360
Other current liabilities	9	**465,510,830**	435,324,208
Short-term provisions	10	**255,003,163**	276,628,418
		3,515,336,172	3,322,335,276
TOTAL		**8,901,494,375**	7,544,671,462
ASSETS			
Non-curent assets			
Fixed assets			
Tangible assets	11	**3,671,752,919**	3,622,989,003
Intangible assets	12	**11,907,127**	14,966,725
Capital work-in-progress		**1,198,016,331**	213,813,215
Non-current investments	13	**100**	100
Long-term loans and advances	14	**375,345,626**	183,555,811
Other non-current assets	15	**407,157**	368,243
		5,257,429,260	4,035,693,097
Current assets			
Inventories	16	**1,547,788,493**	1,304,149,229
Trade receivables	17	**1,531,671,164**	1,597,673,280
Cash and bank balances	18	**145,810,298**	136,150,261
Short-term loans and advances	19	**416,330,940**	469,670,030
Other current assets	20	**2,464,220**	1,335,565
		3,644,065,115	3,508,978,365
TOTAL		**8,901,494,375**	7,544,671,462

Significant Accounting Policies **2**

The accompanying notes are an integral part of the financial statements.

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
Senior Vice President-Finance

Pune: 29th April, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2013

Particulars	Note No.	For the Year ended 31st March, 2013 ₹	For the Year ended 31st March, 2012 ₹
INCOME			
Revenue from operations (Gross)		**13,482,523,569**	12,053,194,065
Less: Excise Duty		**1,501,433,697**	1,156,686,633
Revenue from operations (Net)	**21**	**11,981,089,872**	10,896,507,432
Other income	**22**	**24,912,323**	20,844,990
Total Revenue		**12,006,002,195**	10,917,352,422
EXPENSES			
Cost of materials consumed	**23**	**7,672,013,533**	7,068,351,893
Changes in inventories of finished goods, work-in-progress and By-products	**24**	**(167,339,215)**	48,526,191
Employee benefits expense	**25**	**511,759,559**	427,730,347
Finance costs	**26**	**151,798,383**	104,695,704
Depreciation and amortisation expense	**27**	**332,029,344**	291,987,308
Other expenses	**28**	**2,881,549,097**	2,419,396,983
Total Expenses		**11,381,810,701**	10,360,688,426
Profit before prior period items		**624,191,494**	556,663,996
Prior period items (Net)		**-**	51,504
Profit before tax		**624,191,494**	556,612,492
Tax expense:			
Current Tax			
Income Tax		**147,014,513**	145,888,658
Short/(Excess) provision of earlier years		**(7,890,074)**	(942,822)
Deferred tax		**94,203,190**	40,869,460
Profit for the Year		**390,863,865**	370,797,196
Earnings per equity share:	**29**		
Basic and Diluted		**2.85**	2.70

Significant Accounting Policies **2**

The accompanying notes are an integral part of the financial statements.

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
Senior Vice President-Finance

Pune: 29th April, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

Particulars	2012-13		2011-12
	₹	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax		**624,191,494**	556,612,492
Add :			
Depreciation	**332,029,344**		291,987,308
(Profit) / Loss on sale of assets	**4,447,036**		1,100,970
Provision for doubtful debts	**9,144,551**		3,165,088
Bad debts written off	**1,548,072**		1,414,501
Unrealised Foreign exchange (Gain)/Loss	**24,068,734**		17,289,461
Interest Expense	**148,506,089**		100,362,960
		519,743,826	415,320,288
Less :		**1,143,935,320**	971,932,780
Rental Income	**(1,407,913)**		(1,447,594)
Interest income	**(8,141,184)**		(6,448,624)
Dividend income	**(60,550)**		(128,061)
Provision no longer required written back	**(10,578,939)**		(3,971,062)
Sundry credit balances appropriated	**(96,209)**		(8,127,291)
		(20,284,795)	(20,122,632)
Operating profit before working capital changes		**1,123,650,525**	951,810,148
Movements in working capital:			
Decrease / (Increase) in Inventories	**(243,639,264)**		324,055,134
Decrease / (Increase) in Trade Receivables	**60,193,924**		(255,191,814)
Decrease / (Increase) in Long Term Loans and Advances	**(31,871,530)**		(19,407,932)
Decrease / (Increase) in Short Term Loans and Advances	**64,339,708**		(236,783,086)
Decrease / (Increase) in Other Current and non-current Assets	**(3,675,294)**		(3,871,190)
Increase / (Decrease) in Trade Payables	**(81,412,137)**		(509,797,164)
Increase / (Decrease) in Other Current Liabilities	**(7,470,253)**		78,816,948
Increase / (Decrease) in Short Term Provisions	**12,104,224**		2,058,576
		(231,430,622)	(620,120,528)
Cash generated from operations		**892,219,903**	331,689,620
Taxes paid		**(150,136,047)**	(140,799,110)
Net cash from operating activities (A)		**742,083,856**	190,890,510
B. CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of fixed assets, including CWIP and capital advances	**(1,592,670,228)**		(545,365,127)
Proceeds from sale of fixed assets	**4,025,004**		5,553,651
Interest received	**7,012,529**		5,994,576
Dividend received	**60,550**		128,061
Rental Income	**1,407,913**		1,447,594
Net cash used in investing activities (B)		**(1,580,164,232)**	(532,241,245)
C. CASH FLOW FROM FINANCING ACTIVITIES :			
Interest paid	**(148,506,089)**		(100,362,960)
Proceeds from Long Term Borrowings	**904,619,357**		-
Increase in Cash Credit	**144,976,495**		549,650,290
Increase in Short Term Vendors' Bill Discounting	**102,597,154**		-
Dividend paid	**(137,308,081)**		(137,308,081)
Tax on dividend paid	**(22,274,803)**		(22,274,803)
Net cash from financing activities (C)		**844,104,033**	289,704,446
Net Increase/(Decrease) in cash and cash equivalents (A + B + C)		**6,023,657**	(51,646,289)
Cash and Cash Equivalents as on 1st April, 2012	**125,499,575**		177,145,864
Cash and Cash Equivalents as on 31st March, 2013	**131,523,232**		125,499,575

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
Senior Vice President-Finance

Pune: 29th April, 2013

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of preparation of financial statements

a. The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards 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 recognises income and 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.

