



Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED

21st ANNUAL REPORT 2011 - 2012

Invisible yet Omnipresent



At Kirloskar we believe in working silently yet relentlessly towards one definite goal- Enriching Lives. You may not spot us easily, but we are always around you, fulfilling your every need. Be it the power that lights up your world, the fluids that flow in numerous industries, water that quenches thirst, the engines that power innumerable equipments, gensets that provide critical back-up power, compressors that help CNG reach to millions and refrigeration that preserves food. Kirloskar works silently and reliably to make sure your life is hassle-free. And, in our inconspicuous presence lies, our true commitment to engineering that enriches your lives.



- Kirloskar Ferrous manufactures the most efficient Pig Iron & Castings that form an integral part of diesel generating sets, multi-utility vehicles, trucks and tractors.
- Castings range from sizes of 600 gms to 240 kgs are present in tractors, automobiles and diesel generating sets.
- Silent yet reliable, Kirloskar Ferrous has a vital role to play in agriculture, construction, power, trucks and automobiles.
- The use of these fuel efficient, thin-walled, lightweight castings in tractors, automobiles and power generating sets results in maximum savings.



21st ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED ON 31st MARCH, 2012

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. C. S. Panicker

AUDITORS

M/s. P. G. Bhagwat
Chartered Accountants

BANKERS

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

| | |
|-----------------------------|--|
| 21st Annual General Meeting | |
| Date | : Tuesday, 24th July, 2012 |
| 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 | : 17th July, 2012 to 24th July, 2012 (both days inclusive) |

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KIRLOSKAR FERROUS INDUSTRIES LIMITED A DECADE AT A GLANCE

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|--|-------------------|-----------------|-----------------|-----------------|--------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Particulars | | | | | | | | | | |
| Net sales / revenue from operations | 2,511.37 | 3,759.54 | 4,970.11 | 4,827.46 | 5,251.32 | 7,264.56 | 6,991.39 | 8,069.87 | 10,917.58 | 10,908.61 |
| Other income | 8.32 | 94.36 | 34.68 | 44.52 | 64.37 | 183.47 | 50.87 | 102.27 | 19.81 | 8.74 |
| Total income | 2,519.69 | 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 |
| Raw material and stores consumed | 1,738.62 | 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 |
| Employees remuneration and benefits | 108.85 | 107.25 | 119.75 | 134.46 | 182.44 | 296.85 | 306.52 | 327.72 | 330.56 | 417.73 |
| Other expenses | 342.79 | 456.43 | 384.93 | 459.60 | 432.79 | 921.82 | 930.76 | 1,030.56 | 1,891.44 | 2,429.44 |
| Total expenses | 2,190.26 | 3,219.93 | 4,580.80 | 4,284.64 | 4,440.89 | 6,520.58 | 6,491.87 | 7,149.27 | 9,906.87 | 9,964.05 |
| Profit before interest, depreciation and amortisation | 329.43 | 633.97 | 423.99 | 587.34 | 874.80 | 927.45 | 550.39 | 1,022.87 | 1,030.52 | 953.30 |
| (% to Total income) | 13.07 | 16.45 | 8.47 | 12.06 | 16.46 | 12.45 | 7.82 | 12.52 | 9.42 | 8.73 |
| Interest / finance cost | 161.14 | 231.46 | 89.90 | 69.94 | 69.32 | 83.90 | 117.27 | 60.59 | 41.45 | 104.70 |
| Depreciation and amortisation | 134.00 | 130.07 | 126.46 | 119.81 | 139.88 | 185.42 | 230.40 | 259.65 | 270.44 | 291.99 |
| Profit/(Loss) before Tax | 34.29 | 272.44 | 207.63 | 397.59 | 665.60 | 658.13 | 202.72 | 702.63 | 718.63 | 556.61 |
| (% to Total Income) | 1.36 | 7.07 | 4.15 | 8.16 | 12.52 | 8.84 | 2.88 | 8.60 | 6.57 | 5.10 |
| Tax provisions | 4.59 | (44.72) | (10.68) | 136.78 | 220.97 | 167.81 | 123.23 | 211.95 | 235.34 | 185.81 |
| Net Profit/(Loss) after Tax | 29.70 | 317.16 | 218.31 | 260.81 | 444.63 | 490.32 | 79.49 | 490.68 | 483.29 | 370.80 |
| (% to Total income) | 1.18 | 8.23 | 4.36 | 5.35 | 8.36 | 6.58 | 1.13 | 6.00 | 4.42 | 3.40 |
| Share capital | | | | | | | | | | |
| Equity share capital | 722.22 | 722.22 | 722.22 | 361.11 | 685.02 | 685.02 | 686.47 | 686.49 | 686.54 | 686.54 |
| Preference share capital | 1,046.86 | 1,046.86 | 1,046.86 | 1,046.86 | - | - | - | - | - | - |
| Total | 1,769.08 | 1,769.08 | 1,769.08 | 1,407.97 | 685.02 | 685.02 | 686.47 | 686.49 | 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 |
| General reserves | - | - | - | - | - | 50.00 | 50.00 | 100.00 | 150.00 | 200.00 |
| Profit and Loss account | (1,147.50) | (830.35) | (741.31) | (379.11) | 17.04 | 337.14 | 298.58 | 540.91 | 815.65 | 976.86 |
| Total | (1,147.50) | (830.35) | (741.31) | (379.11) | 1,946.33 | 2,316.43 | 2,286.55 | 2,578.97 | 2,904.03 | 3,115.24 |
| Deferred tax (assets) / liability | (158.54) | (203.33) | (214.11) | (82.35) | 100.91 | 228.95 | 315.01 | 319.11 | 379.68 | 420.55 |
| Long term loans | 1,200.62 | 612.70 | 534.28 | 323.56 | 201.08 | 39.43 | 188.57 | 62.85 | - | - |
| Net fixed assets including CWIP | 1,492.22 | 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 |
| Net current assets other than cash and bank # | 9.57 | (112.65) | (329.53) | (60.42) | 102.47 | 371.53 | 61.19 | 98.39 | 67.74 | 14.01 |
| Cash and bank balance | 125.81 | 107.02 | 386.61 | 83.43 | 1,105.45 | 434.29 | 126.75 | 166.60 | 184.02 | 136.15 |
| Non current assets | - | - | - | - | - | - | - | - | 127.52 | 220.40 |
| Capital employed | 1,627.60 | 1,331.94 | 1,341.98 | 1,270.07 | ***2,056.81 | 3,269.91 | 3,476.62 | 3,647.72 | 3,970.25 | 4,222.33 |
| Misc. expenditure | 36.07 | 16.17 | 5.96 | - | - | - | - | - | - | - |
| Net worth * | 657.65 | 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 |
| Capital employed * | 1,627.60 | 1,331.94 | 1,341.98 | 1,270.07 | 2,056.81 | 3,269.91 | 3,476.62 | 3,647.72 | 3,970.25 | 4,222.33 |
| Return on capital employed % | 12.01 | 37.83 | 22.17 | 36.81 | 35.73 | 22.69 | 9.20 | 20.92 | 19.14 | 15.66 |
| Return on networth % | 4.52 | 33.21 | 21.12 | 25.35 | 30.47 | 16.34 | 2.67 | 15.03 | 13.46 | 9.75 |
| No. of equity shares | 72,222,400 | 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 |
| Earnings per share (Rs.) | (0.18) | 3.75 | 2.38 | 2.88 | 5.24 | 3.58 | 0.58 | 3.57 | 3.52 | 2.70 |
| Book value per share (Rs.) | (6.39) | (1.72) | (0.35) | (0.25) | 19.21 | 21.91 | 21.65 | 23.78 | 26.15 | 27.69 |
| Dividend % | - | - | - | - | - | 15 | 10 | 20 | 20 | 20 |

* 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 are as per latest annual report.

Figures have been regrouped wherever necessary.

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Tuesday, the 24th day of July, 2012 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, 2012 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, 2012.

Item No. 3

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

Item No. 4

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

Item No. 5

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

Item No. 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.

Item No. 7

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

“RESOLVED THAT, pursuant to the provisions of Sections 309, 314 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company and subject to such other approvals, permissions or sanctions as may be necessary, the consent of the members of the Company be and is hereby accorded 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 Rs. 360,000 per financial year, in addition to the commission on profits and the sitting fees, to which he is entitled as a Director.

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, without being required to seek any fresh approval of the members of the Company, but with such other approvals, sanctions or permissions as may be required and that the decision of the Board of Directors shall be final and conclusive in this regard.”

Item No. 8

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

"RESOLVED THAT, pursuant to the provisions of Sections 198, 309, 310, 349, 350 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company and subject to such other approvals, permissions or sanctions as may be necessary, the consent of the members of the Company be and is hereby accorded 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 the Directors of the Company (other than the Managing Director or a Director who is in the whole time employment of the Company), a sum not exceeding one percent per annum of the net profit of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956, in any financial year upto a period of 5 years, commencing from the financial year 2012-2013."

By order of the Board of Directors

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

Pune : 27th April, 2012



C. S. Panicker
Company Secretary

NOTES :

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 17th July, 2012 to Tuesday, the 24th July, 2012 (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 16th July, 2012 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 16th July, 2012.
- 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 32 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. Sanjay C. Kirloskar

Mr. Sanjay Chandrakant Kirloskar, aged 55 years, graduated with a Degree in Mechanical engineering from Illinois Institute of Technology, Chicago, USA. He underwent practical training in a number of Kirloskar Group Companies.

He is presently the Chairman and Managing Director of Kirloskar Brothers Limited. He is associated with various chambers of commerce in senior positions.

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

Other Directorships

| | |
|------------------------------------|---|
| Kirloskar Brothers Limited | Kirloskar Constructions and Engineers Limited |
| Kirloskar Ebara Pumps Limited | Kirloskar Pneumatic Company Limited |
| Kirloskar Proprietary Limited | Kulkarni Power Tools Limited |
| Prakar Investments Private Limited | Asara Sales and Investments Private Limited |

Other Committee Positions

| Name of the Company | Name of Committee and position held |
|-------------------------------------|--|
| Kirloskar Brothers Limited | Shareholders' / Investors' Grievance Committee - Member Sub Committee for Share Allotment under ESOS - Member |
| Kirloskar Ebara Pumps Limited | Share Transfer Committee - Chairman Remuneration Committee - Chairman |
| Kirloskar Pneumatic Company Limited | Finance Committee - Chairman |
| Kirloskar Proprietary Limited | Remuneration Committee - Member |

He is the brother of Mr. Atul C. Kirloskar, Chairman of the Company.

He holds 380 (0.0003%) equity shares and 180 detachable warrants in the Company.

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

Item No. 4 of the Notice

Mr. S. G. Chitnis

Mr. Sudhakar Ganesh Chitnis, aged 71 years, holds a Bachelor's Degree in Mechanical Engineering and has wide experience of over 40 years in manufacturing, research and development, marketing etc. He retired at the age of 63 years from the post of Vice Chairman of Kirloskar Pneumatic Company Limited, after successfully turning it around in the record time of two years.

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

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

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

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

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

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

Item No. 5 of the Notice

Mr. A. R. Jamenis

Mr. Ashok Ramkrishna Jamenis, aged 68 years, completed his Graduation in Mechanical Engineering in 1965 from the University of Pune. He has been associated with the Kirloskar Group of Companies when he joined Kirloskar Oil Engines Limited in 1967. He has worked in various capacities and has acquired experience in the field of Production, Quality and SBU administration of Small and Medium engines, etc. of Kirloskar Oil Engines Limited. He resigned from Kirloskar Oil Engines Limited as Executive Vice President (Engines) in 1998 to shoulder the responsibility as the Managing Director of Kirloskar Ferrous Industries Limited.

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

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

He is also a Director of Kalyani Forge Limited.

Other Committee positions

| Name of the Company | Name of Committee and position held |
|-----------------------|---|
| Kalyani Forge Limited | Audit Committee - Member Remuneration Committee - Member Finance Committee - Member |

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

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

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

Item No. 7 of the Notice

Mr. S. N. Inamdar

Mr. Shrikrishna Narhar Inamdar is the Non Executive Director of the Company since March 1993. He is commerce and 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 40 years. Presently, he is a Senior Advocate at Bombay High Court.

His long experience in the corporate taxation and appellate works will help the Company to deal in such matters. Since he is most suitable in handling such matters, it is proposed to avail of his services as an Advocate for the corporate taxation and appellate works and to pay him the fees for professional services.