2. Summary of significant accounting policies

a. 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.

b. Fixed Assets

Fixed assets are stated at original cost less accumulated depreciation. Cost comprises the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of 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 and other credits availed have been deducted from the cost of respective assets. Intangible assets are recorded at the consideration paid for acquisition.

c. Depreciation and Amortisation

i. 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.

ii. In respect of specific plant and machinery acquired from Kirloskar Oil Engines Ltd, and installed at Bevinahalli Village, Koppal District, Karnataka, depreciation is provided on straight line method over the remaining useful life of the asset ranging from 5 years to 9 years.

iii. Mining Rights are amortised over 11 years being the period of lease.

iv. 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.

v. Fixed assets individually costing rupees five thousand or less are depreciated at 100 percent over a period of one year.

vi. Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its intended use.

d. Investments

Investments that are readily realisable 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.

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

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

e. Inventories

i. Raw Materials, Stores and Spares are valued at lower of cost and net realisable value. Rates are determined on Weighted Average Cost formula.

ii. Work in progress and finished goods other than by-products are valued at lower of cost and net realisable value. Cost is arrived at by absorption cost method.

iii. By-products are valued at net realisable value.

iv. Necessary provisions are made for obsolete and non-moving inventories as per the policy framed by the management and the value of inventory is net of provision.

v. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

f. Foreign Currency Transactions

i. Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

ii. Conversion: Monetary items denominated in foreign currencies other than those covered by forward contracts are reinstated into rupee equivalents at the exchange rates as on the reporting date.

iii. 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 recognised as income or expense over the period of the contract.

iv. Exchange Differences: All exchange differences arising on settlement/conversion of foreign currency transactions are recognised in the Statement of Profit and Loss.

g. Revenue Recognition

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

h. Borrowing Costs

Borrowing costs are charged to the Statement of Profit and Loss except in cases where the borrowings are directly attributable to the acquisition, construction or production of qualifying asset.

i. Excise Duty

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

j. Employee Benefits

i. 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 recognised in the period in which the employee renders the related service.

ii. Post Employment Benefits:

a. Defined Contribution Plan:

The Company's approved Superannuation Scheme, Central Government Provident Fund Scheme, are defined contribution plans. The contribution paid / payable under the schemes are recognised during the period in which the employee renders the related service.

b. Defined Benefit Plans:

The employee's gratuity fund scheme, long term compensated absences is 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 recognise the obligation on net basis.

k. Taxes on Income

i. Deferred tax is recognised 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.

ii. 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.

iii. 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.

l. 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.

m. 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.

n. Provisions and Contingencies:

i) Necessary provisions are made for the present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

ii) However, a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

o. Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of twelve months or less.

p. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU, to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Statement of Profit and Loss.

3.

SHARE CAPITAL	**As at 31st March**	
	2013 ₹	2012 ₹
Authorised Share Capital		
210,000,000 (210,000,000) Equity Shares of ₹ 5 each	**1,050,000,000**	1,050,000,000
117,000,000 (117,000,000) Preference Shares of ₹ 10 each	**1,170,000,000**	1,170,000,000
Total	**2,220,000,000**	2,220,000,000
Issued, Subscribed and Paid up Capital		
137,308,081 (137,308,081) Equity Shares of ₹ 5 each	**686,540,405**	686,540,405
Total	**686,540,405**	686,540,405

a. **Reconciliation of the shares at the beginning and at the end of the reporting period.**

Particulars	Year ended 31st March, 2013		Year ended 31st March, 2012	
	Number	**₹**	Number	₹
Equity shares Balance at the beginning of the year	**137,308,081**	**686,540,405**	137,308,081	686,540,405
Shares issued during the year pursuant to conversion of warrants	**-**	**-**	-	-
Balance at the end of the year	**137,308,081**	**686,540,405**	137,308,081	686,540,405

b. **Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of Liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. **Details of shareholders holding more than 5 percent of the total shares**

Name of Shareholder	Year ended 31st March, 2013		Year ended 31st March, 2012	
	No. of shares held	**Percentage of holding**	No. of shares held	Percentage of holding
Kirloskar Industries Limited	**66,738,876**	**48.61**	65,992,002	48.06

d) **Terms of Warrants:**

The holders of 64,782,765 warrants were entitled to apply for one equity share of ₹ 5 each per warrant at a premium of ₹ 30 at any time within the warrant exercise period i.e., between 13th March, 2008 to 13th March, 2013.

e) **Reconciliation of the warrants outstanding at the beginning and at the end of the reporting period**

Particulars	Number of Warrants	
	Year ended 31st March	
	2013	2012
Balance at the beginning of the year	**64,479,849**	64,479,849
Converted into equity shares during the year	**-**	-
Warrants extinguished at the end of Warrant Exercise Period, i.e. 13th March, 2013	**64,479,849**	-
Balance at the end of the year	**-**	64,479,849
Warrants pending for conversion into equity shares for which application money received at the end of the year	**-**	Nil

4.

RESERVES AND SURPLUS		As at 31st March	
		2013 ₹	2012 ₹
a. **Securities Premium Account**		**1,938,379,992**	1,938,379,992
	Total (a)	**1,938,379,992**	1,938,379,992
b. **General Reserves**			
Opening Balance		**200,000,000**	150,000,000
Add: Current year transfer from Surplus		**50,000,000**	50,000,000
Closing Balance	**Total (b)**	**250,000,000**	200,000,000
c. **Surplus**			
Opening Balance		**976,864,750**	815,650,438
Add :			
Net Profit for the current year from the Statement of Profit and Loss		**390,863,865**	370,797,196
Excess Provision for Dividend Written Back (Refer Note no. 30a)		**64,479,849**	64,479,849
Excess Provision for Tax on Dividend Written Back (Refer Note no. 30b)		**10,460,244**	10,460,244
Less :			
Proposed dividend on equity shares		**(171,635,102)**	(201,787,930)
Tax on above dividend		**(29,169,386)**	(32,735,047)
Transfer to General Reserves		**(50,000,000)**	(50,000,000)
Closing Balance	**Total (c)**	**1,191,864,220**	976,864,750
	Total (a+b+c)	**3,380,244,212**	3,115,244,742

5.

LONG TERM BORROWINGS		As at 31st March	
		2013 ₹	2012 ₹
Secured			
Term Loans			
From Bank		**300,000,000**	-
Other Loans			
From Bank under Buyers' Credit		**504,619,357**	-
	Total	**804,619,357**	-

Security for Term Loans / Buyers Credit :

(i) Term Loan of ₹ 400,000,000 availed from Bank of Maharashtra (BOM) is secured by an exclusive first charge by way of hypothecation, in favour of IDBI Trusteeship Services Limited as Security Trustee for the benefit of BOM, on Hot Blast Stove for MBF - I, Hot Blast Stove for MBF - II and Boiler and Turbo Generator - 5 MW capacity installed at Bevinahalli Village, Koppal District, Karnataka. The loan amount is repayable in 48 equal monthly installments commencing from April 2013 with a rate of interest at base rate plus 0.15 percent per annum. Out of ₹ 400,000,000, an amount of ₹ 100,000,000 being repayable in 12 months from the reporting date, has been reflected under Other Current Liabilities as "Current Maturities of Long Term Borrowings".

(ii) Buyers' Credit of USD 9,447,647.49 equivalent INR 504,619,357 availed from The Hongkong and Shanghai Banking Corporation Limited (HSBC) is secured by an exclusive first charge by way of hypothecation, in favour of IDBI Trusteeship Services Limited as Security Trustee for the benefit of HSBC, on the following specific assets installed at Bevinahalli Village, Koppal District, Karnataka.

Asset Hypothecated	US Dollar	Equivalent INR	Repayment Schedule and Interest Rate
Core Center Equipment	4,201,752.59	224,016,439	Four equal installments commencing from 8th July, 2014 and the last installment on 29th December, 2015 with a rate of interest at Libor plus 1 percent per annum
Moulding Plant Equipment	5,245,894.90	280,602,918	Four equal installments commencing from 31st July, 2014 and the last installment on 9th October, 2015 with a rate of interest at Libor plus 1 percent per annum
Total	**9,447,647.49**	**504,619,357**	

6.

DEFERRED TAX LIABILITY (NET)	As at 31st March	
	2013 ₹	2012 ₹
a. Deferred Tax Liability		
Depreciation	**533,672,449**	440,945,897
Others	**2,325,830**	-
Total Liability (a)	**535,998,279**	440,945,897
b. Deferred Tax Assets		
Disallowance under Section 43 B of Income Tax Act	**14,972,462**	15,077,751
Provision for doubtful debts	**6,271,588**	5,317,107
Total Assets (b)	**21,244,050**	20,394,858
Net Deferred Tax Liability (a - b)	**514,754,229**	420,551,039

7.

SHORT TERM BORROWINGS	As at 31st March	
	2013 ₹	2012 ₹
a) Secured		
Loans payable on demand		
Cash Credit from banks	**694,626,785**	549,650,290
Vendors' bills discounted	**86,632,553**	-
Total (a)	**781,259,338**	549,650,290
b) Unsecured		
Loans payable on demand		
Vendors' bills discounted	**15,964,601**	-
Total (b)	**15,964,601**	-
Total (a + b)	**797,223,939**	549,650,290

Security for Secured Loans :

Working capital facilities with Consortium Banks (fund based and non fund based) aggregating to ₹ 4,500,000,000 (previous year ₹ 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 Ltd, as Security Trustees, for the benefit of consortium banks.

Particulars	As at 31st March	
	2013 **₹**	2012 ₹
Outstanding amount under non fund based limits :		
i. Aggregate value of the amount outstanding under the letters of credit	**1,351,408,095**	1,579,842,409
ii. Aggregate value of guarantees outstanding	**27,688,000**	3,000,000

8.

TRADE PAYABLES	As at 31st March	
	2013 **₹**	2012 ₹
a. Acceptances	**1,243,912,850**	1,396,088,230
b. Others	**753,685,390**	664,644,130
Total	**1,997,598,240**	2,060,732,360

9.