Pursuant to Section 309 of the Companies Act, 1956 the Company has received an expression of opinion from the Government of India, the Ministry of Corporate Affairs vide its letter dated 23rd January, 2012, wherein it has been stipulated to obtain the approval of the members in the general meeting.

Mr. S. N. Inamdar may be concerned or interested in the resolution to the extent of the remuneration by way of professional fees that may be paid to him. No other Director is concerned or interested in the resolution.

Item No. 8 of the Notice

The members of the Company at their annual general meeting held on 28th August, 2008 had authorised the Board of Directors of the Company to decide the payment of remuneration by way of commission (over and above the payment of sitting fees) to the Directors of the Company (other than the Managing Director or a Director who is in the whole time employment of the Company), a sum not exceeding one percent per annum of the net profit of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956, in any financial year upto a period of 5 years, commencing from the financial year 2007-2008.

The approval of the members is valid upto the financial year 2011-2012. Pursuant to provisions of Section 309 of the Companies Act, 1956 it is proposed to obtain the approval of members for another period of 5 years commencing from the financial year 2012-2013.

The Remuneration Committee and the Board of Directors at their respective meetings held on 27th April, 2012 have accorded their approval for payment of remuneration by way of commission to the Non - Executive Directors of the Company in pursuance of the provisions of Sections 198, 309, 310, 349, 350 and other applicable provisions of the Companies Act, 1956 and subject to such other approvals, permissions or sanctions as may be necessary.

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 one percent of net profit of the Company, if it has a Managing Director.

Section 309 of the Companies Act, 1956 requires the consent of members by a special resolution at the general meeting for the payment of commission to Non - Executive Directors of the Company.

All Directors, except Mr. R. V. Gumaste, may be concerned or interested in the resolution to the extent of the remuneration by way of commission that may be paid to them.

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

Pune : 27th April, 2012

By order of the Board of Directors



C. S. Panicker
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 21st Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2012.

FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2011-2012 as compared with the previous year are as follows -

| | (Amount in Rupees) | |
|--|-----------------------|----------------|
| | 2011 - 2012 | 2010 - 2011 |
| Sales and Other Income | 10,917,352,422 | 10,937,387,964 |
| Profit before tax | 556,612,492 | 718,631,991 |
| Provision for tax (including Deferred Tax) | 185,815,296 | 235,337,741 |
| Profit after tax | 370,797,196 | 483,294,250 |
| Balance of Profit brought forward from previous year | 815,650,438 | 540,908,853 |
| Excess provision for previous years written back | | |
| a) Dividend | (64,479,849) | (64,481,359) |
| b) Tax on Dividend | (10,460,244) | (11,488,953) |
| Profit available for appropriation | 1,261,387,727 | 1,100,173,415 |

APPROPRIATIONS

Your Directors propose to appropriate the Profit as under :

| | | |
|------------------------------------|--------------------|-------------|
| Proposed Dividend | 201,787,930 | 201,787,930 |
| Tax on Dividend | 32,735,047 | 32,735,047 |
| Transfer to General Reserve | 50,000,000 | 50,000,000 |
| Balance carried to Surplus Account | 976,864,750 | 815,650,438 |

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

A. Economy and Industry Overview

The growth in global economy during 2011 was affected due to impact of high oil prices and certain other commodity prices, the spillover from the Japanese natural disasters and monetary tightening in the Emerging Market Economies (EMEs) to contain inflationary pressures. The global market was also disturbed by perceptions of inadequate solutions to the Euro zone sovereign debt problem, exposure of banks to Euro zone and renewed fears of recession. However, during the last quarter of 2011, the immediate financial market pressures in the Euro zone have been alleviated to some extent, by the European Central Bank (ECB) injecting liquidity of more than one trillion euros through the two long-term refinancing operations. Growth in the Euro zone, however, was negative in quarter IV. The Emerging and Developing Economies (EDEs) are showing signs of slowdown in growth. As a result, the global growth for 2012 and 2013 is expected to be lower than anticipated earlier.

In US, apart from fiscal concerns, high unemployment and weak housing markets continued to weigh on consumer confidence and private consumption. The recent macroeconomic data for the US economy show some positive signs. In particular, the labour market conditions have improved.

Indian Economy has witnessed a disturbing turn of events. During the year under review, the Indian Economy recorded a growth of 6.9 percent as compared to 8.4 percent in previous year. Both foreign and domestic investors became jittery in the last few months owing to persistent inflation, fiscal deficits, lack of meaningful reforms in the Indian economy and continued global uncertainty that lead to lower capital inflows. This has also resulted in sharp depreciation of rupee against US dollar from a level of INR 43.94 per USD on 27th July, 2011 to an all-time low of INR 54.23 per USD on 15th December, 2011.

Rupee depreciation has also resulted in an increase in fuel prices as well as commodity prices. High volatility in forex market prompted RBI to take several measures for augmenting foreign exchange reserves and for curbing the speculation in foreign exchange.

Reserve Bank of India made adjustments 13 times in policy rates since March 2010 to control inflation. This lead to an increase in lending rate for commercial borrowings, resulting in lower growth in the Indian Economy.

However in March 2012, Reserve Bank of India reduced the CRR from 5.5 percent to 4.75 percent to take care of structural liquidity deficit. Further on 17th April, 2012 Reserve Bank of India cut the repo rate by 50 bpps to 8 percent with immediate effect, reverse repo rate, with a spread of 100 bpps below repo rate adjusted to 7 percent. This decision to cut the rate was due to growth decelerating significantly to 6.1 percent in the 3rd quarter of the last year and also due to WPI inflation moderating to below 7 percent by March 2012.

Indian Economy is expected to grow at 7.6 percent in 2012-13. However, concerns of possible lower rate of growth still loom large.

On the iron and steel front, India's crude steel output grew 5.6 percent to 72 million tonnes in 2011 in spite of decline in automotive market coupled with disruptions to raw material supplies. India continued to occupy the 4th position in production of crude steel for the second consecutive year.

India's iron ore exports declined during 2011-12 due to the export ban imposed by Karnataka State Government to curb illegal mining activities. In spite of the ban on iron ore exports, the price of iron ore in the domestic market continued to rise due to demand-supply gap, which is the result of closure of mines.

The Supreme Court of India had in August 2011 imposed a ban on mining in the State of Karnataka to check illegal mining. All mines except for NMDC, are closed pursuant to the order of Honourable Supreme Court due to non compliances and ecological reasons. The stock of iron ore available at various mines and from NMDC mines are sold through e-auction by the Empowered Committee appointed by the Supreme Court.

The Supreme Court's panel for forest issue submitted its final report on illegal mining on 4th February, 2012 in respect of three main ore districts of Karnataka - Bellary, Chitradurga and Tumkur.

Dividing the 116 lease owners into three broad categories, the Supreme Court Panel recommended that :

- a) 49 leases, where excessive illegalities were found be revoked. It suggested that these leases then be put up for auction through a transparent process of bidding to the highest bidder from the end users. The panel has suggested no mining leases should be sanctioned for the purpose of trading.
- b) 72 leases, where encroachment has taken place beyond allotted area, mining to be permitted with penalty.
- c) Balance 45 leases, where there were no illegalities or found with minor illegalities, such mines be allowed to resume mining.

On 13th April, 2012 the Supreme Court accepted the recommendation of Central Empowered Committee and has allowed mines in 'A' Category to be operated subject to certain conditions inter alia.

1. A ceiling of 25 Million MT for Bellary district and 5 Million MT for Chitradurga and Tumkur respectively has been prescribed for total production of iron ore, for all mines in such areas.

2. Certain guidelines as approved by Honourable Court to be followed by the mine owners.
3. Iron ore which becomes available should be used for meeting the iron ore requirement of steel plants and associated industries located in Karnataka and also those plants located in adjoining states, which have been using iron ore from the mining leases located in these districts. Export should be allowed only in respect of those materials which the steel plants and associated industries are not willing to purchase on or above the average price released by the Monitoring Committee.
4. Sale of iron ore will continue through e-auction conducted by the Monitoring Committee constituted by the Honourable Court.

Automobile industry has shown overall cumulative production growth of 14.56 percent for the period from April 2011 to February 2012 over same period last year. With rising inflation, RBI started increasing the key policy rates, leading to a hike in interest rates on auto loans. It was a double blow for the auto industry as fuel prices, especially petrol, kept on rising throughout the year. The demand for diesel based vehicles is on an increasing trend, as the price of diesel is lower than that of petrol.

Indian tractor industry has shown a volume growth for nine months of the financial year 2011-2012, even when the automotive industry has experienced slackening demand on account of rising inflation, hardening interest rates and increasing fuel prices. After a period of downturn during financial year 2007-2008 and 2008-2009, the up-cycle in the tractor market has extended over the last two financial years and nine months of financial year 2011-2012. The key factors enabling the demand growth during the current fiscal have been good monsoons resulting in robust farm sector growth, strong rural liquidity sustained by higher minimum support price, adequate credit availability and replacement demand. These factors apart, non-agricultural usage of tractors for haulage in construction and infrastructure projects continued to increase, benefitting tractor segment demand. However, last three months of 2011-2012 has seen softening of tractor market and manufacturers have cut down their production to manage the tractor inventory.

On the coke front, China used to be the largest seaborne coke exporter, but exports abated in 2008 after the Chinese Central Government raised coke export duties to 66 percent to conserve its coal resources.

Export of coke from China has since been on a downward trend except for the period when global coking coal prices jumped sharply in response to floods in Australia's Queensland in late 2010 and early 2011.

But in the last quarter of 2011, when global coking coal supply from Australia normalized and the steel market flattened, coke exports from China fell further.

During the year, coke was mainly imported from Russia, Japan and Colombia and was also sourced from the domestic market.

Crude oil prices, which were at a level of USD 112 per barrel at the beginning of the year, fell to a level of USD 79.20 during September 2011 and thereafter have been on an increasing trend rising to a level of USD 107 in March 2012.

B. Company Performance

Your Company achieved net sales of Rs.10,896 million (previous year Rs.10,897 million). The sales value has remained stable, in spite of stoppage of one of the mini blast furnace for six months arising due to non availability of iron ore. However, volume growth in castings and increase in pig iron price realisation have helped in maintaining sales.

There has been a volume growth in sale of castings by 8 percent, while the sale of pig iron reduced by 23 percent as compared to the previous year.

The profit before tax for the year under review stood at Rs. 556.61 million as compared to Rs. 718.63 million of the previous year after providing for depreciation and amortization.

Your Company was able to pass on substantially the increase in the input costs to the customers.

Owing to the stoppage of iron ore mines by the order of the Supreme Court for legal and ecological reasons, there was an acute shortage of iron ore. Based on the prevailing situation, your Company decided to stop the operations of one of the mini blast furnaces from May 2011. With this strategy, your Company was able to run the other mini blast furnace uninterruptedly throughout the year providing liquid pig iron to the foundry for operations.

After the commencement of e-auction, lesser availability of iron ore in the e-auction resulted in iron ore price going up, making it unviable for many furnace operators to produce and sell pig iron. However, your Company managed tough times and started the second mini blast furnace in November 2011.

The sinter plant was commissioned in January 2012 and has stabilised by the end of February 2012. The commercial operation has started from March 2012. The iron ore fines, generated from the mini blast furnace operation are presently used as a major raw material, for the captive consumption in the sinter plant. This led to lower cost in the manufacture of pig iron arising by the substitution of sinter in place of iron ore lumps to higher extent. The operation of sinter plant has resulted in increased productivity, reduced the input cost and increased profitability during the last quarter of the year under review.

Presently both the furnaces and sinter plant are in operation.

The iron ore sourcing under e-auction is on an advance payment basis. Earlier the Company enjoyed credit period in respect of purchase of iron ore. The change in the sourcing method has led to an increase in fund based working capital requirement. This has resulted in increase in the interest cost. The situation has been further aggravated due to RBI making adjustments in policy rates, which has resulted in increase in the interest rates charged by the banks.

In the last annual report, it was informed about the recommendation of iron ore mines to the Company. The matter continued to be subjudice as on date.

Your Company has received the following awards during the year under review :

1. 'National Energy Conservation Award' with first prize for 2011 from the Ministry of Power, Government of India;
2. 'Achievements in Energy Conservation' with first prize from the Department of Energy, Karnataka for the year 2009-10;
3. 'Commendation Certificate for Strong Commitment to excel for the year 2011' from CII-Exim bank awards for 2011;
4. 'Silver Certificate of Merit of Excellence' from Economic Times Manufacturing Excellence Awards 2011;
5. 'Winner of Best QC story for year 2011-12' award among all the suppliers of Mahindra and Mahindra.