OTHER CURRENT LIABILITIES	As at 31st March	
	2013 **₹**	2012 ₹
a. Creditors for capital goods		
i. Acceptances	**3,344,958**	90,412,944
ii. Others	**67,074,362**	42,349,501
b. Current Maturities of Long Term Borrowings including accrued Interest (Refer Note no.5(i))	**103,533,150**	-
c. Other payables		
i. Taxes and duties	**62,686,518**	33,656,077
ii. Payable to employees	**60,999,568**	75,262,019
iii. Creditors for expenses	**37,432,530**	95,130,415
iv. Unclaimed dividend #	**14,287,066**	10,650,686
v. Advance from customers	**103,582,111**	70,573,105
vi. Exchange differences on forward contracts	**12,570,567**	17,289,461
Total	**465,510,830**	435,324,208

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

Disclosure in respect of principal and interest pertaining to the "Micro, Small and Medium Enterprises Development Act, 2006". The information has been given in respect of such vendors on the basis of information available with the Company:		
Particulars	**As at 31st March**	
	2013 ₹	2012 ₹
Total outstanding to MSME Suppliers	**26,778,580**	12,663,363
Principal amount remaining unpaid	**-**	-
Interest on above and unpaid interest	**-**	-
Interest paid	**7,177**	1,127,969
Payment made beyond the appointed day	**1,778,991**	36,509,949
Interest due and payable for the period of delay	**-**	-
Interest accrued and remaining unpaid at the end of the year	**-**	-
Amount of further interest remaining due and payable in succeeding year	**-**	-

10.

SHORT TERM PROVISIONS	**As at 31st March**	
	2013 ₹	2012 ₹
a. Provision for employee benefits		
i. Contribution to Provident and Superannuation funds	**5,421,385**	4,758,875
ii. Gratuity	**14,915,678**	794,357
iii. Leave encashment	**33,657,154**	36,336,761
b. Others		
i. Proposed dividend	**171,635,102**	201,787,930
ii. Tax on proposed dividend	**29,169,386**	32,735,047
iii. Wealth tax	**204,458**	215,448
Total	**255,003,163**	276,628,418

11. TANGIBLE ASSETS

(Amount in ₹)

Assets	Freehold land	Leasehold land	Buildings	Plant and Equipments	Plant and Equipments under Lease	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Gross Block										
As at 31st March, 2012	41,641,801	44,205,001	881,842,260	4,969,349,058	3,900,774	12,203,133	24,170,225	24,126,761	22,048,154	6,023,487,167
Additions	1,066,760	-	48,573,406	328,660,977	-	860,259	2,001,644	1,418,824	1,809,873	384,391,743
Disposals	-	-	-	47,767,968	-	-	1,308,490	23,458	8,057,286	57,157,202
As at 31st March, 2013	**42,708,561**	**44,205,001**	**930,415,666**	**5,250,242,067**	**3,900,774**	**13,063,392**	**24,863,379**	**25,522,127**	**15,800,741**	**6,350,721,708**
Depreciation										
As at 31st March, 2012	-	-	298,038,197	2,057,689,856	305,763	8,696,859	6,266,086	12,192,285	17,309,118	2,400,498,164
For the year	-	-	29,298,282	289,951,250	1,761,816	379,974	2,343,620	1,064,076	2,357,650	327,156,668
Disposals	-	-	-	39,996,105	-	-	634,339	2,510	8,053,089	48,686,043
As at 31st March, 2013	**-**	**-**	**327,336,479**	**2,307,645,001**	**2,067,579**	**9,076,833**	**7,975,367**	**13,253,851**	**11,613,679**	**2,678,968,789**
Net Block										
As at 31st March, 2013	**42,708,561**	**44,205,001**	**603,079,187**	**2,942,597,066**	**1,833,195**	**3,986,559**	**16,888,012**	**12,268,276**	**4,187,062**	**3,671,752,919**
As at 31st March, 2012	41,641,801	44,205,001	583,804,063	2,911,659,202	3,595,011	3,506,274	17,904,139	11,934,476	4,739,036	3,622,989,003

12. INTANGIBLE ASSETS

(Amount in ₹)

Assets	Mining Rights	Computer Software	Total
Gross Block			
As at 31st March, 2012	1,150,000	31,593,541	32,743,541
Additions	-	1,813,960	1,813,960
Disposals	-	3,261,508	3,261,508
As at 31st March, 2013	**1,150,000**	**30,145,993**	**31,295,993**
Depreciation			
As at 31st March, 2012	480,130	17,296,686	17,776,816
For the year	104,191	4,768,485	4,872,676
Disposals	-	3,260,626	3,260,626
As at 31st March, 2013	**584,321**	**18,804,545**	**19,388,866**
Net Block			
As at 31st March, 2013	**565,679**	**11,341,448**	**11,907,127**
As at 31st March, 2012	669,870	14,296,855	14,966,725

13.

NON CURRENT INVESTMENTS	As at 31st March	
	2013 ₹	2012 ₹
Long Term Investments		
Fully Paid Equity Shares		
Trade - Unquoted		
Kirloskar Proprietary Limited	**100**	100
One Equity Share with a Face Value of ₹ 100 per share		
Total	**100**	100

14.

LONG TERM LOANS AND ADVANCES	As at 31st March	
	2013 ₹	2012 ₹
a. Capital advances		
Unsecured, considered good	**268,590,660**	108,672,375
b. Sundry deposits	**104,103,660**	71,818,739
c. Other loans and advances		
i. Unsecured and considered good		
Loans to employees	**2,651,306**	3,064,697
ii. Doubtful		
Claims receivable	**4,500,000**	4,500,000
Less: Provision	**(4,500,000)**	(4,500,000)
Total	**375,345,626**	183,555,811

15. OTHER NON CURRENT ASSETS	As at 31st March	
	2013 ₹	2012 ₹
a. Non-current bank balances (Refer Note No. 18)	**407,157**	368,243
b. Non-current trade receivables		
Unsecured, considered doubtful	**13,951,271**	11,885,535
Less: Provision for doubtful debts	**(13,951,271)**	(11,885,535)
Total	**407,157**	368,243