C. Operational Performance

During the year under review, your Company sold 197,524 MT of pig iron valued at Rs.5,626 million as compared to 258,773 MT of pig iron valued at Rs.6,470 million in the previous year.

Decrease in sales of pig iron was due to the production affected by non operation of one mini blast furnace for six months owing to non availability of iron ore.

The price of iron ore continued to increase throughout the year. The price increased from a level of Rs.3,780 per MT at the beginning of the year to around Rs.6,400 per MT by the end of the year. This has been on account of shortage of iron ore in the domestic market arising from the closure of mines due to environment compliance related issues and due to auctioning of iron ore.

The cost of imported coke also increased substantially on account of Indian rupee depreciating against US dollar during the year under review.

The coke price showed a downward trend from a level of Rs.21,750 to a level of Rs.20,800 by the end of the year.

During the year under review, your Company sold 62,136 MT castings aggregating to Rs.4,493 million as compared to 57,391 MT castings aggregating to Rs.3,636 million in the previous year.

Your Company was able to improve the capacity utilization in the foundry on account of increased demand for castings from the customers, by improving quality and productivity.

D. Cost Control

Your Company adopted following measures to reduce the cost:

- a) Commissioning of the sinter plant.
- b) Improvement in utilisation of blast furnace gas.
- c) Continuation of energy conservation projects.
- d) Strengthening of process controls in manufacturing and material procurement.
- e) Power trading.

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.

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

In order to become cost competitive, your Company has installed sinter plant. Full benefit of this cost reduction is expected to be felt from the financial year 2012-2013 onwards. The Company is also planning for coal injection to reduce the cost of production.

Your Company has signed agreements for supply of castings with major OEMs. Also there is an increased demand for castings from the existing customers. To meet the additional demand, your Company proposes to install a new high pressure moulding line at Koppal plant, Karnataka to enhance the production capacity of castings by 72,000 MT per annum. The estimated cost of this new moulding line will be around Rs.200 crores and the same will be financed by internal generation and partly through long term borrowings.

The Company is in the process of installing a fettling shop with a capacity of 1,650 MT per month at its plant at Koppal, Karnataka. The major benefits of fettling shop are as under:

- a) Automation of fettling activity.
- b) Improved casting finish and quality output.
- c) Improvement in delivery performance.
- d) Reduction in fettling lead time, fatigue and transportation cost.

Overall, improved fettling activity can result in increased customer satisfaction.

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

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

Your Company 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 waste water stack emissions and ambient air quality are undertaken periodically to verify whether the level of environmental parameters are well within the specified limits.

Effluent treatment of waste products and suppression of fugitive emissions through sprinklers is also carried out effectively. Plantation of about 30,000 trees was undertaken during the year 2011-12, to improve the greenery all around the plant. To reduce dust emission during operation of raw material handling section, water sprinkling arrangement is in place.

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 within the plant premises.

Under ISO:14001 and OHSAS : 18001, the following management programmes have been taken-up and completed during 2011-12 :

1. Installation of dust conveying system in sinter plant to reduce and control fugitive dust.
2. On-line stack monitoring system has been installed to main chimney of sinter machine to make available on-line data to Karnataka State Pollution Control Board server.
3. To reduce noise level in the DK-4 area (Foundry) Z Pan has been provided in place of vibrator.
4. In mini blast furnace II, remote operating system has been provided with high tension breakers to eliminate burn injury due to short circuit in high tension switchgears.
5. To reduce fatigue and stress in pig iron plant -maintenance, compressed air tightening arrangements at all tightening stations are provided, eg. Buzzlemen, PCM etc.
6. An additional hoist has been provided for alloy addition to reduce fatigue and stress during alloy addition in foundry.

I. Social Responsibility

Your Company has taken following measures as a part of its corporate responsibility to the society:

1. Constructed high school building at Hitnal village and renovated class rooms at Bevinahalli village.

2. Additional drinking water facility was provided for Bevinahalli village.
3. Under 'Grama Nirmalaya' scheme, 100 toilets were constructed at Bevinahalli village and 266 meters of drainage line was also constructed.
4. Under 'Women Empowerment' scheme, tailoring classes are being conducted at Bevinahalli village and also sewing machines provided to 'Stree Shakti Karyalaya'.
5. Conducted computer coaching class for the students in Bevinahalli village through KEONICS Training Institute, Government of Karnataka.

J. Human Resource

Your Company considers human resource to be an important and valuable asset for the organisation. Therefore, constantly strives to attract, recruit and retain best talents for the current 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 specialized professional organisation.
2. Necessary training programmes i.e., technical and soft skills have been organized in association with external agencies.
3. Offering career growth at all levels.
4. Conducting programmes on Safety, Health and Environment.
5. Working on feed back report on Employee Engagement Survey and implementing the action plans with the intervention of external agency.

The agreement with Labour representatives has expired at Koppal and Solapur Plants. The Management is in discussion with union representatives at Koppal Plant. With respect to the plant at Solapur, a new union labour body has requested for recognition. The matter of recognition is pending before the Industrial Tribunal, Solapur for giving a decision in the matter.

As on 31st March, 2012 the total number of salaried employees stood at 1,218. The Employer - Employee relations have been generally cordial throughout the year.

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

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

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

During the financial year 2011-2012, the Company has not received application/s from warrant holders for conversion of warrants into equity shares.

DIRECTORS

Mr. Sanjay C. Kirloskar, Mr. S. G. Chitnis and Mr. A. R. Jamenis 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, 2012 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, 2012 and of the profit of the Company for the year ended 31st March, 2012;
- 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, 2012 on a 'going concern' basis.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended 31st March, 2012 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.

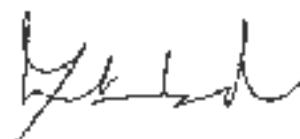
CORPORATE GOVERNANCE

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

APPRECIATION

Your Directors wish to place on record their appreciation towards the contribution of all the employees of the Company and their gratitude to the Company's valued customers, bankers, 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 : 27th April, 2012

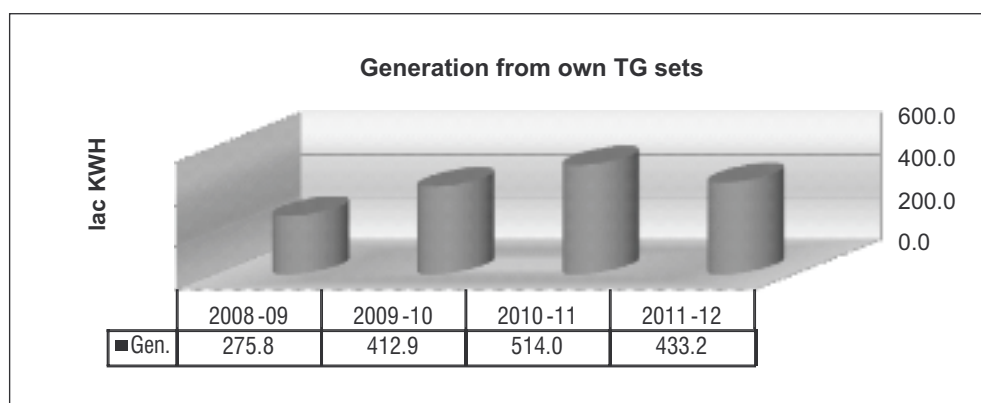
ANNEXURE - A

A. CONSERVATION OF ENERGY :

a) Energy conservation measures taken during the financial year 2011-2012 are as follows :

1. Installation and commissioning of sinter plant to reduce coke consumption.
2. Installation and commissioning of Control Air IFC System (demand side compressed air management solution) to reduce power consumption of compressor air.
3. Installation of variable frequency drives for cranes in foundry.
4. Use of star rated products for all utility areas.
5. Installation of auto drain valves for compressors to reduce power consumption.
6. Replacement of tubelights with LEDs to reduce electricity consumption.
7. LED lighting for shop floors.
8. Energy audit of the power plant.
9. Purchase of renewable energy certificates from IEX.

Figures of Power generation :



Note: Due to iron ore mining crisis in 2011-12, pig iron production was less and gas availability was low for power plant in 2011-12 and hence, lower power generation.

b) Additional Proposals for the year 2012-2013 :

1. Replacement of reciprocating compressors with centrifugal compressors to enhance energy efficiency.
2. Replacement of less energy efficient motors with energy efficient motors.
3. Installation of energy efficient motors with variable frequency drives for the new RMHS dedusting, PCM and MBF 1 Projects.
4. Plant level energy reaudit.
5. Reduction in oil consumption at power plants with the introduction of LPG for sinter plant. By this, gas availability for power plant will be more and enhance the power generation.

c) Impact of the above measures:

1. Reduction in energy consumption.
2. Reduction in coke consumption.
3. 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 :

(Rupees in Million)

| | |
|----------|----------|
| Earnings | 5.27 |
| Outgo | 2,342.72 |

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 Rs. | Particulars of Last employment |
|----------------------|-------------|---------------|--------------------|--------------------------------|-----------------|------------------|--|
| Mr. R. V. Gumaste | 54 | B.Tech (Met.) | 31 | Managing Director | 8/11/2001 | 16,323,272 | 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 perquisites as per Income Tax Act, 1961 and the rules thereunder and the Company's contribution to provident fund and superannuation fund, leave encashment, gratuity and terminal benefits.
4. The employee listed above is not a relative of any Director of the Company.

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 2011-2012, five meetings of the Board of Directors were held on 26th April, 2011; 22nd July, 2011; 21st October, 2011; 25th January, 2012 and 19th March, 2012.

(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 2011-2012 | | 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 | No# | 8 | Nil | Nil |
| Mr. Sanjay C. Kirloskar | Non - Independent Non Executive | 5 | 2 | Yes | 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 | 5 | Yes | 11 | 4 | 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 | 1 | 3 |

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

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

During the absence of Mr. Atul C. Kirloskar, Mr. Sanjay C. Kirloskar was the Chairman at the Annual General Meeting held on 22nd July, 2011.

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

Statement showing number of securities of the Company held by the Directors as on 31st March, 2012:

| Name of Directors | Equity Shares of Rs.5 each | Detachable Warrants |
|-------------------------|----------------------------|---------------------|
| Mr. Atul C. Kirloskar | 1,427,939 | 670,495 |
| Mr. Sanjay C. Kirloskar | 380 | 180 |
| Mr. R. V. Gumaste | 99,000 | NIL |
| Mr. S. N. Inamdar | 6,100 | NIL |
| Mr. A. N. Alawani | 35,000 | 21,700 |
| Mr. A. R. Jamenis | 3,400 | NIL |
| Mr. C. V. Tikekar | 6,000 | NIL |
| Mr. S. G. Chitnis | 3,100 | NIL |

Declaration of compliance with the Code of Conduct :

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

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

2. Audit Committee

(a) Composition

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

During the financial year 2011-2012, five Audit Committee meetings were held on 26th April, 2011; 22nd July, 2011; 21st October, 2011; 25th January, 2012 and 19th March, 2012.

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 | 5 |
| Mr. C. V. Tikekar | Independent Non - Executive | 5 |
| Mr. A. R. Jamenis | Independent Non - Executive | 5 |
| Mr. S. G. Chitnis | Independent Non - Executive | 5 |
| Mr. A. N. Alawani | Independent Non - Executive | 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 Thursday, 22nd July, 2011.

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

The Audit Committee has been vested with the following powers :

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

(b) Terms of Reference

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

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

Till 31st March, 2012, the Company received applications from warrant holders for conversion of 302,916 detachable warrants into 302,916 equity shares for an amount aggregating to Rs. 10,602,060 (inclusive of the securities premium).

Detachables conversion proceeds of Rs. 10,602,060 have been utilised for the installation of Sinter Plant after the allotment of 302,916 equity shares.

- e) 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 :

Mrs. Varsha S. Limaye, Partner (Membership No. 12358)
M/s. Parkhi Limaye and Co., Cost Accountants (Firm Registration No. 191)
'Aabha', Plot No. 16, Siddhakala Society, Warje, Pune 411 058
Email ID : parkhilimaye@hotmail.com

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 26th April, 2011 to recommend to the Board of Directors the payment of commission to the Managing Director and to Non - Executive Directors for the financial year 2010-2011.

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 have approved the re-appointment and the terms of remuneration of Mr. R. V. Gumaste as the Managing Director for a period of 5 years with effect from 1st July, 2008.

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

Details of remuneration, by payment and provision, to Mr. R. V. Gumaste, Managing Director, for the financial year 2011-2012 are as follows -

| Particulars | Amount (Rs.) |
|-------------------------------------|-------------------|
| Salary | 4,680,000 |
| Contribution to Provident Fund | 489,600 |
| Contribution to Superannuation Fund | 612,000 |
| Perquisites | 40,540 |
| Leave Travel Assistance | 90,000 |
| Commission | 10,000,000 |
| Gratuity | 56,330 |
| Leave Encashment | 354,802 |
| Total | 16,323,272 |

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

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

II. Remuneration to Non - Executive Directors

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

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

However, 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 2011-2012 are as follows :

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

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

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

III. Payment of Sitting Fees to Non - Executive Directors

The sitting fees of Rs. 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 2011-2012 are as under :

| Name of Directors | Sitting Fees (Rs.) |
|-------------------------|--------------------|
| Mr. Atul C. Kirloskar | 50,000 |
| Mr. Sanjay C. Kirloskar | 40,000 |
| Mr. A. R. Jamenis | 120,000 |
| Mr. S. N. Inamdar | 110,000 |
| Mr. C. V. Tikekar | 110,000 |
| Mr. S. G. Chitnis | 100,000 |
| Mr. A. N. Alawani | 110,000 |
| Total | 640,000 |

6. CEO / CFO Certification

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

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

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

The above certificate was placed before the meeting of the Board of Directors held on 27th April, 2012.

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, 2012 were 36 and there was no complaint pending as on 31st March, 2012.

8. General Body Meetings

Details of last three Annual General Meetings held:

| Annual General Meeting | Financial Year | Date, Time and Place |
|-----------------------------------|----------------|---|
| 18th Annual General Meeting | 2008 - 2009 | 14th August, 2009 11.00 a. m. The Pudmjee Hall, Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 |
| No special resolution was passed. | | |
| 19th Annual General Meeting | 2009 - 2010 | 29th July, 2010 11.30 a. m. The Pudmjee Hall, Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 |
| No special resolution was passed. | | |
| 20th Annual General Meeting | 2010 - 2011 | 22nd July, 2011 10.00 a. m. The Pudmjee Hall, Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 |
| No special resolution was passed. | | |

9. Means of Communication

In compliance with the requirement of the Listing Agreement, the Company regularly intimates financial results to Bombay Stock Exchange Limited immediately after they are approved by the Board of Directors. 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 Business Standard / Financial Express (English newspapers) and Maharashtra Times / Loksatta (Marathi newspaper), having wide circulation. Since the results of the Company are published in national and regional newspapers, the results are not sent individually to each shareholder.

The financial results and official news releases of the Company are also displayed on the website of Kirloskar Group of Companies, viz, www.kirloskar.com

10. General Shareholders' Information

| Annual General Meeting | |
|-------------------------------|---|
| Day, Date and Time | Tuesday, 24th July, 2012 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, 2011 to 31st March, 2012 During the year under review, the results were announced as under - First Quarter 22nd July, 2011 Second Quarter 21st October, 2011 Third Quarter 25th January, 2012 Annual 27th April, 2012 |
| Date of Book Closure | From 17th July, 2012 To 24th July, 2012 (Both days inclusive) |
| Dividend payment date | 16th August, 2012 |
| Listing on stock exchange | Bombay Stock Exchange Limited |
| Stock Code | 500245 |
| ISIN | INE 884B01025 |

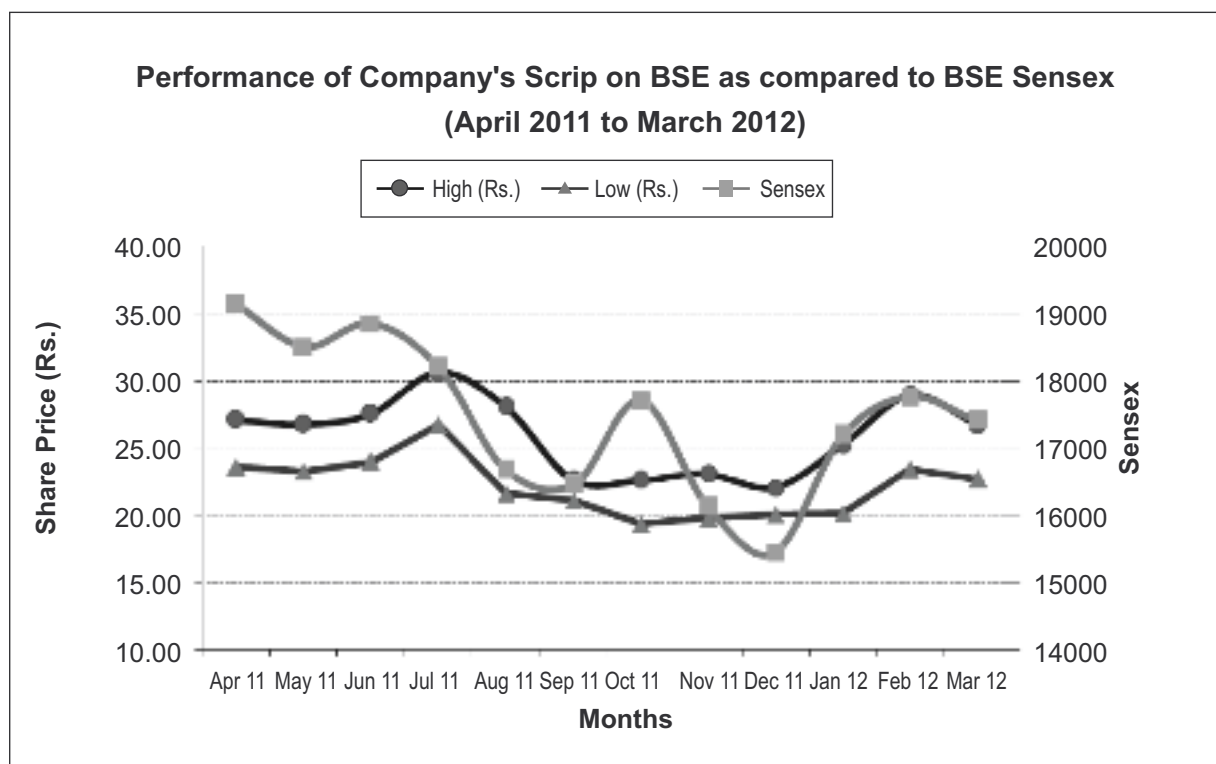
The annual listing fees for the financial year 2011-2012 have been paid to Bombay Stock Exchange Limited and there is no amount outstanding as on date.

Market Price Data

Monthly high / low closing prices of equity share on the Bombay Stock Exchange Limited (BSE) during the financial year 2011-2012 are as follows:

| Year | Month | High (Rs.) | Low (Rs.) |
|----------|-----------|------------|-----------|
| 2011 | April | 27.10 | 23.60 |
| | May | 26.75 | 23.25 |
| | June | 27.55 | 24.00 |
| | July | 30.60 | 26.70 |
| | August | 28.05 | 21.60 |
| | September | 22.60 | 21.10 |
| | October | 22.60 | 19.35 |
| | November | 23.05 | 19.80 |
| | December | 22.05 | 20.05 |
| | 2012 | January | 25.25 |
| February | | 28.90 | 23.40 |
| March | | 26.70 | 22.70 |

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



Monthly high / low closing prices of detachable warrant on the Bombay Stock Exchange Limited (BSE) during the financial year 2011-2012 are as follows :

| Year | Month | High (Rs.) | Low (Rs.) | |
|------|-----------|------------|-----------|------|
| 2011 | April | 8.06 | 5.51 | |
| | May | 6.50 | 5.50 | |
| | June | 7.91 | 5.76 | |
| | July | 8.00 | 6.40 | |
| | August | 6.59 | 4.00 | |
| | September | 6.47 | 3.62 | |
| | October | 3.30 | 2.50 | |
| | November | 4.78 | 2.77 | |
| | December | 4.40 | 2.95 | |
| | 2012 | January | 4.71 | 3.27 |
| | | February | 6.57 | 2.99 |
| | | March | 5.70 | 3.92 |

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 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 30 days from the date of receipt, subject to the validity of all documents lodged with the Company. The applications for transfer of shares / warrants under objection are returned within a period of a week. The transfer applications are approved at regular intervals.

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, 2012

| Nominal Value of Shares (Rs.) | | Shareholders | | Shares | |
|-------------------------------|---------|--------------|---------------------|-------------|---------------------|
| From | To | Number | Percentage to Total | Number | Percentage to Total |
| 1 | 5,000 | 67,636 | 93.91 | 13,685,243 | 9.97 |
| 5,001 | 10,000 | 1,870 | 2.60 | 2,999,990 | 2.18 |
| 10,001 | 20,000 | 1,125 | 1.56 | 3,305,136 | 2.41 |
| 20,001 | 30,000 | 551 | 0.77 | 2,787,020 | 2.03 |
| 30,001 | 40,000 | 181 | 0.25 | 1,293,148 | 0.94 |
| 40,001 | 50,000 | 187 | 0.26 | 1,793,887 | 1.30 |
| 50,001 | 100,000 | 239 | 0.33 | 3,525,075 | 2.57 |
| 100,001 and above | | 230 | 0.32 | 107,918,582 | 78.60 |
| Total | | 72,019 | 100.00 | 137,308,081 | 100.00 |

Shareholding Pattern as on 31st March, 2012

| Category | Number of Shares | Percentage of Shareholding |
|---------------------------------|--------------------|----------------------------|
| Promoters and Promoters Group | 80,942,070 | 58.95 |
| Financial Institutions | 3,565,000 | 2.60 |
| Nationalised Banks | 500 | 0.00 |
| Non Resident Indians | 1,378,984 | 1.00 |
| Mutual Funds | 6,676,044 | 4.86 |
| Foreign Institutional Investors | 48,100 | 0.04 |
| Domestic Companies | 5,642,425 | 4.11 |
| Trust | 200 | 0.00 |
| General Public | 39,054,758 | 28.44 |
| Total | 137,308,081 | 100.00 |

Equity Shares in electronic form

As on 31st March, 2012, 95.65 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 % | 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 |

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 balancesheet, 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, karta of hindu undivided family and holders of power of attorney. Nominations will have to be made in prescribed form, which can be obtained from the registered office of the Company or the Share Transfer Agent.

11. General Information for the Warrantholders

In terms of the Letter of Offer dated 2nd January, 2007 the Company had issued and allotted 64,782,765 equity shares of Rs.5 each alongwith 64,782,765 detachable warrants. Detachable Warrants are tradable on the stock exchange.

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

Detachable Warrants in electronic form

As on 31st March, 2012, 99.75 percent of detachable warrants are held in electronic form.

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

As per the Letter of Offer dated 2nd January, 2007, the warrant exercise period has commenced on 13th March, 2008 and was to conclude on 13th March, 2010. However, the warrant-holders at their meeting held on 14th August, 2009 extended the validity by a further period of 3 years till 13th March, 2013. The Warrantholders can exercise their right to apply for the equity shares at the warrant exercise price any time during the warrant exercise period. Further the warrants, not exercised during the warrant exercise period, shall lapse.

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

For the information of warrant holders, the revised terms of warrants conversion are as given below :

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

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

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

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

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

General Information for Detachable Warrants conversion

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

Any correspondence with regard to the warrants conversion shall be addressed to the following -
M/s Link Intime India Private Limited (Unit : Kirloskar Ferrous Industries Limited)
C - 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai 400 078
Tel No. (022) 25946970-78 Fax No. (022) 25946969 / 25962691
Contact Person: Mr. Prabhakar Darde

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

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

Assuming that, all detachable warrants are converted into equity shares, the paid up equity share capital of the Company will enhance from Rs.686,540,405 (137,308,081 equity shares of Rs.5 each) to Rs.1,008,939,650 (201,787,930 equity shares of Rs.5 each).

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 : 27th April, 2012

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, 2012, 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 : 27th April, 2012

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ('the Company') as at 31st March, 2012 and the related Statement of Profit and Loss and also the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representations received from the Directors as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (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.

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

S.B. Pagad
Partner
Membership No.206124

Pune : 27th April, 2012

ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012.

- (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. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there were adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the 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, 2012 for a period of more than six months from the date they became payable.