16. INVENTORIES	As at 31st March	
	2013 ₹	2012 ₹
a. i Raw material at site	**464,524,393**	621,974,977
ii Raw material in transit	**363,333,604**	178,019,648
	827,857,997	799,994,625
b. Work-in-progress	**206,152,194**	175,413,858
c. Finished goods	**205,025,900**	92,898,752
d. Stores and spares	**270,503,410**	222,066,733
e. By-Products	**38,248,992**	13,775,261
Total	**1,547,788,493**	1,304,149,229

Details of Work-in-progress

Particulars	As at 31st March	
	2013 ₹	2012 ₹
a. Castings	**155,026,549**	149,046,206
b. Patterns	**43,188,878**	22,178,546
c. Others	**7,936,767**	4,189,106
Total	**206,152,194**	175,413,858

Details of Finished Goods

Particulars	As at 31st March	
	2013 ₹	2012 ₹
a. Pig iron	**201,451,812**	90,472,594
b. Others	**3,574,088**	2,426,158
Total	**205,025,900**	92,898,752

17.	TRADE RECEIVABLES	As at 31st March	
		2013	2012
		₹	₹
	a. Trade receivables outstanding for a period less than six months from the date they are due for payment		
	- Unsecured, considered good	**1,495,837,904**	1,584,222,719
	Total (a)	**1,495,837,904**	1,584,222,719
	b. Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
	- Unsecured, considered good	**35,833,260**	13,450,561
	Total (b)	**35,833,260**	13,450,561
	Total (a+b)	**1,531,671,164**	1,597,673,280

18.	CASH AND BANK BALANCES	As at 31st March	
		2013	2012
		₹	₹
	A. Current		
	a. Cash and Cash Equivalents		
	I. Cash on hand	**260,230**	211,724
	II. Balances with banks		
	In Current Accounts	**131,263,002**	125,287,851
		131,523,232	125,499,575
	b. Other bank balances		
	Earmarked balances (Unpaid Dividend Accounts)	**14,287,066**	10,650,686
	Total (A)	**145,810,298**	136,150,261
	B. Non-current		
	a. Margin money deposit	**100,000**	100,000
	b. Deposits with more than 12 months maturity	**307,157**	268,243
	Total (B)	**407,157**	368,243

19.	SHORT TERM LOANS AND ADVANCES	As at 31st March	
		2013	2012
		₹	₹
	a. Advance Income Tax (Net of provision)	**110,424,018**	99,423,400
	b. Advances recoverable in cash/kind	**117,482,857**	229,126,618
	c. Balances with Central Excise / Customs	**74,618,400**	62,842,339
	d. Vat Receivable	**99,033,024**	74,588,362
	e. Prepaid expenses	**14,772,641**	3,689,311
	Total	**416,330,940**	469,670,030

20.

OTHER CURRENT ASSETS	As at 31st March	
	2013	2012
	₹	₹
Interest accrued on deposits	**2,464,220**	1,335,565
Total	**2,464,220**	1,335,565

21.

REVENUE FROM OPERATIONS	Year ended 31st March	
	2013	2012
	₹	₹
I. Sale of products		
i. Pig Iron	**7,602,647,308**	6,213,476,506
ii. Castings	**5,005,621,034**	4,987,402,512
iii. By-products	**731,320,439**	760,346,346
II. Other Operating Income		
i. Scrap Sales	**1,831,627**	1,918,698
ii. Miscellaneous	**141,103,161**	90,050,003
	13,482,523,569	12,053,194,065
Less: Excise duty	**1,501,433,697**	1,156,686,633
Total	**11,981,089,872**	10,896,507,432

Product wise sales details (excluding excise duty)

Particulars	Year ended 31st March	
	2013	2012
	₹	₹
a. Pig iron	**6,771,089,327**	5,626,165,615
b. Castings	**4,420,022,800**	4,493,262,692
c. Others	**789,977,745**	777,079,125
Total	**11,981,089,872**	10,896,507,432

22.

OTHER INCOME	Year ended 31st March	
	2013	2012
	₹	₹
a. Interest	**8,141,184**	6,448,624
b. Dividend	**60,550**	128,061
c. Other non-operating income		
i. Rental income ##	**1,407,913**	1,447,594
ii. Insurance claim received	**1,246,779**	-
iii. Provision no longer required written back	**10,578,939**	3,971,062
iv. Sundry credit balances appropriated	**96,209**	8,127,291
v. Miscellaneous income	**3,380,749**	722,358
Total	**24,912,323**	20,844,990

##The Company leases equipments under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental payments under such leases are ₹ 856,428 for the year ended 31st March, 2013 (Previous Year ₹ 807,479)

Particulars	As at 31st March	
	2013	2012
	₹	₹
Lease rent receivable		
Not Later than one year	**856,428**	856,428
Later than one year and not later than five years	**1,244,171**	2,100,599
Thereafter	**-**	-

23.

COST OF MATERIALS CONSUMED	**Year ended 31st March**	
	2013	2012
	₹	₹
Stock at the beginning of the year	**799,994,625**	1,097,634,165
Add : Purchases	**7,699,876,905**	6,770,712,353
	8,499,871,530	7,868,346,518
Less : Stock at the end of the year	**827,857,997**	799,994,625
Cost of material consumed	**7,672,013,533**	7,068,351,893

Details of raw materials consumed	**Year ended 31st March**	
	2013	2012
	₹	₹
a. Iron Ore	**2,538,736,661**	2,031,997,268
b. Coke	**3,973,816,242**	3,749,485,926
c. M.S/C.I. Scrap	**997,268,942**	1,091,828,846
d. Others	**162,191,688**	195,039,853
Total	**7,672,013,533**	7,068,351,893

24.

CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND BY-PRODUCTS	**Year ended 31st March**	
	2013	2012
	₹	₹
a. Inventory at the end of the year		
i. Work-in-progress	**206,152,194**	175,413,858
ii. Finished goods	**205,025,900**	92,898,752
iii. By-Products	**38,248,992**	13,775,261
Total (a)	**449,427,086**	282,087,871
b. Inventory at the beginning of the year		
i. Work-in-progress	**175,413,858**	128,843,556
ii. Finished goods	**92,898,752**	179,447,068
iii. By-Products	**13,775,261**	22,323,438
Total (b)	**282,087,871**	330,614,062
(Increase)/Decrease (b-a)	**(167,339,215)**	48,526,191

25.

EMPLOYEE BENEFITS EXPENSE	Year ended 31st March	
	2013	2012
	₹	₹
a. Salaries and incentives	**409,207,438**	355,281,436
b. Contributions to -		
i. Provident Fund	**21,340,980**	17,271,121
ii. Superannuation Scheme	**2,015,318**	1,575,880
iii. Others	**4,896,202**	2,497,530
c. Gratuity fund contributions	**21,429,917**	3,223,152
d. Staff welfare expenses	**52,869,704**	47,881,228
Total	**511,759,559**	427,730,347

26.

FINANCE COSTS	Year ended 31st March	
	2013	2012
	₹	₹
a. Interest expense - Others	**148,506,089**	100,362,960
b. Bank charges	**3,292,294**	4,332,744
Total	**151,798,383**	104,695,704

27.

DEPRECIATION AND AMORTISATION EXPENSE	Year ended 31st March	
	2013	2012
	₹	₹
a. Tangible assets	**327,156,668**	287,746,559
b. Intangible assets	**4,872,676**	4,240,749
Total	**332,029,344**	291,987,308

28. OTHER EXPENSES	Year ended 31st March	
	2013	2012
	₹	₹
a. OPERATIONAL EXPENSES		
Consumption of stores, spares and consumables	**1,141,707,102**	986,170,856
Power, fuel and water	**929,598,079**	745,924,013
Machinery hire	**4,118,163**	3,751,249
Repairs and maintenance		
- Machinery	**78,758,270**	66,025,300
- Buildings	**22,102,954**	14,196,494
MBF relining expenses	**95,061,509**	46,470,724
Fettling and labour charges	**162,751,978**	142,493,274
Excise duty on Increase / (Decrease) in closing stock of finished goods	**13,185,762**	(7,228,924)
Total (a)	**2,447,283,817**	1,997,802,986
b. SELLING EXPENSES		
Freight and forwarding expenses (Net)	**90,185,272**	77,083,374
Advertisement	**1,495,528**	905,215
Sales commission and incentive	**40,717,843**	40,576,718
Royalty	**29,036,501**	26,394,894
Total (b)	**161,435,144**	144,960,201
c. ADMINISTRATIVE EXPENSES		
Rent	**1,010,800**	1,156,630
Rates and taxes	**12,127,652**	8,691,548
Insurance	**3,077,646**	2,628,176
Other repairs and maintainance	**7,807,225**	8,393,637
Travelling expenses	**13,682,170**	13,819,270
Legal and professional charges	**18,179,128**	12,577,239
Communication expenses	**5,602,814**	5,479,652
Printing and stationery	**4,105,082**	2,808,475
Auditors remuneration #	**1,898,740**	1,650,961
Miscellaneous expenses	**34,652,213**	29,093,137
Directors' commission	**2,100,000**	2,100,000
Bad debts written off	**1,548,072**	1,414,501
Provision for doubtful debts	**9,144,551**	3,165,088
Directors sitting fees	**600,000**	640,000
Donations	**15,641,665**	3,685,823
Foreign exchange loss (Net)	**137,205,342**	178,228,689
Loss on assets sold, demolished, discarded and scrapped	**4,447,036**	1,100,970
Total (c)	**272,830,136**	276,633,796
Total (a+b+c)	**2,881,549,097**	2,419,396,983

# Details of payments to auditors	Year ended 31st March	
	2013	2012
	₹	₹
a. As Auditor		
i. Audit fee	**1,075,000**	1,075,000
ii. Tax audit fee	**190,000**	190,000
iii. Limited review	**210,000**	210,000
b. In other capacity		
i. Taxation matters	**61,550**	31,240
ii. Certification fees	**73,000**	40,000
iii. Other Matters	**220,000**	45,000
c. Reimbursement of expenses	**69,190**	59,721
Total	**1,898,740**	1,650,961

29. Earnings per equity share as calculated in accordance with Accounting Standard (AS 20)

Particulars	Year ended 31st March	
	2013	2012
a. Net Profit after tax considered for the calculation of EPS (₹)	**390,863,865**	370,797,196
b. Weighted average number of equity shares used in computing earnings per equity share	**137,308,081**	137,308,081
c. Earnings per share		
Basic and Diluted (₹)	**2.85**	2.70
d. Face Value per Equity Share (₹)	**5.00**	5.00

30. a. Write back of excess provision pertaining to dividend made in the earlier years:

Particulars	Year ended 31st March	
	2013	2012
	₹	₹
Provision made in the accounts for dividend @ 20 percent (previous year 20 percent) on likely conversion of 64,479,849 warrants (previous year 64,479,849 warrants) into equity shares of ₹ 5 each on or before the book closure date for Annual General Meeting	**64,479,849**	64,479,849

b. Write back of excess provision pertaining to tax on dividend made in the earlier years:

Particulars	Year ended 31st March	
	2013	2012
	₹	₹
Provision made for tax on dividend	**32,735,047**	32,735,047
Actual tax paid	**22,274,803**	22,274,803
Excess Provision written back	**10,460,244**	10,460,244

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

Defined Contribution Plan:

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

Particulars	**Year ended 31st March**	
	2013	2012
	₹	₹
a. Employer's contribution to provident fund	**21,340,980**	17,271,121
b. Employer's contribution to superannuation fund	**2,015,318**	1,575,880

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

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

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

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)**	
	Year ended 31st March	
	2013	2012
	₹	₹
a. Changes in the Present Value of Obligations (PVO)		
PVO at beginning of Period	**88,321,848**	83,900,533
Interest Cost	**7,240,898**	6,718,759
Current Service cost	**8,415,770**	7,230,982
Benefits Paid	**(6,269,640)**	(5,903,266)
Acturial (Gain)/Loss on obligation	**13,765,019**	(3,625,160)
PVO at end of period	**111,473,895**	88,321,848
b. Changes in Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	**87,527,491**	77,955,867
Adjustment to Opening Fair Value of Plan Assets	**4,515**	-
Expected Return on Plan Assets	**8,188,600**	7,293,500
Contribution	**7,304,081**	8,373,461
Benefit Paid	**(6,269,640)**	(5,903,266)
Acturial (Gain)/Loss on obligation	**(196,830)**	(192,071)
Fair Value of Plan Assets at the end of period	**96,558,217**	87,527,491
c. Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	**87,527,491**	77,955,867
Adjustment to Opening Fair Value of Plan Assets	**4,515**	-
Actual Return on Plan Assets	**7,991,770**	7,101,429
Contributions	**7,304,081**	8,373,461
Benefit Paid	**(6,269,640)**	(5,903,266)
Fair Value of Plan Assets at end of period	**96,558,217**	87,527,491
Funded Status	**(14,915,678)**	(794,357)
Excess of actual over estimated return on Plan Assets	**(196,830)**	(192,071)

Particulars	Gratuity (Funded)	
	Year ended 31st March	
	2013 ₹	2012 ₹
d. Acturial Gain/(Loss) recognised		
Acturial Gain/(Loss) for the period (obligation)	**(13,765,019)**	3,625,160
Acturial Gain/(Loss) for the period (Plan Assets)	**(196,830)**	(192,071)
Total Gain/(Loss) for the period	**(13,961,849)**	3,433,089
Acturial Gain/(Loss) recognised for the period	**(13,961,849)**	3,433,089
Unrecognised Acturial Gain/(Loss) at end of period	**Nil**	Nil
e. Amount recognised in the Balance Sheet and Statement of Profit and Loss		
PVO at end of period	**111,473,895**	88,321,848
Fair Value of Plan Assets at end of Period	**96,558,217**	87,527,491
Funded Status	**(14,915,678)**	(794,357)
Unrecognised Acturial Gain/(Loss) at end of period	**Nil**	Nil
Net Assets/(Liability) recognised in the Balance Sheet	**(14,915,678)**	(794,357)
f. Amount recognised in the Statement of Profit and Loss		
Current Service Cost	**8,415,770**	7,230,982
Interest Cost	**7,240,898**	6,718,759
Expected Return on Plan Assets	**(8,188,600)**	(7,293,500)
Net Acturial (Gain)/Loss recognised for the period	**13,961,849**	(3,433,089)
Expenses recognised in Statement of Profit and Loss	**21,429,917**	3,223,152
g. Movements in the Liability recognised in Balance Sheet		
Opening Net Liability	**794,357**	5,944,666
Adjustment to Opening Fair Value of Plan Assets	**(4,515)**	-
Expenses as above	**21,429,917**	3,223,152
Contribution paid	**(7,304,081)**	(8,373,461)
Closing Net Liability	**14,915,678**	794,357
h. Acturial Assumptions		
Mortality	**LIC(1994-96) Ult**	LIC(1994-96) Ult
Discount Rate	**8.05%**	8.50%
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	**As at 31st March 2013 ₹**	**Percent**	As at 31st March 2012 ₹	Percent
a. Balances in Current Accounts with scheduled Banks	**90,119**	**0.09**	87,694	0.10
b. Funds with Life Insurance Corporation of India	**96,468,098**	**99.91**	87,439,797	99.90
Total	**96,558,217**	**100.00**	87,527,491	100.00

33. The disclosure required by Accounting Standard (AS-29) "Provisions, Contingent Liabilities, Contigent Assets" prescribed by the Companies (Accounting Standards) Amendment Rules, 2006 are as follows:

Class of Provision	Opening balance as on 1st April, 2012 ₹	Provisions for the year ₹	Amounts used during the year ₹	Closing balance as on 31st March, 2013 ₹
Casting rejections	4,377,582	7,006,598	4,377,582	7,006,598

Nature of obligation : Provision for possible obligation towards outflow of resources on casting rejections.

Expected timing of resulting outflow : Majority of the costs will be incurred in the next financial year.

34. **Segment Information :** The Company operates in one segment namely iron castings

35. **Related Party Disclosures :**

a. Associate Company : Kirloskar Industries Limited

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

c. Transactions with related parties :

Particulars	Associate Company Year ended 31st March		Key Management Personnel Year ended 31st March	
	2013 ₹	2012 ₹	**2013** ₹	2012 ₹
i. Remuneration	**-**	-	**21,394,408**	16,323,272
ii. Dividend	**66,511,113**	65,992,002	**99,000**	99,000
iii. Building rent paid	**656,184**	794,160	**-**	-
iv. Outstanding as on 31st March				
Outstanding receivables	**Nil**	Nil	**-**	-
Outstanding payables	**Nil**	Nil	**-**	-
Rent deposit receivable	**240,000**	360,000	**-**	-

d. Details of payment and provisions on account of remuneration to Key Management Personnel included in the Statement of Profit and Loss are as under :

Particulars	**Year ended 31st March**	
	2013 ₹	2012 ₹
Salary	**4,680,000**	4,680,000
Leave travel assistance	**90,000**	90,000
Perquisites	**44,400**	40,540
Commission	**15,000,000**	10,000,000
Contribution to Provident Fund	**489,600**	489,600
Contribution to Superannuation Fund	**612,000**	612,000
Gratuity	**247,207**	56,330
Leave encashment	**231,201**	354,802
Total	**21,394,408**	16,323,272

36.