- (b) According to information and explanation given to us, there are amounts of Excise Duty, 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 (Rs.) | 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 valuation | 3,127,237 | CESTAT, Mumbai |
| The Central Excise Act, 1944 | Refund of Cenvat | 714,462 | The Honourable High Court of Mumbai |
| The Central Excise Act, 1944 | Cenvat Credit availed on Electrodes | 598,069 | Assistant Commissioner, Central Excise, Belgaum |
| The Central Excise Act, 1944 | Cenvat Credit availed on Structural Steels | 9,933,307 | Commissioner (Appeals), Central Excise, Mangalore |
| 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 | 32,990,072 | Commissioner of Central Excise, Belgaum |
| The Karnataka Electricity Act, | Electricity Tax on captive generation and Consumption | 604,782 | Honourable High Court of Karnataka |
| Income tax Act, 1961 | Minimum Alternate Tax | 1,27,859 | Income Tax Appellate Tribunal, Pune |
| Income tax Act, 1961 | Minimum Alternate Tax | 5,181,762 | Commissioner of Income Tax/ Income Tax Appellate Tribunal, Pune |
| Income tax Act, 1961 | Minimum Alternate Tax | 3,266,806 | Commissioner of Income Tax/ Income Tax Appellate Tribunal, Pune |
| Income tax Act, 1961 | Minimum Alternate Tax | 892,820 | Assistant 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 explanation given to us, the Company is not dealing in or trading in shares, securities, debentures. However, the Company had made investments in mutual funds for which proper records have been maintained of the transactions and contracts and timely entries have been made therein.
- (xv) As informed to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, the Company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.
- (xix) Since the Company has not issued any debentures during the year, para 4(xix) of the order regarding creation of security is not applicable.
- (xx) The Company has not made any public issue to raise money.
- (xxi) According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

S.B. Pagad
Partner
Membership No.206124

Pune : 27th April, 2012

BALANCE SHEET AS AT 31st MARCH, 2012

| Particulars | Note No. | As at 31st March, 2012 Rs. | As at 31st March, 2011 Rs. |
|--|----------|----------------------------------|----------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 686,540,405 | 686,540,405 |
| Reserves and surplus | 4 | 3,115,244,742 | 2,904,030,430 |
| Money received against share warrants | | - | - |
| Share application money pending allotment | | - | - |
| Non-current liabilities | | | |
| Long-term borrowings | | - | - |
| Deferred tax liabilities (Net) | 5 | 420,551,039 | 379,681,579 |
| Other long term liabilities | | - | - |
| Long-term provisions | | - | - |
| Current liabilities | | | |
| Short-term borrowings | 6 | 549,650,290 | - |
| Trade payables | 7 | 2,058,089,647 | 2,565,053,655 |
| Other current liabilities | 8 | 437,966,921 | 273,255,068 |
| Short-term provisions | 9 | 276,628,418 | 274,581,266 |
| TOTAL | | 7,544,671,462 | 7,083,142,403 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 10 | 3,622,989,003 | 2,875,098,351 |
| Intangible assets | 11 | 14,966,725 | 13,149,521 |
| Capital work-in-progress | | 213,813,215 | 702,722,130 |
| Intangible assets under development | | - | - |
| Non-current investments | 12 | 100 | 100 |
| Long-term loans and advances | 13 | 183,555,811 | 89,327,790 |
| Other non-current assets | 14 | 36,849,584 | 38,189,604 |
| Current assets | | | |
| Current investments | | - | - |
| Inventories | 15 | 1,267,667,888 | 1,590,283,002 |
| Trade receivables | 16 | 1,597,673,280 | 1,346,776,294 |
| Cash and Bank Balances | 17 | 136,150,261 | 184,025,360 |
| Short-term loans and advances | 18 | 465,980,719 | 239,196,801 |
| Other current assets | 19 | 5,024,876 | 4,373,450 |
| TOTAL | | 7,544,671,462 | 7,083,142,403 |

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
Vice President-Finance

Pune: 27th April, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2012

| Particulars | Note No. | For the year ended 31st March, 2012 Rs. | For the year ended 31st March, 2011 Rs. |
|---|----------|---|---|
| INCOME | | | |
| Revenue from operations | 20 | 10,908,605,785 | 10,917,581,959 |
| Other income | 21 | 8,746,637 | 19,806,005 |
| Total revenue | | 10,917,352,422 | 10,937,387,964 |
| EXPENSES | | | |
| Cost of materials consumed | 22 | 7,068,351,893 | 7,812,048,842 |
| Changes in inventories of finished goods, work-in-progress and By-products | 23 | 48,526,191 | (127,180,290) |
| Employee benefits expense | 24 | 417,730,347 | 330,556,328 |
| Finance costs | 25 | 104,695,704 | 41,446,706 |
| Depreciation and amortisation expense | 26 | 291,987,308 | 270,441,923 |
| Other expenses | 27 | 2,429,396,983 | 1,892,048,410 |
| Total expenses | | 10,360,688,426 | 10,219,361,919 |
| Profit before prior period items | | 556,663,996 | 718,026,045 |
| Prior period items (Net) | | 51,504 | (605,946) |
| Profit before exceptional, extraordinary items and tax | | 556,612,492 | 718,631,991 |
| Exceptional items | | - | - |
| Profit before extraordinary items and tax | | 556,612,492 | 718,631,991 |
| Extraordinary items | | - | - |
| Profit before tax | | 556,612,492 | 718,631,991 |
| Tax expense: | | | |
| Current tax | | | |
| Income Tax | | 145,888,658 | 182,255,591 |
| Minimum Alternate Tax Credit | | - | (11,087,842) |
| Short / (Excess) Provision of earlier years | | (942,822) | 3,602,334 |
| Deferred tax | | 40,869,460 | 60,567,658 |
| Profit for the period | | 370,797,196 | 483,294,250 |
| Earnings per equity share: | 30 | | |
| Basic | | 2.70 | 3.52 |
| Diluted | | 2.70 | 3.52 |

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 AccountantsATUL C. KIRLOSKAR
ChairmanR.V.GUMASTE
Managing DirectorS.B.PAGAD
PartnerC.S.PANICKER
Company SecretaryR.S.SRIVATSAN
Vice President-Finance

Pune: 27th April, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

| Particulars | 2011-12 | | 2010-11 |
|---|---------------|----------------------|---------------|
| | Rs. | Rs. | Rs. |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net Profit before tax | | 556,612,492 | 718,631,991 |
| Adjustments for: | | | |
| Depreciation | 291,987,308 | | 270,441,923 |
| Loss on sale of assets | 1,100,970 | | 6,424,431 |
| Rent on building | (1,447,594) | | (1,027,661) |
| Interest paid | 100,362,960 | | 38,111,943 |
| Interest income | (6,448,624) | | (8,319,097) |
| Dividend income | (128,061) | | (733,215) |
| | | 385,426,959 | 304,898,324 |
| Operating profit before working capital changes | | 942,039,451 | 1,023,530,315 |
| Movements in working capital: | | | |
| Decrease / (Increase) in Trade Receivables | (250,896,986) | | (457,296,173) |
| Decrease / (Increase) in Inventories | 322,615,114 | | (201,155,421) |
| Decrease / (Increase) in Short Term and Long Term Loans and Advances and Other Current Assets | (254,750,998) | | 104,150,111 |
| Increase / (Decrease) in Trade Payables and Other Current Liabilities | (342,240,731) | | 567,594,471 |
| Increase / (Decrease) in Short Term Provisions | 2,047,152 | | (35,853,528) |
| | | (523,226,449) | (22,560,540) |
| Cash generated from operations | | 418,813,002 | 1,000,969,775 |
| Taxes paid | | (140,799,110) | (252,276,459) |
| Net cash from operating activities (A) | | 278,013,892 | 748,693,316 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | | |
| Purchase of fixed assets, including intangible assets, CWIP and capital advances | (628,617,319) | | (498,635,004) |
| Proceeds from sale of fixed assets | 5,553,651 | | 18,833,393 |
| Investment in bank deposits (having original maturity of more than three months) | (100,000) | | - |
| Interest received | 5,994,576 | | 8,278,531 |
| Dividend received | 128,061 | | 733,215 |
| Rent on building | 1,447,594 | | 1,027,661 |
| Net cash used in investing activities (B) | | (615,593,437) | (469,762,204) |
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | |
| Interest paid | (100,362,960) | | (38,348,837) |
| Convertible warrant application money pending allotment | - | | 77,875 |
| Proceeds / (Repayment) of long term borrowings (Net) | - | | (62,857,142) |
| Increase / (Decrease) in cash credit | 549,650,290 | | - |
| Dividend | (137,308,081) | | (137,306,571) |
| Tax on dividend | (22,274,803) | | (22,804,906) |
| Net cash used in financing activities (C) | | 289,704,446 | (261,239,581) |
| Net Increase / (Decrease) in cash and cash equivalents (A + B + C) | | (47,875,099) | 17,691,531 |
| Cash and Cash Equivalents at the beginning of the year | 184,025,360 | | 166,333,829 |
| Cash and Cash Equivalents at the end of the year | 136,150,261 | | 184,025,360 |

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Vice President-Finance

Pune: 27th April, 2012

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.
- d. For preparation and presentation of the financial statements, erstwhile Schedule VI to the Companies Act, 1956 was used upto the year ended 31st March, 2011. For the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. Previous year's figures have been regrouped to conform to the current year classification.

2. 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.

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 installed at Koppal and acquired from Kirloskar Oil Engines Ltd, depreciation is provided on straight line method over the remaining useful life of the asset ranging from 5 years to 9 years.
- 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.

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.

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: At the year end, monetary items denominated in foreign currencies other than those covered by forward contracts are converted into rupee equivalents at the year-end exchange rates.
- 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. Sales are stated net of discounts, rebates and returns.

h. Borrowing Costs

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

| 3. SHARE CAPITAL | As at 31st March | |
|---|----------------------|---------------|
| | 2012 Rs. | 2011 Rs. |
| Authorised Share Capital | | |
| 210,000,000 (210,000,000) Equity Shares of Rs.5 each | 1,050,000,000 | 1,050,000,000 |
| 117,000,000 (117,000,000) Preference Shares of Rs.10 each | 1,170,000,000 | 1,170,000,000 |
| Total | 2,220,000,000 | 2,220,000,000 |
| Issued, Subscribed and Paid up Capital | | |
| 137,308,081 (137,308,081) Equity Shares of Rs.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, 2012 | | Year ended 31st March, 2011 | |
|--|-----------------------------|--------------------|-----------------------------|-------------|
| | Number | Rs. | Number | Rs. |
| Equity shares | | | | |
| Balance at the beginning of the year | 137,308,081 | 686,540,405 | 137,297,303 | 686,486,515 |
| Shares issued during the year pursuant to conversion of warrants | - | - | 10,778 | 53,890 |
| 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 face value of Rs.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% of the total shares

| Name of Shareholder | Year ended 31st March, 2012 | | Year ended 31st March, 2011 | |
|------------------------------|-----------------------------|--------------|-----------------------------|--------------|
| | No. of shares held | % of Holding | No. of shares held | % of Holding |
| Kirloskar Industries Limited | 65,992,002 | 48.06 | 65,992,002 | 48.06 |

d. Terms of Warrants:

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

From the commencement of warrant exercise period (i.e. 13th March, 2008) till 31st March, 2012, the Company has received applications from warrant holders for conversion of 302,916 warrants into equity shares for an amount aggregating to Rs.1,06,02,060 (inclusive of securities premium) and have been converted into Equity Shares (Equity Share Capital Rs.1,514,580 and Securities Premium Rs.9,087,480) till 31st March, 2012.

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 | |
| | 2012 | 2011 |
| Balance at the beginning of the year | 64,479,849 | 64,490,627 |
| Converted into equity shares during the year | - | 10,778 |
| Balance at the end of the year | 64,479,849 | 64,479,849 |
| Warrants pending for conversion into equity shares for which application money received at the end of the year | Nil | Nil |

Assuming that all warrants are converted into equity shares, the paid up equity share capital of the Company will enhance from Rs.686,540,405 (137,308,081 equity shares of Rs.5 each) to Rs.1,008,939,650 (201,787,930 equity shares of Rs.5 each). Also the securities premium will enhance by Rs.1,934,395,470.

| 4. | RESERVES AND SURPLUS | As at 31st March | |
|----|--|-------------------------|---------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Securities Premium Account | | |
| | Opening Balance | 1,938,379,992 | 1,938,056,652 |
| | Add : Securities premium credited on share issue | - | 323,340 |
| | Closing Balance Total (a) | 1,938,379,992 | 1,938,379,992 |
| | b. General Reserves | | |
| | Opening Balance | 150,000,000 | 100,000,000 |
| | Add: Current Year Transfer from Surplus | 50,000,000 | 50,000,000 |
| | Closing Balance Total (b) | 200,000,000 | 150,000,000 |
| | c. Surplus | | |
| | Opening Balance | 815,650,438 | 540,908,853 |
| | Add : | | |
| | Net Profit for the current year | 370,797,196 | 483,294,250 |
| | Excess Provision for Dividend Written Back (Refer Note no. 29) | 64,479,849 | 64,481,359 |
| | Excess Provision for Tax on Dividend Written Back (Refer Note no. 29) | 10,460,244 | 11,488,953 |
| | Less : | | |
| | Proposed Dividend on Equity Shares (Refer Note no. 28) | (201,787,930) | (201,787,930) |
| | Tax on above Dividend (Refer Note no. 28) | (32,735,047) | (32,735,047) |
| | Transfer to General Reserves | (50,000,000) | (50,000,000) |
| | Closing Balance Total (c) | 976,864,750 | 815,650,438 |
| | Total (a + b + c) | 3,115,244,742 | 2,904,030,430 |
| | 5. DEFERRED TAX LIABILITY (NET) | As at 31st March | |
| | | 2012 Rs. | 2011 Rs. |
| | a. Deferred Tax Liability | | |
| | Depreciation | 440,945,897 | 398,813,742 |
| | Total Liability | 440,945,897 | 398,813,742 |
| | b. Deferred Tax Assets | | |
| | Disallowance under Section 43 B of Income Tax Act | 15,077,751 | 14,842,127 |
| | Provision for doubtful debts | 5,317,107 | 4,290,036 |
| | Total Assets | 20,394,858 | 19,132,163 |
| | Net Deferred Tax Liability (a – b) | 420,551,039 | 379,681,579 |
| | 6. SHORT TERM BORROWINGS | As at 31st March | |
| | | 2012 Rs. | 2011 Rs. |
| | Secured | | |
| | Loans payable on demand | | |
| | Cash Credit from banks | 549,650,290 | - |
| | Total | 549,650,290 | - |

Security for Secured Loans :

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

| Particulars | As at 31st March | |
|--|------------------|---------------|
| | 2012 Rs. | 2011 Rs. |
| Outstanding amount under non fund based limits : | | |
| i. Aggregate value of the amount outstanding under the letters of credit | 1,579,842,409 | 1,792,875,928 |
| ii. Aggregate value of guarantees outstanding | 3,000,000 | 4,000,000 |

| 7. TRADE PAYABLES | As at 31st March | |
|--|----------------------|----------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Dues to Micro, Small and Medium Enterprises | 10,184,697 | 12,175,394 |
| b. Others | 2,047,904,950 | 2,552,878,261 |
| Total | 2,058,089,647 | 2,565,053,655 |

| 8. OTHER CURRENT LIABILITIES | As at 31st March | |
|--|--------------------|--------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Interest accrued but not due on borrowings | - | - |
| b. Interest accrued and due on borrowings | - | - |
| c. Creditors for capital goods - | | |
| i. Dues to Micro, Small and Medium Enterprises | 2,478,666 | 4,003,551 |
| ii. Others | 130,283,779 | 45,506,702 |
| d. Other payables | | |
| i. Creditors for expenses | 220,321,468 | 179,996,645 |
| ii. Earnest money deposit received | - | 12,000 |
| iii. Unclaimed dividend # | 10,650,686 | 6,879,497 |
| iv. Advance from customers | 70,573,105 | 33,992,502 |
| v. Vat Payable | 3,659,217 | 2,864,171 |
| Total | 437,966,921 | 273,255,068 |

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 | |
|--|-------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| a. Principal amount remaining unpaid | | |
| i. Trade payables | 10,184,697 | 12,175,394 |
| ii. Creditors for capital goods | 2,478,666 | 4,003,551 |
| b. Interest on above and unpaid interest | - | - |
| c. Interest paid | 1,127,969 | 5,614 |
| d. Payment made beyond the appointed day | 36,509,949 | 275,742 |
| e. Interest due and payable for the period of delay | - | - |
| f. Interest accrued and remaining unpaid at the end of the year | - | - |
| g. Amount of further interest remaining due and payable in succeeding year | - | - |

9. **SHORT TERM PROVISIONS**

| | As at 31st March | |
|---|--------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| a. Provision for employee benefits | | |
| i. Contribution to Provident and Superannuation funds | 4,758,875 | 4,437,520 |
| ii. Gratuity | 794,357 | 5,944,666 |
| iii. Leave encashment | 36,336,761 | 29,449,231 |
| b. Others | | |
| i. Proposed dividend | 201,787,930 | 201,787,930 |
| ii. Tax on proposed dividend | 32,735,047 | 32,735,047 |
| iii. Wealth tax | 215,448 | 226,872 |
| Total | 276,628,418 | 274,581,266 |

10. TANGIBLE ASSETS

(Amount in Rs.)

| Assets | Freehold land | Leasehold land | Buildings | Plant and Equipments | Plant and Equipments given on Lease | Furniture and Fixtures | Vehicles | Office Equipments | Computers | Total |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|-------------------------------------|------------------------|-------------------|-------------------|-------------------|----------------------|
| Gross Book Value | | | | | | | | | | |
| As at 31st March, 2010 | 40,015,036 | 41,905,207 | 855,192,647 | 3,659,786,378 | - | 11,817,151 | 18,477,245 | 21,227,566 | 19,716,903 | 4,668,138,133 |
| Additions | 1,626,765 | - | 7,573,428 | 347,480,364 | 3,153,624 | 165,630 | 10,070,273 | 1,097,535 | 830,637 | 371,998,256 |
| Disposals | - | - | - | 45,224,855 | - | - | 3,900,255 | 96,747 | - | 49,221,857 |
| As at 31st March, 2011 | 41,641,801 | 41,905,207 | 862,766,075 | 3,962,041,887 | 3,153,624 | 11,982,781 | 24,647,263 | 22,228,354 | 20,547,540 | 4,990,914,532 |
| Additions | - | 2,299,794 | 19,076,185 | 1,013,616,200 | 747,150 | 220,352 | 2,933,130 | 1,898,407 | 1,500,614 | 1,042,291,832 |
| Disposals | - | - | - | 6,309,029 | - | - | 3,410,168 | - | - | 9,719,197 |
| 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 |
| Depreciation | | | | | | | | | | |
| As at 31st March, 2010 | - | - | 246,466,031 | 1,590,254,710 | - | 7,798,369 | 4,584,788 | 10,698,469 | 12,919,218 | 1,872,721,585 |
| For the year | - | - | 25,807,638 | 235,671,455 | 125,241 | 478,727 | 1,798,716 | 1,169,724 | 2,007,128 | 267,058,629 |
| Disposals | - | - | - | 22,971,807 | - | - | 969,504 | 22,722 | - | 23,964,033 |
| As at 31st March, 2011 | - | - | 272,273,669 | 1,802,954,358 | 125,241 | 8,277,096 | 5,414,000 | 11,845,471 | 14,926,346 | 2,115,816,181 |
| For the year | - | - | 25,764,528 | 256,350,335 | 180,522 | 419,763 | 2,301,825 | 346,814 | 2,382,772 | 287,746,559 |
| Disposals | - | - | - | 1,614,837 | - | - | 1,449,739 | - | - | 3,064,576 |
| 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 |
| Net Book Value | | | | | | | | | | |
| As at 31st March, 2011 | 41,641,801 | 41,905,207 | 590,492,406 | 2,159,087,529 | 3,028,383 | 3,705,685 | 19,233,263 | 10,382,883 | 5,621,194 | 2,875,098,351 |
| 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 |

Note:

- For rate of depreciation and amortisation refer note no. 2 (c).
- The assets have been regrouped / reclassified for the current year as well as for the previous year to conform with revised Schedule VI.
- The depreciation for the year includes Rs. 1,795,787 pertaining to earlier years, on account of change in rates due to reclassification.

11. INTANGIBLE ASSETS

(Amount in Rs.)

| Assets | Mining Rights | Computer Software | Total |
|-------------------------------|------------------|-------------------|-------------------|
| Gross Book Value | | | |
| As at 31st March, 2010 | 1,150,000 | 20,456,615 | 21,606,615 |
| Additions | - | 5,078,973 | 5,078,973 |
| Disposals | - | - | - |
| As at 31st March, 2011 | 1,150,000 | 25,535,588 | 26,685,588 |
| Additions | - | 6,057,953 | 6,057,953 |
| Disposals | - | - | - |
| As at 31st March, 2012 | 1,150,000 | 31,593,541 | 32,743,541 |
| Depreciation / Amortisation | | | |
| As at 31st March, 2010 | 271,750 | 9,881,023 | 10,152,773 |
| For the year | 104,190 | 3,279,104 | 3,383,294 |
| Disposals | - | - | - |
| As at 31st March, 2011 | 375,940 | 13,160,127 | 13,536,067 |
| For the year | 104,190 | 4,136,559 | 4,240,749 |
| Disposals | - | - | - |
| As at 31st March, 2012 | 480,130 | 17,296,686 | 17,776,816 |
| Net Book Value | | | |
| As at 31st March, 2011 | 774,060 | 12,375,461 | 13,149,521 |
| As at 31st March, 2012 | 669,870 | 14,296,855 | 14,966,725 |

Note:

- For rate of depreciation and ammortisation refer note no. 2 (c).
- The assets have been regrouped / reclassified for the current year as well as for the previous year to conform with revised Schedule VI.

| 12. NON CURRENT INVESTMENTS | As at 31st March | |
|---|------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| Long Term Investments | | |
| Fully Paid Equity Shares | | |
| Trade - Unquoted | | |
| Kirloskar Proprietary Limited | 100 | 100 |
| One Equity Share with a Face value of Rs. 100 per share | | |
| Total | 100 | 100 |

| 13. | LONG TERM LOANS AND ADVANCES | As at 31st March | |
|-----|--|--------------------|-------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Capital advances | | |
| | i. Secured, considered good | - | - |
| | ii. Unsecured, considered good | 108,672,375 | 39,495,926 |
| | b. Sundry deposits | 71,818,739 | 47,569,441 |
| | c. Loans and advances to related parties | - | - |
| | d. Other loans and advances | | |
| | i. Unsecured and considered good | | |
| | Loans to employee | 3,064,697 | 2,262,423 |
| | ii. Doubtful | | |
| | Claims receivable | 4,500,000 | 4,500,000 |
| | Less: Provision | (4,500,000) | (4,500,000) |
| | Total | 183,555,811 | 89,327,790 |

| 14. | OTHER NON CURRENT ASSETS | As at 31st March | |
|-----|--|-------------------|-------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Non-current inventories - Refer Note No. 15 | 36,481,341 | 37,921,361 |
| | b. Non-current bank balances - Refer Note No. 17 | 368,243 | 268,243 |
| | c. Non-current trade receivables | | |
| | Unsecured, considered doubtful | 11,885,535 | 8,720,448 |
| | Less: Provision for doubtful debts | (11,885,535) | (8,720,448) |
| | Total | 36,849,584 | 38,189,604 |

| 15. | INVENTORIES | As at 31st March, 2012 | | As at 31st March, 2011 | |
|-----|-------------------------------|------------------------|----------------------|------------------------|----------------------|
| | | Current Rs. | Non-Current # Rs. | Current Rs. | Non-Current # Rs. |
| | a. i. Raw materials - at site | 621,974,977 | - | 467,634,729 | - |
| | ii. Raw materials -in transit | 178,019,648 | - | 629,999,436 | - |
| | | 799,994,625 | - | 1,097,634,165 | - |
| | b. Work-in-progress | 175,413,858 | - | 128,843,556 | - |
| | c. Finished goods | 92,898,752 | - | 179,447,068 | - |
| | d. Stores and spares | 185,585,392 | 36,481,341 | 162,034,775 | 37,921,361 |
| | e. By-Products | 13,775,261 | - | 22,323,438 | - |
| | Total | 1,267,667,888 | 36,481,341 | 1,590,283,002 | 37,921,361 |