Capital and Other Commitments	As at 31st March	
	2013	2012
	₹	₹
Estimated amount of contracts remaining to be executed on capital account and not provided for	**606,332,965**	1,488,584,737

37.

Contingent Liabilities	As at 31st March	
	2013	2012
	₹	₹
a. Central Excise (matter subjudice)	**5,556,524**	22,642,373
b. Service Tax (matter subjudice)	**11,350,757**	33,762,260
c. Income Tax (matter subjudice)	**50,706,771**	87,585,582
d. Sales Tax (matter subjudice)	**5,350,856**	-
d. Interest on Electricity Tax (matter subjudice)	**604,782**	604,782
e. Labour Matters (matter subjudice), to the extent quantifiable.	**1,747,075**	1,578,867

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency	Purpose
As at 31st March, 2013				
Payables	**USD**	**13,600,000**	**759,234,481**	**Hedging the Risk**
Loan (Under Buyers' Credit)	**USD**	**9,447,647**	**504,619,357**	
As at 31st March, 2012				
Payables	USD	8,519,611	450,688,111	Hedging the Risk
	EURO	451,278	31,898,835	

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency
As at 31st March, 2013			
Receivables	**EURO**	**11,802**	**821,210**
Payables	**USD**	**2,582,402**	**140,198,596**
	EURO	**436,536**	**30,373,018**
As at 31st March, 2012			
Receivables	EURO	53,952	3,663,961
Payables	USD	8,743,533	444,914,085
	EURO	905,356	61,486,247

39.

Particulars	Year ended 31st March	
	2013	2012
	₹	₹
Amount of borrowing costs capitalised	**26,270,707**	Nil

40. C.I.F. value of imports and expenditure in foreign currencies:

Particulars	Year ended 31st March	
	2013	2012
	₹	₹
a. C.I.F. value of imports		
i. Capital goods	**645,961,746**	116,318,983
ii. Raw materials	**3,294,509,094**	2,183,740,288
iii. Stores and spares	**29,203,676**	19,372,093
b. Expenditure in foreign currencies		
i. Interest	**21,016,773**	11,946,411
ii. Professional fee	**6,768,567**	7,501,953
iii. Others	**4,059,701**	3,851,347

41. Earnings in foreign exchange :

Particulars	Year ended 31st March	
	2013	2012
	₹	₹
FOB value of exports	**17,190,126**	5,271,585

42. a. Imported and Indigenous raw material consumption:

Particulars	**Year ended 31st March, 2013**		Year ended 31st March, 2012	
	₹	**Percent**	₹	Percent
i. Imported	**2,515,248,071**	**32.78**	2,145,268,511	30.35
ii. Indigenous	**5,156,765,462**	**67.22**	4,923,083,382	69.65
Total	**7,672,013,533**	**100.00**	7,068,351,893	100.00

b. Imported and Indigenous Stores and Spares Consumption:

Particulars	**Year ended 31st March, 2013**		Year ended 31st March, 2012	
	₹	**Percent**	₹	Percent
i. Imported	**4,254,872**	**0.37**	9,194,067	0.93
ii. Indigenous	**1,137,452,230**	**99.63**	976,976,789	99.07
Total	**1,141,707,102**	**100.00**	986,170,856	100.00

As per our report of even date attached

For M/s P. G. Bhagwat
Chartered Accountants

S.B.PAGAD
Partner

Pune: 29th April, 2013

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Senior Vice President-Finance

TEAR HERE

(For members holding shares in physical form)

Date :

To,
Link Intime India Private Limited
Unit : Kirloskar Ferrous Industries Limited
Block No. 202, 2nd Floor, Akshay Complex,
Near Ganesh Temple, Off Dhole Patil Road,
Pune - 411 001

Dear Sir,

Subject : Green Initiative in the Corporate Governance – registration of email address
Reference : Folio No.

I/we hereby give my / our consent to register the following email address(es) to receive documents such as, notice calling annual general meeting, annual report comprising of balancesheet, statement of profit and loss, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law, through electronic mode.

Email Address : ....

Thanking you,

Yours faithfully,

Name : Signature of First shareholder	Name : Signature of Second shareholder	Name : Signature of Third shareholder

TEAR HERE

(For members holding shares in electronic form)

Members, who hold shares in electronic form, are requested **to register email address with the Depository Participant,** by a written communication quoting your DP ID and Client ID, to receive documents such as, notice calling annual general meeting, annual report comprising of balancesheet, statement of profit and loss, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law, through electronic mode.

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TEAR HERE

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

ATTENDANCE SLIP

22nd Annual General Meeting on 26th July, 2013 at 12 noon

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 22nd Annual General Meeting of the Company at MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007 on Friday, the 26th July, 2013 at 12 noon.

Shareholder's / Proxy's Signature ....

Proxy's full name ....

(in BLOCK CAPITALS) ....

....

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

------------------------------ **TEAR HERE** ------------------------------

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Registered 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 22nd Annual General Meeting of the Company, to be held at MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007 on Friday, the 26th July, 2013 at 12 noon and at any adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this .... day of 2013

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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New Inhouse Fettling Shop at Koppal

Moulding Line Under Installation at Koppal

View of Sinter plant at Koppal

Machine Shop at Solapur

Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED
Regd. Office: 13, 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.kfil.com