Represents machinery spares

Details of Work-in-progress

| Particulars | As at 31st March | |
|--------------|--------------------|--------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Castings | 149,046,206 | 115,588,440 |
| b. Patterns | 22,178,546 | 7,663,643 |
| c. Others | 4,189,106 | 5,591,473 |
| Total | 175,413,858 | 128,843,556 |

Details of Finished Goods

| Particulars | As at 31st March | |
|--------------|-------------------|--------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Pig iron | 90,472,594 | 176,390,868 |
| b. Others | 2,426,158 | 3,056,200 |
| Total | 92,898,752 | 179,447,068 |

| 16. TRADE RECEIVABLES | As at 31st March | |
|---|----------------------|----------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Trade receivables outstanding for a period less than six months from the date they are due for payment | | |
| i. Secured, considered good | - | - |
| ii. Unsecured, considered good | 1,584,222,719 | 1,332,681,174 |
| iii. Unsecured, considered doubtful | - | - |
| Total (a) | 1,584,222,719 | 1,332,681,174 |
| b. Trade receivables outstanding for a period exceeding six months from the date they are due for payment | | |
| i. Secured, considered good | - | - |
| ii. Unsecured, considered good | 13,450,561 | 14,095,120 |
| iii. Unsecured, considered doubtful | - | - |
| Total (b) | 13,450,561 | 14,095,120 |
| Total (a + b) | 1,597,673,280 | 1,346,776,294 |

| 17. CASH AND BANK BALANCES | As at 31st March | |
|---|--------------------|--------------------|
| | 2012 Rs. | 2011 Rs. |
| Current | | |
| a. Cash and Cash Equivalents | | |
| I. Cash on hand | 211,724 | 305,305 |
| II. Balances with banks | | |
| i. In Current Accounts | 125,287,851 | 121,839,559 |
| ii. In Fixed Deposits | - | 55,001,000 |
| b. Other Bank balances | | |
| Earmarked balances (Unpaid Dividend Accounts) | 10,650,686 | 6,879,496 |
| Total | 136,150,261 | 184,025,360 |
| Non-current | | |
| a. Margin money deposit | 100,000 | - |
| b. Deposits with more than 12 months maturity | 268,243 | 268,243 |
| Total | 368,243 | 268,243 |

| 18. | SHORT TERM LOANS AND ADVANCES | As at 31st March | |
|-----|---|--------------------|--------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Advance Income Tax (Net of provision) | 99,423,400 | 103,581,550 |
| | b. Advances recoverable in cash / kind | 229,126,618 | 47,127,381 |
| | c. Balances with Central Excise / Customs | 62,842,339 | 49,432,488 |
| | d. Vat Receivable | 74,588,362 | 39,055,382 |
| | Total | 465,980,719 | 239,196,801 |

| 19. | OTHER CURRENT ASSETS | As at 31st March | |
|-----|---------------------------------|------------------|------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Prepaid expenses | 3,689,311 | 3,491,933 |
| | b. Interest accrued on deposits | 1,335,565 | 881,517 |
| | Total | 5,024,876 | 4,373,450 |

| 20. | REVENUE FROM OPERATIONS | Year ended 31st March | |
|-----|--|-----------------------|-----------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Sales | | |
| | I. Sale of products | | |
| | i. Pig Iron | 6,213,476,506 | 7,120,611,123 |
| | ii. Castings | 4,987,402,512 | 4,067,990,657 |
| | iii. By-products | 283,998,899 | 360,928,352 |
| | II. Other sales | | |
| | i. Iron scrap | 507,042,651 | 390,890,915 |
| | ii. Miscellaneous | 61,273,497 | 95,783,627 |
| | | 12,053,194,065 | 12,036,204,674 |
| | Less: Excise duty | 1,156,686,633 | 1,138,429,774 |
| | Total (a) | 10,896,507,432 | 10,897,774,900 |
| | b. Other Operating Income | | |
| | i. Provision no longer required written back | 8,491,054 | 19,807,059 |
| | ii. Sundry credit balances appropriated | 3,607,299 | - |
| | Total (b) | 12,098,353 | 19,807,059 |
| | Total (a + b) | 10,908,605,785 | 10,917,581,959 |

Product wise sales details (excluding excise duty)

| Particulars | Year ended 31st March | |
|--------------|-----------------------|-----------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Pig Iron | 5,626,165,615 | 6,470,416,898 |
| b. Castings | 4,493,262,692 | 3,635,831,792 |
| c. Others | 777,079,125 | 791,526,210 |
| Total | 10,896,507,432 | 10,897,774,900 |

| 21. OTHER INCOME | Year ended 31st March | |
|--------------------------------|-----------------------|-------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Interest | 6,448,624 | 8,319,097 |
| b. Dividend | 128,061 | 733,215 |
| c. Foreign Exchange Gain (Net) | - | 6,965,287 |
| d. Other non-operating income | | |
| i. Rent on building | 1,447,594 | 1,027,661 |
| ii. Miscellaneous income | 722,358 | 733,566 |
| iii. Insurance claim received | - | 111,150 |
| iv. Sales Tax Refund | - | 1,916,029 |
| Total | 8,746,637 | 19,806,005 |

| 22. COST OF MATERIAL CONSUMED | Year ended 31st March | |
|-------------------------------------|-----------------------|---------------|
| | 2012 Rs. | 2011 Rs. |
| Stock at the beginning of the year | 1,097,634,165 | 1,079,996,809 |
| Add : Purchases | 6,770,712,353 | 7,829,686,198 |
| | 7,868,346,518 | 8,909,683,007 |
| Less : Stock at the end of the year | 799,994,625 | 1,097,634,165 |
| Cost of material consumed | 7,068,351,893 | 7,812,048,842 |

| Details of raw materials consumed | Year ended 31st March | |
|-----------------------------------|-----------------------|----------------------|
| | 2012 Rs. | 2011 Rs. |
| a. Iron Ore Lumps | 2,031,997,268 | 2,068,456,970 |
| b. Coke | 3,749,485,926 | 4,649,300,076 |
| c. M.S / C.I. Scrap | 1,091,828,846 | 938,479,704 |
| d. Others | 195,039,853 | 155,812,092 |
| Total | 7,068,351,893 | 7,812,048,842 |

| 23. | CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND BY-PRODUCT | Year ended 31st March | |
|-----|--|------------------------------|---------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Inventory at the end 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 (a) | 282,087,871 | 330,614,062 |
| | b. Inventory at the beginning of the year | | |
| | i. Work-in-progress | 128,843,556 | 105,713,299 |
| | ii. Finished goods | 179,447,068 | 74,052,188 |
| | iii. By-Products | 22,323,438 | 23,668,285 |
| | Total (b) | 330,614,062 | 203,433,772 |
| | (Increase) / Decrease (b – a) | 48,526,191 | (127,180,290) |

| 24. | EMPLOYEE BENEFITS EXPENSE | Year ended 31st March | |
|-----|----------------------------------|------------------------------|---------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Salaries and incentives | 345,281,436 | 281,964,116 |
| | b. Contributions to - | | |
| | i. Provident fund | 17,271,121 | 16,433,546 |
| | ii. Superannuation Scheme | 1,575,880 | 1,440,490 |
| | iii. Others | 2,497,530 | 2,309,729 |
| | c. Gratuity fund contributions | 3,223,152 | (7,593,227) |
| | d. Staff welfare expenses | 47,881,228 | 36,001,674 |
| | Total | 417,730,347 | 330,556,328 |

| 25. | FINANCE COSTS | Year ended 31st March | |
|-----|----------------------|------------------------------|---------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Interest expense | | |
| | i. on fixed loans | 16,508,806 | 3,621,144 |
| | ii. on others | 83,854,154 | 34,490,799 |
| | b. Bank charges | 4,332,744 | 3,334,763 |
| | Total | 104,695,704 | 41,446,706 |

| 26. | DEPRECIATION AND AMORTISATION EXPENSE | Year ended 31st March | |
|-----|--|------------------------------|---------------------|
| | | 2012 Rs. | 2011 Rs. |
| | a. Tangible assets | 287,746,559 | 267,058,629 |
| | b. Intangible assets | 4,240,749 | 3,383,294 |
| | Total | 291,987,308 | 270,441,923 |

| 27. OTHER EXPENSES | Year ended 31st March | |
|--|-----------------------|----------------------|
| | 2012 Rs. | 2011 Rs. |
| a. OPERATIONAL EXPENSES | | |
| Consumption of stores and spare parts | 986,170,856 | 863,299,921 |
| Power, fuel and water | 745,924,013 | 561,494,322 |
| Machinery hire | 3,751,249 | 1,268,441 |
| Repairs and maintenance | | |
| - Machinery | 66,025,300 | 68,305,901 |
| - Buildings | 14,196,494 | 18,722,412 |
| MBF relining expenses | 46,470,724 | - |
| Fettling and labour charges | 142,493,274 | 117,436,408 |
| Excise duty on increase / (decrease) in closing stock of finished goods | (7,228,924) | 11,713,685 |
| Total (a) | 1,997,802,986 | 1,642,241,090 |
| b. SELLING EXPENSES | | |
| Freight and forwarding expenses (Net) | 77,083,374 | 64,726,373 |
| Advertisement | 905,215 | 1,051,055 |
| Sales commission and incentive | 40,576,718 | 38,444,991 |
| Royalty | 26,394,894 | 26,506,992 |
| Total (b) | 144,960,201 | 130,729,411 |
| c. ADMINISTRATIVE EXPENSES | | |
| Rent | 1,156,630 | 1,147,810 |
| Rates and taxes | 8,691,548 | 6,408,672 |
| Insurance | 2,628,176 | 2,565,583 |
| Other repairs and maintainance | 8,393,637 | 5,416,825 |
| Travelling expenses | 13,819,270 | 14,088,288 |
| Legal and professional charges | 12,577,239 | 10,277,843 |
| Communication expenses | 5,479,652 | 5,325,275 |
| Printing and stationery | 2,808,475 | 3,579,541 |
| Auditors remuneration (refer details below) | 1,650,961 | 1,378,139 |
| Miscellaneous expenses | 29,093,137 | 38,540,410 |
| Directors' commission | 12,100,000 | 12,100,000 |
| Bad debts written off | 1,414,501 | 3,717,183 |
| Provision for doubtful debts | 3,165,088 | 2,137,909 |
| Directors sitting fees | 640,000 | 720,000 |
| Donations | 3,685,823 | 5,250,000 |
| Foreign exchange loss (Net) | 178,228,689 | - |
| Loss on assets sold, demolished, discarded and scrapped | 1,100,970 | 6,424,431 |
| Total (c) | 286,633,796 | 119,077,909 |
| Total (a + b + c) | 2,429,396,983 | 1,892,048,410 |

| Details of payments to auditors | Year ended 31st March | |
|---------------------------------|-----------------------|------------------|
| | 2012 Rs. | 2011 Rs. |
| a. As Auditor | | |
| i. Audit fee | 1,075,000 | 895,000 |
| ii. Tax audit fee | 190,000 | 150,000 |
| iii. Limited review | 210,000 | 150,000 |
| b. In other capacity | | |
| i. Taxation matters | 31,240 | 34,032 |
| ii. Certification fees | 85,000 | 90,700 |
| c. Reimbursement of expenses | 59,721 | 58,407 |
| Total | 1,650,961 | 1,378,139 |

28. Details of Proposed Dividend and tax thereon, as on 31st March, 2012 :

| Particulars | Dividend Rs. | Tax on Dividend Rs. |
|--|--------------------|------------------------|
| a. Paid up Equity Share capital as on 31st March, 2012 | 137,308,081 | 22,274,803 |
| b. Provision towards likely conversion of 64,479,849 Warrants into Equity Shares of Rs.5 each on or before book closure date | 64,479,849 | 10,460,244 |
| Total | 201,787,930 | 32,735,047 |

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

| Particulars | Year ended 31st March | |
|---|-----------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| Provision made in the accounts for dividend @ 20% (previous year 20%) on likely conversion of 64,479,849 warrants (previous year 64,490,627 warrants) into equity shares of Rs.5 each on or before the book closure date for Annual General Meeting | 64,479,849 | 64,490,627 |
| Dividend on actual warrants nil nos (previous year 9,268 nos) converted into equity shares of Rs.5 each on or before the book closure date for Annual General Meeting | - | 9,268 |
| Excess Provision written back | 64,479,849 | 64,481,359 |

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

| Particulars | Year ended 31st March | |
|------------------------------------|-----------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| Provision made for tax on dividend | 32,735,047 | 34,293,859 |
| Actual tax paid | 22,274,803 | 22,804,906 |
| Excess Provision written back | 10,460,244 | 11,488,953 |

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

| Particulars | Year ended 31st March | |
|--|-----------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| a. Earnings per share (EPS) | | |
| Basic | 2.70 | 3.52 |
| Diluted | 2.70 | 3.52 |
| b. Net profit after tax considered for the calculation of EPS | 370,797,196 | 483,294,250 |
| c. Weighted average number of equity shares used in computing earnings per equity share: | 137,308,081 | 137,306,109 |
| d. Face value of each equity share | 5 | 5 |

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 | |
|---|-----------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| a. Employer's contribution to Provident Fund | 17,271,121 | 16,433,546 |
| b. Employer's contribution to Superannuation Fund | 1,575,880 | 1,440,490 |

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 | |
| | 2012 Rs. | 2011 Rs. |
| a. Changes in the Present Value of Obligations (PVO) | | |
| PVO at beginning of Period | 83,900,533 | 90,426,114 |
| Interest Cost | 6,718,759 | 7,049,488 |
| Current Service cost | 7,230,982 | 7,538,039 |
| Benefits Paid | (5,903,266) | (4,615,025) |
| Acturial (gain) / loss on obligation | (3,625,160) | (16,498,083) |
| PVO at end of period | 88,321,848 | 83,900,533 |
| b. Changes in fair value of plan assets | | |
| Fair Value of Plan Assets at beginning of period | 77,955,867 | 50,411,281 |
| Expected Return on Plan Assets | 7,293,500 | 5,633,500 |
| Contribution | 8,373,461 | 26,476,940 |
| Benefit Paid | (5,903,266) | (4,615,025) |
| Acturial (gain) / loss on obligation | (192,071) | 49,171 |
| Fair Value of Plan Assets at the end of period | 87,527,491 | 77,955,867 |
| c. Fair value of plan assets | | |
| Fair Value of Plan Assets at beginning of period | 77,955,867 | 50,411,281 |
| Actual Return on Plan Assets | 7,101,429 | 5,682,671 |
| Contributions | 8,373,461 | 26,476,940 |
| Benefit Paid | (5,903,266) | (4,615,025) |
| Fair Value of Plan Assets at end of period | 87,527,491 | 77,955,867 |
| Funded Status | (794,357) | (5,944,666) |
| Excess of actual over estimated return on Plan Assets | (192,071) | 49,171 |
| d. Acturial Gain / (Loss) Recognised | | |
| Acturial Gain / (Loss) for the period (obligation) | 3,625,160 | 16,498,083 |
| Acturial Gain / (Loss) for the period (Plan Assets) | (192,071) | 49,171 |
| Total Gain / (Loss) for the period | 3,433,089 | 16,547,254 |
| Acturial Gain / (Loss) Recognised for the period | 3,433,089 | 16,547,254 |
| 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 | 88,321,848 | 83,900,533 |
| Fair value of Plan Assets at end of Period | 87,527,491 | 77,955,867 |
| Funded Status | (794,357) | (5,944,666) |
| Unrecognised Acturial Gain / (Loss) at end of period | Nil | Nil |
| Net Assets / (Liability) recognised in the Balance Sheet | (794,357) | (5,944,666) |

| Particulars | Gratuity (Funded) | |
|---|-----------------------|------------------|
| | Year ended 31st March | |
| | 2012 Rs. | 2011 Rs. |
| f. Amount recognised in the Statement of Profit and Loss | | |
| Current Service Cost | 7,230,982 | 7,538,039 |
| Interest Cost | 6,718,759 | 7,049,488 |
| Expected Return on Plan Assets | (7,293,500) | (5,633,500) |
| Net Actuarial (Gain) / Loss recognised for the period | (3,433,089) | (16,547,254) |
| Expenses recognised in Statement of Profit and Loss | 3,223,152 | (7,593,227) |
| g. Movements in the Liability recognised in Balance Sheet | | |
| Opening Net Liability | 5,944,666 | 40,014,833 |
| Expenses as above | 3,223,152 | (7,593,227) |
| Contribution paid | (8,373,461) | (26,476,940) |
| Closing Net Liability | 794,357 | 5,944,666 |
| h. Actuarial Assumptions | | |
| Mortality | LIC(1994-96) Ult | LIC(1994-96) Ult |
| Discount Rate | 8.50% | 8.30% |
| 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 2012 Rs. | Percent | As at 31st March 2011 Rs. | Percent |
|---|------------------------------------|---------------|------------------------------------|---------------|
| a. In Government Securities | Nil | - | Nil | - |
| b. State Government Bonds | Nil | - | 938,813 | 1.20 |
| c. Balances in Current Accounts with scheduled Banks | 87,694 | 0.10 | 489,614 | 0.63 |
| d. Income Tax Authorities (TDS) | Nil | - | 45,594 | 0.06 |
| e. Funds with Life Insurance Corporation of India | 87,439,797 | 99.90 | 76,481,846 | 98.11 |
| Total | 87,527,491 | 100.00 | 77,955,867 | 100.00 |

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

| Class of Provision | Opening balance as on 1st April 2011 | Provisions for the year | Amounts used during the year | Amounts reversed during the year | Closing balance as on 31st March, 2012 |
|--------------------|--------------------------------------|-------------------------|------------------------------|----------------------------------|--|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Casting rejections | 2,176,493 | 4,377,582 | 2,176,493 | - | 4,377,582 |

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** :

- Associate Company : Kirloskar Industries Limited
- Key Management Personnel : Mr. R.V.Gumaste – Managing Director
- Transactions with related parties :

| Particulars | Associate Company Year ended 31st March | | Key Management Personnel Year ended 31st March | |
|----------------------------------|--|------------|---|------------|
| | 2012 Rs | 2011 Rs | 2012 Rs | 2011 Rs |
| i. Remuneration | - | - | 16,323,272 | 16,509,670 |
| ii. Dividend | 65,992,002 | 65,992,002 | 99,000 | 24,000 |
| iii. Building rent paid | 794,160 | 794,160 | - | - |
| iv. Outstanding as on 31st March | | | | |
| Outstanding receivables | Nil | Nil | - | - |
| Outstanding payables | Nil | Nil | - | - |

- 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 | |
|-------------------------------------|-----------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| Salary | 4,680,000 | 4,680,000 |
| Contribution to Provident Fund | 489,600 | 489,600 |
| Contribution to Superannuation Fund | 612,000 | 612,000 |
| Perquisites | 40,540 | 44,400 |
| Leave travel assistance | 90,000 | 90,000 |
| Commission | 10,000,000 | 10,000,000 |
| Gratuity | 56,330 | 593,670 |
| Leave encashment | 354,802 | Nil |
| Total | 16,323,272 | 16,509,670 |

| | | | |
|-----|--|-------------------------|---------------------|
| 36. | Capital and Other Commitments | As at 31st March | |
| | | 2012 Rs. | 2011 Rs. |
| | Estimated amount of contracts remaining to be executed on capital account and not provided for | 1,488,584,737 | 319,776,176 |

| | | | |
|-----|---|-------------------------|---------------------|
| 37. | Contingent Liabilities | As at 31st March | |
| | | 2012 Rs. | 2011 Rs. |
| | a. Central Excise (Matter Subjudice) | 22,642,373 | 15,156,639 |
| | b. Service Tax (Matter Subjudice) | 33,762,260 | 8,024,421 |
| | c. Income Tax (Matter Subjudice) | 87,585,582 | 85,792,762 |
| | d. Interest on Electricity Tax (Matter Subjudice) | 604,782 | 604,782 |
| | e. Labour Matters (Matter Subjudice), to the extent quantifiable. | 1,578,867 | 1,420,670 |

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 |
|---|-------------|----------------------------|----------------------------|-------------------------|
| Payables As at 31st March, 2012 | USD | 8,519,611 | 450,688,111 | Hedging the Risk |
| | EURO | 451,278 | 31,898,835 | |
| As at 31st March, 2011 | USD | 10,369,280 | 470,625,326 | Hedging the Risk |

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

| Particulars | Currency | Amount in foreign currency | Equivalent Indian currency |
|-------------------------------|-------------|----------------------------|----------------------------|
| 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 |
| As at 31st March, 2011 | | | |
| Receivables | EURO | 21,727 | 1,332,030 |
| Payables | USD | 22,593,011 | 1,008,818,949 |
| | EURO | 113,463 | 7,175,435 |

| | | | |
|-----|---------------------------------------|------------------------------|---------------------|
| 39. | Particulars | Year ended 31st March | |
| | | 2012 Rs. | 2011 Rs. |
| | Amount of borrowing costs capitalised | Nil | Nil |

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

| Particulars | Year ended 31st March | |
|--------------------------------------|-----------------------|---------------|
| | 2012 Rs. | 2011 Rs. |
| a. C.I.F. value of imports | | |
| i. Capital goods | 116,318,983 | 6,161,050 |
| ii. Raw materials | 2,183,740,288 | 3,461,598,529 |
| iii. Stores and spares | 19,372,093 | 7,472,574 |
| b. Expenditure in foreign currencies | | |
| i. Interest | 11,946,411 | 14,843,603 |
| ii. Professional fee | 7,501,953 | 15,361,437 |
| iii. Others | 3,851,347 | 722,417 |

41. Earnings in foreign exchange:

| Particulars | Year ended 31st March | |
|----------------------|-----------------------|-------------|
| | 2012 Rs. | 2011 Rs. |
| FOB value of exports | 5,271,585 | 15,341,434 |

42. a. Imported and indigenous raw material consumption:

| Particulars | Year ended 31st March, 2012 | | Year ended 31st March, 2011 | |
|----------------|-----------------------------|---------------|-----------------------------|---------|
| | Rs. | Percent | Rs. | Percent |
| i. Imported | 2,145,268,511 | 30.35 | 3,051,810,469 | 39.07 |
| ii. Indigenous | 4,923,083,382 | 69.65 | 4,760,238,373 | 60.93 |
| Total | 7,068,351,893 | 100.00 | 7,812,048,842 | 100.00 |

b. Imported and indigenous stores and spares consumption:

| Particulars | Year ended 31st March, 2012 | | Year ended 31st March, 2011 | |
|----------------|-----------------------------|---------------|-----------------------------|---------|
| | Rs. | Percent | Rs. | Percent |
| i. Imported | 9,194,067 | 0.93 | 4,098,386 | 0.47 |
| ii. Indigenous | 976,976,789 | 99.07 | 859,201,535 | 99.53 |
| Total | 986,170,856 | 100.00 | 863,299,921 | 100.00 |

As per our report of even date attached

For M/s P. G. Bhagwat
Chartered Accountants

S.B.PAGAD
Partner

Pune: 27th April, 2012

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

C.S.PANICKER
Company Secretary

R.V.GUMASTE
Managing Director

R.S.SRIVATSAN
Vice President-Finance

(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,

TEAR HERE

| | | |
|-----------------------------------|------------------------------------|-----------------------------------|
| Name : | Name : | Name : |
| Signature of First shareholder | Signature of Second shareholder | 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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KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

ATTENDANCE SLIP

21st Annual General Meeting on 24th July, 2012 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 21st 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 Tuesday, the 24th July, 2012 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 21st 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 Tuesday, the 24th July, 2012 at 12 noon and at any adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this day of 2012

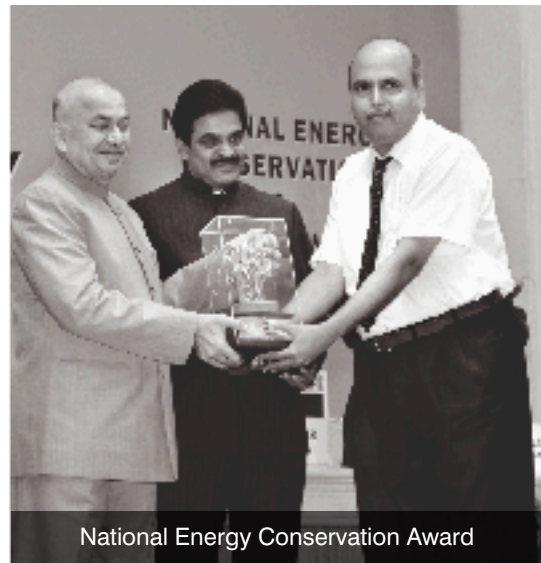
Please
affix
Re.1
Revenue
Stamp

(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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National Energy Conservation Award



Sinter Plant



Fettling Shop



CII-EXIM Bank Award for 2011



Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

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

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